CUSTOMER-CENTRICITY *through* AGILE@SCALE

FIT22
Fund. Invest. Transform

RHB

RHB Investment Bank Berhad

2018

BRAND PROMISE

Together we progress

- Being your trusted partner
- Delivering simple, fast and seamless experiences
- Providing solutions that help achieve your goals
- Nurturing future generations

VALUES

PROFESSIONAL

We are committed to maintain a high level of proficiency, competency and reliability in all that we do.

RESPECT

We are courteous, humble and we show empathy to everyone through our actions and interactions.

INTEGRITY

We are honest, ethical and we uphold a high standard of governance.

DYNAMIC

We are proactive, responsive and forward thinking.

EXCELLENCE

We will continuously achieve high standards of performance and service deliverables.

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Branch Network

Online Version www.rhbgroup.com

Cross References

Tells you where you can find more information within the reports

Tells you where you can find more information online at www.rhbgroup.com

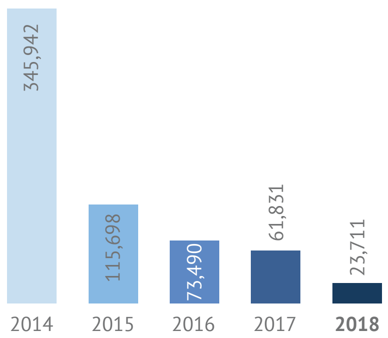
Five-Year Financial Summary

	Audited 2018	Audited 2017	Audited 2016	Audited 2015	Audited 2014
RESULTS (RM'000)					
Profit before tax	**23,711**	61,831	73,490	115,698	345,942
Net (loss)/profit for the financial year	**(12,424)**	21,078	31,334	72,510	285,072
Dividend paid	**–**	–	–	–	14,200
STATEMENTS OF FINANCIAL POSITION (RM'000)					
Share capital	**1,487,773**	1,487,773 [N1]	818,646	818,646	818,646
Shareholder's equity (attributable to owner of the Bank)	**2,219,336**	2,218,276	3,066,619	3,104,259	2,951,088
Total assets	**7,758,890**	9,148,293	10,027,114	11,183,542	12,388,741
Loans and advances	**1,600,323**	1,753,928	1,792,172	2,069,802	2,285,890
Total deposits	**2,865,434**	3,658,734	3,375,653	4,753,162	6,646,316
RATIOS					
Basic earnings per share (sen)	**(13.4)**	3.2	3.7	8.7	32.6
Dividends per share (sen)	**–**	–	–	–	1.7
Net tangible assets per share (sen)	**1,657.9**	264.5	214.2	218.7	199.6
Return on shareholder's equity (%)	**(0.6)**	0.9	1.0	2.3	9.0

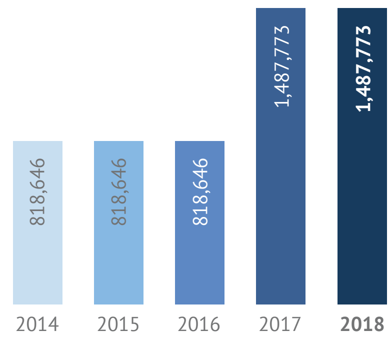
N1: The Bank has transferred a total of RM1,515,150,000 from its share premium account to the share capital pursuant to the Companies Act 2016 and cancellation of 718,646,000 shares of the Bank amounting to RM846,023,000 from the entire consolidated issued capital of RM2,333,796,000.

Five-Year Financial Highlights

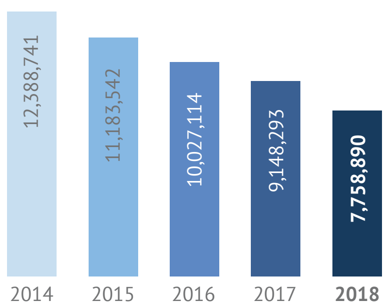
Profit Before Tax (RM'000)



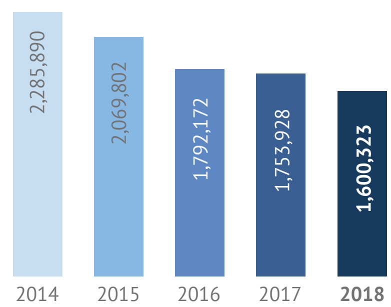
Share Capital (RM'000)



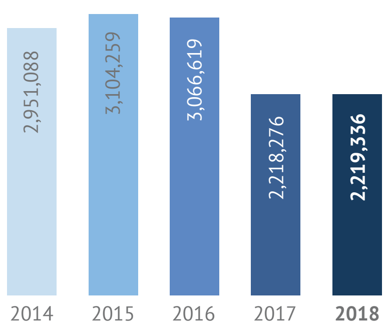
Total Assets (RM'000)



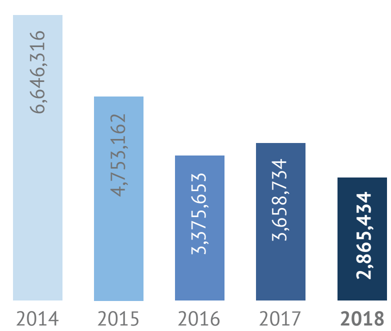
Loans and Advances (RM'000)



Shareholders' Equity (RM'000) (attributable to owner of the Bank)



Total Deposits (RM'000)



Corporate Information

as at 4 April 2019

BOARD OF DIRECTORS

Tan Sri Azlan Zainol
Non-Independent Non-Executive Chairman

Chin Yoong Kheong
Senior Independent Non-Executive Director

Tan Sri Ong Leong Huat @ Wong Joo Hwa
Non-Independent Non-Executive Director

Yap Chee Meng
Independent Non-Executive Director

Tan Sri Dr Rebecca Fatima Sta Maria
Independent Non-Executive Director

Dato' Darawati Hussain
Independent Non-Executive Director

Sharifatu Laila Syed Ali
Independent Non-Executive Director

BOARD AUDIT COMMITTEE#

Ong Ai Lin
Independent Non-Executive Director/Chairperson

Tan Sri Saw Choo Boon
Non-Independent Non-Executive Director

Sharifatu Laila Syed Ali
Independent Non-Executive Director

BOARD RISK COMMITTEE#

Chin Yoong Kheong
Independent Non-Executive Director/Chairman

Tan Sri Saw Choo Boon
Non-Independent Non-Executive Director

Ong Ai Lin
Independent Non-Executive Director

BOARD CREDIT COMMITTEE#

Dato' Abd Rahman Dato' Md Khalid
Independent Non-Executive Director/Chairman

Tan Sri Ong Leong Huat
Non-Independent Non-Executive Director

Lim Cheng Teck
Independent Non-Executive Director

BOARD NOMINATING & REMUNERATION COMMITTEE#

Tan Sri Dr Rebecca Fatima Sta Maria
Senior Independent Non-Executive Director/
Chairperson

Tan Sri Saw Choo Boon
Non-Independent Non-Executive Director

Ong Ai Lin
Independent Non-Executive Director

Sharifatu Laila Syed Ali
Independent Non-Executive Director

Note:
The Committee is shared with the relevant subsidiaries of the Group.

COMPANY SECRETARY

Azman Shah Md Yaman
(LS 0006901)

REGISTERED OFFICE

Level 10, Tower One
RHB Centre, Jalan Tun Razak
50400 Kuala Lumpur, Malaysia
Tel : 603-9287 3888
Fax : 603-9281 9314

COMPANY NO.

19663-P

AUDITORS

PricewaterhouseCoopers PLT
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat, Kuala Lumpur Sentral
50470 Kuala Lumpur
P. O. Box 10192
50706 Kuala Lumpur
Tel : 603 2173 1188
Fax : 603 2173 1288

Group Corporate Structure

as at 1 April 2019

RHB Bank Berhad

COMMERCIAL BANKING GROUP

- 100.00% RHB Islamic Bank Berhad
- 100.00% RHB Bank (L) Ltd
  - 100.00% RHB International Trust (L) Ltd
    - 100.00% RHB Corporate Services Sdn Bhd
- 100.00% RHB Leasing Sdn Bhd
- 100.00% RHB Capital Nominees (Tempatan) Sdn Bhd
  - 100.00% RHB Capital Nominees (Asing) Sdn Bhd
- 100.00% RHB Capital Properties Sdn Bhd
- 100.00% Utama Assets Sdn Bhd
- 100.00% RHB Bank Nominees Pte Ltd (Singapore)
- 100.00% Banfora Pte Ltd (Singapore)
- 100.00% RHB Investment Ltd (Singapore)
- 100.00% Utama Gilang Sdn Bhd(2)
- 100.00% UMBC Sdn Bhd*
- 100.00% RHB Delta Sdn Bhd(2)
- 100.00% RHB Indochina Bank Limited
- 100.00% RHB Bank Lao Limited

INVESTMENT BANKING GROUP

100.00% RHB Investment Bank Berhad

- 100.00% RHB International Investments Pte Ltd
  - 100.00% RHB Asset Management Pte Ltd
    - 40.00% RHB GC-Millennium Capital Pte Ltd(4)
- 100.00% RHB Hong Kong Limited
  - 100.00% RHB Securities Hong Kong Limited
  - 100.00% RHB Futures Hong Kong Limited
  - 100.00% RHB Finance Hong Kong Limited
  - 100.00% RHB Capital Hong Kong Limited
  - 100.00% RHB Fundamental Capital Hong Kong Limited(7)
  - 100.00% RHB Asset Management Limited
  - 100.00% RHB Wealth Management Hong Kong Limited
  - 100.00% RHB (China) Investment Advisory Co Ltd
- 99.00% PT RHB Sekuritas Indonesia
  - 99.62% PT RHB Asset Management Indonesia
- 100.00% RHB Securities Singapore Pte Ltd
  - 100.00% RHB Nominees Singapore Pte Ltd#
  - 100.00% Summit Nominees Pte Ltd#
  - 100.00% RHB Research Institute Singapore Pte Ltd
- 99.95% RHB Securities (Thailand) Public Company Limited
- 100.00% RHB Indochina Securities Plc.
- 100.00% RHB Securities Vietnam Company Limited
  (formerly known as Vietnam Securities Corporation)(8)

OTHERS

- 100.00% RHB Equities Sdn Bhd*
- 100.00% RHB Capital (Jersey) Limited
  - 100.00% RHB (Philippines) Inc[1]*
- 100.00% RHB Property Management Sdn Bhd
- 100.00% RHBF Sdn Bhd*
- 100.00% RHB Kawal Sdn Bhd

94.70% RHB Insurance Berhad

- 100.00% RHB Futures and Options Sdn Bhd*
- 100.00% RHB Research Sdn Bhd[6]
- 100.00% RHB International Asset Management Sdn Bhd*
- 100.00% RHBIB Nominees (Tempatan) Sdn Berhad[6]
- 100.00% RHBIB Nominees (Asing) Sdn Berhad[6]
- 100.00% TCL Nominees (Tempatan) Sdn Bhd[6]
- 100.00% TCL Nominees (Asing) Sdn Bhd[6]
- 100.00% KE-ZAN Nominees (Tempatan) Sdn Bhd[6]
- 100.00% KE-ZAN Nominees (Asing) Sdn Bhd[6]
- 80.00% RHB Trustees Berhad[5] — 20.00%
- 80.00% Malaysian Trustees Berhad[5] — 20.00%
- 100.00% RHBIM Berhad*
- 100.00% RHB Asset Management Sdn Bhd
  - 100.00% RHB Islamic International Asset Management Berhad
  - 100.00% RHB Islamic Asset Management Sdn Bhd*
- 100.00% RHB Research Institute Sdn Bhd
- 100.00% RHB Merchant Nominees (Tempatan) Sdn Bhd
  - 100.00% RHB Merchant Nominees (Asing) Sdn Bhd
- 100.00% RHB Nominees Sdn Bhd
- 100.00% RHB Nominees (Tempatan) Sdn Bhd
- 100.00% RHB Nominees (Asing) Sdn Bhd
- 100.00% RHB Excel Sdn Bhd[3]
- 100.00% RHB Progressive Sdn Bhd[3]
- 100.00% RHB Marketing Services Sdn Bhd[2]
- 100.00% RHB Unit Trust Management Berhad[3]
- 100.00% RHB Private Equity Holdings Sdn Bhd
  - 100.00% RHB Private Equity Management Ltd
  - 100.00% RHB Private Equity Fund Ltd (Cayman Islands)

40.05% RHB Finexasia.Com Sdn Bhd — 59.95%
- 100.00% RHB Stock 188.Com Sdn Bhd*

Notes:

* Dormant Company

\# Inactive

(1) The company has ceased operations from the close of business on 10 December 2001.

(2) The company has commenced members' voluntary winding-up on 16 February 2011.

(3) The company has commenced members' voluntary winding-up on 28 March 2012.

(4) Jointly controlled entity.

(5) Direct shareholdings of 20.00% each held by:
  (i) RHB Investment Bank Berhad;
  (ii) RHB Nominees (Tempatan) Sdn Bhd;
  (iii) RHB Nominees (Asing) Sdn Bhd;
  (iv) RHB Futures and Options Sdn Bhd; and
  (v) RHB Bank Berhad.

(6) The company has commenced members' voluntary winding-up on 30 June 2017.

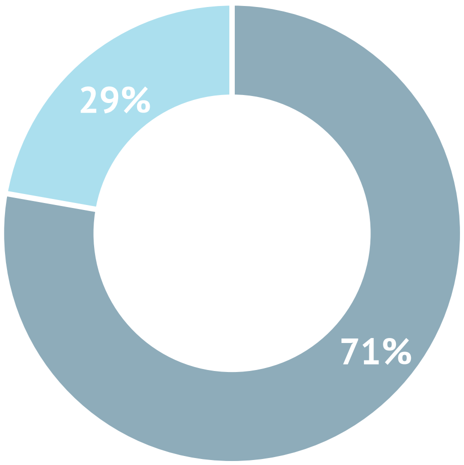
(7) The company has commenced the application for deregistration on 5 December 2018 and accordingly dissolved on 18 April 2019.

(8) On 19 February 2019, the company became a wholly-owned subsidiary of RHB Investment Bank Berhad.

Our Board at a Glance

THE DIVERSITY AND SKILLS OF THE BOARD ENSURE THAT RHB INVESTMENT BANK BERHAD IS STEERED TO DELIVER GROWTH TO ALL OUR STAKEHOLDERS.

BOARD COMPOSITION



Independent Non-Executive Directors

Non-Independent Non-Executive Directors

KEY FEATURES OF OUR BOARD

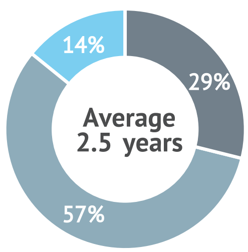
71%

The **Board** comprises **71% Independent Directors**

The **Chairman** is a **Non-Independent Non-Executive Director**

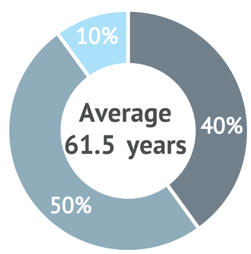
The **positions** of the **Chairman** and the **Chief Executive Officer** are **held by different individuals**

BOARD TENURE



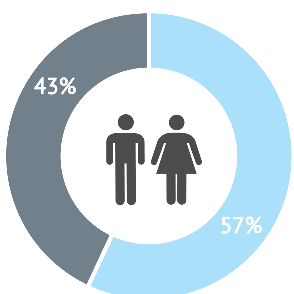
Below 2 years	2
2 – 6 years	4
More than 6 years	1

AGE



66 years & above	2
51 years - 65 years	4
50 years & below	1

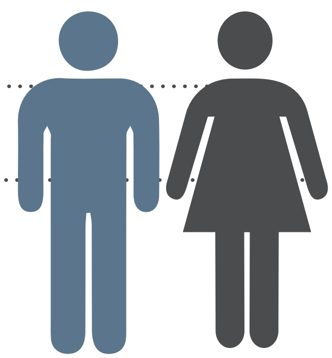
GENDER



Male	4
Female	3

ETHNICITY

Malay	3
Chinese	3
Eurasian	1



NATIONALITY

Malaysian
6

Singaporean
1

Profile of the Board of Directors

as at 4 April 2019

TAN SRI AZLAN ZAINOL

Non-Independent Non-Executive Chairman

Age/Gender/Nationality
68/Male/Malaysian

Number of Board Meetings Attended
12/12

Date of Appointment
27 June 2016

Length of Service
2 years 9 months

Qualifications

- Fellow of the Institute of Chartered Accountants in England and Wales
- Fellow Chartered Banker of the Asian Institute of Chartered Bankers
- Member of the Malaysian Institute of Accountants
- Member of the Malaysian Institute of Certified Public Accountants

Other Directorship(s)

Listed Entities:

- RHB Bank Berhad (Chairman)
- Malaysian Resources Corporation Berhad (Chairman)
- Eco World International Berhad (Chairman)
- Kuala Lumpur Kepong Berhad
- Grand-Flo Berhad (Chairman)

Public Companies:

- Yayasan Astro Kasih (Chairman/ Trustee)
- OSK Foundation (Trustee)
- Financial Reporting Foundation (Chairman)
- RHB Capital Berhad (In Member's Voluntary Liquidation)
- Rashid Hussain Berhad (In Member's Voluntary Liquidation)

Skills and Experience

Tan Sri Azlan Zainol was previously the Chief Executive Officer of the Employees Provident Fund Board until his retirement in April 2013. He has more than 30 years of experience in the financial sector, having served as the Managing Director of AmBank Berhad and prior to that, as the Managing Director of AmFinance Berhad.

CHIN YOONG KHEONG

Senior Independent Non-Executive Director

BRC

Age/Gender/Nationality
60/Male/Malaysian

Number of Board Meetings Attended
12/12

Date of Appointment
1 August 2016*

Length of Service
2 years 8 months

Qualifications

- Bachelor of Arts with Honours in Economics from the University of Leeds
- Fellow of the Institute of Chartered Accountants in England and Wales
- Member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants

* *Re-designated from Independent Non-Executive Director to Senior Independent Non-Executive Director on 30 September 2016.*

Other Directorship(s)

Listed Entities:

- Ayer Holdings Berhad

Public Companies:

- RHB Islamic International Asset Management Berhad
- RHB Securities (Thailand) Public Company Limited

Skills and Experience

Mr Chin Yoong Kheong ("Mr Chin") has retired as a partner of KPMG, one of the leading accounting firms on 31 December 2013, after having served the firm for more than 34 years in the United Kingdom, Vietnam and Malaysia. Mr Chin's vast experience covers business solutions in areas such as strategy, human resources, performance improvement to the public and infrastructure sector, consumer and industrial markets, and financial services industry. Throughout his long career with KPMG, Mr Chin's experience was in the audit function before specialising in taxation for 14 years. He was responsible for setting up the KPMG practice in Vietnam and subsequently headed KPMG's consulting practice for more than 7 years.

Board Committees:

BNRC	Board Nominating & Remuneration Committee	BAC	Board Audit Committee	BCC	Board Credit Committee	BRC	Board Risk Committee	Chairman/Chairperson	Member

Profile of the Board of Directors

as at 4 April 2019

TAN SRI ONG LEONG HUAT @ WONG JOO HWA

BCC

Non-Independent Non-Executive Director

Age/Gender/Nationality
74/Male/Malaysian

Number of Board Meetings Attended
12/12

Date of Appointment
20 November 2012

Length of Service
7 years 4 months

Qualifications
- Senior Cambridge, Federation of Malaysia Certificate awarded by Methodist English School
- Capital Markets and Services Representative's licence issued by the Securities Commission of Malaysia under the Capital Markets and Services Act, 2007 for dealing in securities

Other Directorship(s)
Listed Entities:
- RHB Bank Berhad
- OSK Holdings Berhad (Executive Chairman)

Public Companies:
- PJ Development Holdings Berhad (Chairman)
- OSK Property Holdings Berhad
- KE-ZAN Holdings Berhad
- OSK Foundation (Trustee)

Skills and Experience
For over 17 years since 1969, Tan Sri Ong Leong Huat was attached to a leading financial institution where he last held the position of Senior General Manager. He was the Managing Director/Chief Executive Officer ("CEO") of OSK Investment Bank Berhad (now known as OSKIB Sdn Bhd) from July 1985 to January 2007 and thereafter was appointed as the Group Managing Director/CEO. He was then re-designated as a Non-Independent Non-Executive Director and subsequently resigned on 30 April 2013.

Tan Sri Ong Leong Huat was also a Director of MESDAQ from July 1999 to March 2002 and a member of the Capital Market Advisory Council appointed by the Securities Commission in 2004 to advise on issues relating to the implementation of the Capital Market Master Plan. He was a director on the Board of Bursa Malaysia Berhad from 2008 to 2015 and was previously a member of the Securities Market Consultative Panel of Bursa Malaysia.

YAP CHEE MENG

Independent Non-Executive Director

Age/Gender/Nationality
63/Male/Singaporean

Number of Board Meetings Attended
12/12

Date of Appointment
1 August 2016

Length of Service
2 years 8 months

Qualifications
- Fellow of Institute of Chartered Accountants in England and Wales
- Fellow of Institute of Singapore Chartered Accountants

Other Directorship(s)
Listed Entities:
- SATS Ltd

Public Companies:
- RHB Islamic International Asset Management Berhad
- Keppel Land Limited
- The Esplanade Co Ltd

Skills and Experience
Mr Yap Chee Meng ("Mr Yap") was KPMG International's Chief Operating Officer for the Asia Pacific Region and a member of its Global Executive Team from 1 October 2010 to 30 September 2013. Prior to 1 October 2010, he was a senior partner in KPMG Singapore and part of the firm's leadership team. Mr Yap's key appointments then (within KPMG locally, regionally and globally) included Asia Pacific Head of Financial Services, Singapore Head of Financial Services, Singapore Head of Real Estates and Specialised REITs Group, a Member of KPMG International's Professional Indemnity Insurance Steering Committee and a Member of KPMG International's Financial Services Leadership Committee.

In his career spanning over 37 years of experience in the financial and accounting sector, he has also served in various professional / regulatory committees of the Singapore Accounting & Corporate Regulatory Authority and the Institute of Certified Public Accountants of Singapore.

TAN SRI DR REBECCA FATIMA STA MARIA

BNRC

Independent Non-Executive Director

Age/Gender/Nationality
61/Female/Malaysian

Number of Board Meetings Attended
11/12

Date of Appointment
6 December 2016

Length of Service
2 years 4 months

Qualifications
- Bachelor of Arts (Honours) in English Literature from University of Malaya
- Diploma in Public Administration from National Institute of Public Administration ("INTAN")
- M.S. in Counselling from Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia)
- Ph.D from University of Georgia in Athens, USA

Other Directorship(s)
Listed Entities:
- RHB Bank Berhad
- Sunway Berhad
- Hartalega Holdings Berhad
- Eco World International Berhad

Public Companies:
- MyKasih Foundation (Trustee)

Skills and Experience
Tan Sri Dr Rebecca Fatima Sta Maria was previously the Secretary General of the Ministry of International Trade and Industry ("MITI"). She began her career in the Administrative and Diplomatic Service in 1981 and served in various capacities in the then Ministry of Trade and Industry. In 1988, she was seconded to the ASEAN Plant Quarantine and Training Centre as its Chief Administration and Procurement Officer. She also served as the Senior Project Coordinator at the Leadership Centre, INTAN from 2000 to 2002. She also served at various divisions in MITI namely, Senior Director of the Investment Policy Division, Director of the Investment Policy and Manufacturing Related Services Division and Director of the Strategic Planning Division before she became the MITI Deputy Secretary General of Trade. She was then involved in handling trade related matters of the Ministry, including administering Malaysia's interests under bilateral and regional Free Trade Agreements (FTAs), as well as Malaysia's engagements in various international organisations such as ASEAN, APEC and WTO. After 35 years in civil service, serving six trade ministers and overseeing twelve trade pacts, she retired as the Secretary General of MITI in July 2016. She is now the Executive Director of the Asia-Pacific Economic Cooperation (APEC) Secretariat based in Singapore.

DATO' DARAWATI HUSSAIN

Independent Non-Executive Director

Age/Gender/Nationality
49/Female/Malaysian

Number of Board Meetings Attended
11/12

Date of Appointment
1 September 2017

Length of Service
1 year 7 months

Qualifications
- Chartered Financial Analyst, Association for Investment Management and Research, USA
- Investment Management Certificate, Institute of Investment Management and Research, UK
- Master in Business Administration from University of London, UK
- Bachelor of Arts in Accounting and Economics from University of Durham, UK

Other Directorship(s)
Listed Entities:
- Nil

Public Companies:
- Malaysia Venture Capital Management Berhad

Skills and Experience
Dato' Darawati Hussain ("Dato' Darawati") began her career in 1991 and worked for Commerce International Merchant Bankers Berhad in the area of corporate finance and advisory. Upon completion of MBA in 1998, she worked for Mondrian Investment Partners Limited, UK from 1998 to 2001, a fund management company, as a European equities portfolio manager. In September 2001, she re-joined CIMB Group to set up and develop the private equity arm, where she was the Head of Private Equity and Venture Capital of CIMB until August 2012. Subsequently, she was appointed as the Head of Co-investor and Fund Relations of CIMB Group Strategy and Strategic Investments. In April 2014, she left CIMB Group to become Executive Director of Syalin Sdn Bhd, a family company involved in property and investments.

Board Committees:

BNRC	Board Nominating & Remuneration Committee	BAC	Board Audit Committee	BCC	Board Credit Committee	BRC	Board Risk Committee	Chairman/Chairperson	Member

Profile of the Board of Directors

as at 4 April 2019

SHARIFATU LAILA SYED ALI

BAC BNRC

Independent Non-Executive Director

Appointment of New Board Member

Age/Gender/Nationality

56/Female/Malaysian

Number of Board Meetings Attended

0/0 Not Applicable

Date of Appointment

15 March 2019

Length of Service

Not Applicable

Qualifications

- Advanced Management Programme, Harvard Business School, United States
- Master of Business Administration, University of Malaya, Malaysia
- Bachelor of Science (Honours), Universiti Kebangsaan Malaysia, Malaysia

Other Directorship(s)

Listed Entities:

- RHB Bank Berhad

Public Companies:

- RHB Islamic International Asset Management Berhad

Skills and Experience

Sharifatu Laila Syed Ali ("Sharifa") has extensive experience in the field of investment management and portfolio investing having served various premier institutions and government linked investment funds over a period of more than 30 years. She had played a key role in the setting up of Valuecap Sdn Bhd ("Valuecap"), a Government led initiative, whose founding shareholders are Khazanah Nasional Berhad, Kumpulan Wang Amanah Pencen and Permodalan Nasional Berhad ("PNB"). Sharifa began her career at PNB and subsequently moved on to hold various senior leadership positions at the Employees Provident Fund including Head of Treasury & Equity Markets, gaining broad exposure within the domestic and regional capital markets environment over a period of 15 years. Following a brief period as Head of Investments at the Pilgrims Fund, she was subsequently appointed the Chief Executive Officer of Valuecap in October 2002. She became Group Chief Executive Officer of Valuecap in 2015. Under her stewardship, the Group spearheaded the country's move into new frontiers within the domestic markets, including launching Malaysia's first Exchange Traded Fund (Ringgit & USD) and various Environmental, Social & Governance ("ESG") type Funds.

Pursuant to her departure from Valuecap, she served as an Advisor to the Board of Directors of Valuecap for a short period. Sharifa is also an Independent Non-Executive Director on the Board of the Minority Shareholders Watch Group.

Declaration:

Save as disclosed, the Directors have:

1. No family relationship with any director and/or major shareholder except for:
   (i) Tan Sri Ong Leong Huat and his spouse, Puan Sri Khor Chai Moi are deemed major shareholders of RHB Bank pursuant to Section 8(4) of the Companies Act 2016, by virtue of shares held through OSK Holdings Berhad.
2. No conflict of interest with RHB Bank and have never been convicted for any offence within the past 5 years nor have been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year under review.

Investment Banking Services

Client Coverage team is a group of dedicated relationship managers that market the full spectrum of products and services offered by the RHB Banking Group to **Corporate** and **Public Sector** clients locally and regionally. This team of deal origination specialists work with the product groups to develop tailored solutions to meet the clients' specific capital market needs. The origination team, with expertise across all industries, deliver superior client experience by advising on corporate restructuring, mergers & acquisitions, lending and fundraising via both equity and debt instruments, and are involved from the point of structuring the schemes to distribution of the securities. The relationship managers also act as a one-stop point of contact for other products offered within the Group, including Treasury instruments, cash management services, asset management funds as well as other commercial banking and insurance products.

The Client Coverage team's capability in the origination of deals has helped to position RHB Investment Bank as a leading market player in both the large-cap and mid-cap segments in Corporate Malaysia as well as with the Federal Government, State Governments, Government-linked Companies, Government-linked Investment Companies and emerging Bumiputra corporations. The team leverages on RHBIB's regional platform to provide cross-border transactional services to clients across ASEAN and Greater China regions.

Corporate Finance ("CF") delivers advisory services and transactional execution expertise across a range of products to its client base. These include stock exchange listings and public offerings of equity related instruments, fund raising, mergers & acquisitions, takeovers and corporate and debt restructurings. RHBIB has advised on many of the largest transactions in Malaysia and in the region and its expertise is rooted in the breadth and deep knowledge of its experienced CF team.

Mergers & Acquisitions ("M&A") specialises in the origination and execution of domestic and cross-border M&A transactions. Our M&A team provides tailored solutions and strategic advice to regional corporate clients, multinational corporations, Government-linked companies, conglomerates, mid-market enterprises, private equity funds and financial sponsors in the areas of acquisitions, divestitures, mergers, leveraged buyouts, joint ventures, strategic partnerships and corporate valuation. We assist our clients to identify and reach out to potential investors, conduct valuation exercise on their business entities or assets, manage the overall transaction process and advise on deal strategy and negotiation tactics.

Equity Capital Markets ("ECM") provides advice and support in the origination, structuring, valuation and pricing of equity fund raising transactions such as initial public offerings, private placements, shareholder sell-downs and rights issues. In addition, ECM manages the underwriting, syndication, marketing and distribution of equity offerings. This is done through a network of institutional, corporate and private clients. ECM also manages investor relations, both prior to and after an equity fund raising transaction. Today, RHBIB's ECM team is a leading player in the primary and secondary markets for equity and equity-linked products.

Debt Capital Markets ("DCM") offers holistic debt financing solutions, globally and domestically, for a broad range of fixed income services in the structuring and issuances of various forms of innovative debt securities and capital market instruments, both conventional and Islamic. With our integrated global platform, our DCM team has significant experience and distribution capabilities and has undertaken many landmark transactions that are noted by a diverse range of industry players for innovation and creativity. Our comprehensive approach is tailored to exceed each client's objective and deliver the best financing solution in the broad range of currencies and services.

Retail Equities & Futures ("REF") offers access for trading in shares as well as futures and commodities through RHBIB's 41 branches in Malaysia and regional offices in Singapore, Thailand, Indonesia, Hong Kong and Cambodia, serviced by professional Dealer's Representatives and Futures Broker Representatives. Clients can trade in shares listed on Bursa Malaysia Securities and in 19 major global markets such as Singapore, the US and Hong Kong. In addition, our Futures & Commodities business provides a one-stop access to the Bursa Malaysia Derivatives and Global Futures Exchanges such as HKEX, CME, SGX, EUREX, ICE and TOCOM. With our online trading portal, RHB TradeSmart, clients are able to trade conveniently, anytime and from anywhere with real-time market access. To complement these activities, REF also provides share margin financing as well as custodian and nominees services.

Institutional Equities ("IE") provides superior equities investment advice and execution services to fund managers locally and abroad. We have highly qualified institutional sales teams that complement our award-winning Research franchise to provide sound investment advice to its institutional clients. In addition, we have dedicated operations staff providing efficient support services for domestic and international institutional funds managing billions of dollars. Today, RHBIB's IE regional network has expanded into most major ASEAN markets and Hong Kong. Our institutional sales teams can now provide and further facilitate cross-border trading services among these countries.

Investment Banking Services

Research helps investors make informed investment decisions by providing comprehensive Economics, Equity and Fixed Income & Currencies research. Our award-winning teams of economists and research analysts offer regional coverage of G3, ASEAN and Greater China economies, a broad range of sectors and companies listed in Malaysia, Indonesia, Singapore, Thailand and Hong Kong/China in addition to credit opinions on debt market instruments, sovereign bonds and currency markets. Our Economics, Equity and Fixed Income & Currencies research teams work closely with IE and Treasury sales in providing investment advice to institutional clients.

IB Treasury ("IBT") offers a diverse suite of Treasury investment and hedging products which include Foreign Exchange, Derivative and Structured Products (FX & Interest Rates), Fixed Income Securities and Money Market Instruments. Our IBT operations comprise well-established regional sales and trading teams to cater for an expansive distribution network. Financial and capital market activities are harnessed through efficient dissemination of effective bespoke investment and hedging solutions to a wide client and customer base comprising government agencies, pension funds, mutual funds, insurance companies, corporations, private banking and interbank counterparties.

Equity Derivatives & Structured Products ("EDSP") develops and offers innovative financial products which incorporate derivatives and other advanced financial engineering features. The products are Structured Warrants ("SW"), Exchange-traded Funds ("ETFs") and Structured Investments linked to various asset classes, including equities, indices, commodities and currencies, amongst others. RHBIB has been a leading issuer and market-maker of SW in Malaysia since 2005. A strong market coverage and research allows RHBIB to identify the right market opportunities for issuance and offering of SW. EDSP's product specialists have extensive product expertise and market experience and RHBIB is also a participating dealer and market-maker of several ETFs listed on Bursa Malaysia.

For the more sophisticated and high net worth individuals, EDSP offers innovative and custom-designed products in the form of Structured Investments. These products allow clients to customise and execute alternative investment strategies with access to different asset classes and markets, potential superior returns and interesting risk-return profiles that are not possible with conventional equities, bonds or futures.

Asset Management ("AM") has expertise in a full range of financial solutions including investment management and advisory, product development and trustee services as well as offering portfolio restructuring and tailor made portfolios. We have capabilities across a wide spectrum of conventional and Shariah compliant investment instruments; targeting institutional, corporate, wholesale and retail investors with customised solutions to address their unique needs. The investment strategies managed ranges from unit trusts across various geographical regions and asset classes including equity, fixed income, balanced and cash management to discretionary and non-discretionary mandates, Private Retirement Scheme (PRS) and alternative investments such as private equity funds, structured investments and investment-linked products. Our trustee businesses offer numerous products and services ranging from estate planning, will-writing, private trust, REITS, corporate trust services and escrow account management.

Private Equity ("PE") has funds that invest in growth companies in a wide range of industries and sectors in the Asian region. PE aims to create shareholders value in its portfolio companies by identifying and pursuing growth drivers to achieve higher financial performance. Exits are through IPOs and/or trade sales.

Statement on Corporate Governance

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS

The Board of Directors (the "Board") of RHB Investment Bank Berhad (the "Bank" or the "Company") provides unbridled support towards the adoption best corporate governance practices to protect the interests of all its stakeholders by complying to all legal and regulatory requirements and conforming to good corporate governance practices, including greater transparency and sustainable disclosure. This commitment is translated into a corporate culture that manifests itself across the Company, from the Board of Directors, to Senior Management and all employees within the Bank.

The Bank, as a member of the RHB Banking Group (the "Group"), continues to enhance the corporate governance practices in line with the aspiration of the holding company, RHB Bank Berhad. This has borne significant results in the way the Group is govern and operates. The Board, as fiduciaries, is conscious of its obligation to discharge its duties and responsibilities by exercising unbridled judgment, due care and diligence to the best of its ability. The year 2018 witnessed the launch of the Group's new strategic 5-year plan, FIT22, which succeeded its predecessor I.G.N.I.T.E which came to an end in 2017. FIT22 was assiduously developed to create sustainable value to all stakeholders of RHB in line with the Group's aspiration to be amongst the Top 3 Multinational Services Group, in terms of performance by 2022.

FIT22 comprises 22 initiatives which are driven by three key pillars, namely:

During 2018, RHB Banking Group was accorded the following awards in relation to the Group's Corporate Governance practices and reporting:

- **Top 30** of Association of Southeast Asian Nations (ASEAN) Public Listed Companies, accorded by the ASEAN Capital Market Forum (ACMF).
- **Platinum Award** winner for 'Best Governed & Most Transparent Award' in The Global Good Governance Awards 2018 hosted by The Pinnacle Group International (2017: **Gold Winner**).
- **Platinum Award** winner for Best Annual Report in Bahasa Malaysia accorded during the National Annual Corporate Report Awards (NACRA) 2018 ceremony, organised by The Malaysian Institute of Accountants (MIA), The Malaysian Institute of Certified Public Accountants (MICPA) and Bursa Malaysia on 6 December 2018.
- **Silver Award** winner for Best Designed Annual Report accorded during the National Annual Corporate Report Awards (NACRA) 2018 ceremony, organised by The Malaysian Institute of Accountants (MIA), The Malaysian Institute of Certified Public Accountants (MICPA) and Bursa Malaysia on 6 December 2018.
- Continuing **constituent** of the FTSE4Good Bursa Malaysia Index for good demonstration of Environmental, Social & Governance (E.S.G.) practices as independently assessed by FTSE Russell during 2018 semi-annual reviews.

ORGANISATIONAL CULTURE

The Board continues to cultivate a corporate culture that embraces the correct behaviours to achieve a company's objectives. The Board views this as fundament to ensure sustainable long-term growth and success for RHB Investment Bank. This is fundamental in ensuring sustainable long-term growth and success for any organisation. To further gauge the culture within the Board, the latest Board Effectiveness Evaluation **("BEE")** exercise was meticulously designed to specifically assess the tone at the top in areas such as leadership, decision-making, communication, group dynamics and mind-set of the Board as a collective unit and Board members as individuals.

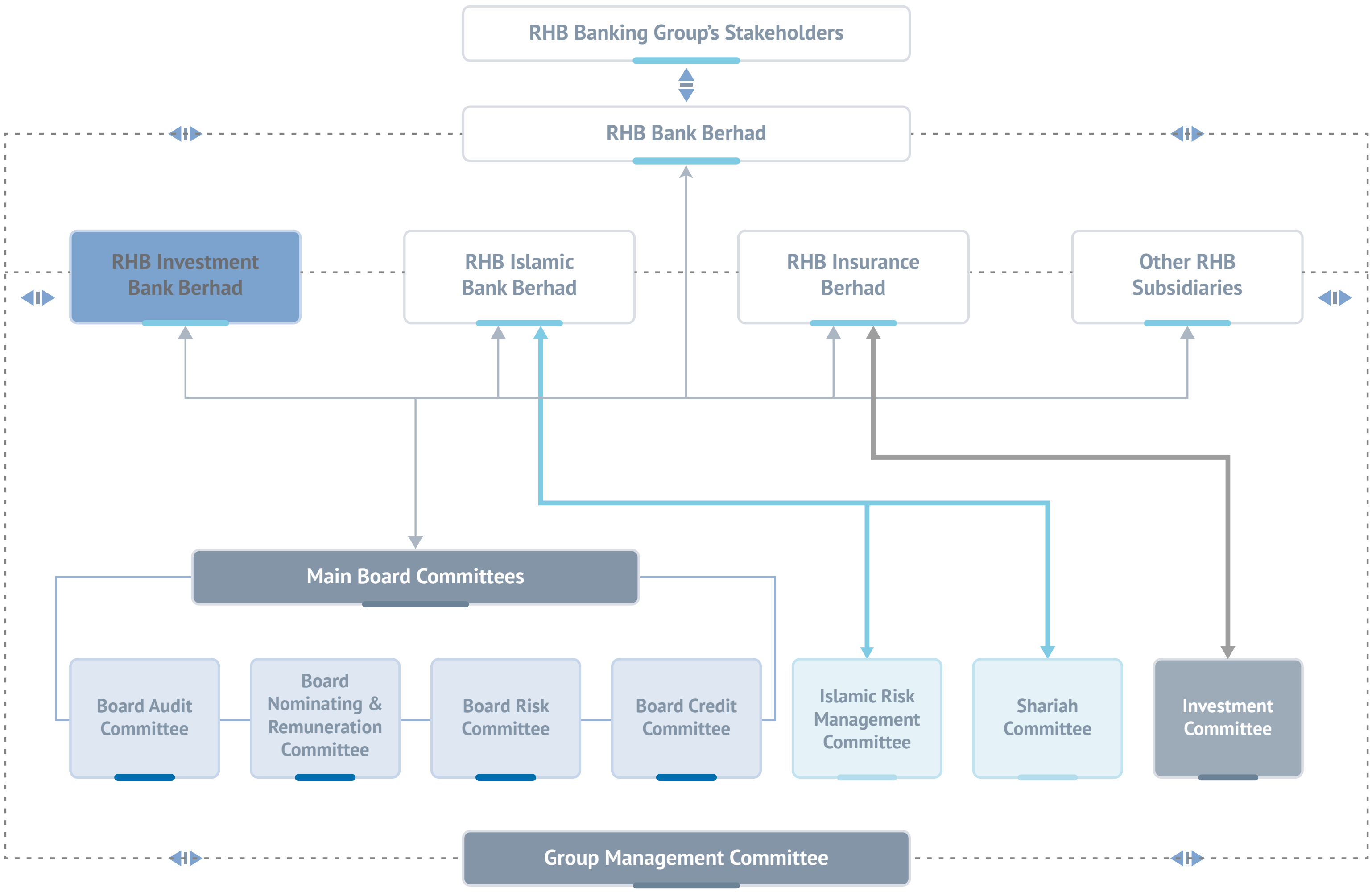
Statement on Corporate Governance

Actions will then be taken to address identified gaps to enhance the performance of the Board. In leading the organisation and ensuring that all the Group's strategic objectives and business scorecards are met within the approved risk appetites, the Board is bound by its Charter, Terms of Reference ("TOR") for its various Board Committees, Group Code of Ethics & Business Conduct for Directors, and other internal guidelines. To complement the Charter, various policies and guidelines including the Group Manual of Authority, Power of Attorney, Delegated Lending & Financing Authority (Discretionary Powers), Group Code of Ethics & Conduct for Employees, Group Whistleblowing Policy and Group Gifts & Hospitality Guidelines were approved or endorsed by the Board to ensure good governance practice and fiduciary duties are implemented by the Senior Management and other key personnel.

BOARD GOVERNANCE MANUAL

The main documents governing the Board are the Company's Constitution, the Board Charter and the Code of Ethics and Business Conduct for Directors. The Board is also guided by the Approval Framework on Directors' Expenses, the Boardroom Diversity Policy, Policy on Fit and Proper for Key Responsible Persons, Guidelines on Tenure of Non-Executive Directors' Appointment, Procedures for Independent Professional Advice and also Procedures on Directors' In-House Orientation & Continuing Education Programme. All these frameworks, policies, procedures and processes serve as guidance to the Board in discharging their duties effectively, efficiently and responsibly.

GOVERNANCE MODEL



RHB Banking Group has instituted several Board Committees to support and supplement the Boards of entities within the Group in carrying out their roles and responsibilities. To date, the Board has established the following main Board Committees:

- Board Nominating & Remuneration Committee **("BNRC")**
- Board Risk Committee **("BRC")**
- Board Audit Committee **("BAC")**
- Board Credit Committee **("BCC")**

The Board delegates some of its powers and functions to each of the Board Committees to assist in carrying out its responsibilities However, the Board does not abdicate its responsibility over these committee as it exercises collective oversight and requires each committee to adopt their own Term of Reference ("ToR") setting out matters relevant to the composition, responsibilities and administration of such committees, and other matters that the Board may consider appropriate.

Detailed information on the shared Board Committees can be found in RHB Bank Berhad's Annual Report 2018 and Corporate Governance Report 2018 available on the Group's corporate website www.rhbgroup.com

BOARD TRAINING AND DEVELOPMENT

The Board emphasises the importance of continuing education and training for its Directors to ensure they keep up with the latest developments in the areas related to their duties. A budget for Directors' training is provided each year by RHB Investment Bank. The Board, as part of the Board Effectiveness Evaluation ("BEE") exercise, assesses the training needs of each Director annually. The training and development of Directors are detailed in the Group's Standard Procedures on Directors' In-house Orientation and Continuing Education Programme for the RHB Banking Group. The Non-Executive Directors ("NED") of the Company and the Group are encouraged to attend local and/or overseas training programmes organised by credible training organisations under the Board High Performance Programme. This programme is intended to equip the Directors with the necessary knowledge and tools to effectively discharge their duties and responsibilities as well as provide the Directors with global business perspectives and skills that engender organisational excellence.

The Company Secretaries facilitate the organisation of internal training programmes and Directors' attendance of external programmes, and keep a complete record of the training received and attended by the Directors.

In addition, the new NEDs received a comprehensive Director's induction kit to assist them in building an in-depth understanding of the Group's operations, its longer-term direction and statutory obligations. Pursuant to the requirement of the Securities Commission of Malaysia, directors are required to complete the Capital Market Director Programme ("CMDP") conducted by Securities Industry Development Corporation ("SIDC") with the aim to enhance board effectiveness by helping directors understand their roles, responsibilities and fiduciary duties. It is also aimed at raising the standards of professionalism among directors by advocating a culture of integrity and ethical awareness.

Apart therefrom, the new NEDs are required to complete the Financial Institutions Directors' Education ("FIDE") programme within one year of their respective appointment date as required by Bank Negara Malaysia. The FIDE programme aims to enhance boardroom governance within the financial sector and develop world class directors who are advocates of best practices and excellence in corporate governance.

Statement on Corporate Governance

During the financial year ended 2018, the Directors of the Bank attended the following training programmes, conferences and seminars:

Name	Programme title	Scope
Tan Sri Azlan Zainol (Chairman)	AML/CFT & Regulatory Compliance Training for Board of Directors & Senior Management by PwC	• Common AML/CFT challenges faced by FIs in Malaysia • Insights from PwC Economic Crime Survey 2016 • Global Trends in 2017
	Briefing on MFRS 9	• Benefits and Challenges of implementing MFRS 9 • Overview of Loan Impairment Methodology • MFRS 9 ECL methodology
	Briefing on "Global Economic and Markets Outlook" by Dr Mark Zandi	• Impact on real GDP growth • US Economic Growth • Fuel wage and price pressure • Higher interest rate • ECB and BOJ lag the led • Oil production cost in equilibrium
	Briefing on Singapore's New Insolvency & Restructuring Regime by Shook Lin & Bok	• Singapore implemented a new insolvency and restructuring regime on 23 May 2017 by adopting parts of the US Chapter 11 Bankruptcy Code. It aims to provide greater opportunities for the rehabilitation of companies that are in financial distress and position Singapore as a regional restructuring hub • The changes affect Singapore companies and foreign companies with a connection to Singapore
	Sustainability Awareness Session	• The evolution from corporate philanthropy to sustainability which advocates long term responsibility • Sustainability is typically defined as EES • Sustainability is important to meet the demands and maintain confidence of major stakeholders
	In-House Training on "Islamic Finance Beyond Banking"	• Differences between Islamic Finance and Conventional Finance • Shari'ah Contracts and Understanding the Business Propositions • Understanding Shari'ah Risks in Islamic Banking Business
	In House Training on Crypto currency, Block chain & Beyond: A Cautionary Tale	• Understanding the features of cryptocurrency • Lean how the blcokchain concept works • Understand the challenges facing the banking industry with regards to cryptocurrency
	Training on New Corporate Liability Landscape Pursuant to MACC (Amendment) Act 2018	• Understanding corruption and the provisions of the Malaysian Anti-Corruption Commission Act 2009 ("MACC Act 2009") • Overview of the latest amendments to anti-corruption laws in Malaysia • Unravelling the changes to the corporate liability landscape pursuant to MACC (Amendment) Act 2018

Name	Programme title	Scope
Tan Sri Azlan Zainol (Chairman) (continued)	Briefing on Agile Leap	• Taking the Agile Leap • Scaling Agile: Creating a competitive advantage
	Launch of Institute of Corporate Directors Malaysia	• To enhance the professionalism and effectiveness of corporate directors in Malaysia, strengthen board leadership, and advocate the adoption of good corporate governance practices
	MALAYSIA - A New Dawn Conference 2018	• Panel: New Malaysia : Resiliency of the Economy & Credit Profile • Panel: Building Sustaining Infrastructure & Housing • Panel: Improving Efficiency In Malaysia Agri/Commodity Sector
	Malaysian Institute of Accountants Conference 2018	• The New Leasing Standard – How Would it Impact Your Business Model • Audit Evidence in a Digital World • Taxing the Digital Economy 6.00 • Digital Disruption: Revolutionising Islamic Finance 9.15
	Emerging Risks, the Future Board and Return on Compliance	• Better understanding the horizon of emerging risks and their implications for the companies • Learn how to develop practices for dealing with emerging risks • Better anticipate the profile of future boards and skills that such boards will need • Understand emerging trends on compliance, compliance functions, and the board's role in compliance
	In-house Training on AML/CFT Compliance	• AML landscape • Culture, Conduct and Accountability • AML Governance • Sanctions • Transaction Monitoring • Industry Trends
	Digital Ecosystem	• AI development by cloud computing and big data • Focus Areas for technology in SEA
	Trends, Opportunities, Challenges in the Banking Sector by McKinsey & Company	• Global Banking Trends • Deep-dive on Malaysian Financial ecosystem • Opportunities for RHB

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Name	Programme title	Scope
Tan Sri Ong Leong Huat @ Wong Joo Hwa	AML/CFT & Regulatory Compliance Training for Board of Directors & Senior Management by PwC	• Common AML/CFT challenges faced by FIs in Malaysia • Insights from PwC Economic Crime Survey 2016 • Global Trends in 2017
	Briefing on “Global Economic and Markets Outlook” by Dr Mark Zandi	• Impact on real GDP growth • US Economic Growth • Fuel wage and price pressure • Higher interest rate • ECB and BOJ lag the led • Oil production cost in equilibrium
	Sustainability Awareness Session	• The evolution from corporate philanthropy to sustainability which advocates long term responsibility • Sustainability is typically defined as EES • Sustainability is important to meet the demands and maintain confidence of major stakeholders
	Briefing on Agile Leap	• Taking the Agile Leap • Scaling Agile: Creating a competitive advantage
	MALAYSIA – A New Dawn Conference 2018	• Panel: New Malaysia : Resiliency of the Economy & Credit Profile • Panel: Building Sustaining Infrastructure & Housing • Panel: Improving Efficiency In Malaysia Agri/Commodity Sector
	Digital Ecosystem	• AI development by cloud computing and big data • Focus Areas for technology in SEA
	Trends, Opportunities, Challenges in the Banking Sector by McKinsey & Company	• Global Banking Trends • Deep-dive on Malaysian Financial ecosystem • Opportunities for RHB
Chin Yoong Keong (Senior Independent Non-Executive Director)	Briefing on MFRS 9	• Benefits and Challenges of implementing MFRS 9
	MCCG and Bursa Listing Requirements : Application, Disclosure and Reporting Expectations for Principle B & C	• Overview of Loan Impairment Methodology
	In-House Training on “Islamic Finance Beyond Banking”	• Differences between Islamic Finance and Conventional Finance • Shari’ah Contracts and Understanding the Business Propositions • Understanding Shari’ah Risks in Islamic Banking Business
	FIDE FORUM-IBM Think Malaysia	• The Human-Machine Interchange: How intelligent automation is changing the way businesses operate • Cybercrime & Defence Technology
	Training on New Corporate Liability Landscape Pursuant to MACC (Amendment) Act 2018	• Understanding corruption and the provisions of the Malaysian Anti-Corruption Commission Act 2009 (“MACC Act 2009”) • Overview of the latest amendments to anti-corruption laws in Malaysia • Unravelling the changes to the corporate liability landscape pursuant to MACC (Amendment) Act 2018

Name	Programme title	Scope
Chin Yoong Keong (Senior Independent Non-Executive Director) (continued)	Briefing on Agile Leap	• Taking the Agile Leap
	King on Governance, Value Creation In The Era of Seismic Disruption	• Scaling Agile: Creating a competitive advantage
	MALAYSIA – A NEW DAWN Conference 2018	• The Era of Seismic Disruption to the Corporate Eco-System
	Emerging Risks, the Future Board and Return on Compliance	• Better understanding the horizon of emerging risks and their implications for the companies • Learn how to develop practices for dealing with emerging risks • Better anticipate the profile of future boards and skills that such boards will need • Understand emerging trends on compliance, compliance functions, and the board's role in compliance
	In-house Training on AML/CFT Compliance	• AML landscape • Culture, Conduct and Accountability • AML Governance • Sanctions • Transaction Monitoring • Industry Trends
Yap Chee Meng	Temasek Governance & Ethics Conference	• Governance Issues • Ethic Matters • Monitoring Structures
	Keppel Corporation Global Finance Conference	• Cyber Security Monitoring • IFRS Update • Use of Data Analytics • Common IA Findings
	China Briefing by ex-HK Chief Executive	• China Economic Developments • Regional Initiatives
	Temasek Tripartite Conference	• Innovations and their adoption • G/U/C working better together
	McKinsey Briefing	• Asset Management Update
	Keppel Computer Based Training/ Tests	• Anti-Bribery • Gifts & Hospitality • End User Computer Policies
	RHB Computer Based Training/ Tests	• Anti-Money Laundering • Anti-Terrorism Financing
	Keppel Computer Based Training/ Tests	• Code of Conduct/Whistle Blowing • Conflict of Interest • Insider Trading

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Name	Programme title	Scope
Yap Chee Meng (continued)	Detailed Country Briefings (by SATS Ltd & Keppel Capital)	• China/Vietnam/Indonesia • Singapore/Malaysia
	Pavilion Energy Oil & Gas Briefings	• Oil/LNG Supply – Demand Analyses
	AXA Investment Briefing	• IG Bonds & Yield Curve Analyses
Dato' Darawati Hussain	FIDE CORE Programme : Module A	• Understanding of the role of the board • Equip directors with tools and strategies • Responsibility of the board for promoting a strong risk control culture. • Explore plausible and extreme stress scenario
	FIDE CORE Programme : Module B	• Understanding of the role of the board • Equip directors with tools and strategies • Responsibility of the board for promoting a strong risk control culture • Explore plausible and extreme stress scenario
	Module 2A: Business Challenges and Regulatory Expectations	• Business Challenges and Regulatory Expectations • Risk Oversight and Compliance – Action Plan for Board of Directors • Current and Emerging Regulatory Issues in the Capital Market
	Module 2B: Business Challenges and Regulatory Expectations	• Business Challenges and Regulatory Expectations • Risk Oversight and Compliance – Action Plan for Board of Directors • Current and Emerging Regulatory Issues in the Capital Market
	Training on New Corporate Liability Landscape Pursuant to MACC (Amendment) Act 2018	• Understanding corruption and the provisions of the Malaysian Anti-Corruption Commission Act 2009 ("MACC Act 2009") • Overview of the latest amendments to anti-corruption laws in Malaysia • Unravelling the changes to the corporate liability landscape pursuant to MACC (Amendment) Act 2018
	MALAYSIA – A NEW DAWN Conference 2018	• Panel: New Malaysia : Resiliency of the Economy & Credit Profile • Panel: Building Sustaining Infrastructure & Housing • Panel: Improving Efficiency In Malaysia Agri/Commodity Sector
	FIDE FORUM - Dinner Talk with Dr Marshall Goldsmith in conjunction with the Launch of FIDE FORUM's "DNA of a Board Leader"	• Making a difference, how to identify and hone critical leadership skills and behaviours that will leave a legacy • Approach to navigate negatives and sustain positive change • Using the wheel of change and external and internal triggers • To anticipate, activate and achieve long lasting results for your organisations

Name	Programme title	Scope
Tan Sri Dr Rebecca Fatima Sta Maria	Briefing on MFRS 9 by Ernst & Young	• Benefits and Challenges of implementing MFRS 9 • Overview of Loan Impairment Methodology • MFRS 9 ECL methodology
	Briefing To ASEAN Business Advisory Council (ABAC)	• Overview on the ABAC's efforts in ASEAN • ASEAN Business landscape
	Presentation on ASEAN e-Commerce Initiative, Singapore Business Federation	• Economic Development of ASEAN • Impact on real GDP growth
	Workshop on ASEAN Seamless Trade Facilitation Indicator (ASTFI)	• ASEAN economic growth • Impact on real GDP growth • US Economic Growth
	Bursa Malaysia : Corporate Governance Briefing Sessions: MCCG Reporting & CG Guide	• Introduction of the CG Overview Statement, the CG Report and the factors that the companies should consider when making these disclosure • Provide insights on the utility and application of the CG Guide with a laser-focus on topical areas
	Cyber security Workshop 2018: Cyber Resilience – Moving Beyond Compliance	• First-hand experience on PwC's Game of Threats, an interactive digital game that challenges players to make quick, and high impact decisions to respond to a simulated cyber breach
	Briefing on "Global Economic and Markets Outlook" by Dr Mark Zandi	• Impact on real GDP growth • US Economic Growth • Fuel wage and price pressure • Higher interest rate • ECB and BOJ lag the led • Oil production cost in equilibrium
	FIDE CORE Programme: Module A	• Understanding of the role of the board • Equip directors with tools and strategies • Responsibility of the board for promoting a strong risk control culture • Explore plausible and extreme stress scenario
	FIDE CORE Programme : Module B	• Understanding of the role of the board • Equip directors with tools and strategies • Responsibility of the board for promoting a strong risk control culture • Explore plausible and extreme stress scenario
	Islamic Finance for Board of Directors Programme	• Differences between Islamic Finance and Conventional Finance • Shari'ah Contracts and Understanding the Business Propositions • Understanding Shari'ah Risks in Islamic Banking Business
	Digital Ecosystem	• AI development by cloud computing and big data • Focus Areas for technology in SEA
	Trends, Opportunities, Challenges in the Banking Sector by McKinsey & Company	• Global Banking Trends • Deep-dive on Malaysian Financial ecosystem • Opportunities for RHB

Statement on Corporate Governance

BOARD COMPOSITION

The Board recognises the need to have a Board composition that imbues the practice of good governance and is also well versed in the business operations of the Bank. As at 15 March 2019, there are five Independent Non-Executive Directors ("INED") and two Non-Independent Non-Executive Directors ("NINED") serving on the Board.

The past financial year saw the Board bid farewell to Datuk Nozirah Bahari, who had resigned from the Board to pursue other personal interests. The New Year also witnessed Mr Patrick Chin Yoke Chung, a Non-Independent Non-Executive Director of the Bank, resigned from the Board on 1 January 2019. The Board maintains a majority of INEDs within its composition. To maintain the Board composition in tems of independence and gender diversity, the Board had on 15 March 2019, appointed a female director to the Board, namely Puan Sharifatu Laila Syed Ali as an Independent Non-Executive Director. Her appointment ensured the number of female directors on the Board remained at three. The current Board composition ensures the Board complies with the Bank Negara Malaysia's Corporate Governance Policy Document and the Malaysian Code on Corporate Governance ("MCCG"), which advocate for the Board composition to encapsulate a majority of INEDs.

The Board is well pleased with the current established composition as it is an important driver of our effectiveness. The current composition allows a breadth of perspective to be shared by its members and is viewed as optimal for the company of RHB's size and intricate operations:

- The Company's Board comprises a majority of independent directors (71%).
- There is no Independent Director who is serving for more than nine (9) years tenure on the Board.
- Generally the Company comprises 42.9% women representation on the Board of Directors and 27.6% among the Group Senior Management.
- The Company's Board remains vigilant in search for the right talent and suitable skill-set in enhancing the Board's diversity.
- As a very diverse Board in terms of age, educational background, ethnicity, experience, nationality and so forth, existing Board members are able to offer in-depth deliberation during Board meetings which would be beneficial for the Company's sustainable performance and operation.
- Similarly, the Company expects diversity at senior management level able to provide constructive debates, differing ways of deliberating same ideas and preparing a talent pipeline for future board candidacy, hence reaps the benefits arising from gender diversity agenda.

BOARD ATTENDANCE

The Board and its Committees met regularly to carry out our respective duties and responsibilities during the last financial year. We are pleased to report that there were no Directors who recorded an attendance lower than 75% for all board and board committees meetings. The table below illustrates the meeting attendance record for all Board members (including the Chief Executive Officer) of RHB Investment Bank:

Board Member/CEO	Designation	Meeting Attendance				
		Board	BAC	BNRC	BRC	BCC
Tan Sri Azlan Zainol^	Non-Independent Non-Executive Director	12/12		9/9		
Mr Patrick Chin Yoke Chung*	Non-Independent Non-Executive Director	12/12			12/12	35/35
Tan Sri Ong Leong Huat @ Wong Joo Hwa^	Non-Independent Non-Executive Director	12/12		8/9		35/35
Mr Chin Yoong Kheong@	Senior Independent Non-Executive Director	12/12			11/12	
Mr Yap Chee Meng	Independent Non-Executive Director	12/12				
Tan Sri Dr Rebecca Fatima Sta Maria~	Independent Non-Executive Director	11/12	12/12	6/7		
YBhg Datuk Nozirah Bahari#	Independent Non-Executive Director	8/8				
YBhg Dato' Darawati Hussain	Independent Non-Executive Director	11/12				
Mr Robert Angelo Hendro Santoso Huray	Chief Executive Officer	12/12				

Legend: Board/Committee Chairman Board/Committee Member

* Mr Patrick Chin Yoke Chung resigned from the Board, BRC and BCC on 1 January 2019.
# Datuk Nozirah Bahari resigned from the Board on 1 September 2018.
+ Puan Sharifatu Laila Syed Ali who was appointed to the Board on 15 March 2019 as an INED, is being excluded from the above table.
^ Tan Sri Azlan Zainol and Tan Sri Ong Leong Huat @ Wong Joo Hwa resigned as members of BNRC on 31 March 2019.
@ Mr Chin Yoong Kheong was appointed as Chairman of BRC on 31 March 2019.
~ Tan Sri Dr Rebecca Fatima Sta Maria was appointed as a member of the BNRC on 15 February 2018 and later re-designated as Chairperson of the BNRC on 1 October 2018. Tan Sri Dr Rebecca Fatima Sta Maria resigned as Chairperson of BAC on 31 March 2019.

Statement on Corporate Governance

Board Responsibilities

The Management's performance is actively monitored in executing the Board's directive and strategies in line with the Group's new 5-Year plan on top of the Board providing direction and advice to ensure management do not divagate from their mandates. The Board has in place a Board Charter that provides clear outline on the roles and responsibilities for each member of the Board. This document was developed with great care and perseverance to guide and ensure each member is held accountable for their actions and inactions in serving the Group. The Board also assumes overall responsibility for promoting sustainable growth and financial soundness of the Company and its subsidiaries.

This includes the following:

- Governing the Company's and the Group's business conduct and operations
- Risk Management
- Talent Development and Succession Planning
- Effective Communication
- Internal Control

REMUNERATION GOVERNANCE

The Board is mindful that fair remuneration is critical to attract, retain and motivate Directors with the relevant experience and expertise required to lead the Company and the Group. The BNRC has been entrusted with discharging the remuneration strategies (as outlined in its terms of reference). The Group has also established a common reference incorporating the Non-Executive Directors' ("NED") Remuneration Framework. It is aimed at applying the general principles for the remuneration of NEDs to ensure that remuneration levels are commensurate with the responsibilities, risks and time commitment of Boards/Board Committees. The level of remuneration reflects the level of responsibility undertaken by the particular NED concerned within the Company and the Group. It also takes into consideration practices within the industry and is reviewed at least once every two years.

No.	Non-Executive Directors' Remuneration Scheme	Unrestricted/Non-Deferred	Total (RM'000)	Restricted/ Deferred	Total (RM'000)
Fixed-Type Remuneration					
i	Cash-based	• Fixed Fees • Directors' Fees[1] • Committee Allowances[2] • Chairmen's premium[3] for various entities & committees • Other emoluments	1,265	Nil	–
ii	Shares & share-linked instruments	Nil	–	Nil	–
iii	Others	Benefits-in-kind[5]	18	Farewell Pot[4]	16
B. Variable-Type Remuneration					
i	Cash-based	Meeting Attendance Allowance[6]	274	Nil	–
ii	Shares & share-linked instruments	Nil	–	Nil	–
iii	Others	Directors' & Officers' Liability Insurance[7]	74	Nil	–

Notes:
The overall remuneration package of the NEDs of the Group/Company comprises the following components:

1. **Directors' Fees**
   NEDs are entitled to annual Directors' fees, which are subject to shareholders' approval at the Annual General Meeting ("AGM") of the Company. As part of a periodical review to ensure the Group remains competitive against its peers and with the heightened responsibilities and accountabilities under the Companies Act 2016, the Financial Services Act 2013, the Capital Markets & Services Act 2007 and the Malaysian Code on Corporate Governance. Total Directors' Fees paid to the Directors for FY2018 was **RM1,070.00**. The above proposal is subject to the approval of the shareholder at the forthcoming 2018 Annual General Meeting of the Company.

2. **Board Committee Allowances**
   NEDs who sit on Board Committees are entitled to receive Board Committee allowances which shall be paid on an annual basis at the end of each financial year.

3. **Chairmen's Premium**
   The Chairmen of various Boards and Board Committees as the chairman are entitled to receive a premium above the normal respective Board and Board Committee allowances, which shall be paid on an annual basis at the end of each financial year.

4. **Farewell Pot**
   All NEDs will be awarded with 'Farewell Pot' scheme upon his/her exit from the Group, in recognition of their services and commitments to the Group. Under the 'Farewell Pot' scheme, any NED who leaves the Group would be entitled to cash equivalent of RM2,000 for each year of his/her service in the Group or as decided by the BNRC.

5. **Benefits-in-kind**
   Benefits are accorded to the Chairmen of the Group, consisting amongst others the provision of a company car, driver and petrol allowance.

6. **Meeting attendance allowance**
   NEDs are also entitled to meeting attendance allowances when they attend the Board/Board Committee meetings.

7. **Directors' & Officers' ("D&O") Liability Insurance**
   The insurance covers the Group's Directors in respect of any liabilities arising from acts committed in their capacity as D&O of RHB Banking Group. However, the insurance policy does not indemnify a Director or principal officer if he or she is proven to have acted negligently, fraudulently or dishonestly, or in breach of his or her duty of trust. The Directors are required to contribute jointly towards a portion of the premiums of the said policy.

The remuneration structure and package for the Non-Executive Directors are approved by the shareholders in the Company's annual general meeting.

Further information on the total remuneration of the Directors from the Company and from the subsidiaries is available under Note 34 to the Financial Statements 2018 on pages 161 to 163. Policies and procedures, including the nomination framework for the directors and senior management are reviewed regularly to ensure the remuneration levels are:

- Commensurate with the responsibilities, risks and time commitment; and
- Market-competitive and sufficient to attract and retain quality people but yet not excessive.

The Company has established a remuneration framework for key Senior Management, consisting of a competitive integrated pay and benefit structure, which rewards corporate and individual performance in line with their performance and contributions to the organisation:

- Detailed remuneration package for Key Senior Management is disclosed before the Board of Directors of the Company pursuant to BNM Policy on Corporate Governance.
- There is also incorporation of penalty in the final rating of their pay-for- performance scheme for any material non-compliance with legal and regulatory requirements.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The Board has in place a Board Audit Committee ("BAC") that comprises 3 members, all of whom are Non-Executive Directors with majority of INEDs. The Committee supports the Board with matters pertaining to financial reporting, external audit, internal control and internal audit process and review of related party transactions as well as conflict of interest situations. The BAC is chaired by Ms Ong Ai Lin ("Chairperson"), an Independent Non-Executive Director of RHB Bank Berhad.

Statement on Corporate Governance

All members of the BAC are financially literate and possess necessary financial background, knowledge and experience to review financial and non-financial reporting and matters put forth for deliberation before the committee. The Chairperson is an Associate of The Institute of Chartered Accountants in England & Wales and a Member of the Malaysian Institute of Accountants. She was accorded the Cyber Security Lifetime Achievement Award by Cyber Security Malaysia for her lifelong and significant contribution including excellent research towards cyber security for our national critical infrastructure.

The BAC oversees the Group Internal Audit ("GIA") function which operates under a charter mandated by the BAC that gives unrestricted access to review all activities across the Group. The GIA reports directly to the BAC on all its activities.

The BAC reviews and approves the Group Internal Audit's annual audit plan, its staffing requirements and audit activities, including appraisal of the Group Chief Internal Auditor's performance. The audit committee is involved in deciding the remit of the internal audit function including its objectives, strategies, roles and responsibilities, scope and remuneration.

Further information on the BAC and GIA of the Group can be found under the **CG Report of RHB Bank Berhad**.

Risk Management and Internal Control Framework

As a Financial Institution, the Board recognises the importance of a sound system of risk management and internal control to ensure good corporate governance and to safeguard shareholders' investments as well as the Company's and the Group's assets. RHB's risk management and internal control framework is designed not only to cover financial controls but also non-financial controls.

The Board Risk Committee ("BRC") provides oversight and governance of risks for the Group to ensure that the Group's risk management processes are functional and effective. The BRC also oversees Senior Management's activities in managing risk, ensuring that the risk management process in each of the Group's entities function in accordance with a risk-return performance management framework. Furthermore, the BRC supports and leads the Senior Management in driving the appropriate Risk Culture and Risk Ownership within the Group.

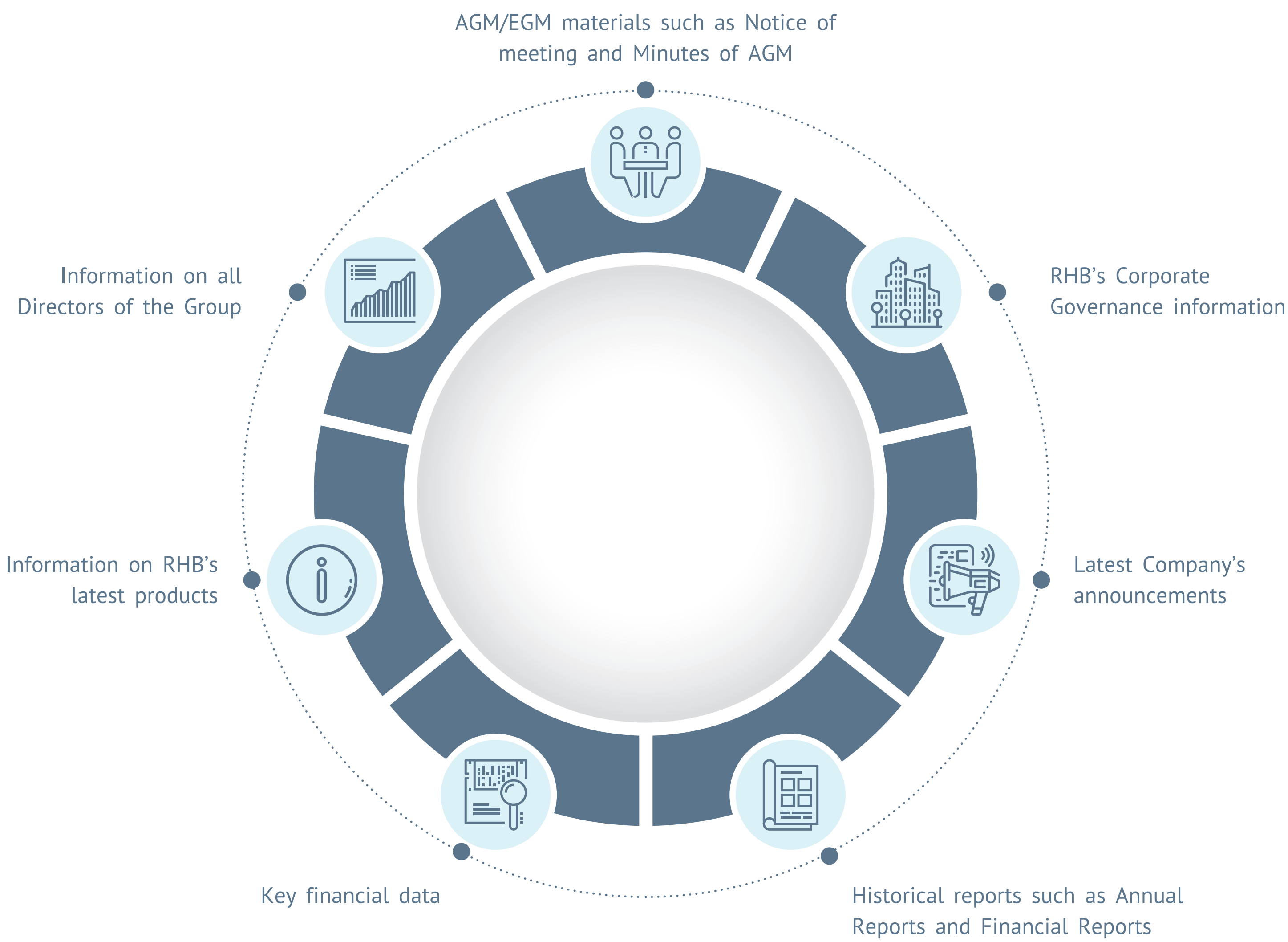
The BRC continues to enhance its oversight on RHB's compliance activities with special "compliance focus" meetings prior to every scheduled BRC monthly meetings. This effort was undertaken by the BRC to ensure they were kept abreast by management on all matters relating to RHB's compliance function.

Detailed information on RHB Investment Bank's risk management and internal control framework is available on the Statement of Risk Management and Internal Control ("SORMIC") on page 30 of this Annual Report.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS
COMMUNICATION WITH STAKEHOLDERS

The Board endeavours to continue maintaining an open and timely communication with all stakeholders. The Board currently conducts its engagement with stakeholders through various mechanisms such as the publication of Annual Reports, General Meetings, investors' conferences, roadshows, analyst briefings, media briefings/press conferences and via electronic means such as RHB's corporate website.

Valuing the importance of transparency, we ensure important and material information are communicated to stakeholders in a timely manner, through the Group's website, **www.rhbgroup.com**. The website is regularly updated with the relevant information for the ease of all stakeholders. Information disclosed in the website include:



Statement on Risk Management & Internal Control

BOARD RESPONSIBILITY

The Board of Directors ("Board") of RHB Investment Bank Berhad ("Investment Bank") is committed to its overall responsibility in establishing a sound risk management and internal control system in the Investment Bank. The Board's responsibility includes reviewing the adequacy and effectiveness of the risk management and internal control system in safeguarding shareholders' investments and the Investment Bank's assets. While total elimination of risks is not possible, the system has been designed to manage the Investment Bank's risk appetite within the established risk tolerance set by the Board and Management to support the achievement of the Investment Bank's business objectives. The system can therefore only provide reasonable and not absolute assurance against the occurrence of any material misstatement, loss or fraud.

In acknowledging that having a sound risk management and internal control system is imperative, the Board has established a governance structure that ensures effective oversight of risks and internal controls in the Investment Bank at all levels. To this end, the Board is assisted by the Board Risk Committee ("BRC") and Board Audit Committee ("BAC") which have been delegated with primary oversight responsibilities on the RHB Banking Group ("Group")'s risk management and internal control system. The Board remains responsible for the governance of risk and for all the actions of the Board Committees with regard to the execution of the delegated oversight responsibilities.

The Board has also obtained assurance from the Chief Executive Officer and the Chief Financial Officer that the Investment Bank's risk management and internal control system is operating adequately and effectively.

MANAGEMENT RESPONSIBILITY

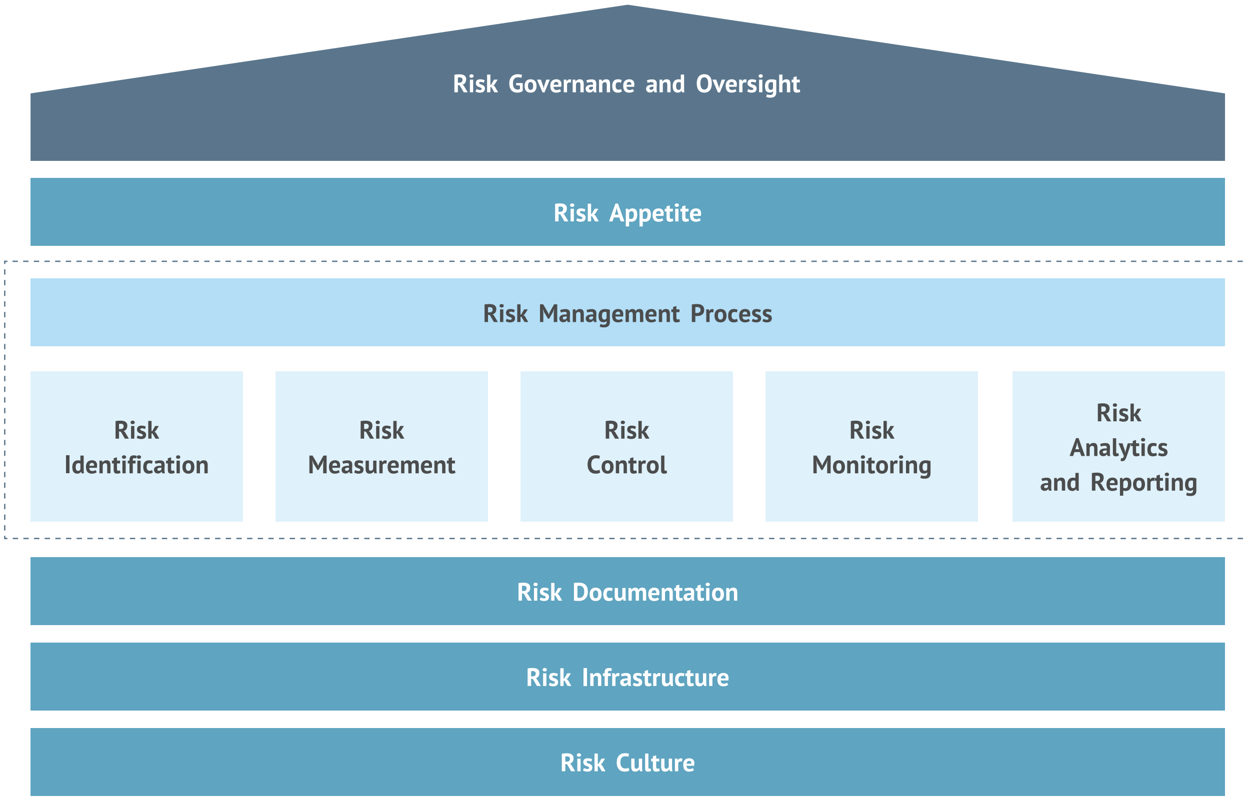
The Management is overall responsible for implementing the Investment Bank's policies and processes to identify, evaluate, measure, monitor and report on risks as well as the effectiveness of the internal control systems, taking appropriate and timely remedial actions as required. Its roles include:

- Identifying and evaluating the risks relevant to the Investment Bank's business and achievement of its business objectives and strategies;
- Formulating relevant policies and procedures to manage risks and the conduct of business;
- Designing and implementing the risk management framework and internal control system, and monitoring its effectiveness;
- Implementing policies approved by the Board;
- Implementing remedial actions to address compliance deficiencies as directed by the Board; and
- Reporting in a timely manner to the Board on any changes to the risks and the remedial actions taken.

Accordingly, the Management has provided assurance to the Board that the Investment Bank's risk management and internal control system is operating adequately and effectively with the necessary processes been implemented.

RISK MANAGEMENT FRAMEWORK

The Group, inclusive of the Investment Bank has in place a risk management framework approved by the Board for identifying, measuring, monitoring and reporting of significant risks faced by the Group in the achievement of the Group's business objectives and strategies. The Group's risk management framework ensures that there is an effective on-going process to identify, evaluate and manage risk across the Group and is represented in the following diagram:



Statement on Risk Management & Internal Control

Risk Governance and Oversight

The Board, through the BRC, provides oversight over the risk management activities for the Group to ensure that the Group's risk management processes are functioning effectively.

The BRC also assists the Board to review the Group's overall risk management philosophy, frameworks, policies and models. In discharging its overall duties and responsibilities, the BRC is supported by the Group Capital and Risk Committee ("GCRC") and Group Risk & Credit Management ("GRCM") functions which monitor and evaluate the effectiveness of the Group's risk management system on an on-going basis. The GCRC, comprising Senior Management of the Group and chaired by the Group Managing Director, is responsible for the supervision of the management of enterprise risk and capital matters. For the Investment Bank, the responsibility for the supervision of the management of enterprise risk and capital matters is delegated to the Investment Bank Risk Management Committee which comprises Senior Management of the Investment Bank, and chaired by the Chief Executive Officer.

In addition to the risk management framework, the Group has implemented the Internal Capital Adequacy Assessment Process ("ICAAP") framework to ensure that the Group maintains adequate capital levels consistent with the risk profiles including capital buffers to support the Group's current and projected demand for capital under existing and stressed conditions. In order to ensure on-going engagement and assessment of the Group's risk profile and capital adequacy, the ICAAP report is reviewed at least annually and is presented to senior management and relevant Board committees prior to approval by the respective entities' Boards.

Amongst the other committees set up in the Group to manage specific areas of risk are the Group Asset and Liability Committee, Group Credit Committee, Group Investment & Underwriting Committee, Islamic Risk Management Committee, Board Credit Committee and Group Digital & Technology Committee with their scope of responsibility as defined in their respective terms of references.

Risk Appetite

Risk appetite for the Group is defined as the amount and the type of risks that the Group is willing to accept in pursuit of its strategic and business objectives. Risk tolerance on the other hand, is the acceptable level of variation relative to the achievement of the Group's strategic and business objectives. It is measured in the same units as the related objectives. It translates risk appetite into operational metrics, and it can be defined at any level of the Group.

The Board, through the relevant entities' Boards and Senior Management Committees as well as the Group Risk & Credit Management function, establishes the risk appetite and risk tolerance for the Group and relevant entities.

The defined risk appetite and risk tolerance are periodically reviewed by the Management and the Board in line with the Group's business strategies and operating environment. Such review includes identifying and setting new risk appetite metrics for the business entity or removal of risk appetite metrics that are no longer applicable as well as updates on the risk appetite thresholds to be in line with the Group's business strategy and risk posture.

The main business and operations inherent risks that were considered in the risk appetite review include regulatory compliance risk, credit risk, market and liquidity risk, operational and technology risk, and Shariah non-compliance risk.

Risk Management Processes

The risk management processes within the Group seek to identify, evaluate, 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.

Risk Documentation and Infrastructure

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 specific functions, and invested in technology, including data management, to support the Group's risk management activities.

Risk Culture

Risk management is integral to all aspects of the Group's activities and is the responsibility of all employees across the Group. In line with regulatory requirements and industry best practices, the Group subscribes to the principle that *"Risk and Compliance is Everyone's Responsibility"* and hence, risk management is a core responsibility of the respective businesses and operating units. This has been articulated and documented in the risk management framework of the Group.

Guided by the said principle, the Group has launched a Risk Culture Awareness programme which comprises training, awareness campaigns and roadshows within the Group (including overseas branches and subsidiaries) to promote a healthy risk culture. A strong risk culture minimises the Group's exposure to financial and non-financial risks including reputational impact, over time.

In addition, the Group has implemented the Business Risk & Compliance Officer ("BRCO") programme that aims to cultivate proactive risk and compliance management and to establish a robust risk culture. The BRCO programme entails the appointment of BRCO at the respective business and functional units to provide real time advisory on risk and compliance matters.

The implementation of the BRCO programme is in line with the 'Three Lines of Defence' model practised globally. There is clear accountability of risk ownership across the Group. The model is depicted in the diagram below:

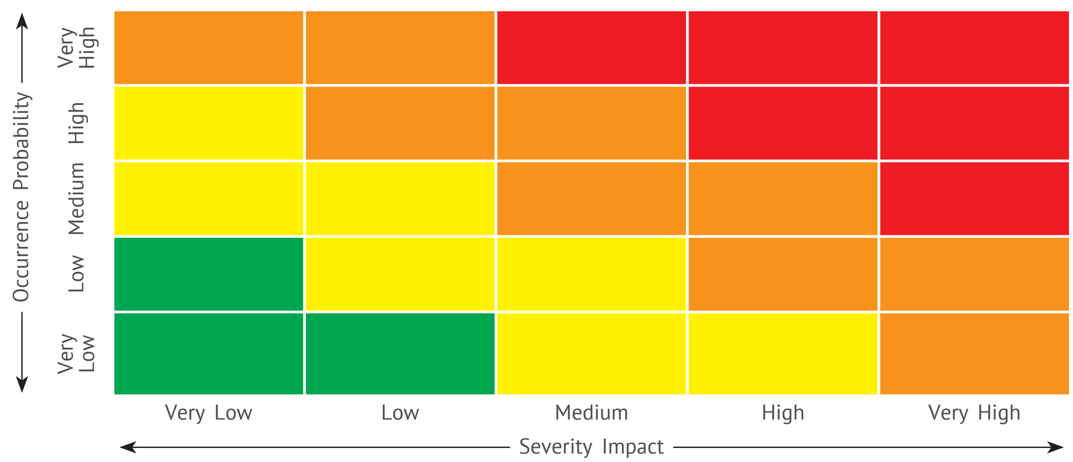
FIRST LINE	SECOND LINE	THIRD LINE
Business/Functional Level	**Group Risk Management & Group Compliance**	**Group Internal Audit**
• Responsible for managing day-to-day risks and compliance issues • BRCO is to assist business/functional unit in day-to-day risks and compliance matters	• Responsible for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

Statement on Risk Management & Internal Control

Risk Assessment

The Group has an established and comprehensive process for risk identification at every stage of the risk taking activities, namely transactional, product and even at the respective entities and Group level. Risks are also identified through Operational Risk Loss Event reporting and Portfolio thematic analysis. As part of the Group's periodic material risk assessment, the Group reviews the types and components of material risks, determines its quantum of materiality and refinement of processes taking into consideration the feedback received, including the independent reviews.

Material risk assessment is measured from the dimension of occurrence probability and severity impact. In addition, risk assessment also considers amongst others, the effectiveness of controls in place, and the impact to financial and non-financial indicators such as reputational risk. These are translated into a heat map matrix to derive the materiality of the risk as shown in the table below:



The use of the above matrix is a simple mechanism to increase visibility of risks and assist in decision making. The Group considers residual risks which fall within the Amber and Red zones are 'Significant' and 'Material', which may have severe impact to the Group's financials and/or reputation. Significant efforts will be taken to manage and mitigate these risks events.

Risk and Control Self-Assessment

To further support and promote accountability and ownership of risk management, a Risk and Control Self-Assessment ("RCSA") framework has been implemented in the business and functional units within the Group as part of the risk management process. These business and functional units are required to identify and document the controls and processes for managing the risks arising from their business activities and operations, as well as to assess the effectiveness thereof to ensure that the risks identified are adequately managed and mitigated. On completion of the RCSA exercise, all business and functional units within the Group are required to submit their respective results to Group Operational and Technology Risk Management for review prior to tabling the RCSA results to the GCRC for deliberation and further action where necessary.

KEY INTERNAL CONTROL PROCESSES

The Group's system of internal control is designed to manage and reduce risks that will hinder the Group from achieving its goals and objectives. It encompasses the policies, procedures, processes, organisational structures and other control aspects that are implemented for assuring the achievement of the Group's objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and internal policies.

The key processes established by the Board that provide effective governance and oversight of internal control systems include:

Control Environment and Control Activities

Organisation Structure

The Group has a formal organisational structure with clearly defined lines of accountability and responsibility, authority limits and reporting. The organisational structure provides the basic framework to help the Group's operations proceed smoothly and functionally as well as depicting the span of control in ensuring effective supervision of day-to-day business conduct and accountability.

Policies and Procedures

Policies, procedures and processes governing the Group's businesses and operations are documented and communicated group-wide as well as made available to employees through the Group's intranet portal for ease of reference and compliance. These policies, procedures and processes are reviewed and updated by the business and functional units through a structured review and approval process to cater to changes in laws and regulations as well as changes to the business and operational environment.

Authority Limits

The Board has approved the Group Manual of Authority ("MOA") which defines the approving authority with its approving limits delegated to the various levels of Management in the Group to ensure accountability and responsibility. The Group MOA is reviewed periodically and updated in line with changes in the organisation structure, business environment or operational needs.

Information Technology ("IT") Security

The Group regards IT security as a very high priority to ensure the confidentiality, integrity and availability of the Group's information assets and IT infrastructure.

IT security in the Group is achieved through the implementation of a risk based control approach which includes documented policies, standards, procedures and guidelines as well as organisational structures, and software and hardware controls.

With the increasing number of cyber threats globally as well as locally, the Group has established a Cyber Coordination and Command Centre to ensure that there is a structured process of prompt monitoring and timely response to cyber threats and incidents.

In order to strengthen and enhance the level of information security management, the Group has obtained certifications of ISO/IEC27001:2013 – Information Security Management System and ISO/IEC20000:2011 – Information Technology Service Management, in addition to complying with various regulatory requirements on managing information technology risk holistically.

Budgeting Process

A robust budgeting process is established requiring all key operating entities in the Group to prepare budgets and business plans annually for approval by the respective Boards. The Group's budget and business plans as well as strategic initiatives, taking into account the established risk appetite, are deliberated at the Board where the Group budget is presented.

Human Capital Management

One of the key constituents of any internal control system is its people and that our system of risk management and internal control is dependent on the responsibility, integrity and sound judgement that employees apply to their work. Hence, the Group has in place policies and procedures that govern recruitment, appointment, performance management and rewards as well as matters relating to discipline, termination and dismissal.

Statement on Risk Management & Internal Control

For sustainable growth, the Group places emphasis on human capital development, talent management and succession planning. To enhance employee competencies, structured and technical trainings as well as management and leadership workshops are provided to them based on their identified needs during the annual performance assessment. For talent management, initiatives such as Leadership Development Programme, Individual Development Plan and mentoring are implemented to develop identified talents in the Group to facilitate the continuous supply of high potentials and suitable successors for future leadership roles.

Group Code of Ethics and Conduct

The Group Code of Ethics and Conduct ("the Code") sets out the standards of good and ethical banking practices, as well as aims to maintain confidence in the security and integrity of the Group's business practices. It is a requirement that all employees of the Group understand and observe the Code. New recruits are briefed on the Code and are required to sign the Employee Declaration of Compliance Form upon joining the Group.

The Group has also established the Gifts and Hospitality Guidelines ("the Guidelines") to promote integrity and transparency for giving and receiving gifts. The Guidelines complement the Code and are designed to help the Group and its employees understand the respective parties' obligations in upholding corporate integrity about gifting.

Group Anti-Money Laundering and Counter Financing of Terrorism Policy

The Group Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") Policy is drawn up in accordance with the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 and Bank Negara Malaysia's standards on AML/CFT. It sets out the high level standards towards building a stronger and robust AML/CFT compliance regime within the Group, facilitates consistency in managing the AML/CFT compliance risk across the local and regional entities within the Group, and sets out the Group's policy statements in respect of the general principles and key measures to which the Group adheres to.

Pursuant to the Group AML/CFT Policy, the entities and/or employees within the Group are required to adopt Risk Based Approach ("RBA") to customer acceptance and implement the AML/CFT Compliance Programme framework. This includes customer due diligence ("CDD") requirements, monitoring of customer activities/transactions, reporting of suspicious transactions, record keeping, AML/CFT training, protection of customer information, and enforcement actions for non-compliance to the requirements.

The Group AML/CFT Policy also outlines the roles and responsibilities as well as establishes clear accountability of the Board of Directors, Senior Management and all employees within the Group.

The Board has an oversight responsibility for establishing the AML/CFT policies/procedures and minimum standards while the Senior Management is accountable for the implementation and management of AML/CFT compliance programmes in accordance with the policies and procedures as approved by the Board.

Group Fraud Risk Management Policy

The Group Fraud Risk Management Policy is designed to promote consistent organisational behaviour through the development, implementation, and regular review of fraud prevention, detection and response strategies. The Policy defines the core governing principles for fraud management within the Group which include leadership and ethical culture, fraud awareness and prevention, fraud control and detection, fraud reporting and escalation as well as fraud response with appropriate corrective actions.

Business Continuity Management

The Group recognises and is fully committed to the need to provide uninterrupted critical services to its customers, ensure the safety of its employees, protect its assets/data and safeguard the interest of its key stakeholders that collectively ensure the viability of the organisation. Hence, the Group is aware of the importance of a sound Business Continuity Management ("BCM") Framework and Programme to build organisational resilience and an effective response and recovery mechanism to safeguard the interest of key stakeholders, reputation and brand. The Group's BCM Programme is based on good business continuity practices, Bank Negara Malaysia and other regulatory guidelines and international standards.

The Board has an oversight function on the Group's BCM readiness through the BRC and GCRC. The Group Business Continuity Committee is the management committee established to oversee the Group's business continuity framework, policies, budget and plans, and reports to GCRC.

The Group implements a sound BCM Programme to ensure the critical business functions are recovered in a timely manner in the event of any disruption. Reviews, assessments, updates and testing of the BCM plans are conducted regularly to ensure adequacy, effectiveness and relevance of the business recoveries. Simulation exercises and drills are conducted to familiarise and equip staff with the skills and processes required to ensure that in the event of any disruption, critical business processes can continue or be recovered in a timely manner.

Information and Communication

Performance Review

Regular and comprehensive information is provided by Management to monitor its performance against the strategic business plan and the annual budget approved by the Board. This information covers all key financial and operational indicators as well as key strategic initiatives undertaken by the Group during the year.

The Board and the Group Management Committee ("GMC") receive and review financial reports on the Group's monthly and quarterly financial performance against approved targets and the reasons for any significant variances as well as measures that are being put in place to meet such targets.

The heads of the core businesses and functions in the Group present their respective management reports to the GMC at its monthly meeting, covering areas such as financial performance, key activity results and new business proposal or process for information of and deliberation by the GMC.

Group Whistleblowing Policy

A Group Whistleblowing Policy ("GWBP") was established by the Group in 2007 and last updated in 2018. The GWBP provides proper mechanism and sets a minimum standard to be adhered by the Group in dealing with disclosure of questionable actions or wrongdoings by personnel within the Group. Details of the GWBP can be found under Practice 3.2 of the RHB Bank Berhad's Corporate Governance ("CG") Report, available at www.rhbgroup.com.

Incident Management Reporting

To complement the Group's system of internal control, a comprehensive incident management reporting system has been implemented to ensure proper escalation and management of incidents according to the level of severity. The incident management reporting system also ensures that all incidences with material risk and losses are escalated promptly to Senior Management and the Board with necessary steps taken to mitigate any potential risks that may arise. This enables the decision makers to undertake informed decision making and be kept up to date on situations as well as manage risks effectively.

Monitoring

Board Committees

The Board has in place Board Committees that are set up to support the Board in its oversight function. The Board Committees include the BRC, BAC, Board Nominating & Remuneration Committee, Board Credit Committee and Islamic Risk Management Committee. These Board Committees have been delegated with specific duties to review and consider all matters within their scope of responsibility as defined in their respective Terms of Reference ("ToR"). Detailed responsibilities of these Board Committees can be found under RHB Bank Berhad's CG Report, Board Charter and their respective ToRs available at www.rhbgroup.com.

Group Management Committee

The GMC comprises the Group Managing Director as the Chairman, the Chief Executive Officers/Managing Directors of the relevant key operating subsidiaries and the key Senior Management of the Group. The GMC provides the leadership and direction in the implementation of strategies and policies approved by the Board and meets monthly to discuss and deliberate strategic matters that impact the Group's operations.

Investment Banking Business Committee

The Investment Banking Business Committee ("IBBC") comprises key management personnel of the Investment Bank and is chaired by the Chief Executive Officer. The IBBC provides a forum for Management to monitor and review the performance of the Group Investment Banking Strategic Business Group from strategic, operational and financial point of views, apart from deliberating on business strategies/ initiatives, issues and proposals, and making appropriate business decisions and recommendations to the Group Wholesale Banking Committee and/or any other relevant committees/Boards. The IBBC meets regularly and special meetings are convened to discuss urgent issues.

Management Audit Committees

Management Audit Committees ("MACs") are established at the key operating entities in the Group to ensure timely rectification of any audit findings and the underlying causes highlighted by the internal and external auditors, and regulators. The status of rectification of all audit findings and the mitigation actions taken by Management to adequately address the underlying causes are closely monitored by the MACs at every meeting.

Investment Bank's MAC comprising senior level representatives from different business/functional groups is chaired by the Chief Executive Officer of the Investment Bank. The Investment Bank's MAC meets monthly/bi-monthly and the minutes of meetings together with the relevant audit reports are subsequently tabled to the BAC for information, deliberation and direction for further action where required.

Statement on Risk Management & Internal Control

Group Compliance

Compliance is the collective responsibility of the Board, Senior Management and every employee of the Group. The compliance function forms an integral part of the Group's risk management and internal control framework. In view that a strong compliance culture reflects a corporate culture of high integrity and ethics, everyone is expected to promote self-regulation and be accountable for their own activities while maintaining ethical principles and behaviour.

In addition to day-to-day monitoring, Group Compliance's commitment towards instilling a strong compliance culture across the Group is demonstrated through the establishment of a robust compliance monitoring framework which includes, amongst others, implementation of comprehensive compliance policies, periodic compliance risk assessment/reviews, regular engagement sessions with business and functional units and conduct of continuous training/awareness programmes across the Group to ensure that all employees are well informed of the latest regulatory requirements.

Further, the Boards and Senior Management are also apprised of the Group's state of compliance through the submission of the Group Compliance report on a periodic basis.

Shariah Compliance

In line with the Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia, a comprehensive Shariah Governance Framework has also been put in place by the Group which encompasses the Group's Shariah governance structure, the key principles and components underpinning the same, the reporting structure as well as its roles and responsibilities.

Various activities involving reviews, compliance self-assessment, research, trainings and briefings aimed at creating Shariah awareness as well as continuous learning programmes were conducted throughout the year to educate employees on the importance of Shariah requirements and compliance surveillance.

INTERNAL AUDIT

Group Internal Audit ("GIA") reports functionally to the BAC and is independent of the operations and activities it audits. The main responsibility of GIA is to provide an objective and independent appraisal on the adequacy and effectiveness of the Group's risk management, internal control and governance processes implemented by the Management.

The internal audit universe covers all key activities of the Group, including that of its branches, business centres, overseas operations, representative offices, subsidiaries as well as outsourced activities. GIA adopts a risk-based approach in determining the auditable units and frequency of audits in line with the Group's key risks, strategies and areas of focus, which are identified based on GIA's risk assessment methodology.

The areas to be audited are documented in the internal audit plan that is developed based on a risk-based approach and is approved by the BAC annually. Audit reports which include detailed audit findings, GIA's comments and recommendations, and Management's response are tabled to MACs and BAC on a monthly basis.

The established MACs are tasked to ensure that issues raised by GIA, external auditor and regulators are addressed within an appropriate and agreed timeline. Confirmation to this effect must be provided by Management to GIA for verification before the issues concerned can be closed at the MACs.

The Group Chief Internal Auditor reports functionally to the BAC and administratively to the Group Managing Director to ensure GIA's independence from Management.

Further information on the GIA function is provided in the Board Audit Committee Report of this Annual Report.

CONCLUSION

The Board, through the BAC, BRC and the Islamic Risk Management Committee, confirms that it has reviewed the adequacy and effectiveness of the Investment Bank's risk management and internal control system.

Based on the monthly updates from its Board Committees and the assurance received from the Management, the Board is of the view that the Investment Bank's risk management and internal control system is operating adequately and effectively for the financial year under review and up to the date of approval of this Statement.

Board Audit Committee Report

The Board Audit Committee ("BAC") undertakes the functions of the Audit Committee of the major operating entities within RHB Banking Group encompassing RHB Bank Berhad, RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad.

COMPOSITION AND ATTENDANCE OF MEETINGS

For the financial year ended 31 December 2018, a total of twelve (12) BAC meetings were held. The BAC comprises the following members who are all independent directors and the details of attendance of each member at the BAC meetings held during the year are as follows:

Composition of BAC	Attendance at Meetings
Tan Sri Dr Rebecca Fatima Sta Maria *(Chairperson/Senior Independent Non-Executive Director)**	12/12 (100%)
Tan Sri Saw Choo Boon *(Member/Independent Non-Executive Director)#*	11/12 (92%)
Ms Ong Ai Lin *(Member/Independent Non-Executive Director)*	12/12 (100%)

Notes:

* Redesignated as Senior Independent Non-Executive Director on 1 October 2018

\# Redesignated as Independent Non-Executive Director on 1 October 2018

The BAC meetings were also attended by the Chief Executive Officer of RHB Investment Bank Berhad / Head of Group Capital Markets and the Group Chief Internal Auditor ("Group CIA") during the deliberation of RHB Investment Bank Berhad's matters while the attendance of other Senior Management is by invitation, if required.

Key matters deliberated at the BAC meetings together with the BAC's recommendations and decisions are summarised and presented to the relevant Boards of Directors ("Boards"), in the same month, by the Chairperson or representative of the BAC. This allows the Boards to be timely apprised of significant matters deliberated by the BAC and for the Boards to provide direction, if necessary. Extracts of the minutes of the BAC meetings held were provided to the respective Boards for their information.

AUTHORITY

The BAC is authorised by the Board to, among others, review and investigate any matters within its terms of reference; have direct communication channels with the external and internal auditors as well as regulators; obtain independent professional advice, if necessary, at the Company's expense; and access to Management and resources to enable effective discharge of its functions. The full terms of reference, including the authority, duties and responsibilities of the BAC are available at www.rhbgroup.com.

Board Audit Committee Report

SUMMARY OF BAC ACTIVITIES IN 2018

The work carried out by the BAC in the discharge of its duties and responsibilities during the financial year are summarised as follows:

1. Financial Reporting

a) Reviewed the quarterly unaudited financial results and the annual audited financial statements of RHB Investment Bank Berhad before recommending them for the Board's approval. The review process encompassed the following:

- Reviewed changes in accounting policy and adoption of new or updated accounting standards, and its impact to the financial statements.
- Reviewed the financial statements and sought explanations from the Senior Management including the Chief Financial Officer of RHB Investment Bank Berhad on any significant changes between the current and corresponding quarter/period to assess their reasonableness.

b) Discussed with the external auditors the following matters identified during the statutory audit for the financial year ended 31 December 2018 as highlighted in their Audit Committee Report:

- Significant audit and accounting matters including impairment assessment, taxation and IT related matters;
- Summary of uncorrected misstatements; and
- Updates on MFRS 9 related matters.

2. Internal Audit

a) Reviewed and approved the Group Internal Audit ("GIA")'s annual audit plan for the financial year 2019 on 10 December 2018 to ensure adequacy of scope, coverage and resources for the identified auditable areas.

b) Reviewed and approved GIA's risk assessment methodology for Audit Plan 2019 which was enhanced to incorporate the dimensions of likelihood and impact as well as the control effectiveness in assessing the risk levels of the Group's various business and functional units.

c) Reviewed the staffing requirements of GIA including the skillsets and core competencies of the internal auditors to ensure effective discharge of GIA's duties and responsibilities.

d) Reviewed the GIA's audit activities undertaken for the financial year covering the planned audit assignments, ad-hoc audit projects, review of policies, processes and procedures, and IT project participation.

e) Appraised the performance of the Group CIA and approved the performance rewards for the Group CIA in accordance with the distribution matrix approved by the Board.

f) Reviewed and deliberated on the minutes of all Management Audit Committee ("MAC") meetings, internal audit reports, audit recommendations and Management's responses to these recommendations as well as the timely mitigation actions taken by Management to improve the system of internal controls and its processes on the areas highlighted.

g) Reviewed and deliberated on the investigation reports tabled to the BAC and provided directions, where necessary, to address and improve the internal control weaknesses highlighted.

h) Reviewed the inspection and examination reports issued by the regulatory authorities and the Management's response as well as the remedial actions taken by Management in respect of the reported findings to ensure that all matters highlighted in these reports had been adequately and promptly addressed by Management.

i) Reviewed the minutes of meetings of the Audit Committees of the overseas subsidiaries to the extent permitted by the relevant regulatory authorities to satisfy itself that all matters arising therefrom had been appropriately addressed by these Audit Committees.

3. External Audit

a) Reviewed the 2018 audit plan of the external auditors for RHB Banking Group at the BAC meeting held on 23 July 2018 covering the audit strategy, risk assessment, and areas of audit emphasis for the year.

b) Reviewed with the external auditors, the results of their audit together with their recommendations and Management's response to their findings as detailed in the following reports, and provided BAC's views and directions on the areas of concern where necessary:

Report issued by External Auditors in 2018	Date tabled to BAC
Final Audit Committee Report for the financial year 2017	22 January 2018
Internal Control Report for the financial year 2017	20 April 2018

The BAC further directed the respective MACs to track the audit findings highlighted by the external auditors in their Internal Control Report to ensure timely resolution of all matters by Management.

c) Met with the external auditors on 22 January 2018 without the presence of Management and Executive Directors to enable the external auditors to discuss on matters with the BAC privately. The 2nd private session with the external auditors scheduled in December 2018 was held on 22 January 2019 as there were no urgent matters to highlight by the external auditors to the BAC.

d) Reviewed the appointment of the external auditors for the provision of non-audit services before recommending them for the Board's approval. Areas that are considered include the external auditors' expertise, adequacy of knowledge and experience required for the services rendered, competitiveness of fees quoted and whether its independence and objectivity would be impaired.

Reviewed on a quarterly basis, the non-audit services rendered by the external auditors and the related fees taking into consideration the fee threshold established under the Group policy to ensure that the external auditors' independence and objectivity were not compromised.

e) Reviewed the external auditors' performance and independence before recommending them to the Board for reappointment as external auditors for the Group:

- The external auditors have declared in their 2018 audit plan, which was tabled to the BAC in July 2018, that they have maintained their independence for the audit of the financial statements of the Group in accordance with the firm's requirements and with the provisions of the By-Laws on Professional Independence of the Malaysian Institute of Accountants. They have further declared that the non-audit services provided to the Group during the year have not compromised their independence as external auditors of the Group.
- The annual assessment on the external auditors covering the key areas of performance, independence and objectivity in accordance with the BNM Guidelines on External Auditor.
- The performance of the external auditors was also assessed through a survey completed by the Management personnel of the Group based on their dealings with the external auditors covering areas such as the quality of audit work, coordination during planning and execution of audit work, technical accounting and business knowledge, timeliness and staff continuity.
- A comprehensive review was also conducted in December 2018 prior to the reappointment of the external auditors to assess its independence and the potential risk of familiarity threat at all the banking entities within the Group. The comprehensive review covered three main categories, i.e. governance and independence, communication and interaction, and quality of services and resources.

  The comprehensive review was conducted by Group Finance and independently verified by GIA prior to tabling to the BAC for deliberation.

4. Related Party Transactions and Conflict of Interest

a) Reviewed the reports of related party transactions ("RPTs") on a quarterly basis covering the nature and amount of the transactions including any possible conflict of interest ("COI") situations in ensuring that the terms and conditions of the transactions are commercially based and at arm's length.

Board Audit Committee Report

b) The review covered the aggregate consideration of Recurrent RPTs ("RRPTs") which are individually tracked and monitored against the ceiling set to ensure proper reporting and disclosures in accordance with the regulatory requirements.

c) The Group has in place an approved policy on RPTs which governs the process of identifying, evaluating, approving, reporting and monitoring of RPTs, RRPTs and potential COI situations as well as outlining the duties and responsibilities of the relevant parties involved in the RPT process.

TRAINING

During the year, the BAC members have attended various training programmes, conferences and seminars to keep abreast of latest developments within the banking industry as well as to enhance their knowledge for the discharge of their duties and responsibilities.

The detailed information of mandatory and professional development programmes attended by BAC members are disclosed in Section B of the Corporate Governance Report available at www.rhbgroup.com.

INTERNAL AUDIT FUNCTION

RHB Banking Group has an in-house internal audit function, which is guided by its Internal Audit Charter approved by the Board, Bank Negara Malaysia ("BNM") Guidelines on Internal Audit Function of Licensed Institutions (BNM/RH/GL 013-4) and the Institute of Internal Auditors' latest International Professional Practices Framework. GIA's main responsibility is to provide an independent assessment on the adequacy and effectiveness of the Group's risk management, internal control and governance processes implemented by the Management.

The Group CIA reports functionally to the BAC and administratively to the Group Managing Director. To further preserve the independence of the GIA function, the Group CIA's appointment and performance appraisal, as well as the GIA's scope of work and resources, are approved by the BAC.

Internal Audit Charter

The Internal Audit Charter ("Audit Charter") defines the purpose, authority and responsibility of the internal audit function and is approved by the Board. The approved Audit Charter is published in the Group's intranet portal, which can be viewed by all employees of the Group.

The Audit Charter is reviewed by the Group CIA every two years or as and when necessary to assess whether the GIA's purpose, authority and responsibility, as defined in the Audit Charter, continue to be adequate and relevant to enable the audit function to accomplish its objectives.

Summary of GIA's Activities

The main activities undertaken by GIA during the financial year are summarised as follows:

a) Prepared the annual risk-based audit plan for RHB Banking Group which includes the audit objectives and scope, and manpower requirements for each planned auditable unit.

b) Conducted audits as per the approved audit plan as well as ad hoc reviews and investigations requested by Management or regulators during the year.

c) Audited key areas of RHB Investment Bank Group during the financial year which included Capital Markets, Retail Equities and Futures (including branches), Institutional Equities, Investment Banking Operations, Asset Management (including branches) and Overseas Subsidiaries (including branches).

   Other key areas of RHB Banking Group audited by GIA during the financial year encompassed the Bank Branches, Credit Underwriting, Business Centres, Treasury Operations, IT Security, Head Office functions, Shariah Business, Insurance Business, Offshore Banking Business and Overseas Operations.

d) Conducted audits as per regulatory requirements such as compliance with Rules of Bursa Malaysia Securities, Rules of Bursa Malaysia Securities Clearing, Rules of Bursa Malaysia Depository, Rule of Bursa Malaysia Derivatives, Rules of Bursa Malaysia Derivatives Clearing, Bursa Malaysia's Best Practices on Islamic Stockbroking, Securities Commission's Guidelines on Anti-Money Laundering and Counter Financing of Terrorism, Securities Commission's Guidelines on Outsourced Functions and Securities Commission's Guidelines relating to Asset Management Business.

   Other audits performed by GIA as per regulatory requirements for RHB Banking Group comprised of compliance with BNM's Guidelines on Statistical Reporting, Anti-Money Laundering and Counter Financing of Terrorism, Disclosure of Customer Documents or Information, Single Counterparty Exposure Limit, Outsourcing, Product Transparency & Disclosure and PayNet's applicable rules, procedures and manual for payment and debt securities systems.

e) Carried out ad-hoc compliance and validation reviews as requested by regulators.

f) Monitored and followed up through the respective MACs on the timely rectification of any reported audit findings and the underlying causes highlighted by the internal and external auditors, and regulators. The status of any outstanding audit findings is summarised and reported to the BAC on a monthly basis.

g) Reviewed new or updated policies, procedures and processes as requested by Management to provide feedback on the adequacy of internal controls to address the relevant risks.

h) Participated in system or product development activities to provide recommendations upfront on the relevant control features to be considered by Management.

i) Assisted the BAC in the annual exercise on the reappointment of external auditors by assessing its independence and potential risk of familiarity threat at all the banking entities within the Group.

j) Attended Management meetings as permanent invitee on a consultative and advisory capacity to provide independent feedback where necessary on internal control related matters.

k) Organised MAC meetings, preparing meeting materials as well as preparing minutes of meetings for submission to BAC.

l) Prepared the BAC Report and the Statement on Risk Management and Internal Control for inclusion in the Annual Report 2018 of RHB Bank and the major operating entities in the Group (inclusive of RHB Investment Bank Berhad).

Internal Audit Resources

The Group CIA, in consultation with the BAC and the Group Managing Director, decides on the appropriate resources required for the GIA taking into consideration the size and complexity of operations of the Group. The primary organisation chart/structure of GIA is reviewed and approved by the BAC annually.

As at 31 December 2018, GIA has 153 internal auditors with relevant academic/professional qualifications and experience to carry out the activities of the internal audit function.

Professional Proficiency

The Group CIA ensures that the internal auditors are suitably qualified and provided with the necessary trainings and continuous professional development for the purpose of enhancing their audit and relevant technical skills to perform their duties and responsibilities.

The internal auditors are further guided by the GIA Learning Development Framework to pursue the relevant certification programmes such as those offered by the Institute of Internal Auditors ("IIA") and Asian Institute of Chartered Banker in order for them to be proficient and competent in the relevant disciplines.

Based on each staff's Individual Development Plan for the year 2018, the internal auditors attended the relevant technical as well as leadership and management programmes offered by RHB Academy, the Group's Learning and Development Centre, and external programmes. For the year 2018, the internal auditors attended a total of 1,548 days of training, which translates to approximately 10 days per auditor.

Internal Audit Quality Assurance Review

To ensure effectiveness of the internal audit function, the Group CIA has developed and maintained a quality assurance and improvement programme that covers all aspects of the internal audit activities. The quality assurance programme assesses the effectiveness of processes within the internal audit function and identifies opportunities for improvement through both internal and external assessments.

The internal assessment is performed according to the approved annual Quality Assurance Review ("QAR") plan by a QAR team within GIA. The Head of QAR function reports directly to the Group CIA to maintain its independence of the internal audit activities within GIA.

In addition to the internal assessment, external quality assessment is conducted every three years by qualified professionals. The appointment of independent reviewer is subject to the Group's established procurement process and endorsed by the BAC.

The external quality assessment covered a broad scope that includes conformance with the Definition of Internal Auditing, the Standards and the Code of Ethics, and the internal audit charter, audit plan, policies and procedures in line with the requirements of the International Standards for the Professional Practice of Internal Auditing of the IIA, BNM guidelines and industry best practices. The results of review by the independent reviewer are documented in a report which is tabled to the BAC.

Achievements and Awards 2018

- **BURSA EXCELLENCE AWARDS 2018**
  - o **Best Retail Derivatives Trading Participant**

    Champion
  - o **Best Retail Equities Participating Organisation – Investment Bank**

    1st Runner Up
  - o **Best Remisier**

    1st Runner Up

- **12th ANNUAL BEST FINANCIAL INSTITUTION AWARDS IN SOUTHEAST ASIA**

  Malaysia
  - o **Best Retail Broker**
    - RHB Investment Bank

  Singapore
  - o **Best Small to Mid Cap Corporate Finance House**
    - RHB Securities Singapore

- **12th ANNUAL BEST DEAL & SOLUTION AWARDS IN SOUTHEAST ASIA**

  Malaysia
  - o **Best Sukuk Deal in Southeast Asia**

    Malaysia Building Society RM2.295 billion Structured Covered Sukuk Facility
  - o **Most Innovative Sukuk Deal in Southeast Asia**

    PNB Merdeka Ventures RM5.65 billion Unrated Secured Sukuk Programme (Murabahah via Tawarruq arrangement and Wakalah)
  - o **Best Wakalah Deal in Southeast Asia**

    Edra Energy RM5.08 billion Sukuk Wakalah
  - o **Most Innovative Bond Deal in Southeast Asia**

    GENM Capital RM3 billion MTN Programme

  Singapore
  - o **Best Domestic M&A Deal in Southeast Asia**

    Merger of all the Stapled Securities (SGD3 billion asset value) of Viva Industrial Trust and the ESR-REIT Units via a TSA

- **THE ASSET TRIPLE A COUNTRY AWARDS 2018**
  - o **Best Secondary Offering**

    Serba Dinamik Holdings RM427.2 million Private Placement
  - o **Best Follow-On Offering**

    S P Setia RM3.131 billion Rights Issue and Primary Placement
  - o **Best M&A**

    CVC Capital Partners Asia Fund IV Acquisition of 100% shares of Munchy Food Industries

- **THE ASSET TRIPLE A ISLAMIC FINANCE AWARDS 2018**
  - **Best SRI Sukuk**

    PNB Merdeka Ventures RM2.0 billion Sukuk Murabaha and Wakala
  - **Best Government-Guaranteed Sukuk**

    Perbadanan PR1MA Malaysia RM2.5 billion Sukuk Murabaha
  - **Best Corporate Hybrid Sukuk**

    Tanjung Bin Energy RM800.0 million Unrated Perpetual Sukuk
  - **Best Retail Sukuk**

    Khazanah Nasional RM100.0 million Sustainable and Responsible Investment Sukuk
  - **Best Islamic Deal – by Country (China)**

    BEWG (M) RM400.0 million Wakala Sukuk

- **THE ASSET TRIPLE A ASIA INFRASTRUCTURE AWARDS 2018**
  - **Social Infrastructure Deal of the Year, Malaysia**

    Perbadanan PR1MA Malaysia RM2.5 billion Government-guaranteed Medium Term Notes
  - **Transport Deal of the Year – Highly Commended, Malaysia**

    DanaInfra Nasional RM10.18 billion Government-guaranteed Sukuk
  - **Utility Deal of the Year, Malaysia**

    BEWG (M) RM400.0 million Wakala Sukuk

- **FINANCEASIA 2018**

  Singapore
  - **Best Singapore Deal**

    Merger between ESR-REIT and Viva Industrial Trust (SGD3 billion asset base)

- **THE ASSET BENCHMARK RESEARCH AWARDS 2018**
  - **Top Bank in Government Bonds – MYR**

    Rank 1
  - **Top Bank in Corporate Bonds – MYR**

    Rank 2
  - **Top Arranger in Corporate Bonds – MYR**

    Rank 3
  - **Top Arranger in Government Bonds – MYR**

    Rank 3
  - **Top Bank in Research – MYR**

    Rank 3
  - **Best Individual in Research – Malaysia**

    Chang Wai Ming – Rank 2

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 and the requirement of the Companies Act 2016 in Malaysia.

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 2018 and the financial performance and cash flows of the Group and the Bank for the financial year ended 31 December 2018.

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 with reasonable accuracy.

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 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Bank include merchant banking business, dealing in securities, stock, debt and derivatives, stock-broking business and the business of brokers and dealers in futures and options contracts.

The Group is involved in merchant banking business, dealing in securities, stock, debt and derivatives, stockbroking business and the business of brokers and dealers in futures and options contracts, investment management services, Islamic investment management services, management of unit trust funds and Islamic unit trust funds, management of private retirement schemes, provision of investment advisory services, research services and provision of nominee services.

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

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Net loss for the financial year attributable to:		
– Equity holder of the Bank	(13,429)	(235,726)
– Non-controlling interests	1,005	–
Net loss for the financial year	(12,424)	(235,726)

DIVIDENDS

No dividend has been paid or declared by the Bank since the end of the previous financial year.

The Directors do not propose any final dividend for the financial year ended 31 December 2018.

RESERVES AND PROVISIONS

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

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 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 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.

Directors' Report

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 would 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, other than as disclosed in Note 51(B) to the financial statements.

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.

Directors' Report

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 49 to the financial statements.

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

Subsequent events after the financial year is disclosed in Note 50 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 this report are:

Tan Sri Azlan bin Mohd Zainol	
Chin Yoong Kheong	
Tan Sri Ong Leong Huat @ Wong Joo Hwa	
Yap Chee Meng	
Tan Sri Dr Rebecca Fatima Sta Maria	
Dato' Darawati Hussain	
Datuk Nozirah Bahari	(Resigned on 1 September 2018)
Patrick Chin Yoke Chung	(Resigned on 31 December 2018)

Pursuant to Article 93 of the Bank's Articles of Association, Tan Sri Azlan bin Mohd Zainol and Mr. Chin Yoong Kheong shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN SECURITIES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the Director 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			
Ultimate Holding Company	**As at 1.1.2018**	**Bought**	**Sold**	**As at 31.12.2018**
RHB Bank Berhad				
Tan Sri Ong Leong Huat @ Wong Joo Hwa				
– Indirect*	31,431	–	–	**31,431**
– Indirect#	406,171,518	–	–	**406,171,518**

Notes:

* The interest is held through family members.

\# Deemed interest in RHB Bank pursuant to Section 8 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' Report

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 34 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.

IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Directors regard RHB Bank Berhad, a listed company incorporated in Malaysia, as the immediate and ultimate holding company.

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 33 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 26 February 2019. Signed on behalf of the Board of Directors.

TAN SRI AZLAN BIN MOHD ZAINOL
CHAIRMAN

CHIN YOONG KHEONG
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Kuala Lumpur
27 February 2019

Statements of Financial Position

as at 31 December 2018

	Note	31.12.2018 RM'000	Restated 31.12.2017 RM'000	Group Restated 01.01.2017 RM'000
ASSETS				
Cash and short-term funds	2	**1,859,024**	2,471,578	1,072,140
Deposits and placements with banks and other financial institutions	3	**90,449**	22,106	359,018
Financial assets at fair value through profit or loss ('FVTPL')	4	**743,221**	823,421	612,105
Financial investments available-for-sale ('AFS')	5	**–**	902,249	1,856,676
Financial investments held-to-maturity ('HTM')	6	**–**	583,232	398,564
Financial assets at fair value through other comprehensive income ('FVOCI')	7	**750,225**	–	–
Financial investments at amortised costs	8	**867,307**	–	–
Loans and advances	9	**1,600,323**	1,753,928	1,792,172
Clients' and brokers' balances	10	**943,057**	1,608,731	2,057,600
Other assets	11	**154,321**	185,909	269,082
Derivative assets	12	**74**	344	7,325
Statutory deposits	13	**64,414**	55,660	85,144
Tax recoverable		**24,654**	49,225	61,528
Deferred tax assets	14	**19,610**	14,839	19,477
Investments in associates and joint ventures	16	**30,646**	54,174	54,989
Property, plant and equipment	17	**40,044**	50,293	60,402
Goodwill and other intangible assets	18	**571,521**	572,604	1,320,892
TOTAL ASSETS		**7,758,890**	9,148,293	10,027,114

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

Statements of Financial Position
as at 31 December 2018

				Group
			Restated	Restated
		31.12.2018	31.12.2017	01.01.2017
	Note	RM'000	RM'000	RM'000
LIABILITIES AND EQUITY				
Deposits from customers	19	**1,030,614**	623,581	682,035
Deposits and placements of banks and other financial institutions	20	**1,834,820**	3,035,153	2,693,618
Bills and acceptances payable		**44,536**	6,185	180,931
Clients' and brokers' balances	21	**832,160**	1,502,382	1,800,971
Other liabilities	22	**415,261**	503,293	473,748
Derivative liabilities	12	**5,917**	46,013	37,197
Puttable financial instruments		**70,615**	78,825	68,706
Tax liabilities		**6,288**	6,136	11,583
Deferred tax liabilities	14	**2,072**	2,612	3,189
Borrowings	23	**882,969**	712,379	552,720
Subordinated obligations	24	**404,263**	404,263	447,595
TOTAL LIABILITIES		**5,529,515**	6,920,822	6,952,293
Share capital	25	**1,487,773**	1,487,773	818,646
Reserves	26	**731,563**	730,503	2,247,973
		2,219,336	2,218,276	3,066,619
Non-controlling interests	27	**10,039**	9,195	8,202
TOTAL EQUITY		**2,229,375**	2,227,471	3,074,821
TOTAL LIABILITIES AND EQUITY		**7,758,890**	9,148,293	10,027,114
COMMITMENTS AND CONTINGENCIES	42	**1,472,872**	1,655,370	2,663,862

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

Statements of Financial Position

as at 31 December 2018

	Note	31.12.2018 RM'000	Restated 31.12.2017 RM'000	Bank Restated 01.01.2017 RM'000
ASSETS				
Cash and short-term funds	2	**1,192,584**	1,795,452	485,883
Deposits and placements with banks and other financial institutions	3	**–**	–	350,065
Financial assets at fair value through profit or loss ('FVTPL')	4	**55,642**	149,139	54,854
Financial investments available-for-sale ('AFS')	5	**–**	882,153	1,833,518
Financial investments held-to-maturity ('HTM')	6	**–**	583,232	398,564
Financial assets at fair value through other comprehensive income ('FVOCI')	7	**741,927**	–	–
Financial investments at amortised costs	8	**867,307**	–	–
Loans and advances	9	**1,031,270**	1,143,551	1,121,163
Clients' and brokers' balances	10	**526,757**	911,055	757,215
Other assets	11	**25,622**	51,940	68,215
Derivative assets	12	**74**	343	7,202
Statutory deposits	13	**60,300**	51,650	80,700
Tax recoverable		**21,397**	45,470	58,393
Deferred tax assets	14	**5,832**	1,180	7,919
Investments in subsidiaries	15	**1,182,229**	1,478,140	1,504,725
Investments in associates and joint ventures	16	**21,057**	21,057	21,057
Property, plant and equipment	17	**20,104**	24,888	27,802
Goodwill and other intangible assets	18	**399,450**	400,095	1,145,504
TOTAL ASSETS		**6,151,552**	7,539,345	7,922,779

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

Statements of Financial Position

as at 31 December 2018

	Note	31.12.2018 RM'000	Restated 31.12.2017 RM'000	Bank Restated 01.01.2017 RM'000
LIABILITIES AND EQUITY				
Deposits from customers	19	**1,030,614**	652,220	697,802
Deposits and placements of banks and other financial institutions	20	**1,834,820**	3,035,153	2,764,787
Clients' and brokers' balances	21	**619,201**	911,177	742,481
Other liabilities	22	**172,243**	171,371	169,661
Derivative liabilities	12	**3,941**	45,873	36,425
Subordinated obligations	24	**404,263**	404,263	447,595
TOTAL LIABILITIES		**4,065,082**	5,220,057	4,858,751
Share capital	25	**1,487,773**	1,487,773	818,646
Reserves	26	**598,697**	831,515	2,245,382
TOTAL EQUITY		**2,086,470**	2,319,288	3,064,028
TOTAL LIABILITIES AND EQUITY		**6,151,552**	7,539,345	7,922,779
COMMITMENTS AND CONTINGENCIES	42	**553,804**	862,358	1,133,861

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

Income Statements

for the financial year ended 31 December 2018

		Group		Bank	
	Note	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Interest income	28	**231,729**	239,011	**168,896**	168,559
Interest expense	29	**(167,022)**	(141,022)	**(132,154)**	(118,881)
Net interest income		**64,707**	97,989	**36,742**	49,678
Fee and commission income	30	**675,453**	805,870	**238,868**	281,989
Fee and commission expense	31	**(150,994)**	(215,894)	**–**	–
Other operating income	32	**179,149**	157,961	**152,901**	126,058
		768,315	845,926	**428,511**	457,725
Other operating expenses	33	**(715,286)**	(728,825)	**(347,228)**	(328,488)
Operating profit before allowances		**53,029**	117,101	**81,283**	129,237
Allowance (made)/written back for expected credit losses	35	**(6,830)**	(56,129)	**1,769**	2,565
Impairment losses on other non-financial assets	36	**(23,000)**	–	**(295,585)**	(20,000)
		23,199	60,972	**(212,533)**	111,802
Share of results of associates		**413**	468	**–**	–
Share of results of joint ventures		**99**	391	**–**	–
Profit/(Loss) before taxation		**23,711**	61,831	**(212,533)**	111,802
Taxation	37	**(36,135)**	(40,753)	**(23,193)**	(28,789)
Net (loss)/profit for the financial year		**(12,424)**	21,078	**(235,726)**	83,013
Attributable to:					
– Equity holder of the Bank		**(13,429)**	19,946	**(235,726)**	83,013
– Non-controlling interests		**1,005**	1,132	**–**	–
		(12,424)	21,078	**(235,726)**	83,013
(Loss)/Earnings per share (sen)					
- Basic/Diluted	38	**(13.43)**	3.19	**(235.73)**	13.27

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

Statements of Comprehensive Income

for the financial year ended 31 December 2018

	Note	Group		Bank	
		31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Net (loss)/profit for the financial year		**(12,424)**	21,078	**(235,726)**	83,013
Other comprehensive income/(loss):					
(a) Items that will not be reclassified to income statements:					
(i) Actuarial gain on defined benefit plan of subsidiaries		**8,204**	888	**–**	–
(ii) Financial assets at FVOCI, equity instruments:					
– Unrealised net gain on revaluation		**3,724**	–	**560**	–
– Net gain on disposal		**8**	–	**–**	–
(b) Items that will be reclassified subsequently to income statements:					
(i) Foreign currency translation reserves					
– Currency translation differences		**837**	(47,912)	**–**	–
– Net investment hedge	12(i),(ii)	**326**	6,597	**–**	–
(ii) Financial investments AFS					
– Unrealised net gain on revaluation		**–**	20,279	**–**	19,329
– Net transfer to income statements on disposal		**–**	3,251	**–**	4,710
(iii) Financial assets at FVOCI, debt instruments:					
– Unrealised net gain on revaluation		**1,053**	–	**1,053**	–
– Net transfer to income statements on disposal		**6**	–	**6**	–
Income tax relating to components of other comprehensive income	39	**(714)**	(5,495)	**(388)**	(5,769)
Other comprehensive income/(loss), net of tax, for the financial year		**13,444**	(22,392)	**1,231**	18,270
Total comprehensive income/(loss) for the financial year		**1,020**	(1,314)	**(234,495)**	101,283
Total comprehensive income/(loss) attributable to:					
– Equity holder of the Bank		**(624)**	(2,319)	**(234,495)**	101,283
– Non–controlling interests		**1,644**	1,005	**–**	–
		1,020	(1,314)	**(234,495)**	101,283

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 2018

Group	Note	Share Capital RM'000	Statutory Reserves RM'000	FVOCI Reserves RM'000	Translation Reserves RM'000	Regulatory Reserves RM'000	Retained Profits RM'000	Total RM'000	Non-controlling Interests RM'000	Total RM'000
		← Attributable to equity holders of the Bank						→		
Balance as at 1 January 2018										
– As previously reported		1,487,773	513	18,861	111,897	21,047	669,730	2,309,821	9,195	2,319,016
– Effect of adoption of MFRS 9	51(A)	–	–	854	–	13,149	(12,319)	1,684	–	1,684
– Prior year adjustments	51(B)	–	–	–	–	–	(91,545)	(91,545)	–	(91,545)
– As restated		1,487,773	513	19,715	111,897	34,196	565,866	2,219,960	9,195	2,229,155
Net (loss)/profit for the financial year		–	–	–	–	–	(13,429)	(13,429)	1,005	(12,424)
Foreign currency translation reserve:–										
– Currency translation differences		–	–	(1)	912	–	–	911	(74)	837
– Net investment hedge	12(i),(ii)	–	–	–	326	–	–	326	–	326
Financial assets at FVOCI:–										
– Equity instruments										
– Unrealised net gain on revaluation		–	–	3,090	–	–	–	3,090	634	3,724
– Net (loss)/gain on disposal		–	–	(24)	–	–	26	2	6	8
– Debt instruments										
– Unrealised net gain on revaluation		–	–	1,053	–	–	–	1,053	–	1,053
– Net transfer to income statements on disposal		–	–	6	–	–	–	6	–	6
Actuarial gain on defined benefit plan of subsidiaries		–	–	–	–	–	8,141	8,141	63	8,204
Income tax relating to components of other comprehensive (income)/loss	39	–	–	(350)	–	–	(374)	(724)	10	(714)
Other comprehensive income, net of tax, for the financial year		–	–	3,774	1,238	–	7,793	12,805	639	13,444
Total comprehensive income/(loss) for the financial year		–	–	3,774	1,238	–	(5,636)	(624)	1,644	1,020
Transfer from regulatory reserves	26(d)	–	–	–	–	(1,465)	1,465	–	–	–
Dividends paid to non-controlling interest		–	–	–	–	–	–	–	(800)	(800)
Total transactions with owner		–	–	–	–	(1,465)	1,465	–	(800)	(800)
Balance as at 31 December 2018		1,487,773	513	23,489	113,135	32,731	561,695	2,219,336	10,039	2,229,375

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 2018

Group	Note	Share Capital RM'000	Share Premium RM'000	Statutory Reserves RM'000	AFS Reserves RM'000	Translation Reserves RM'000	Regulatory Reserves RM'000	Retained Profits RM'000	Total RM'000	Non–controlling Interests RM'000	Total RM'000
		← Attributable to equity holders of the Bank →									
Balance as at 1 January 2017											
– As previously reported		818,646	1,515,150	449,721	876	152,870	21,279	199,497	3,158,039	8,202	3,166,241
– Prior year adjustments	51(B)	–	–	–	–	–	–	(91,420)	(91,420)	–	(91,420)
– As restated		818,646	1,515,150	449,721	876	152,870	21,279	108,077	3,066,619	8,202	3,074,821
Net profit for the financial year		–	–	–	–	–	–	19,946	19,946	1,132	21,078
Foreign currency translation reserve:–											
– Currency translation differences		–	–	–	(86)	(47,570)	–	–	(47,656)	(256)	(47,912)
– Net Investment hedge	12(i),(ii)	–	–	–	–	6,597	–	–	6,597	–	6,597
Financial investments AFS:-											
– Unrealised net gain on revaluation		–	–	–	20,156	–	–	–	20,156	123	20,279
– Net transfer to income statements on disposal		–	–	–	3,251	–	–	–	3,251	–	3,251
Actuarial gain on defined benefit plan of subsidiaries		–	–	–	–	–	–	880	880	8	888
Income tax relating to components of other comprehensive income	39	–	–	–	(5,336)	–	–	(157)	(5,493)	(2)	(5,495)
Other comprehensive income/(loss), net of tax, for the financial year		–	–	–	17,985	(40,973)	–	723	(22,265)	(127)	(22,392)
Total comprehensive income/(loss) for the financial year		–	–	–	17,985	(40,973)	–	20,669	(2,319)	1,005	(1,314)
Capital cancellation	49(c)(ii)	(846,023)	–	–	–	–	–	–	(846,023)	–	(846,023)
Transfer to share capital		1,515,150	(1,515,150)	–	–	–	–	–	–	–	–
Transfer from statutory reserves	26(a)	–	–	(449,208)	–	–	–	449,208	–	–	–
Transfer from regulatory reserves	26(d)	–	–	–	–	–	(232)	232	–	–	–
Acquisition of additional interest from non-controlling interest		–	–	–	–	–	–	(1)	(1)	(12)	(13)
Total transactions with owner		669,127	(1,515,150)	(449,208)	–	–	(232)	449,439	(846,024)	(12)	(846,036)
Balance as at 31 December 2017		1,487,773	–	513	18,861	111,897	21,047	578,185	2,218,276	9,195	2,227,471

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 2018

		Non-distributable			Distributable	
Bank	Note	Share Capital RM'000	FVOCI Reserves RM'000	Regulatory Reserves RM'000	Retained Profits RM'000	Total RM'000
Balance as at 1 January 2018						
– As previously reported		1,487,773	26,120	13,722	883,218	2,410,833
– Effect of adoption of MFRS 9	51(A)	–	(6,498)	9,129	(954)	1,677
– Prior year adjustments	51(B)	–	–	–	(91,545)	(91,545)
– As restated		1,487,773	19,622	22,851	790,719	2,320,965
Net loss for the financial year		–	–	–	(235,726)	(235,726)
Financial assets at FVOCI:-						
– Equity instruments						
– Unrealised net gain on revaluation		–	560	–	–	560
– Debt instruments						
– Unrealised net gain on revaluation		–	1,053	–	–	1,053
– Net transfer to income statements on disposal		–	6	–	–	6
Income tax relating to components of other comprehensive income	39	–	(388)	–	–	(388)
Other comprehensive income, net of tax, for the financial year		–	1,231	–	–	1,231
Total comprehensive income/(loss) for the financial year		–	1,231	–	(235,726)	(234,495)
Transfer from regulatory reserves	26(d)	–	–	(3,697)	3,697	–
Total transactions with owner		–	–	(3,697)	3,697	–
Balance as at 31 December 2018		1,487,773	20,853	19,154	558,690	2,086,470

Statements of Changes in Equity

for the financial year ended 31 December 2018

Bank	Note	Share Capital RM'000	Share Premium RM'000	Statutory Reserves RM'000	AFS Reserves RM'000	Regulatory Reserves RM'000	Retained Profits RM'000	Total RM'000
		← Non-distributable				→	Distributable	
Balance as at 1 January 2017								
– As previously reported		818,646	1,515,150	449,208	7,850	13,008	351,586	3,155,448
– Prior year adjustments	51(B)	–	–	–	–	–	(91,420)	(91,420)
– As restated		818,646	1,515,150	449,208	7,850	13,008	260,166	3,064,028
Net profit for the financial year		–	–	–	–	–	83,013	83,013
Financial investments AFS:-								
– Unrealised net gain on revaluation		–	–	–	19,329	–	–	19,329
– Net transfer to income statements on disposal		–	–	–	4,710	–	–	4,710
Income tax relating to components of other comprehensive income	39	–	–	–	(5,769)	–	–	(5,769)
Other comprehensive income, net of tax, for the financial year		–	–	–	18,270	–	–	18,270
Total comprehensive income for the financial year		–	–	–	18,270	–	83,013	101,283
Capital cancellation	49(c)(ii)	(846,023)	–	–	–	–	–	(846,023)
Transfer to share capital		1,515,150	(1,515,150)	–	–	–	–	–
Transfer from statutory reserves	26(a)	–	–	(449,208)	–	–	449,208	–
Transfer to regulatory reserves	26(d)	–	–	–	–	714	(714)	–
Total transactions with owner		669,127	(1,515,150)	(449,208)	–	714	448,494	(846,023)
Balance as at 31 December 2017		**1,487,773**	**–**	**–**	**26,120**	**13,722**	**791,673**	**2,319,288**

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 2018

	Note	31.12.2018 RM'000	Group Restated 31.12.2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**23,711**	61,831
Adjustments for non-operating and non-cash items:			
Allowance for expected credit losses of loan and advances, other receivables and clients and brokers' balances	35	**7,804**	56,900
Bad debts written off	35	**495**	1,261
Allowance for expected credit losses of other financial assets	35	**134**	–
Impairment losses made for investment in an associate	36	**23,000**	–
Property, plant and equipment:			
– Depreciation	33	**17,391**	22,308
– Gain on disposal	32	**–**	(32)
– Written off	33	**752**	607
Intangible assets:			
– Amortisation	33	**11,989**	12,888
– Written off	33	**28**	–
Interest income from financial assets at FVTPL, FVOCI and financial investments at amortised costs, AFS and HTM		**(61,720)**	(62,255)
Net gain from sale/redemption of financial assets at FVTPL, FVOCI and financial investments at amortised costs, AFS and HTM		**(5,256)**	(49,331)
Net unrealised (gain)/loss on revaluation of financial instruments at FVTPL and derivatives		**(15,993)**	54,720
Net gain from sale of derivatives		**(50,326)**	(58,166)
Gross dividend income from financial assets at FVTPL, FVOCI and financial investments AFS		**(8,168)**	(11,548)
Share of results of associates		**(413)**	(468)
Share of results of joint ventures		**(99)**	(391)
Subordinated obligations interest expense		**19,700**	22,262
Borrowings interest expense		**32,576**	21,146
Unrealised foreign exchange (gain)/loss		**(1,179)**	37,286
Operating (loss)/profit before working capital changes		**(5,574)**	109,018
(Increase)/Decrease in operating assets:			
Deposits and placements with banks and other financial institutions		**(68,516)**	336,405
Financial assets at FVTPL		**58,124**	(166,661)
Loans and advances		**148,965**	(46,906)
Clients' and brokers' balances		**661,055**	423,007
Other assets		**30,628**	66,800
Derivative assets		**283**	4,191
Statutory deposits		**(8,739)**	29,232
		821,800	646,068

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 2018

	Note	31.12.2018 RM'000	Group Restated 31.12.2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
Increase/(Decrease) in operating liabilities:			
Deposits from customers		**407,033**	(58,433)
Deposits and placements of banks and other financial institutions		**(1,198,908)**	1,994,364
Bills and acceptances payable		**38,323**	(173,877)
Clients' and brokers' balances		**(670,735)**	(275,246)
Derivative liabilities		**39,353**	31,588
Other liabilities		**(79,776)**	33,250
		(1,464,710)	1,551,646
Cash (used in)/generated from operations		**(648,484)**	2,306,732
Net tax paid		**(15,602)**	(35,111)
Net cash (used in)/generated from operating activities		**(664,086)**	2,271,621
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchase of financial assets at FVOCI and financial investments at amortised costs, AFS and HTM		**(104,088)**	(131,825)
Interest income received from financial assets at FVTPL, FVOCI and financial investments at amortised costs, AFS and HTM		**63,485**	50,537
Dividend income received from financial assets at FVTPL, FVOCI and financial investments AFS		**8,168**	11,548
Property, plant and equipment:			
– Purchase		**(8,762)**	(13,991)
– Proceeds from disposal		**6**	32
Purchase of software license		**(9,915)**	(10,971)
Dividend income received from an associate		**1,041**	–
Acquisition of additional interest from non-controlling interests		**–**	(13)
Net cash used in investing activities		**(50,065)**	(94,683)

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 2018

	Note	31.12.2018 RM'000	Group Restated 31.12.2017 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital repayment to shareholder	49(c)(ii)	**–**	(846,023)
Proceeds from issuance of subordinated obligations	24	**–**	200,000
Redemption of subordinated obligations		**–**	(245,000)
Net drawdown of borrowings		**153,809**	178,490
Subordinated obligations interest paid		**(19,700)**	(20,594)
Borrowings interest paid		**(31,711)**	(20,977)
Dividend paid to non-controlling interests		**(800)**	–
Net cash generated from/(used in) financing activities		**101,598**	(754,104)
Net (decrease)/increase in cash and cash equivalents		**(612,553)**	1,422,834
Effects of exchange rate differences		**420**	(23,396)
Cash and cash equivalents:			
– At the beginning of the financial year		**2,471,578**	1,072,140
– At the end of the financial year		**1,859,445**	2,471,578
Cash and cash equivalents comprise the following:			
– Cash and short-term funds before expected credit losses	2	**1,859,445**	2,471,578

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 2018

Change in liabilities arising from financing activities as following:

Group	At the Beginning of the Financial Year RM'000	Net cash flows RM'000	← Non-Cash Changes → Foreign Exhange Movement RM'000	Interest Expense RM'000	At the End of the Financial Year RM'000
2018					
Borrowings	**712,379**	**122,098**	**15,916**	**32,576**	**882,969**
Subordinated obligations	**404,263**	**(19,700)**	**–**	**19,700**	**404,263**
Total liabilities from financing activities	**1,116,642**	**102,398**	**15,916**	**52,276**	**1,287,232**
2017					
Borrowings	552,720	157,513	(19,000)	21,146	712,379
Subordinated obligations	447,595	(65,594)	–	22,262	404,263
Total liabilities from financing activities	1,000,315	91,919	(19,000)	43,408	1,116,642

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 2018

	Note	31.12.2018 RM'000	Bank Restated 31.12.2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before taxation		**(212,533)**	111,802
Adjustments for non-operating and non-cash items:			
Written back for expected credit losses of loan and advances, other receivables and clients and brokers' balances	35	**(637)**	(1,449)
Bad debts written off	35	**367**	802
Allowance for expected credit losses of other financial assets	35	**104**	–
Impairment losses made for investment in subsidiaries	36	**295,585**	20,000
Property, plant and equipment:			
– Depreciation	33	**7,559**	9,171
– Written off	33	**7**	204
Intangible assets:			
– Amortisation	33	**5,641**	7,402
Interest income from financial assets at FVTPL, FVOCI and financial investments at amortised costs, AFS and HTM		**(61,336)**	(61,967)
Net gain from sale/redemption of financial assets at FVTPL, FVOCI and financial investments at amortised costs, AFS and HTM		**(10,542)**	(32,420)
Net unrealised (gain)/loss on revaluation of financial assets at FVTPL and derivatives		**(5,684)**	38,066
Net gain from sale of derivatives		**(22,827)**	(34,809)
Gross dividend income from financial assets at FVTPL, FVOCI and financial investments AFS		**(1,243)**	(2,632)
Gross dividend income from subsidiaries		**(11,400)**	(10,000)
Gross dividend income from an associate		**(1,041)**	–
Subordinated obligations interest expense		**19,700**	22,262
Unrealised foreign exchange (gain)/loss		**(1,428)**	34,651
Operating profit before working capital changes		**292**	101,083
Decrease/(Increase) in operating assets:			
Deposits and placements with banks and other financial institutions		**–**	350,065
Financial assets at FVTPL		**66,352**	(68,945)
Loans and advances		**112,286**	(30,398)
Clients' and brokers' balances		**381,310**	(153,480)
Derivative assets		**282**	4,070
Other assets		**26,262**	26,108
Statutory deposits		**(8,650)**	29,050
		577,842	156,470

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 2018

	Note	31.12.2018 RM'000	Bank Restated 31.12.2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
Increase/(Decrease) in operating liabilities:			
Deposits from customers		**378,394**	(45,561)
Deposits and placements of banks and other financial institutions		**(1,198,908)**	1,923,195
Clients' and brokers' balances		**(291,976)**	168,695
Derivative liabilities		**2,370**	17,956
Other liabilities		**622**	1,859
		(1,109,498)	2,066,144
Cash (used in)/generated from operations		**(531,364)**	2,323,697
Net tax paid		**(2,182)**	(14,896)
Net cash (used in)/generated from operating activities		**(533,546)**	2,308,801
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchase of financial assets FVOCI and financial investments at amortised costs, AFS and HTM		**(127,353)**	(126,780)
Interest income received from financial assets at FVTPL, FVOCI and financial investments at amortised costs, AFS and HTM		**71,980**	50,249
Dividend income received from financial assets at FVTPL, FVOCI and financial investments AFS		**1,243**	2,632
Property, plant and equipment:			
– Purchase		**(2,782)**	(6,461)
Purchase of software license		**(4,996)**	(8,016)
Dividend income received from subsidiaries		**11,400**	–
Dividend income received from an associate		**1,041**	–
Additional investment in a subsidiary		**–**	(12)
Net cash used in investing activities		**(49,467)**	(88,388)

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 2018

	Note	31.12.2018 RM'000	Bank Restated 31.12.2017 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital repayment to shareholder	49(c)(ii)	**–**	(846,023)
Proceeds from issuance of subordinated obligations	24	**–**	200,000
Redemption of subordinated obligations		**–**	(245,000)
Subordinated obligations interest paid		**(19,700)**	(20,594)
Net cash used in financing activities		**(19,700)**	(911,617)
Net (decrease)/increase in cash and cash equivalents		**(602,713)**	1,308,796
Effects of exchange rate differences		**–**	773
Cash and cash equivalents:			
– At the beginning of the financial year		**1,795,452**	485,883
– At the end of the financial year		**1,192,739**	1,795,452
Cash and cash equivalents comprise the following:			
– Cash and short-term funds before expected credit losses	2	**1,192,739**	1,795,452

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 2018

Change in liabilities arising from financing activities as following:

Bank	At the Beginning of the Financial Year RM'000	Net Cash Flows RM'000	Non-Cash Changes: Foreign Exhange Movement RM'000	Non-Cash Changes: Interest Expense RM'000	At the End of the Financial Year RM'000
2018					
Subordinated obligations	**404,263**	**(19,700)**	**–**	**19,700**	**404,263**
2017					
Subordinated obligations	447,595	(65,594)	–	22,262	404,263

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 2018

(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 financial 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 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's and the Bank's accounting policies. Although these estimates and judgements 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's and the Bank's financial year beginning on or after 1 January 2018 are as follows:

(i) Annual Improvements to MFRS 2014-2016 Cycle

- Amendments to MFRS 128 'Investments in Associates and Joint Ventures'

  The amendments allow:

  - venture capital organisations, mutual funds, unit trusts and similar entities to elect, on an individual basis, measuring their investments in associates and joint ventures at fair value through profit or loss.
  - an entity that is not an investment entity to retain the fair value measurement applied by its associates or joint ventures (that are investment entities) when applying equity method.

The adoption of the Annual Improvements to MFRS 2014-2016 Cycle 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 2018

(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's and the Bank's financial year beginning on or after 1 January 2018 are as follows: (continued)

(ii) IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

This Interpretation applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

The adoption of the IC Interpretation 22 did not have any material financial impact on the financial statements of the Group and of the Bank.

(iii) MFRS 9 'Financial Instruments'

This complete version of MFRS 9 replaces the entire MFRS 139. It amends the requirements on classification and measurement of financial assets and includes an expected credit losses model that replaces the incurred loss impairment model used under MFRS 139. It also includes the new hedging guidance that was issued in February 2014.

(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's and the Bank's financial year beginning on or after 1 January 2018 are as follows: (continued)

(iii) MFRS 9 'Financial Instruments' (continued)

MFRS 9 establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ('OCI'). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group and the Bank have applied MFRS 9 retrospectively with date of initial application of 1 January 2018.

As permitted by the transitional provisions of MFRS 9, the Group and the Bank elected not to restate comparative figures and continued to be reported under the previous accounting policies governed under MFRS 139. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained profits and other reserves of the current financial year.

The details and the financial effects of the adoption of MFRS 9 are disclosed in Note 51(A) and 51(C).

(iv) MFRS 15 'Revenue from Contracts with Customers'

The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

MFRS 15 is based on the principle that revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(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's and the Bank's financial year beginning on or after 1 January 2018 are as follows: (continued)

(iv) MFRS 15 'Revenue from Contracts with Customers' (continued)

A new five-step process must be applied before revenue can be recognised:

- identify contracts with customers
- identify the separate performance obligation
- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and
- recognise the revenue as each performance obligation is satisfied.

When there are multiple goods or services bundled in a single arrangement, MFRS 15 requires an entity to apply the revenue recognition principles separately to each good or service that is distinct. The contract consideration is allocated to each of the distinct good or service based on the price an entity would charge a customer on a stand-alone basis for each good or service. If a stand-alone selling price is not directly observable, an entity will need to estimate by considering all information that is reasonably available to the entity. The point at which revenue is recognised for each distinct good or service may vary depending on when control of each good or service is transferred to the customer.

MFRS 15 requires an estimate of variable consideration to be recognised as revenue when performance obligations are satisfied if it is highly probable that the amount will not result in a significant revenue reversal if estimates change. Transaction price should be adjusted for the time value of money if the contract includes a significant financing component.

MFRS 15 prescribes specific disclosure requirements in the following areas to help entities meet the disclosure objective:

- qualitative and quantitative information about contracts with customers;
- significant judgements made by management in applying MFRS 15; and
- asset recognised on costs incurred to obtain or fulfil a contract with customer.

MFRS 15 permits either a full retrospective or a modified approach for the adoption. The Group and the Bank have adopted the modified approach under MFRS 15.

Under the modified retrospective transition method, the Group and the Bank apply the new policy retrospectively only to contracts that are not completed contracts at the date of initial application. The 2017 comparative information was not restated as the financial impact is not material to the Group and cumulative effects of initial application of MFRS 15 were not recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(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) Annual Improvements to MFRS 2015-2017 Cycle - effective for annual periods on or after 1 January 2019

- Amendments to MFRS 3 'Business Combinations' 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' 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.
- Amendments to MFRS 112 'Income Taxes' 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' 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.

(ii) Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures' – effective for annual periods on or after 1 January 2019

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 amendments shall be applied retrospectively.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(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)

(iii) MFRS 16 'Leases' – effective for annual periods on or after 1 January 2019

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.

(iv) IC Interpretation 23 'Uncertainty over Income Tax Treatments' – effective for annual periods on or after 1 January 2019

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.

IC Interpretation 23 will be applied retrospectively.

(v) Amendments to MFRS 119 'Plan Amendment, Curtailment or Settlement' – effective for annual periods on or after 1 January 2019

The amendments requires an entity to use the updated actuarial assumptions from remeasurement of its net defined benefit liability or asset arising from plan amendment, curtailment or settlement, to determine current service cost and net interest for the remaining period after the change to the plan. The amendments will be applied prospectively.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(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)

The adoption of the accounting standards, amendments to published standards and interpretations to existing standards are not expected to give rise to any material financial impact to the Group and the Bank, except for the adoption of:

(i) MFRS 16 – The Group and the Bank will apply this standard from its mandatory adoption date of 1 January 2019. The Group and the Bank intend to apply the simplified transitional approach and will not restate comparative amounts for the 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).

As at the reporting date, the Group and the Bank has non-cancellable operating lease commitments of RM69,168,000 and RM21,083,000 respectively, as disclosed in Note 43. Of these commitments, short-term leases and low value leases will both be recognised on a straight-line basis as expense in the income statements.

For the remaining lease commitments, the Group and the Bank expect to recognise right-of-use assets on 1 January 2019, lease liabilities after adjustments for prepayments and accrued lease payments as at 31 December 2018 and deferred tax assets.

(c) Changes in regulatory requirements

(i) Capital Adequacy Frameworks

The Capital Adequacy Frameworks in relation to Basel II -Risk-Weighted Assets and Capital Components were updated and reissued by Bank Negara Malaysia ('BNM') on 2 February 2018 for application with effect from 1 January 2018.

The updates focused mainly on the following changes:

- Revised definition of General Provision and Specific Provision arising from the implementation of MFRS 9 'Financial Instruments';
- Definition of General Provision and its recognition in Tier II capital;
- Alignment of terminologies used under MFRS 9 for the purpose of capital recognition and regulatory adjustments; and
- Clarification on the capital treatment of bargain purchase gains and right-of-use assets.

The updates above mainly address clarification on capital recognition and regulatory adjustment requirements arising from the implementation of MFRS 9.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(c) Changes in regulatory requirements (continued)

(ii) Financial Reporting

On 2 February 2018, BNM issued the revised policy document on Financial Reporting which prescribes the regulatory reserves to be maintained by banking institutions.

With effect from 1 January 2018, the Bank and its domestic banking subsidiaries must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

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

The effect of this change is disclosed in Note 51(C).

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 deconsolidated from the date that control ceases.

(i) Acquisition accounting

The Group applies the acquisition method to account for business combination. The consideration transferred for the acquisition of a subsidiary is the fair values 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, with limited exceptions, 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 combinations and its share of changes in the subsidiary’s equity since the date of combination.

Acquisition-related costs are expensed as incurred.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2) BASIS OF CONSOLIDATION (CONTINUED)

(a) Subsidiaries (continued)

(i) Acquisition accounting (continued)

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 or as a change to other comprehensive income. 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 recognised 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 Section A(6) on goodwill.

(ii) Predecessor accounting

The Group applies 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 profits. 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 years results. The corresponding amounts for the previous year are restated to reflect the combined results of both entities.

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.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2) BASIS OF CONSOLIDATION (CONTINUED)

(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 equity holder 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 recognised in equity. Gains or losses on disposals to non-controlling interests are also recognised in equity attributable to equity holder 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 income statements. 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.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(d) Joint ventures

A joint venture is a joint arrangement whereby the joint venturers 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 in statement of 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.

When the Group ceases to equity account its joint venture because of loss of joint 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 income statements. The 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 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.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2) BASIS OF CONSOLIDATION (CONTINUED)

(d) Joint ventures (continued)

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 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 financial instrument

A financial instrument that gives the holder the right to return it to the issuer for cash or another financial asset is a financial liability.

A puttable financial instrument is a financial instrument that gives the holder the right to put the instrument back to the issuer for cash or another financial asset or is automatically put back to the issuer on the occurrence of an uncertain future event or retirement of the instrument holder.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3) INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

In the Bank's separate financial statements, investment 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 Section A(17) on impairment of non-financial assets.

On disposal of investment 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 and measurement of financial assets

With effect from 1 January 2018, the Group and the Bank have applied MFRS 9 and classify its financial assets in the following measurement categories:

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

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 solely payment of principal and interest.

The classification requirements for debt and equity instruments are described as below:

(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.

Classification and subsequent measurement of debt instruments depend on the following factors:

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

(a) Classification and measurement of financial assets (continued)

The classification requirements for debt and equity instruments are described as below: (continued)

(i) Debt instruments (continued)

Based on these factors, the Group and the Bank classify their debt instruments into one of the following three measurement categories:

(1) Financial assets at amortised cost

Financial assets where the contractual cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated as FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted for any expected credit losses that are recognised into 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 at FVOCI

Financial assets that are held for collection for contractual cash flow and for selling the financial assets, where those cash flows represent SPPI, are measured at FVOCI. Changes in the fair value of these assets are recognised in other comprehensive income ('OCI'), except for recognition of interest, dividend, 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 FVTPL' in the period in which it arises. The interest income is recognised into income statements using the effective interest rate method.

(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.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

(a) Classification and measurement of financial assets (continued)

The classification requirements for debt and equity instruments are described as below: (continued)

(ii) Equity instruments (continued)

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 at FVOCI. The Group and the Bank's policy is to designate equity instruments as FVOCI when those instruments are held for purposes other than for trading. 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 FVTPL' in the income statements.

(b) 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 fair value through profit or loss, or equity instruments that have been designated as at fair value through other comprehensive income even when there is a change in business model. Such designations are irrevocable.

(c) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date, the date on which the Group and the Bank committed to purchase or sell the assets. Fixed income and interbank placements are recognised at settlement date. 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.

(d) Impairment

MFRS 9 introduces a new impairment model that requires the recognition of expected credit loss ('ECL'), replacing the incurred loss methodology model under MFRS 139, for all financial assets, except for financial assets classified or designated as FVTPL and equity securities 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.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

(d) Impairment (continued)

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.

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; and
- When there is modification referring to any changes in the contractual cash flow of loan due to credit deterioration reasons.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions
for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

(d) Impairment (continued)

(1) General approach (continued)

Significant increase in credit risk:

(i) 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.

(ii) 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 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 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

(d) Impairment (continued)

(1) General approach (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 leverages on the model/segments/credit related factors implemented under the Basel II Internal Ratings-Based (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 in 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 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 receivables and other assets. The expected loss allowance is based on provisional matrix.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

(e) Accounting policies prior to 1 January 2018

(i) Classification

The Group and the Bank classified their financial assets in the following categories: at fair value through profit or loss, loans and receivables, financial investments AFS and HTM. The classification depends on the purpose for which the financial assets were required. Management determined the classification at initial recognition and in the case of financial investments HTM, re-evaluates this designation at the end of each reporting period.

(1) Financial assets at FVTPL

Financial assets at FVTPL were financial assets held-for-trading ('HFT'). A financial asset was classified in this category if it was acquired or incurred principally for the purpose of selling or repurchasing in the near term. Derivatives were also categorised as HFT unless they were designated as hedges (Refer to accounting policy Section A(5)).

(2) Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market.

(3) Financial investments AFS

Financial investments AFS were non-derivatives that were either designated in this category or not classified in any of the other categories.

(4) Financial investments HTM

Financial investments HTM were non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's and the Bank's management have the positive intention and ability to hold to maturity. If the Group and the Bank were to sell other than an insignificant amount of financial investments HTM, the whole category would be tainted and reclassified as financial investments AFS.

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets were recognised on the settlement date on which the Group and the Bank commit to purchase or sell the asset.

Financial assets were initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss were initially recognised at fair value, and transaction costs were expensed in income statements.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

(e) Accounting policies prior to 1 January 2018 (continued)

(iii) Subsequent measurement – gains and losses

Financial investments AFS and financial assets at fair value through profit or loss were subsequently carried at fair value. Loans and receivables and financial investments HTM were subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income were recognised in other operating income in income statements in the period in which the changes arise.

Changes in the fair value of financial investments AFS were recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary assets (refer to accounting policy Section A(20)). The exchange differences on monetary assets were recognised in income statements, whereas exchange differences on non-monetary assets were recognised in other comprehensive income as part of fair value change.

Interest and dividend income on financial investments AFS were recognised separately in income statements. Interest on financial investments AFS calculated using the effective interest method was recognised in income statements. Dividend income on financial investments AFS was recognised in other operating income in income statements when the Group's and the Bank's right to receive payments was established.

(iv) Impairment

(1) Assets carried at amortised cost

The Group and the Bank assess at the end of the reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

(e) Accounting policies prior to 1 January 2018 (continued)

(iv) Impairment (continued)

(1) Assets carried at amortised cost (continued)

The criteria that the Group and the Bank use to determine that there was objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor; or
- A breach of contract, such as a default or delinquency in interest or principal payments; or
- The Group or the Bank, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation; or
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount was reduced and the amount of the loss was recognised in income statements. If 'loans and receivables' or a 'HTM investment' have a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in income statements.

When an asset is uncollectible, it is written off against the related allowance account. Such assets were written off after all the necessary procedures have been completed and the amount of the loss has been determined.

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

(e) Accounting policies prior to 1 January 2018 (continued)

(iv) Impairment (continued)

(1) Assets carried at amortised cost (continued)

The Group and the Bank addressed impairment of loans and advances include:

(i) Individual impairment allowance

The Group and the Bank determined the allowance appropriate for each individual significant loans and advances on an individual basis. The allowances were established based primarily on estimates of the realisable value of the collateral to secure the loans and advances and were measured as the difference between the carrying amount of the loans and advances and the present value of the expected future cash flows discounted at the original effective interest rate of the loans and advances. All other loans and advances that have been individually evaluated, but not considered to be individually impaired, were assessed collectively for impairment.

(ii) Collective impairment allowance

Loans which were not individually significant and loans that have been individually assessed with no evidence of impairment loss were grouped together for collective impairment assessment. These loans were grouped within similar credit risk characteristics for collective assessment, whereby data from the loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.) and concentrations of risks (such as the performance of different individual groups) were taken into consideration.

Future cash flows in a group of financial assets that were collectively evaluated for impairment were estimated based on the historical loss experience of the Group and the Bank. Historical loss experience was adjusted on the basis of current observable data to reflect current conditions on which the historical loss experience was based on and to remove the effects of conditions in the historical period that did not exist currently. Estimated of changes in future cash flows reflected, and were directionally consistent with, changes in related observable data from year to year. The methodology and assumptions used for estimating future cash flows were reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(iii) Regulatory reserve

The Group has adopted the requirement to maintain, in aggregate, the collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans, net of individual impairment allowances. The regulatory reserve was recognised in equity.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

(e) Accounting policies prior to 1 January 2018 (continued)

(iv) Impairment (continued)

(2) Assets classified as AFS

The Group and the Bank assessed at the end of the reporting period whether there was objective evidence that a financial asset or a group of financial assets was impaired.

For debt securities, the Group and the Bank used criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase could be objectively related to an event occurring after the impairment loss was recognised in income statements, the impairment loss was reversed through income statements.

In the case of equity securities classified as AFS, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost was also considered as an indicator that the assets were impaired. If any such evidence exists for AFS financial assets, the cumulative loss that had been recognised directly in equity was removed from equity and recognised in income statements. The amount of cumulative loss that was reclassified to income statements was the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income statements. Impairment losses recognised in income statements on equity instruments classified as AFS were not reversed through the income statements.

(v) De-recognition

Financial assets were de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and the Bank have transferred substantially all risks and rewards of ownership.

Loans and receivables that were factored out to banks and other financial institutions with recourse to the Group and the Bank were not de-recognised until the recourse period has expired and the risks and rewards of the loans and receivables have been fully transferred. The corresponding cash received from the financial institutions was recorded as borrowings.

When financial investments AFS were sold, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to income statements.

(vi) Offsetting financial instruments

Financial assets and liabilities were offset and the net amount presented in the statements of financial position when there was a legally enforceable right to offset the recognised amounts and there was an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

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. 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. Cash collateral held in relation to derivative transactions are carried at amortised cost.

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 qualified 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 hedge, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group and the Bank also document their assessment, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(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.

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 net interest income.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5) 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 qualified as cash flow hedges are 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.

6) 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 Section A(17) 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.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7) INTANGIBLE ASSETS

Intangible assets comprise separately identifiable intangible items arising from business combinations, computer software licences 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 positions, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, 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 Section A(17) on impairment of non-financial assets.

(a) Computer software licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software licences 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 arise 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	3-10 years

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8) 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.

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:

Renovations	10%
Office equipment	20%
Computer equipment	10% to 33 1/3%
Motor vehicles	20%

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.

Gains or losses on disposals are determined by comparing proceeds with carrying amount 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 Section A(17) on impairment of non-financial assets.

9) 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 derecognised when extinguished.

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

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

A financial liability is classified as HFT 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 HFT unless they are designated as hedges. Refer to accounting policy Section A(5) on hedge accounting.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9) 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, bills and acceptances payable, clients' and brokers' balances 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 the 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 and subordinated obligations.

10) LEASES – WHERE THE GROUP IS LESSEE

(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 a straightline 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.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11) 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 expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments 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.

12) 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.

Accounting policy from 1 January 2018

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’ (refer Section A (4)(c)) 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.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12) FINANCIAL GUARANTEE CONTRACTS (CONTINUED)

Accounting policy prior to 1 January 2018

Financial guarantee contracts are subsequently measured at the highest of the amount determined in accordance with MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less cumulative amortisation, where applicable.

13) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group and the Bank do not recognise contingent assets and liabilities other than those arising from business combination, 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 and the Bank measure 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 'Provision, 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'.

14) 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.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

15) CASH AND CASH EQUIVALENTS

For the purpose of the statement 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.

16) REVENUE RECOGNITION

(a) Interest income is recognised using the effective interest 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) Loan arrangement fees, commissions and placement fees are recognised as income when all conditions precedent are fulfilled.

(c) 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 method.

(d) Corporate advisory fees are recognised as income on completion of each stage of the engagement and issuance of invoice.

(e) Management fees of the unit trust management company are recognised based on point over time over the period of services. Sales value of trust units is recognised on the approval of a unit holder's application. Value from the cancellation of trust units is recognised upon approval of the trustee.

(f) 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 are received from subsidiaries, financial assets FVTPL and at FVOCI are recognised as other operating income in income statements.

From 1 January 2018 onwards, 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 investments measured at fair value through other comprehensive income.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17) 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.

18) 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 the 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.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

19) 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.

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 investment in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference 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.

20) 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 the 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.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20) 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 FVOCI (2017: AFS) 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 FVOCI (2017: AFS), 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.

21) 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 RHB Bank Group’s 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 2018

(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 continually 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:

(a) Fair value measurement

A significant portion of financial instruments are carried on the statements of financial position 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 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 income statements on initial recognition (i.e. on day one).

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

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

MFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, unemployment, interest rates, gross domestic product, inflation 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.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2018

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

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 continually 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: (continued)

(b) 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.

(c) Goodwill impairment

Goodwill is tested at least annually for impairment. Impairment is measured by comparing the carrying amount of the investments with its recoverable amount. The recoverable amount is determined based on higher of value in use ('VIU') and fair value less cost of disposal ('FVLCD'). 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 require the Group and the Bank to make an estimate of the expected future cash flow from the CGUs. Determining both the expected pre-tax cash flows and the risk adjusted discount rate appropriate to the CGUs 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 are disclosed in Note 18 to the financial statements.

(d) Impairment of investments in subsidiaries, associates and joint ventures

The Bank assesses whether there is any indication that investments in subsidiaries, associates and joint ventures are impaired at the end of each reporting period. Impairment is measured by comparing the carrying amount of the investments with its recoverable amount. The recoverable amount is determined based on higher of VIU and FVLCD.

Management has assessed the recoverable amount of the investments based on net assets of the subsidiaries and the higher of VIU calculations and FVLCD, which approximates fair value as at year end. The impairment charge has been recognised due to the carrying amount of the investments in the separate financial statements exceeding the carrying amount of the subsidiaries' net assets in their financial statements and recoverable amounts. The impairment charge during the financial year is shown in Note 36 to the financial statements.

Notes to the Financial Statements

for the financial year ended 31 December 2018

1 GENERAL INFORMATION

RHB Investment Bank Berhad ('the Bank'), is a limited liability bank incorporated and domiciled in Malaysia.

The principal activities of the Bank include merchant banking business, dealing in securities, stock, debt and derivatives, stock-broking business and the business of brokers and dealers in futures and options contracts.

The Group is involved in merchant banking business, dealing in securities, stock, debt and derivatives, stockbroking business and the business of brokers and dealers in futures and options contracts, investment management services, Islamic investment management services, management of unit trust funds and Islamic unit trust funds, management of private retirement schemes, provision of investment advisory services, research services and provision of nominee 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 26 February 2019.

2 CASH AND SHORT-TERM FUNDS

			Group
		Restated	Restated
	31.12.2018	31.12.2017	01.01.2017
	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	**975,701**	921,381	753,040
Money at call and deposit placements maturing within one month	**883,744**	1,550,197	319,100
	1,859,445	2,471,578	1,072,140
Less: Allowance for ECL	**(421)**	–	–
	1,859,024	2,471,578	1,072,140

			Bank
		Restated	Restated
	31.12.2018	31.12.2017	01.01.2017
	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	**418,357**	350,669	260,501
Money at call and deposit placements maturing within one month	**774,382**	1,444,783	225,382
	1,192,739	1,795,452	485,883
Less: Allowance for ECL	**(155)**	–	–
	1,192,584	1,795,452	485,883

Included in the Group's and the Bank's cash and short term funds are accounts held in trust for remisiers amounting to RM62,917,000 (31.12.2017: RM62,902,000 and 01.01.2017: RM60,060,000).

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Licensed banks	**90,462**	22,106	**–**	–
Less: Allowance for ECL	**(13)**	–	**–**	–
	90,449	22,106	**–**	–

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

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
At fair value				
Quoted securities:				
In Malaysia				
Shares and exchange traded funds	**20,158**	149,116	**17,894**	149,116
Unit trusts	**67,553**	64,783	**8,683**	–
Outside Malaysia				
Shares	**190,576**	249,640	**1,406**	–
Unit trusts	**27,659**	–	**27,659**	–
Unquoted securities:				
In Malaysia				
Corporate bonds/Sukuk	**–**	23	**–**	23
Outside Malaysia				
Private equity funds	**437,275**	359,859	**–**	–
	743,221	823,421	**55,642**	149,139

Notes to the Financial Statements

for the financial year ended 31 December 2018

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

In 2008, the Bank reclassified a portion of their financial assets at FVTPL into financial investments AFS. The reclassification have been accounted for in accordance with BNM's circular on 'Reclassification of Securities under Specific Circumstances' dated 17 October 2008, which is effective from 1 July 2008 until 31 December 2009.

The effects of the reclassification on the income statements for the period from the date of reclassification to 31 December 2017 were as follows:

	Carrying amount 31.12.2017 RM'000	Fair value 31.12.2017 RM'000
Group and Bank		
Reclassified from financial assets at FVTPL to financial investments AFS		
– Corporate bonds	15,393	15,416

	Group and Bank 31.12.2017 RM'000
Fair value gain that would have been recognised if the financial assets at FVTPL had not been reclassified	23

Notes to the Financial Statements

for the financial year ended 31 December 2018

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE ('AFS')

	Group 31.12.2017 RM'000	Bank 31.12.2017 RM'000
At fair value		
Money market instruments:		
Malaysian Government Securities	139,092	139,092
Malaysian Government Investment Issues	140,795	140,795
Khazanah bonds	41,382	41,382
Sukuk Perumahan Kerajaan ('SPK')	69,475	69,475
Quoted securities:		
In Malaysia		
Shares	39	–
Unit trusts	26,168	11,234
Outside Malaysia		
Shares	2,325	–
Unit trusts	30,296	30,296
Unquoted securities:		
In Malaysia		
Corporate bonds/Sukuk	399,470	399,470
Shares	34,284	31,775
Prasarana bonds	25,388	25,388
Outside Malaysia		
Shares	289	–
	909,003	888,907
Accumulated impairment losses	(6,754)	(6,754)
	902,249	882,153

Movement in allowance for impairment losses:

	Group and Bank 31.12.2017 RM'000
Balance as at the beginning of the financial year	91,710
Allowance written off	(57,321)
Business transferred to holding company	(27,635)
Balance as at the end of the financial year	6,754

Notes to the Financial Statements

for the financial year ended 31 December 2018

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY ('HTM')

	Note	Group and Bank 31.12.2017 RM'000
At amortised cost		
Money market instruments:		
Malaysian Government Investment Issues		457,199
Khazanah bonds		11,562
Wakala Global Sukuk		8,834
Unquoted Securities:		
In Malaysia		
Corporate bonds/Sukuk		108,199
Loan stocks		26,714
Prasarana bonds		50,129
		662,637
Accumulated impairment losses		(79,405)
		583,232
Movement in allowance for impairment losses:		
Balance as at the beginning of the financial year		108,816
Amount written back	35	(1,872)
Amount written off		(23,099)
Business transferred to holding company		(4,440)
Balance as at the end of the financial year		79,405

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

	Note	Group 31.12.2018 RM'000	Bank 31.12.2018 RM'000
Debt instruments	(a)	711,087	711,087
Equity instruments	(b)	39,138	30,840
		750,225	741,927

(a) Debt instruments

	Group 31.12.2018 RM'000	Bank 31.12.2018 RM'000
At fair value		
Money market instruments:		
Malaysian Government Securities	128,725	128,725
Malaysian Government Investment Issues	49,146	49,146
Khazanah bonds	43,180	43,180
Sukuk Perumahan Kerajaan ('SPK')	69,914	69,914
Unquoted securities:		
In Malaysia		
Corporate bonds/Sukuk	394,661	394,661
Prasarana bonds	25,461	25,461
	711,087	711,087

There are no allowance for expected credit losses on FVOCI, debt instruments as all investments are guaranteed by the Government of Malaysia.

(b) Equity instruments

	Group 31.12.2018 RM'000	Bank 31.12.2018 RM'000
At fair value		
Quoted securities:		
Outside Malaysia		
Shares	2,082	–
Unquoted securities:		
In Malaysia		
Shares	36,762	30,840
Outside Malaysia		
Shares	294	–
	39,138	30,840

Notes to the Financial Statements

for the financial year ended 31 December 2018

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

(b) Equity instruments (continued)

At 1 January 2018, the Group and the Bank designated contain investments shown in the following tables as equity securities under FVOCI. In 2017, these investments were classified as financial investments AFS. The FVOCI designation was made because these investments are not held for trading purposes.

List of these investments are as follows:

	Group		Bank	
31.12.2018	**Fair value RM'000**	**Dividend income recognised during the financial year RM'000**	**Fair value RM'000**	**Dividend income recognised during the financial year RM'000**
Securities				
Malaysian Rating Corporation Berhad	2,748	123	2,748	123
Cagamas Holdings Bhd	28,092	180	28,092	180
Bond Pricing Agency Malaysia Sdn Bhd	5,922	157	–	–
Others	2,376	70	–	–
	39,138	530	30,840	303

Dividend income from financial assets at FVOCI (equity instruments) is disclosed in Note 32 to the financial statements.

Notes to the Financial Statements
for the financial year ended 31 December 2018

8 FINANCIAL INVESTMENTS AT AMORTISED COSTS

	Group and Bank 31.12.2018 RM'000
Money market instruments:	
Malaysian Government Investment Issues	375,258
Khazanah Bonds	12,025
Wakala Global Sukuk	8,626
Unquoted Securities:	
In Malaysia	
Corporate bonds/Sukuk	457,605
Loan stocks	26,163
Prasarana bonds	65,694
	945,371
Allowance for expected credit losses	(78,064)
	867,307

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

Balance as at the beginning of the financial year	
– As previously reported	–
– Effect of adoption of MFRS 9	79,405
– As restated	79,405
Amount recovered	(1,341)
Balance as at the end of the financial year	78,064

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

Group and Bank 31.12.2018	Note	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					
– As previously reported		–	–	–	–
– Effect of adoption of MFRS 9		–	–	79,405	79,405
– As restated		–	–	79,405	79,405
Net allowance written back	35	–	–	(1,341)	(1,341)
Balance as at the end of the financial year		–	–	78,064	78,064

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for the financial year ended 31 December 2018

9 LOANS AND ADVANCES

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
(i) By type				
At amortised cost				
Term loans	**28,792**	50,472	**2**	2
Share margin financing	**1,590,125**	1,789,843	**1,030,882**	1,143,036
Staff loans	**387**	519	**387**	519
Gross loans and advances	**1,619,304**	1,840,834	**1,031,271**	1,143,557
Less:				
– Allowance for expected credit losses	**(18,981)**	–	**(1)**	–
– Individual impairment allowance	**–**	(86,905)	**–**	(5)
– Collective impairment allowance	**–**	(1)	**–**	(1)
Net loans and advances	**1,600,323**	1,753,928	**1,031,270**	1,143,551
(ii) By type of customer				
Domestic non-bank financial institutions:				
– Others	**94**	–	**94**	–
Domestic business enterprises:				
– Small medium enterprises	**178,428**	197,973	**178,428**	197,973
– Others	**105,479**	118,656	**105,479**	118,656
Individuals	**715,581**	797,118	**715,581**	797,118
Foreign entities	**619,722**	727,087	**31,689**	29,810
	1,619,304	1,840,834	**1,031,271**	1,143,557
(iii) By geographical distribution				
In Malaysia	**1,031,271**	1,143,557	**1,031,271**	1,143,557
Outside Malaysia:				
– Singapore operations	**197,364**	146,645	**–**	–
– Hong Kong operations	**88,022**	170,649	**–**	–
– Indonesia operations	**128,069**	111,148	**–**	–
– Thailand operations	**174,578**	268,835	**–**	–
	1,619,304	1,840,834	**1,031,271**	1,143,557

Notes to the Financial Statements
for the financial year ended 31 December 2018

9 LOANS AND ADVANCES (CONTINUED)

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
(iv) By interest rate sensitivity				
Fixed rate:				
– Other fixed rate loans	**1,356,702**	1,401,348	**1,031,269**	1,143,555
Variable rate:				
– Base lending rate plus	**262,602**	439,486	**2**	2
	1,619,304	1,840,834	**1,031,271**	1,143,557
(v) By purpose				
Purchase of securities	**1,618,916**	1,840,313	**1,030,883**	1,143,036
Purchase of transport vehicles	**14**	33	**14**	33
Purchase of landed property:				
– Residential	**374**	488	**374**	488
	1,619,304	1,840,834	**1,031,271**	1,143,557
(vi) By economic sector				
Agriculture, hunting, forestry and fishing	**29,784**	26,084	**905**	424
Mining and quarrying	**7,547**	7,841	**102**	232
Manufacturing	**29,211**	28,084	**4,775**	–
Construction	**12,931**	–	**1,357**	–
Wholesale and retail trade and restaurant and hotel	**4,881**	47,191	**527**	819
Transport, storage and communication	**2,988**	3,389	**2,988**	3,389
Real estate	**120,191**	34,590	**55,682**	34,590
Finance, insurance and business services	**236,786**	334,951	**223,309**	271,187
Education, health and others	**–**	8,333	**–**	8,333
Household sector	**1,174,985**	1,350,371	**741,626**	824,583
	1,619,304	1,840,834	**1,031,271**	1,143,557
(vii) By remaining contractual maturities				
Maturity within one year	**1,618,952**	1,840,314	**1,030,919**	1,143,037
One year to three years	**–**	117	**–**	117
Three years to five years	**14**	17	**14**	17
Over five years	**338**	386	**338**	386
	1,619,304	1,840,834	**1,031,271**	1,143,557

Notes to the Financial Statements

for the financial year ended 31 December 2018

9 LOANS AND ADVANCES (CONTINUED)

(viii) By stages

	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
Group				
31.12.2018				
Balance as at the beginning of the financial year				
– As previously reported	–	–	–	–
– Effect of adoption of MFRS 9	1,736,491	10,666	93,677	1,840,834
– As restated	1,736,491	10,666	93,677	1,840,834
Transfer in to 12-month ECL (Stage 1)	67,115	(52,704)	(14,411)	–
Transfer in to Lifetime ECL not credit impaired (Stage 2)	(52,805)	52,824	(19)	–
Transfer in to Lifetime ECL credit impaired (Stage 3)	(14,585)	–	14,585	–
Addition and origination	1,580,946	–	–	1,580,946
Derecognition	(1,725,616)	(7,877)	(321)	(1,733,814)
Amount written off	–	–	(75,090)	(75,090)
Exchange differences	4,751	108	1,569	6,428
Balance as at the end of the financial year	1,596,297	3,017	19,990	1,619,304
Bank				
31.12.2018				
Balance as at the beginning of the financial year				
– As previously reported	–	–	–	–
– Effect of adoption of MFRS 9	1,138,775	4,328	454	1,143,557
– As restated	1,138,775	4,328	454	1,143,557
Transfer in to 12-month ECL (Stage 1)	54,035	(42,065)	(11,970)	–
Transfer in to Lifetime ECL not credit impaired (Stage 2)	(38,536)	38,536	–	–
Transfer in to Lifetime ECL credit impaired (Stage 3)	(11,517)	–	11,517	–
Addition and origination	846,231	–	–	846,231
Derecognition	(957,717)	(799)	(1)	(958,517)
Balance as at the end of the financial year	1,031,271	–	–	1,031,271

Notes to the Financial Statements
for the financial year ended 31 December 2018

9 LOANS AND ADVANCES (CONTINUED)

	Group 31.12.2017 RM'000	Bank 31.12.2017 RM'000
(ix) Impaired loans and advances		
(a) Movement in impaired loans and advances		
Balance as at the beginning of the financial year	129,166	55,803
Classified as impaired	48,817	15,518
Amount recovered	(60,262)	(54,821)
Amount written off	(347)	–
Business transferred to holding company	(16,046)	(16,046)
Exchange differences	(7,651)	–
Balance as at the end of the financial year	93,677	454

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
(b) By economic sector				
Mining and quarrying	**7,445**	7,609	**–**	–
Manufacturing	**–**	2,191	**–**	–
Wholesale and retail trade and restaurant and hotel	**–**	34,979	**–**	–
Finance, insurance and business services	**–**	26,241	**–**	–
Household sector	**12,545**	22,657	**–**	454
	19,990	93,677	**–**	454
(c) By geographical distribution				
In Malaysia	**–**	454	**–**	454
Outside Malaysia:				
– Singapore	**11,323**	14,994	**–**	–
– Hong Kong	**16**	69,799	**–**	–
– Thailand	**8,651**	8,430	**–**	–
	19,990	93,677	**–**	454

Notes to the Financial Statements
for the financial year ended 31 December 2018

9 LOANS AND ADVANCES (CONTINUED)

(ix) Impaired loans and advances (continued)

(d) Movement in allowance for expected credit losses

	Note	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
Group					
31.12.2018					
Balance as at the beginning of the financial year					
– As previously reported		–	–	–	–
– Effect of adoption of MFRS 9		1	–	86,905	86,906
– As restated		1	–	86,905	86,906
Net allowance made	35	–	–	5,479	5,479
Amount written off		–	–	(75,090)	(75,090)
Exchange differences		–	–	1,686	1,686
Balance as at the end of the financial year		1	–	18,980	18,981
Bank					
31.12.2018					
Balance as at the beginning of the financial year					
– As previously reported		–	–	–	–
– Effect of adoption of MFRS 9		1	–	5	6
– As restated		1	–	5	6
Net allowance written back	35	–	–	(5)	(5)
Balance as at the end of the financial year		1	–	–	1

Notes to the Financial Statements

for the financial year ended 31 December 2018

9 LOANS AND ADVANCES (CONTINUED)

(ix) Impaired loans and advances (continued)

(e) Movement in allowance for impaired loans and advances

	Note	Group 31.12.2017 RM'000	Bank 31.12.2017 RM'000
Individual impairment allowance			
Balance as at the beginning of the financial year		54,887	9,966
Net allowance made	35	48,949	5
Amount written off		(347)	–
Business transferred to holding company		(9,966)	(9,966)
Exchange differences		(6,618)	–
Balance as at the end of the financial year		86,905	5
Collective impairment allowance			
Balance as at the beginning of the financial year		230	452
Net allowance written back	35	(229)	(451)
Balance as at the end of the financial year		1	1

Notes to the Financial Statements

for the financial year ended 31 December 2018

10 CLIENTS' AND BROKERS' BALANCES

			Group
		Restated	Restated
	31.12.2018	31.12.2017	01.01.2017
	RM'000	RM'000	RM'000
Amounts owing by clients	**578,117**	1,046,006	1,035,232
Less:			
– Allowance for expected credit losses	**(19,562)**	–	–
– Individual impairment allowance	**–**	(28,551)	(16,568)
– Collective impairment allowance	**–**	(3,331)	(16,608)
	558,555	1,014,124	1,002,056
Amounts owing by brokers	**119,980**	254,613	667,214
Amounts owing by clearing houses and stock exchanges	**264,522**	339,994	388,330
	943,057	1,608,731	2,057,600

			Bank
		Restated	Restated
	31.12.2018	31.12.2017	01.01.2017
	RM'000	RM'000	RM'000
Amounts owing by clients	**315,491**	618,773	531,653
Less:			
– Allowance for expected credit losses	**(6,156)**	–	–
– Individual impairment allowance	**–**	(6,789)	(7,924)
– Collective impairment allowance	**–**	(20)	(47)
	309,335	611,964	523,682
Amounts owing by brokers	**51,714**	210,145	94,995
Amounts owing by clearing houses and stock exchanges	**165,708**	88,946	138,538
	526,757	911,055	757,215

Notes to the Financial Statements
for the financial year ended 31 December 2018

10 CLIENTS' AND BROKERS' BALANCES (CONTINUED)

Movement in allowance for expected credit losses

		Group 31.12.2018 RM'000	Bank 31.12.2018 RM'000
(a)	**Non-credit impaired**		
	Balance as at the beginning of the financial year		
	– As previously reported	–	–
	– Effect of adoption of MFRS 9	642	–
	– As restated	642	–
	Allowance for credit loss	254	1
	Derecognition	(643)	(1)
	Balance as at the end of the financial year	253	–
(b)	**Credit impaired**		
	Balance as at the beginning of the financial year		
	– As previously reported	–	–
	– Effect of adoption of MFRS 9	31,240	6,809
	– As restated	31,240	6,809
	Allowance for credit loss	2,163	101
	Derecognition	(1,493)	(754)
	Amount written off	(12,820)	–
	Exchange differences	219	–
	Balance as at the end of the financial year	19,309	6,156

Notes to the Financial Statements

for the financial year ended 31 December 2018

10 CLIENTS' AND BROKERS' BALANCES (CONTINUED)

Movement in allowance for expected credit losses (continued)

			Group		Bank
		Restated 31.12.2017 RM'000	**Restated 01.01.2017 RM'000**	**Restated 31.12.2017 RM'000**	**Restated 01.01.2017 RM'000**
(c)	**Individual impairment allowance**				
	Balance as at the beginning of the financial year	16,568	17,777	7,924	7,629
	Net allowance made/(written back)	6,911	(301)	(1,135)	1,368
	Transfer from collective allowance	12,634	–	–	–
	Amount written off	(7,323)	(1,073)	–	(1,073)
	Exchange differences	(239)	165	–	–
	Balance as at the end of the financial year	28,551	16,568	6,789	7,924
(d)	**Collective impairment allowance**				
	Balance as at the beginning of the financial year	16,608	6,654	47	2,409
	Net allowance (written back)/made	(219)	9,445	(27)	(2,362)
	Transfer to individual allowance	(12,634)	–	–	–
	Exchange differences	(424)	509	–	–
	Balance as at the end of the financial year	3,331	16,608	20	47

11 OTHER ASSETS

	Note	31.12.2018 RM'000	Restated 31.12.2017 RM'000	Group Restated 01.01.2017 RM'000
Other receivables	(i)	**83,122**	72,928	62,036
Unit trust fee receivables		**23,231**	18,238	14,804
Management fee receivables		**2,666**	8,580	10,831
Cash collateral in relation to derivative transactions		**–**	–	8,532
Deposits		**16,143**	20,101	41,943
Prepayments		**18,208**	21,681	19,302
Amount receivable for release of units from funds		**10,447**	43,592	99,785
Transferable memberships		**342**	340	349
Amount due from holding company	(ii)	**13**	12	11,075
Amount due from related companies	(ii)	**149**	437	425
		154,321	185,909	269,082

	Note	31.12.2018 RM'000	Restated 31.12.2017 RM'000	Bank Restated 01.01.2017 RM'000
Other receivables	(i)	**14,651**	25,583	32,318
Cash collateral in relation to derivative transactions		**–**	–	8,532
Deposits		**3,974**	7,412	6,511
Prepayments		**5,316**	6,401	4,812
Transferable memberships		**262**	262	262
Amount due from holding company	(ii)	**–**	–	11,075
Amount due from subsidiaries	(ii)	**1,397**	12,257	4,636
Amount due from related companies	(ii)	**22**	25	69
		25,622	51,940	68,215

(i) Other receivables of the Group and the Bank are stated at net of allowance for ECL/impairment losses of RM18,605,000 (31.12.2017: RM16,654,000 and 01.01.2017: RM17,029,000) and RM15,925,000 (31.12.2017: RM15,904,000 and 01.01.2017: RM15,745,000) respectively. During the financial year, there was write off against allowance for impairment losses of the Group and the Bank of RM223,000 (31.12.2017: RM1,671,000 and 01.01.2017: RM7,827,000) and RM NIL (31.12.2017: RM NIL and 01.01.2017: RM5,644,000) respectively.

(ii) Amounts due from holding company/subsidiaries/related companies are unsecured, interest free and repayable on demand.

Notes to the Financial Statements

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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. 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 the 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 asset) and gross negative (derivative liability) fair values at the date of statements of financial position are analysed below.

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Derivative assets				
– Trading derivatives	**74**	344	**74**	343
Derivative liabilities				
– Trading derivatives	**(5,917)**	(46,013)	**(3,941)**	(45,873)
	(5,843)	(45,669)	**(3,867)**	(45,530)

Group 31.12.2018	**Contract or underlying principal amount RM'000**	**Year-end positive fair value RM'000**	**Year-end negative fair value RM'000**
Trading derivatives			
Foreign exchange related contracts:			
– Forwards/Swaps/Spot	**132,547**	**74**	**1,671**
Structured warrants	**89,405**	**–**	**4,246**
	221,952	**74**	**5,917**

Notes to the Financial Statements
for the financial year ended 31 December 2018

12 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
Bank			
31.12.2018			
Trading derivatives			
Foreign exchange related contracts:			
– Swaps/Spot	**28,174**	**74**	**54**
Structured warrants	**81,928**	**–**	**3,887**
	110,102	**74**	**3,941**
Group			
31.12.2017			
Trading derivatives			
Foreign exchange related contracts:			
– Swaps/Spot	41,145	88	43
Equity related contracts:			
– Options	7,262	–	–
Interest rate related contracts:			
– Swaps	90,000	256	23
Structured warrants	233,286	–	45,947
	371,693	344	46,013

Notes to the Financial Statements

for the financial year ended 31 December 2018

12 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
Bank			
31.12.2017			
Trading derivatives			
Foreign exchange related contracts:			
– Swaps/Spot	35,441	87	36
Equity related contracts:			
– Options	7,262	–	–
Interest rate related contracts:			
– Swaps	90,000	256	23
Structured warrants	229,726	–	45,814
	362,429	343	45,873

(i) Fair value hedge

Fair value hedge is used by the Bank for protection against the changes in fair value of financial assets and financial liabilities due to movements in foreign exchange rates. The Bank uses non-derivatives financial liability to hedge against foreign exchange risk of investment in a subsidiary. For designated and qualifying fair value hedge, the changes in fair value of hedging instrument and hedged item in relation to the hedged risk are recognised in the income statements.

Included in the other operating income is the net gains and losses arising from fair value hedges during the financial year as follows:

	Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**
Gain on hedging instruments*	**326**	6,597
Loss on the hedged items attributable to the hedged risk	**(326)**	(6,597)
	–	–

* Hedging instrument includes non-derivative financial liabilities used to hedge foreign exchange risk from investment in a subsidiary.

12 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

(ii) Net investment hedge

The Group's statements of financial position is affected by gains and losses as a result of the revaluation of net assets of its subsidiary companies denominated in currencies other than its functional currency. The Group hedges its exposures to foreign exchange risk via the designation of foreign currency denominated interbank borrowings and the fair value as at 31 December 2018 amounting to RM283,366,000 (31.12.2017: RM278,356,000). The hedging relationship was fully effective for the total hedging period and as of the reporting date. No amounts were withdrawn from equity during the financial year as there was no disposal of foreign operations.

13 STATUTORY DEPOSITS

		Group		Bank	
	Note	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Statutory deposits with BNM	(i)	**60,300**	51,650	**60,300**	51,650
Statutory deposits with National Bank of Cambodia ('NBC')	(ii)	**4,114**	4,010	**–**	–
		64,414	55,660	**60,300**	51,650

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

(ii) Non-interest bearing statutory deposits 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.

Notes to the Financial Statements

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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		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Deferred tax assets	**19,610**	14,839	**5,832**	1,180
Deferred tax liabilities	**(2,072)**	(2,612)	**–**	–
	17,538	12,227	**5,832**	1,180
Deferred tax assets				
– Settled more than 12 months	**11,310**	8,429	**–**	–
– Settled within 12 months	**22,422**	21,893	**16,792**	13,542
Deferred tax liabilities				
– Settled more than 12 months	**(11,982)**	(12,205)	**(8,492)**	(8,951)
– Settled within 12 months	**(4,212)**	(5,890)	**(2,468)**	(3,411)
	17,538	12,227	**5,832**	1,180

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 and other intangible assets RM'000	Financial assets at FVOCI/ Financial investments AFS RM'000	Tax losses RM'000	Other liabilities RM'000	Other temporary differences RM'000	Total RM'000
31.12.2018							
Balance as at the beginning of the financial year							
– As previously reported		**(8,057)**	**(8,175)**	**4,810**	**15,701**	**7,948**	**12,227**
– Effect of adoption of MFRS 9	51(C)	**–**	**1,978**	**–**	**–**	**–**	**1,978**
– As restated		**(8,057)**	**(6,197)**	**4,810**	**15,701**	**7,948**	**14,205**
Transfer from/(to) income statements	37	**380**	**–**	**(9)**	**3,445**	**348**	**4,164**
Transfer to equity	39	**–**	**(340)**	**–**	**(74)**	**(300)**	**(714)**
Exchange difference		**15**	**–**	**39**	**(67)**	**(104)**	**(117)**
Balance as at the end of the financial year		**(7,662)**	**(6,537)**	**4,840**	**19,005**	**7,892**	**17,538**
31.12.2017							
Balance as at the beginning of the financial year		(9,380)	(2,839)	6,728	19,367	2,412	16,288
Transfer from/(to) income statements	37	1,283	–	(1,840)	(3,369)	5,970	2,044
Transfer to equity	39	–	(5,336)	–	(159)	–	(5,495)
Exchange difference		40	–	(78)	(138)	(434)	(610)
Balance as at the end of the financial year		(8,057)	(8,175)	4,810	15,701	7,948	12,227

Notes to the Financial Statements

for the financial year ended 31 December 2018

14 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Bank	Note	Property, plant and equipment and other intangible assets RM'000	Financial assets at FVOCI/ Financial investments AFS RM'000	Other liabilities RM'000	Total RM'000
31.12.2018					
Balance as at the beginning of the financial year					
– As previously reported		**(4,188)**	**(8,174)**	**13,542**	**1,180**
– Effect of adoption of MFRS 9		**–**	**1,978**	**–**	**1,978**
– As restated		**(4,188)**	**(6,196)**	**13,542**	**3,158**
Transfer (to)/from income statements	37	**(187)**	**–**	**3,249**	**3,062**
Transfer to equity	39	**–**	**(388)**	**–**	**(388)**
Balance as at the end of the financial year		**(4,375)**	**(6,584)**	**16,791**	**5,832**
31.12.2017					
Balance as at the beginning of the financial year		(5,267)	(2,405)	15,591	7,919
Transfer from/(to) income statements	37	1,079	–	(2,049)	(970)
Transfer to equity	39	–	(5,769)	–	(5,769)
Balance as at the end of the financial year		(4,188)	(8,174)	13,542	1,180

Notes to the Financial Statements

for the financial year ended 31 December 2018

15 INVESTMENTS IN SUBSIDIARIES

		Bank	
	Note	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Unquoted shares, at cost			
– In Malaysia		**307,202**	307,202
– Outside Malaysia		**1,349,749**	1,349,749
		1,656,951	1,656,951
Fair value changes arising from fair value hedge	12(i)	**46,812**	47,138
		1,703,763	1,704,089
Accumulated impairment losses		**(521,534)**	(225,949)
		1,182,229	1,478,140

During the financial year, impairment losses of RM295,585,000 (31.12.2017: RM20,000,000) arising from investments were made in certain subsidiaries as the recoverable amount of the investments was less than the carrying value of the investments. The recoverable amount of the investments are based on higher of VIU and FVLCD.

For PT RHB Sekuritas Indonesia, the recoverable amount would equal to its carrying amount if:-

- growth rate used in VIU calculation had been 39 basis points lower than management estimates at 31 December 2018 (i.e. 4.735% instead of 5.125%); or
- weighted average cost of capital ('WACC') used in the VIU calculation had been 31 basis points higher than management's estimates at 31 December 2018 (i.e. 12.349% instead of 12.039%).

Notes to the Financial Statements
for the financial year ended 31 December 2018

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 2018 %	Effective equity interest held by the Group 2017 %	Effective equity interest held by the non-controlling interest 2018 %	Effective equity interest held by the non-controlling interest 2017 %	Principal activities
RHB Merchant Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	**100**	100	**–**	–	Nominee services for Malaysian beneficial shareholders
RHB Merchant Nominees (Asing) Sdn Bhd	Malaysia	10,000	**100**	100	**–**	–	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
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

Notes to the Financial Statements

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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 2018 %	Effective equity interest held by the Group 2017 %	Effective equity interest held by the non-controlling interest 2018 %	Effective equity interest held by the non-controlling interest 2017 %	Principal activities
RHB Research Institute Sdn Bhd	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
RHB Private Equity Holdings Sdn Bhd	Malaysia	110,000,002	**100**	100	**–**	–	Investment holding
RHB Private Equity Management Ltd	Malaysia	USD1	**100**	100	**–**	–	Investment holding, investment management and other ancillary services for private equity business
RHB Private Equity Fund Ltd [2]	Cayman Islands	USD10,001	**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

Notes to the Financial Statements

for the financial year ended 31 December 2018

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 2018 %	Effective equity interest held by the Group 2017 %	Effective equity interest held by the non-controlling interest 2018 %	Effective equity interest held by the non-controlling interest 2017 %	Principal activities
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
RHB Fundamental Capital Hong Kong Limited [1, 6]	Hong Kong	HKD10,000,000	**100**	100	**–**	–	Dormant
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 advisory 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

Notes to the Financial Statements

for the financial year ended 31 December 2018

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 2018 %	Effective equity interest held by the Group 2017 %	Effective equity interest held by the non-controlling interest 2018 %	Effective equity interest held by the non-controlling interest 2017 %	Principal activities
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
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 Indochina Securities Plc. [1]	Cambodia	USD12,500,000	**100**	100	**–**	–	Securities underwriting, dealing, brokerage and investment advisory service
RHB Entrepreneur Fund [1, ^]	Singapore	–	**49.78**	49.54	**50.22**	50.46	Invest in securities of companies that possess entrepreneurial characteristics as determined by the Manager
RHB Trustees Berhad	Malaysia	6,000,000	**80**	80	**20**	20	Professional retail trustee services (will writing, estate planning and private trustees) and corporate trustees services (collective investment schemes)
Malaysian Trustees Berhad	Malaysia	550,000	**80**	80	**20**	20	Engage in the business of trustee agents, executors and administrators pursuant to the Trust Companies Act, 1949

Notes to the Financial Statements

for the financial year ended 31 December 2018

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 2018 %	Effective equity interest held by the Group 2017 %	Effective equity interest held by the non-controlling interest 2018 %	Effective equity interest held by the non-controlling interest 2017 %	Principal activities
Dormant subsidiaries							
RHB Excel Sdn Bhd [4]	Malaysia	200,000,000	**100**	100	**–**	–	Dormant
RHB Progressive Sdn Bhd [4]	Malaysia	13,500,000	**100**	100	**–**	–	Dormant
RHB Marketing Services Sdn Bhd [3]	Malaysia	100,000	**100**	100	**–**	–	Dormant
RHB Unit Trust Management Berhad [4]	Malaysia	5,000,000	**100**	100	**–**	–	Dormant
RHB Futures and Options Sdn Bhd	Malaysia	10,000,000	**100**	100	**–**	–	Dormant
RHB Research Sdn Bhd [5]	Malaysia	500,000	**100**	100	**–**	–	Dormant
RHB International Asset Management Sdn Bhd	Malaysia	7,000,000	**100**	100	**–**	–	Dormant
RHBIB Nominees (Tempatan) Sdn Bhd [5]	Malaysia	3,670,000	**100**	100	**–**	–	Dormant
RHBIB Nominees (Asing) Sdn Bhd [5]	Malaysia	2,670,000	**100**	100	**–**	–	Dormant
RHB Islamic Asset Management Sdn Bhd	Malaysia	4,000,000	**100**	100	**–**	–	Dormant
TCL Nominees (Tempatan) Sdn Bhd [5]	Malaysia	644,000	**100**	100	**–**	–	Dormant
TCL Nominees (Asing) Sdn Bhd [5]	Malaysia	4,000	**100**	100	**–**	–	Dormant

Notes to the Financial Statements
for the financial year ended 31 December 2018

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		Effective equity interest held by the non-controlling interest		Principal activities
			2018 %	2017 %	2018 %	2017 %	
KE-ZAN Nominees (Tempatan) Sdn Bhd [5]	Malaysia	650,000	**100**	100	**–**	–	Dormant
KE-ZAN Nominees (Asing) Sdn Bhd [5]	Malaysia	10,000	**100**	100	**–**	–	Dormant
RHBIM Berhad	Malaysia	10,000,000	**100**	100	**–**	–	Dormant

Notes:

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

2 Subsidiary not audited pursuant to Companies Law (2013 Revision), in Cayman Islands.

3 The companies have commenced member's voluntary winding up on 16 February 2011.

4 The companies have commenced member's voluntary winding up on 28 March 2012.

5 The companies have commenced member's voluntary winding up on 30 June 2017.

6 On 5 December 2018, the company commenced the application for deregistration pursuant to Section 750 of the Hong Kong Companies Ordinance (Chapter 622).

^ The fund is a subsidiary consolidated in the Group as the Bank controls the fund in accordance with MFRS 10 'Consolidated Financial Statements'.

Notes to the Financial Statements

for the financial year ended 31 December 2018

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

		Group		Bank	
	Note	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Share of net assets of associates	(a)	**40,444**	41,071	**5,028**	5,028
Less: Allowance for impairment losses		**(25,650)**	(2,650)	**–**	–
		14,794	38,421	**5,028**	5,028
Share of net assets of joint ventures	(b)	**29,622**	29,523	**27,399**	27,399
Less: Allowance for impairment losses		**(13,770)**	(13,770)	**(11,370)**	(11,370)
		15,852	15,753	**16,029**	16,029
		30,646	54,174	**21,057**	21,057

During the financial year, impairment losses of RM23,000,000 arising from investment in Satin Straits as the recoverable amount of the investment is less than the carrying value of the investment.

(a) Share of net assets of associates

The details of the associates are as follows:

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest 2018 %	Effective equity interest 2017 %	Principal activities
RHB Finexasia.Com Sdn Bhd ('Finexasia')	Malaysia	11,361,111	**40.05**	40.05	Investment holding, development of products and provision of services related to IT
Prostar Capital (Asia-Pacific) Ltd. [1] ('Prostar')	Cayman Islands	USD60	**33.33**	33.33	Investment holding with subsidiaries involved in 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 subsidiary of RHB Private Equity Holdings Sdn Bhd.

As the Group's share of cumulative losses of RM341,000 (31.12.2017: RM26,000) as at 31 December 2018 had exceeded its interest in Prostar, the Group did not recognise further losses in its financial statements.

2 Held through RHB Private Equity Holdings Sdn Bhd, a subsidiary of RHB Investment Bank Berhad. The Group is deemed to have significant influence via its rights under the shareholder's agreement.

As the Group subscribed for RM45,000,000 of Redeemable Convertible Preference Shares ('RCPS') and the Group is entitled for full principal repayment upon maturity and with upside potential upon the trade sales or listing of the underlying investment, the Group will only share the profits of the Company.

There are no capital commitments or contingent liabilities relating to the Group's interest in the associates as at 31 December 2018.

Notes to the Financial Statements

for the financial year ended 31 December 2018

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

Summarised financial information of material associates which are accounted for using the equity method is as follows:

(i) Summarised statements of financial position

	Finexasia		Prostar		Satin Straits		Total	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Assets								
Cash and cash equivalents	**11,043**	14,668	**2**	9	**18**	36	**11,063**	14,713
Other current assets	**3,763**	592	**25**	–	**–**	–	**3,788**	592
Non current assets	**86**	–	**94**	110	**32,591**	32,591	**32,771**	32,701
Total assets	**14,892**	15,260	**121**	119	**32,609**	32,627	**47,622**	48,006
Liabilities								
Financial liabilities	**(1,246)**	(26)	**(1,145)**	(150)	**(92)**	(97)	**(2,483)**	(273)
Other current liabilities	**(428)**	(450)	**–**	(47)	**(61)**	(61)	**(489)**	(558)
Total liabilities	**(1,674)**	(476)	**(1,145)**	(197)	**(153)**	(158)	**(2,972)**	(831)
Net Assets/(Liabilities)	**13,218**	14,784	**(1,024)**	(78)	**32,456**	32,469	**44,650**	47,175

(ii) Summarised statements of comprehensive income

	Finexasia		Prostar		Satin Straits		Total	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Interest income	**243**	392	**–**	–	**–**	–	**243**	392
Interest expense	**–**	–	**–**	–	**–**	–	**–**	–
Net interest income	**243**	392	**–**	–	**–**	–	**243**	392
Other operating income	**3,209**	3,034	**10,233**	16,180	**–**	–	**13,442**	19,214
Net operating income	**3,452**	3,426	**10,233**	16,180	**–**	–	**13,685**	19,606
Other operating expenses	**(2,116)**	(1,884)	**(11,177)**	(17,717)	**(13)**	(19)	**(13,306)**	(19,620)
Including: Depreciation and amortisation	**(41)**	(36)	**–**	–	**–**	–	**(41)**	(36)
Profit/(Loss) before taxation	**1,336**	1,542	**(944)**	(1,537)	**(13)**	(19)	**379**	(14)
Taxation	**(302)**	(374)	**–**	(37)	**–**	–	**(302)**	(411)
Net profit/(loss) for the financial year	**1,034**	1,168	**(944)**	(1,574)	**(13)**	(19)	**77**	(425)

Notes to the Financial Statements

for the financial year ended 31 December 2018

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

Summarised financial information of material associates which are accounted for using the equity method is as follows: (continued)

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

	Finexasia		Prostar		Satin Straits		Total	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Balance as at the beginning of the financial year	**14,784**	13,616	**(78)**	(11,151)	**32,469**	32,488	**47,175**	34,953
Net profit/(loss) for the financial year	**1,034**	1,168	**(944)**	(1,574)	**(13)**	(19)	**77**	(425)
Dividend paid	**(2,600)**	–	**–**	–	**–**	–	**(2,600)**	–
Other reserve	**–**	–	**–**	11,547	**–**	–	**–**	11,547
Translation reserves	**–**	–	**(2)**	1,100	**–**	–	**(2)**	1,100
Balance as at the end of the financial year	**13,218**	14,784	**(1,024)**	(78)	**32,456**	32,469	**44,650**	47,175
Equity interest attributable to net assets	**5,294**	5,921	**–***	–*	**32,500#**	32,500#	**37,794**	38,421
Goodwill	**2,650**	2,650	**–**	–	**–**	–	**2,650**	2,650
Accumulated impairment losses	**(2,650)**	(2,650)	**–**	–	**(23,000)**	–	**(25,650)**	(2,650)
Carrying value	**5,294**	5,921	**–**	–	**9,500**	32,500	**14,794**	38,421

* Kindly refer to Note 1 of Note 16(a) to the financial statements.
# Kindly refer to Note 2 of Note 16(a) to the financial statements.

(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 2018 %**	**Effective equity interest 2017 %**	**Principal activities**
RHB Securities Vietnam Company Limited ('RHBSV') *(formerly known as Vietnam Securities Corporation)*	Vietnam	VND135 billion	**49**	49	Securities brokerage, securities investment, consultancy and self-trading
RHB GC- Millennium Capital Pte. Ltd. ('RHB GC')	Singapore	SGD10,000	**40**	40	Investment activities

There are no capital commitments or contingent liabilities relating to the Group's interest in the joint ventures as at 31 December 2018.

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for the financial year ended 31 December 2018

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

Summarised financial information of material joint ventures which are accounted for using the equity method is as follows:

(i) Summarised statements of financial position

	RHBSV		RHB GC		Total	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Assets						
Cash and cash equivalents	**32,424**	32,412	**–**	24	**32,424**	32,436
Other current assets	**446**	451	**98**	62	**544**	513
Non-current assets	**32**	–	**–**	–	**32**	–
Total assets	**32,902**	32,863	**98**	86	**33,000**	32,949
Liabilities						
Financial liabilities	**–**	(135)	**(46)**	(32)	**(46)**	(167)
Other current liabilities	**(45)**	(77)	**(22)**	(24)	**(67)**	(101)
Total liabilities	**(45)**	(212)	**(68)**	(56)	**(113)**	(268)
Net Assets	**32,857**	32,651	**30**	30	**32,887**	32,681

(ii) Summarised statements of comprehensive income

	RHBSV		RHB GC		Total	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Interest income	**2,118**	2,392	**–**	–	**2,118**	2,392
Interest expense	**(1)**	(2)	**–**	–	**(1)**	(2)
Net interest income	**2,117**	2,390	**–**	–	**2,117**	2,390
Other operating income	**11**	17	**36**	33	**47**	50
Net operating income	**2,128**	2,407	**36**	33	**2,164**	2,440
Other operating expenses	**(1,784)**	(1,413)	**(36)**	(33)	**(1,820)**	(1,446)
Including: Depreciation and amortisation	**(30)**	(63)	**–**	–	**(30)**	(63)
Profit before taxation	**344**	994	**–**	–	**344**	994
Taxation	**(140)**	(197)	**–**	–	**(140)**	(197)
Net profit for the financial year	**204**	797	**–**	–	**204**	797

Notes to the Financial Statements

for the financial year ended 31 December 2018

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

Summarised financial information of material joint ventures which are accounted for using the equity method is as follows: (continued)

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

	RHBSV		RHB GC		Total	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Balance as at the beginning of the financial year	**32,651**	34,177	**30**	30	**32,681**	34,207
Net profit for the financial year	**204**	797	**–**	–	**204**	797
Translation reserves	**2**	(2,323)	**–**	–	**2**	(2,323)
Balance as at the end of the financial year	**32,857**	32,651	**30**	30	**32,887**	32,681
Equity interest attributable to net assets	**16,100**	15,999	**12**	12	**16,112**	16,011
Goodwill	**14,204**	14,204	**–**	–	**14,204**	14,204
Accumulated impairment losses	**(13,770)**	(13,770)	**–**	–	**(13,770)**	(13,770)
Exchange differences	**(694)**	(692)	**–**	–	**(694)**	(692)
Carrying value	**15,840**	15,741	**12**	12	**15,852**	15,753

Notes to the Financial Statements

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17 PROPERTY, PLANT AND EQUIPMENT

Group	Note	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
31.12.2018						
Cost						
Balance as at the beginning of the financial year		99,839	85,022	147,312	11,190	343,363
Additions		455	1,324	6,983	–	8,762
Disposals		–	(61)	(383)	–	(444)
Written off		(14,086)	(3,369)	(6,411)	–	(23,866)
Reclassification		(596)	596	–	–	–
Reclassification to other intangible assets	18(b)	–	–	(8,004)	–	(8,004)
Exchange differences		(126)	455	(258)	(33)	38
Balance as at the end of the financial year		85,486	83,967	139,239	11,157	319,849
Less: Accumulated depreciation						
Balance as at the beginning of the financial year		71,958	77,500	133,447	10,165	293,070
Charge for the financial year	33	5,267	3,661	8,011	452	17,391
Disposals		–	(55)	(383)	–	(438)
Written off		(13,336)	(3,367)	(6,411)	–	(23,114)
Reclassification		–	–	–	–	–
Reclassification to other intangible assets	18(b)	–	–	(6,684)	–	(6,684)
Exchange differences		(538)	429	(278)	(33)	(420)
Balance as at the end of the financial year		63,351	78,168	127,702	10,584	279,805
Net book value as at the end of the financial year		22,135	5,799	11,537	573	40,044

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for the financial year ended 31 December 2018

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
31.12.2017						
Cost						
Balance as at the beginning of the financial year		98,487	84,466	144,462	11,504	338,919
Additions		3,775	1,874	8,242	100	13,991
Disposals		–	(8)	(351)	(35)	(394)
Written off		(781)	(565)	(1,987)	–	(3,333)
Exchange differences		(1,642)	(745)	(3,054)	(379)	(5,820)
Balance as at the end of the financial year		99,839	85,022	147,312	11,190	343,363
Less: Accumulated depreciation						
Balance as at the beginning of the financial year		67,911	73,973	127,014	9,619	278,517
Charge for the financial year	33	5,550	4,694	11,150	914	22,308
Disposals		–	(8)	(351)	(35)	(394)
Written off		(512)	(559)	(1,655)	–	(2,726)
Exchange differences		(991)	(600)	(2,711)	(333)	(4,635)
Balance as at the end of the financial year		71,958	77,500	133,447	10,165	293,070
Net book value as at the end of the financial year		27,881	7,522	13,865	1,025	50,293
Bank						
31.12.2018						
Cost						
Balance as at the beginning of the financial year		**74,937**	**55,047**	**84,291**	**3,915**	**218,190**
Additions		**526**	**185**	**2,071**	**–**	**2,782**
Written off		**(9,129)**	**(3,007)**	**(5,505)**	**–**	**(17,641)**
Balance as at the end of the financial year		**66,334**	**52,225**	**80,857**	**3,915**	**203,331**
Less: Accumulated depreciation						
Balance as at the beginning of the financial year		**56,143**	**53,253**	**80,093**	**3,813**	**193,302**
Charge for the financial year	33	**3,335**	**659**	**3,463**	**102**	**7,559**
Written off		**(9,125)**	**(3,004)**	**(5,505)**	**–**	**(17,634)**
Balance as at the end of the financial year		**50,353**	**50,908**	**78,051**	**3,915**	**183,227**
Net book value as at the end of the financial year		**15,981**	**1,317**	**2,806**	**–**	**20,104**

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17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank	Note	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
31.12.2017						
Cost						
Balance as at the beginning of the financial year		72,892	54,233	83,328	3,915	214,368
Additions		2,686	1,234	2,541	–	6,461
Written off		(641)	(420)	(1,578)	–	(2,639)
Balance as at the end of the financial year		74,937	55,047	84,291	3,915	218,190
Less: Accumulated depreciation						
Balance as at the beginning of the financial year		52,960	52,904	77,057	3,645	186,566
Charge for the financial year	33	3,620	769	4,614	168	9,171
Written off		(437)	(420)	(1,578)	–	(2,435)
Balance as at the end of the financial year		56,143	53,253	80,093	3,813	193,302
Net book value as at the end of the financial year		18,794	1,794	4,198	102	24,888

18 GOODWILL AND OTHER INTANGIBLE ASSETS

	Note	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000	Bank 31.12.2018 RM'000	Bank 31.12.2017 RM'000
Goodwill on consolidation	(a)	**523,911**	523,911	**372,395**	372,395
Other intangible assets	(b)				
Customer relationship		**8,562**	10,795	**2,169**	2,735
Brand		**1,894**	2,389	**–**	–
Trading rights and memberships		**1,427**	1,392	**–**	–
Computer software license		**35,727**	34,117	**24,886**	24,965
		571,521	572,604	**399,450**	400,095

(a) Goodwill on consolidation

	Note	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000	Bank 31.12.2018 RM'000	Bank 31.12.2017 RM'000
Balance as at the beginning of the financial year		**523,911**	1,269,934	**372,395**	1,118,418
Business transferred to holding company	49(c)	**–**	(746,023)	**–**	(746,023)
Balance as at the end of the financial year		**523,911**	523,911	**372,395**	372,395

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18 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill on consolidation (continued)

The carrying amount of goodwill allocated to the Group's and the Bank's cash generating units ('CGUs') are as follows:

		Group		Bank	
	Note	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
CGUs					
Investment Banking	49(c)	**242,591**	242,591	**229,028**	229,028
Asset Management		**143,367**	143,367	**143,367**	143,367
Securities Singapore		**63,948**	63,948	**–**	–
Securities Indonesia		**74,005**	74,005	**–**	–
		523,911	523,911	**372,395**	372,395

The recoverable amount of a CGU is determined based on higher of VIU and FVLCD. The VIU calculations use pre-tax cash flow projections based on financial budgets or forecasts approved by the Directors covering four-years (31.12.2017: four-years). Cash flows beyond the four-years (31.12.2017: four-years) period are extrapolated using the estimated growth rates and discounted using pre-tax discount rates which reflect the specific risks relating to the CGU. The FVLCD uses the recent available market transaction involving a comparable sale of stockbroking business, net of cost of disposal.

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.

	Discount rate		Growth rate	
	31.12.2018 %	31.12.2017 %	31.12.2018 %	31.12.2017 %
Investment Banking	**8.9**	11.6	**4.5**	5.0
Asset Management	**8.9**	11.6	**4.5**	5.0
Securities Singapore	**6.1**	5.1	**2.6**	2.3
Securities Indonesia	**12.0**	11.6	**5.1**	5.3

The Group has performed sensitivity analysis on the key assumptions for each CGU's recoverable amount. The key assumption used in the impairment test was compounded annual growth rate ('CAGR') in fee income used for discounting the projected cash flows. In each case, the Group believes that a reasonably possible change in CAGR would not cause the carrying amount to materially exceed its recoverable amount, except for Securities Singapore CGU, of which the FVLCD is higher than VIU.

Based on a recent available market transaction involving a comparable sale of stockbroking business, the Group has assigned a fixed multiple of the Securities Singapore's consolidated net assets value to derive the fair value, net of estimated disposal cost. If the multiple used in the FVLCD computation had been 3% lower than management's estimates at 31 December 2018, the recoverable amount will equal to its carrying amount of the Securities Singapore CGU.

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18 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Other 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
31.12.2018						
Cost						
Balance as at the beginning of the financial year		22,333	25,098	2,694	127,866	177,991
Additions		–	–	–	9,915	9,915
Written off		–	(20,153)	–	(1,020)	(21,173)
Reclassification from property, plant and equipment	17	–	–	–	8,004	8,004
Exchange differences		–	–	66	69	135
Balance as at the end of the financial year		22,333	4,945	2,760	144,834	174,872
Less: Accumulated amortisation						
Balance as at the beginning of the financial year		11,538	22,709	1,302	93,749	129,298
Charge for the financial year	33	2,233	495	–	9,261	11,989
Written off		–	(20,153)	–	(992)	(21,145)
Reclassification from property, plant and equipment	17	–	–	–	6,684	6,684
Exchange differences		–	–	31	405	436
Balance as at the end of the financial year		13,771	3,051	1,333	109,107	127,262
Net book value as at the end of the financial year		8,562	1,894	1,427	35,727	47,610

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18 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Other 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
31.12.2017						
Cost						
Balance as at the beginning of the financial year		22,333	25,098	2,783	121,269	171,483
Additions		–	–	–	10,971	10,971
Written off		–	–	–	(3,678)	(3,678)
Exchange differences		–	–	(89)	(696)	(785)
Balance as at the end of the financial year		22,333	25,098	2,694	127,866	177,991
Less: Accumulated amortisation						
Balance as at the beginning of the financial year		9,305	22,214	1,353	84,728	117,600
Charge for the financial year	33	2,233	495	–	10,160	12,888
Written off		–	–	–	(753)	(753)
Exchange differences		–	–	(51)	(386)	(437)
Balance as at the end of the financial year		11,538	22,709	1,302	93,749	129,298
Less: Accumulated impairment losses						
Balance as at the beginning of the financial year		–	–	–	2,925	2,925
Written off		–	–	–	(2,925)	(2,925)
Balance as at the end of the financial year		–	–	–	–	–
Net book value as at the end of the financial year		10,795	2,389	1,392	34,117	48,693

18 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets (continued)

Bank	Note	Customer relationship RM'000	Brand RM'000	Computer software license RM'000	Total RM'000
31.12.2018					
Cost					
Balance as at the beginning of the financial year		**5,659**	**20,153**	**105,843**	**131,655**
Additions		**–**	**–**	**4,996**	**4,996**
Written off		**–**	**(20,153)**	**(623)**	**(20,776)**
Balance as at the end of the financial year		**5,659**	**–**	**110,216**	**115,875**
Less: Accumulated amortisation					
Balance as at the beginning of the financial year		**2,924**	**20,153**	**80,878**	**103,955**
Charge for the financial year	33	**566**	**–**	**5,075**	**5,641**
Written off		**–**	**(20,153)**	**(623)**	**(20,776)**
Balance as at the end of the financial year		**3,490**	**–**	**85,330**	**88,820**
Net book value as at the end of the financial year		**2,169**	**–**	**24,886**	**27,055**
31.12.2017					
Cost					
Balance as at the beginning of the financial year		5,659	20,153	101,505	127,317
Additions		–	–	8,016	8,016
Written off		–	–	(3,678)	(3,678)
Balance as at the end of the financial year		5,659	20,153	105,843	131,655
Less: Accumulated amortisation					
Balance as at the beginning of the financial year		2,358	20,153	74,795	97,306
Charge for the financial year	33	566	–	6,836	7,402
Written off		–	–	(753)	(753)
Balance as at the end of the financial year		2,924	20,153	80,878	103,955
Less: Accumulated impairment losses					
Balance as at the beginning of the financial year		–	–	2,925	2,925
Written off		–	–	(2,925)	(2,925)
Balance as at the end of the financial year		–	–	–	–
Net book value as at the end of the financial year		2,735	–	24,965	27,700

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19 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
(i) By type of deposits				
Short-term deposits	**1,030,614**	259,626	**1,030,614**	259,626
Fixed deposits	**–**	363,852	**–**	392,491
Negotiable instruments of deposits	**–**	103	**–**	103
	1,030,614	623,581	**1,030,614**	652,220
(ii) By type of customer				
Business enterprises	**1,030,614**	623,581	**1,030,614**	652,220
(iii) By maturity structure of the fixed/ negotiable instrument of deposits				
Due within six months	**1,030,614**	623,581	**1,030,614**	652,220

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Licensed banks	**1,643,142**	3,035,153	**1,643,142**	3,035,153
Licensed investment banks	**191,678**	–	**191,678**	–
	1,834,820	3,035,153	**1,834,820**	3,035,153

21 CLIENTS' AND BROKERS' BALANCES

	31.12.2018 RM'000	Restated 31.12.2017 RM'000	Group Restated 01.01.2017 RM'000
Amounts due to:			
– Clients	**772,714**	1,081,175	1,285,096
– Brokers	**39,954**	188,848	291,498
– Clearing houses and stock exchanges	**19,492**	232,359	224,377
	832,160	1,502,382	1,800,971

	31.12.2018 RM'000	Restated 31.12.2017 RM'000	Bank Restated 01.01.2017 RM'000
Amounts due to:			
– Clients	**588,464**	797,666	531,745
– Brokers	**30,737**	113,511	210,736
	619,201	911,177	742,481

22 OTHER LIABILITIES

	Note	31.12.2018 RM'000	Restated 31.12.2017 RM'000	Group Restated 01.01.2017 RM'000
Other creditors and accruals		**128,240**	139,894	110,614
Structured deposits		**–**	7,281	9,809
Contract liabilities/Deferred income	(i)	**7,401**	3,231	12,961
Remisiers' trust deposits		**62,917**	62,902	60,060
Amount payable for creation of units due to funds		**112,679**	160,214	25,792
Amount payable for redemption units		**13,955**	40,745	127,651
Short-term employee benefits		**77,359**	72,155	101,043
Amount due to holding company	(ii)	**12,013**	15,619	17,353
Amount due to related companies	(ii)	**697**	1,252	8,465
		415,261	503,293	473,748

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22 OTHER LIABILITIES (CONTINUED)

	Note	31.12.2018 RM'000	Bank Restated 31.12.2017 RM'000	Restated 01.01.2017 RM'000
Other creditors and accruals		**53,287**	55,665	46,077
Structured deposits		**–**	7,281	9,809
Contract liabilities/Deferred income	(i)	**1,359**	–	10,000
Remisiers' trust deposits		**62,918**	62,902	60,060
Short-term employee benefits		**44,022**	32,346	39,393
Amount due to holding company	(ii)	**8,975**	9,971	–
Amount due to subsidiaries	(ii)	**1,409**	2,693	3,965
Amount due to related companies	(ii)	**273**	513	357
		172,243	171,371	169,661

(i) Contract liabilities were reduced by RM3,231,000 for the Group as a result of recognition of the fee income that were included in the contract liabilities balance at the beginning of the year.

During the financial year, advances received but not yet recognised as revenue for the Group and the Bank amounts to RM7,401,000 and RM1,359,000 respectively. Advances received and recognised as revenue for the Group and the Bank during the financial year 2018 amounts to RM7,214,000 and RM1,855,000 respectively.

(ii) Amount due to holding company/subsidiaries/related companies are unsecured, interest free and repayable on demand.

23 BORROWINGS

	Note	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000
Unsecured			
Revolving credits:			
– Hong Kong Dollar ('HKD')	(a)(i)	**39,584**	16,576
– United States Dollar ('USD')	(a)(ii)	**619,313**	479,576
Term loan:			
– Singapore Dollar ('SGD')	(b)(i)	**90,999**	–
– Thai Baht ('THB')	(b)(ii)	**48,721**	62,180
Promissory notes:			
– Indonesia Rupiah ('IDR')	(c)(i)	**57,706**	–
– Thai Baht ('THB')	(c)(ii)	**26,646**	154,047
		882,969	712,379

The borrowings of the Group are as follows:

(a) Revolving credits

(i) HKD revolving credits

The unsecured HKD revolving credit facilities of the Group bears interest at rates ranging from 1.75% to 7.10% (31.12.2017: 1.69% to 5.18%) per annum and repayable on demand.

(ii) USD revolving credits

The unsecured USD revolving credit facilities of the Group which bears interest at rates ranging from 2.90% to 5.02% (31.12.2017: 2.65% to 4.07%) per annum and repayable on demand.

(b) Term loans

(i) SGD term loan

The unsecured SGD term loan of the Group bears interest at rate ranging from 1.00% to 2.59% per annum which matured in January 2019.

(ii) THB term loans

The unsecured THB term loans of the Group bears interest at rate ranging from 2.49% to 2.55% (31.12.2017: 2.50% to 3.60%) per annum which matured in January 2019.

(c) Promissory notes

(i) IDR promissory notes

The unsecured IDR promissory notes of the Group bears interest at rate ranging from 6.75% to 9.00% per annum and repayable on demand.

(ii) THB promissory notes

The unsecured THB promissory notes of the Group bears interest at rate ranging from 1.85% to 2.90% (31.12.2017: 1.85% to 3.25%) per annum and repayable on demand.

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24 SUBORDINATED OBLIGATIONS

		Group and Bank	
	Note	**31.12.2018 RM'000**	**31.12.2017 RM'000**
4.95% RM200 million Tier II Subordinated Notes 2015/2025	(a)	**202,061**	202,061
4.90% RM200 million Tier II Subordinated Notes 2017/2027	(b)	**202,202**	202,202
		404,263	404,263

(a) 4.95% RM200 million Tier II Subordinated Notes 2015/2025

On 16 April 2015, the Bank issued RM200 million nominal value of Subordinated Notes, being part of its RM1 billion Multi-currency Medium Term Note ('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

(b) 4.90% RM200 million Tier II Subordinated Notes 2017/2027

On 11 October 2017, the Bank issued RM200 million nominal value of Subordinated Notes, being part of its RM1 billion MCMTN Programme.

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
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

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25 SHARE CAPITAL

	Note	Group and Bank			
		Number of shares 31.12.2018 '000	Amount 31.12.2018 RM'000	Number of shares 31.12.2017 '000	Amount 31.12.2017 RM'000
Issued and fully paid:					
Balance as at the beginning of the financial year		**100,000**	**1,487,773**	818,646	818,646
Transfer from share premium account pursuant to Companies Act 2016		**–**	**–**	–	1,515,150
Capital cancellation	49(c)(ii)	**–**	**–**	(718,646)	(846,023)
Balance as at the end of the financial year		**100,000**	**1,487,773**	100,000	1,487,773

26 RESERVES

	Note	Group		Bank	
		31.12.2018 RM'000	Restated 31.12.2017 RM'000	31.12.2018 RM'000	Restated 31.12.2017 RM'000
Retained profits	51(B)	**561,695**	578,185	**558,690**	791,673
Statutory reserves	(a)	**513**	513	**–**	–
FVOCI/AFS reserves	(b)	**23,489**	18,861	**20,853**	26,120
Translation reserves	(c)	**113,135**	111,897	**–**	–
Regulatory reserves	(d)	**32,731**	21,047	**19,154**	13,722
		731,563	730,503	**598,697**	831,515

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26 RESERVES (CONTINUED)

(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) FVOCI/AFS reserves arise from a change in the fair value of financial assets classified as FVOCI or financial investments classified as AFS prior to 1 January 2018. The unrealised gains or losses for debt instruments are transferred to the income statements upon disposal, derecognition or impairment of such securities. Equity instruments elected irrevocably to designate at FVOCI, the fair value gains and losses are not subsequently reclassified to income statements upon disposal.

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

(d) Regulatory reserves represent the Group's and the Bank's compliance with BNM's Revised Policy Documents on Financial Reporting 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.

Prior to 1 January 2018, the Group and the Bank comply with BNM's Policy on Classification and Impairment Provisions for Loans/Financing, to maintain, in aggregate, the collective impairment allowances and regulatory reserve of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowances.

27 NON-CONTROLLING INTERESTS ('NCI')

	Group	
	31.12.2018 RM'000	**31.12.2017 RM'000**
Balance as at the beginning of the financial year	**9,195**	8,202
Share of the profit for the financial year	**1,005**	1,132
Share of other comprehensive income/(loss) for the financial year	**639**	(127)
Dividend paid to NCI	**(800)**	–
Acquisition of additional interest from NCI	**–**	(12)
Balance as at the end of the financial year	**10,039**	9,195

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28 INTEREST INCOME

	Group		Bank	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Loans and advances	**99,648**	117,379	**53,945**	65,614
Money at call and deposit placements with banks and other financial institutions	**63,889**	49,394	**51,345**	39,289
Financial assets at FVTPL	**195**	115	**173**	109
Financial assets at FVOCI, debt instruments	**30,180**	–	**29,818**	–
Financial investments at amortised costs	**31,345**	–	**31,345**	–
Financial investments AFS	**–**	47,718	**–**	47,436
Financial investments HTM	**–**	14,422	**–**	14,422
Others	**6,472**	9,983	**2,270**	1,689
	231,729	239,011	**168,896**	168,559
Of which:				
Interest income accrued on impaired financial assets	**7,454**	8,141	**–**	744

29 INTEREST EXPENSE

	Group		Bank	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Deposits and placements of bank and other financial institutions	**75,091**	48,145	**75,091**	48,145
Deposits from customers	**36,870**	46,705	**37,320**	48,418
Subordinated obligations	**19,700**	22,262	**19,700**	22,262
Borrowings	**32,576**	21,146	**–**	–
Others	**2,785**	2,764	**43**	56
	167,022	141,022	**132,154**	118,881

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30 FEE AND COMMISSION INCOME

	Group		Bank	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
(i) By type of fee income				
Brokerage income	**274,350**	313,459	**181,011**	201,557
Fund management fees	**222,053**	229,207	**–**	–
Unit trust fee income	**52,951**	108,509	**–**	–
Corporate advisory fees	**46,619**	48,528	**15,556**	19,826
Arrangement fees and underwriting	**7,214**	25,330	**2,338**	12,792
Placement fees	**6,746**	13,591	**5,340**	8,183
Rollover fees	**5,039**	6,606	**4,856**	5,297
Commission	**5,375**	7,153	**1,500**	1,972
Service charges and fees	**4,911**	3,107	**–**	–
Other fee income	**50,195**	50,380	**28,267**	32,362
	675,453	805,870	**238,868**	281,989

	Group	Bank
	31.12.2018 RM'000	31.12.2018 RM'000
(ii) By geographical market of fee income		
Malaysia	**531,143**	**238,868**
Singapore	**48,093**	**–**
Indonesia	**42,117**	**–**
Thailand	**36,232**	**–**
Hong Kong	**17,430**	**–**
Cambodia	**438**	**–**
	675,453	**238,868**
(iii) By timing of fee income recognition		
At a point in time	**440,287**	**237,588**
Over time	**235,166**	**1,280**
	675,453	**238,868**

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31 FEE AND COMMISSION EXPENSE

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Fund management fees	**102,368**	112,112	**–**	–
Unit trust fees	**48,626**	103,782	**–**	–
	150,994	215,894	**–**	–

32 OTHER OPERATING INCOME

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Net (loss)/gain arising from financial instruments at FVTPL				
– net (loss)/gain on disposal	**(16,670)**	47,717	**(11,384)**	31,928
– unrealised (loss)/gain on revaluation	**(13,149)**	2,824	**(15,808)**	10,382
– gross dividend income	**7,638**	10,501	**940**	2,449
	(22,181)	61,042	**(26,252)**	44,759
Net gain/(loss) arising from derivatives	**79,468**	622	**44,319**	(13,639)
Net gain arising from financial investments AFS				
– net gain on disposal	**–**	1,614	**–**	492
– gross dividend income	**–**	1,047	**–**	183
	–	2,661	**–**	675
Net gain arising from financial assets at FVOCI, debts instruments				
– net gain on disposal	**21,897**	–	**21,897**	–

Notes to the Financial Statements

for the financial year ended 31 December 2018

32 OTHER OPERATING INCOME (CONTINUED)

	Group		Bank	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Dividend income from financial assets at FVOCI, equity instruments	**530**	–	**303**	–
Net gain arising from derecognition of financial investments at amortised costs	**29**	–	**29**	–
Gross dividend income from subsidiaries in Malaysia	**–**	–	**11,400**	10,000
Gross dividend income from associate in Malaysia	**–**	–	**1,041**	–
Other income				
Net foreign exchange gain/(loss)				
– realised	**13,126**	43,474	**14,439**	40,492
– unrealised	**1,179**	(37,286)	**1,428**	(34,651)
Net gain on disposal of property, plant and equipment	**–**	32	**–**	–
Other operating income	**85,101**	87,416	**84,297**	78,422
	99,406	93,636	**100,164**	84,263
	179,149	157,961	**152,901**	126,058

33 OTHER OPERATING EXPENSES

		Group		Bank	
	Note	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Personnel costs					
– Salaries, bonus, wages and allowances		**339,415**	333,593	**154,922**	138,510
– Defined contribution plan		**34,342**	31,461	**22,642**	20,190
– Other staff related costs		**58,989**	47,558	**29,526**	21,096
		432,746	412,612	**207,090**	179,796
Establishment costs					
– Property, plant and equipment:					
– Depreciation	17	**17,391**	22,308	**7,559**	9,171
– Written off	17	**752**	607	**7**	204
– Intangible assets					
– Amortisation	18	**11,989**	12,888	**5,641**	7,402
– Written off	18	**28**	–	**–**	–
– Information technology expenses		**64,932**	70,641	**36,434**	43,167
– Security and escorting charges		**200**	175	**164**	154
– Repair and maintenance		**2,679**	3,850	**1,797**	2,869
– Rental of premises		**44,094**	45,619	**14,410**	14,643
– Water and electricity		**5,604**	5,456	**3,639**	3,540
– Rental of equipment		**1,003**	857	**140**	46
– Insurance		**5,494**	5,606	**3,505**	3,930
– Others		**7,683**	9,226	**7,522**	9,188
		161,849	177,233	**80,818**	94,314
Marketing expenses					
– Advertisement and publicity		**6,013**	5,808	**3,458**	2,304
– Sales commission		**11,580**	11,317	**953**	624
– Others		**19,517**	25,193	**6,304**	7,087
		37,110	42,318	**10,715**	10,015
Administration and general expenses					
– Communication expenses		**40,616**	49,078	**15,492**	16,133
– Auditors' remuneration (Note (i))		**2,603**	2,679	**376**	371
– Legal and professional fee		**10,987**	11,315	**2,353**	2,333
– Others		**29,375**	33,590	**30,384**	25,526
		83,581	96,662	**48,605**	44,363
		715,286	728,825	**347,228**	328,488

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33 OTHER OPERATING EXPENSES (CONTINUED)

	Group		Bank	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
(i) Auditors' remuneration*				
Audit				
Statutory audit				
– Malaysia	**579**	592	**371**	371
– Overseas	**1,960**	1,895	**–**	–
Other audit related	**64**	192	**5**	–
	2,603	2,679	**376**	371

Included in the personnel costs is the Chief Executive Officer remuneration (excluding benefits-in-kind) totalling RM3,116,000 (31.12.2017: RM3,058,000) for the Group and the Bank, as disclosed in Note 34.

Included in administration and general expenses of the Group and the Bank are non-executive directors' remuneration (excluding benefits-in-kind) totalling RM2,227,000 (31.12.2017: RM2,433,000) and RM1,539,000 (31.12.2017: RM1,531,000) respectively, as disclosed in Note 34.

* There was no indemnity given to or insurance effected for the Group and the Bank during the financial year.

34 CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION

The remuneration of the Chief Executive Officer of the Group and the Bank are as follows:

	Group and Bank			
	Salary and other remuneration RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
31.12.2018				
Robert Angelo Hendro Santoso Huray	**2,246**	**7**	**870**	**3,123**

In addition to the above, during the financial year ended 31 December 2018, the Chief Executive Officer who led the achievement of the Group's short and long term business objectives, was awarded a sum of RM2,826,000 under the Group's Cash Retention Scheme. The payout under this retention scheme was based on the Chief Executive Officer's performance over the 4-year period from 2014 to 2017.

34 CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION (CONTINUED)

The remuneration of the Chief Executive Officer of the Group and the Bank are as follows: (continued)

	Group and Bank			
	Salary and other remuneration RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
31.12.2017				
Robert Angelo Hendro Santoso Huray	1,728	35	1,330	3,093

The remuneration of the Directors of the Group and the Bank are as follows:

	Group				Bank			
	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000
31.12.2018								
Non-executive Directors								
Tan Sri Azlan bin Mohd Zainol	213	–	44	257	170	–	40	210
Chin Yoong Kheong	325	3	91	419	135	3	64	202
Tan Sri Ong Leong Huat @ Wong Joo Hwa	185	–	89	274	135	–	85	220
Yap Chee Meng	286	1	62	349	135	1	18	154
Tan Sri Dr Rebecca Fatima Sta Maria	135	–	64	199	135	–	64	199
Dato' Darawati Hussain	143	3	26	172	135	3	17	155
Datuk Nozirah Bahari (Resigned on 1 September 2018)	110	–	15	125	90	–	12	102
Patrick Chin Yoke Chung (Resigned on 31 December 2018)	234	39	205	478	135	39	169	343
	1,631	46	596	2,273	1,070	46	469	1,585

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 Group and the Bank was RM208 million (31.12.2017: RM208 million) and RM200 million (31.12.2017: RM200 million) respectively. The total amount of premium paid for the Directors' Liability Insurance by the Group and the Bank was RM118,948 (31.12.2017: RM124,138) and RM74,190 (31.12.2017: RM76,788) respectively.

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34 CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION (CONTINUED)

The remuneration of the Directors of the Group and the Bank are as follows: (continued)

	Group				Bank			
	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000
31.12.2017								
Non-executive Directors								
Tan Sri Azlan bin Mohd Zainol	230	24	44	298	170	24	40	234
Chin Yoong Kheong	319	–	127	446	135	–	75	210
Tan Sri Ong Leong Huat @ Wong Joo Hwa	210	–	112	322	135	–	108	243
Patrick Chin Yoke Chung	416	31	357	804	135	–	173	308
Yap Chee Meng	164	–	29	193	135	–	24	159
Tan Sri Dr Rebecca Fatima Sta Maria	135	–	61	196	135	–	61	196
Datuk Nozirah Bahari	153	–	24	177	135	–	19	154
Dato' Darawati Hussain (Appointed on 1 September 2017)	45	–	7	52	45	–	6	51
	1,672	55	761	2,488	1,025	24	506	1,555

35 ALLOWANCE MADE/(WRITTEN BACK) FOR EXPECTED CREDIT LOSSES

	Group		Bank	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Loans and advances:				
– Net allowance made/(written back)	5,479	–	(5)	–
– Individual impairment allowance made	–	48,949	–	5
– Collective impairment allowance written back	–	(229)	–	(451)
	5,479	48,720	(5)	(446)
Allowance/(written back) for expected credit losses on other receivables and clients' and brokers' balances	2,325	8,180	(632)	(1,003)
Bad debts recovered	(262)	(160)	(262)	(46)
Bad debts written off	495	1,261	367	802
Financial investments HTM	–	(1,872)	–	(1,872)
Financial investments at amortised costs	(1,341)	–	(1,341)	–
Other financial assets	134	–	104	–
	6,830	56,129	(1,769)	(2,565)

36 IMPAIRMENT LOSSES ON OTHER NON-FINANCIAL ASSETS

	Group		Bank	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Investments in subsidiaries	–	–	295,585	20,000
Investments in an associate	23,000	–	–	–
	23,000	–	295,585	20,000

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37 TAXATION

	Note	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000	Bank 31.12.2018 RM'000	Bank 31.12.2017 RM'000
Income tax based on profit for the financial year					
– Malaysian income tax		**34,223**	42,702	**23,537**	29,786
– Overseas tax		**2,793**	705	**–**	–
Deferred taxation	14	**(4,164)**	(2,044)	**(3,062)**	970
Under/(Over) provision in respect of prior years		**3,283**	(610)	**2,718**	(1,967)
		36,135	40,753	**23,193**	28,789
Current tax					
Current year		**37,016**	43,407	**23,537**	29,786
Under/(Over) provision in respect of prior years		**3,283**	(610)	**2,718**	(1,967)
		40,299	42,797	**26,255**	27,819
Deferred tax					
Origination and reversal of temporary differences	14	**(4,164)**	(2,044)	**(3,062)**	970
		(4,164)	(2,044)	**(3,062)**	970
		36,135	40,753	**23,193**	28,789

Notes to the Financial Statements

for the financial year ended 31 December 2018

37 TAXATION (CONTINUED)

The numerical reconciliation between the tax expense and the product of accounting profit/(loss) multiplied by the statutory rate is as follows:

	Group		Bank	
	31.12.2018 %	**31.12.2017 %**	**31.12.2018 %**	**31.12.2017 %**
Tax at Malaysian statutory applicable tax rate	**24.0**	24.0	**24.0**	24.0
Tax effects in respect of:				
– Effect of different tax rates in other countries	**21.1**	15.0	**–**	–
– Income not subject to tax	**(23.0)**	(14.2)	**1.7**	(2.8)
– Expenses not deductible for tax purposes	**61.1**	20.3	**(35.3)**	6.2
– Utilisation of previously unrecognised tax losses	**(0.7)**	(0.1)	**–**	–
– Current year loss not recognised as deferred tax assets during the year	**56.1**	21.8	**–**	–
– Under/(Over) provision in respect of prior years	**13.8**	(1.0)	**(1.3)**	(1.7)
Effective tax rate	**152.4**	65.8	**(10.9)**	25.7

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		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Unabsorbed tax losses carried forward	**236,890**	177,472	**–**	–
Unabsorbed capital allowances carried forward	**682**	720	**–**	–

For Malaysia, the unabsorbed tax losses have an expiry date of 7 years which is in line with the new 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, unabsorbed tax losses have no expiry date, except for Thailand and Indonesia which can be carried forward to deduct against future profits for a period of 5 years.

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for the financial year ended 31 December 2018

38 (LOSS)/EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net (loss)/profit attributable to equity holder of the Group by the weighted average number of outstanding ordinary shares at end of the financial year.

		Group		Bank	
	Note	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Net (loss)/profit attributable to equity holder		**(13,429)**	19,946	**(235,726)**	83,013
Weighted average number of ordinary shares in issue ('000)					
– Issued ordinary shares at 1 January		**100,000**	818,646	**100,000**	818,646
– Effect of capital cancellation	49(c)(ii)	**–**	(192,952)	**–**	(192,952)
		100,000	625,694	**100,000**	625,694
Basic earnings per share (sen)		**(13.43)**	3.19	**(235.73)**	13.27

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding as at 31 December 2018 and 31 December 2017. As a result, the diluted earnings per share equal to the basic earnings per share.

39 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
Group			
31.12.2018			
Financial assets at FVOCI			
– net fair value gain and amount transfer to income statements	**4,791**	**(350)**	**4,441**
Actuarial loss on defined benefit plan of subsidiaries			
– net fair value gain and amount transfer to income statements	**8,204**	**(364)**	**7,840**
	12,995	**(714)**	**12,281**

39 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME (CONTINUED)

	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
Group			
31.12.2017			
Financial investments AFS			
– net fair value gain and amount transfer to income statements	23,530	(5,336)	18,194
Actuarial gain on defined benefit plan of subsidiaries			
– net fair value gain and amount transfer to income statements	888	(159)	729
	24,418	(5,495)	18,923
Bank			
31.12.2018			
Financial assets at FVOCI			
– net fair value gain and amount transfer to income statements	**1,619**	**(388)**	**1,231**
Bank			
31.12.2017			
Financial investments AFS			
– net fair value gain and amount transfer to income statements	24,039	(5,769)	18,270

40 ORDINARY DIVIDENDS

The Bank does not propose any final dividend for the financial year ended 31 December 2018.

Dividends paid by the Bank's subsidiaries to the non-controlling interest amounting to RM800,000 (31.12.2017: RM NIL) during the financial year ended 31 December 2018.

Notes to the Financial Statements

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41 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationships

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

Related parties	Relationships
RHB Bank Berhad	Holding company
Subsidiaries of RHB Bank Berhad as disclosed in its financial statements	Subsidiaries of the holding company
Employee Provident Fund ('EPF')	Substantial shareholder of the holding company, 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 significant 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 22, set out below are other significant related party transactions and balances.

Transactions or balances with newly acquired subsidiaries during the financial year are reported as related party transactions or balances from the date of the Group and the Bank are deemed to have control over the subsidiaries.

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

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

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41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Group 31.12.2018	Holding company RM'000	EPF and EPF Group of companies RM'000	Key management personnel RM'000	Other related companies RM'000
Income				
Interest income on deposits	10,599	–	–	2,824
Interest income on financial assets FVTPL	1	9	–	–
Fee income	2,768	8,525	980	1,158
Brokerage income	–	13,550	178	–
Other operating income	102,483	73	90	–
	115,851	22,157	1,248	3,982
Expenses				
Insurance premium	–	–	–	818
Interest expense on deposits and placements	43,419	–	–	–
Interest expense on deposits from customers	–	5,017	–	243
Interest expense on borrowings	1,186	–	–	23,325
Fee and commission expense	13,505	–	–	–
Rental of premises	9,611	–	508	–
Personnel costs	509	–	–	617
Establishment costs	–	–	–	4,409
Administration and general expenses	4,339	–	–	558
	72,569	5,017	508	29,970
Amounts due from				
Cash and short-term funds	658,206	–	–	39,425
Deposits and placements with banks and other financial institutions	94,484	–	–	27,774
Clients' and brokers' balances*	–	1,383	–	–
Derivative assets	46	–	–	–
Other assets	13	1,639	–	149
	752,749	3,022	–	67,348
Amounts due to				
Deposits from customers	–	247,071	–	–
Deposits and placements of banks and other financial institutions	1,025,700	–	–	–
Clients' and brokers' balances*	–	–	128	–
Derivative liabilities	1,671	–	–	–
Borrowings	62,619	–	–	619,313
Other liabilities	12,013	62	37	697
	1,102,003	247,133	165	620,010

* Clients' and brokers' balances mainly comprised interbroking commission.

Notes to the Financial Statements
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41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Group 31.12.2017	Holding company RM'000	EPF and EPF Group of companies RM'000	Key management personnel RM'000	Other related companies RM'000
Income				
Interest income on deposits	9,993	–	–	2,854
Interest income on financial investments AFS	–	1,129	–	–
Interest income on financial assets FVTPL	6	–	–	–
Fee income	3,279	13,662	359	1,078
Brokerage income	–	13,587	93	–
Other operating income	79,319	137	1	–
	92,597	28,515	453	3,932
Expenses				
Insurance premium	–	–	–	1,066
Interest expense on deposits and placements	38,285	–	–	–
Interest expense on deposits from customers	–	2,782	36	392
Interest expense on borrowings	1,277	–	–	11,807
Fee and commission expense	13,467	–	–	–
Rental of premises	9,447	–	920	–
Personnel costs	242	–	–	386
Establishment costs	–	–	–	4,196
Administration and general expenses	6,349	–	–	488
	69,067	2,782	956	18,335
Amounts due from				
Cash and short-term funds	822,049	–	–	37,177
Deposits and placements with banks and other financial institutions	75,332	–	–	24,982
Clients' and brokers' balances*	–	94,255	101	–
Derivative assets	74	–	–	–
Other assets	12	6,387	107	437
	897,467	100,642	208	62,596
Amounts due to				
Deposits from customers	–	32,284	–	14,090
Deposits and placements of banks and other financial institutions	2,553,449	–	–	–
Clients' and brokers' balances*	–	16,535	225	–
Derivative liabilities	61	–	–	–
Borrowings	57,151	–	–	479,576
Other liabilities	15,619	62	16	1,252
	2,626,280	48,881	241	494,918

* Clients' and brokers' balances mainly comprised interbroking commission.

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41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank **31.12.2018**	**Holding company** **RM'000**	**EPF and EPF Group of companies** **RM'000**	**Subsidiaries** **RM'000**	**Key management personnel** **RM'000**	**Other related companies** **RM'000**
Income					
Interest income on deposits	7,618	–	–	–	389
Interest income on financial assets FVTPL	1	9	–	–	–
Fee income	348	2,283	3,171	655	200
Brokerage income	–	11,739	573	176	–
Rental income	–	–	146	–	–
Other operating income	102,729	73	11,400	90	–
	110,696	14,104	15,290	921	589
Expenses					
Insurance premium	–	–	–	–	178
Interest expense on deposits and placements	43,419	–	–	–	–
Interest expense on deposits from customers	–	5,017	450	–	243
Rental of premises	7,318	–	–	508	–
Personnel costs	436	–	–	–	617
Establishment costs	–	–	–	–	4,400
Marketing expenses	–	–	683	–	–
Administration and general expenses	50	–	15,295	–	286
	51,223	5,017	16,428	508	5,724
Amounts due from					
Cash and short-term funds	554,027	–	–	–	–
Clients' and brokers' balances	–	1,383	–	–	–
Derivative assets	46	–	–	–	–
Other assets	–	7	1,397	–	22
	554,073	1,390	1,397	–	22
Amounts due to					
Deposits from customers	–	247,071	–	–	–
Deposits and placements of banks and other financial institutions	1,025,700	–	–	–	–
Clients' and brokers' balances	–	–	–	69	–
Derivative liabilities	54	–	–	–	–
Other liabilities	8,975	–	1,409	–	273
	1,034,729	247,071	1,409	69	273

Notes to the Financial Statements
for the financial year ended 31 December 2018

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank 31.12.2017	Holding company RM'000	EPF and EPF Group of companies RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
Income					
Interest income on deposits	8,686	–	–	–	653
Interest on loans and advances	–	–	526	–	–
Interest income on financial investments AFS	–	1,129	–	–	–
Interest income on financial assets FVTPL	6	–	–	–	–
Fee income	990	8,171	3,966	100	150
Brokerage income	–	10,405	738	67	–
Rental income	–	–	150	–	–
Other operating income	79,319	137	10,000	1	–
	89,001	19,842	15,380	168	803
Expenses					
Insurance premium	–	–	–	–	401
Interest expense on deposits and placements	38,285	–	–	–	–
Interest expense on deposits from customers	–	2,782	1,713	36	392
Rental of premises	7,479	–	–	920	–
Personnel costs	194	–	–	–	386
Establishment costs	–	–	–	–	4,189
Marketing expenses	–	–	2,175	–	–
Administration and general expenses	50	–	15,014	–	290
	46,008	2,782	18,902	956	5,658
Amounts due from					
Cash and short-term funds	782,863	–	–	–	–
Clients' and brokers' balances	–	90,131	–	101	–
Derivative assets	74	–	–	–	–
Other assets	–	4,913	12,257	107	25
	782,937	95,044	12,257	208	25
Amounts due to					
Deposits from customers	–	32,284	28,638	–	14,090
Deposits and placements of banks and other financial institutions	2,553,449	–	–	–	–
Clients' and brokers' balances	–	16,535	–	–	–
Derivative liabilities	61	–	–	–	–
Other liabilities	9,971	–	2,693	–	513
	2,563,481	48,819	31,331	–	14,603

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Group 31.12.2018	Interest expense on deposits, placements and borrowings RM'000	Interest expense on deposits from customers RM'000	Rental of premises RM'000	Other expenses RM'000
Malaysia	**43,419**	**–**	**8,746**	**24,380**
Singapore	**–**	**–**	**865**	**171**
Thailand	**2,539**	**243**	**–**	**–**
Hong Kong	**4,072**	**–**	**–**	**191**
United Kingdom	**17,900**	**–**	**–**	**13**
	67,930	**243**	**9,611**	**24,755**
31.12.2017				
Malaysia	38,285	–	8,926	25,976
Singapore	–	–	521	22
Thailand	3,206	392	–	–
Hong Kong	2,480	–	–	196
United Kingdom	7,398	–	–	–
	51,369	392	9,447	26,194

Bank 31.12.2018	Interest expense on deposits and placements RM'000	Interest expense on deposits from customers RM'000	Marketing expenses RM'000	Rental of premises RM'000	Other expenses RM'000
Malaysia	**43,419**	**693**	**683**	**7,318**	**21,262**
31.12.2017					
Malaysia	38,285	2,105	2,175	7,479	20,524

Notes to the Financial Statements

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41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Key management personnel

The remuneration of key management personnel are as follows:

		Group		Bank	
	Note	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Short-term employee benefits					
– Fees		**1,631**	1,672	**1,070**	1,025
– Salary and other remuneration	(i)	**9,486**	5,324	**7,594**	5,070
– Contribution to EPF	(i)	**441**	231	**441**	231
– Benefits-in-kind		**59**	98	**59**	66
		11,617	7,325	**9,164**	6,392

The above remuneration includes Directors' remuneration as disclosed in Note 34.

Note:

(i) Inclusive of Group's Cash Retention Scheme and the related employer's contribution totalling RM4,914,000 and RM3,150,000 for the Group and the Bank respectively. The payout under this retention scheme was based on key management personnel's performance over the 4-year period from 2014 to 2017.

(d) Credit exposures arising from transactions with connected parties

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

	Group and Bank	
	31.12.2018	31.12.2017
Outstanding credit exposure with connected parties (RM'000)	**335,403**	228,757
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	**6.96%**	3.96%
Percentage of outstanding credit exposures with connected parties which is impaired or in default	**–**	–

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

42 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to 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	
	31.12.2018 RM'000	**31.12.2017 RM'000**
Principal amount		
Irrevocable commitments to extend credit:		
– maturity not exceeding one year	**1,338,876**	1,516,982
– maturity exceeding one year	**4,243**	4,164
Foreign exchange related contracts:^		
– less than one year	**129,753**	36,962
Interest rate related contracts:^		
– less than one year	**–**	90,000
Equity related contracts:^		
– less than one year	**–**	7,262
	1,472,872	1,655,370

^ These derivatives are revalued on gross position basis and the unrealised gains or losses have been reflected in Note 12 as derivatives assets or derivative liabilities.

Notes to the Financial Statements

for the financial year ended 31 December 2018

42 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The commitments and contingencies comprise the following: (continued)

	Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**
Principal amount		
Direct credit substitutes#	**152,006**	151,583
Obligations under underwriting agreements	**–**	45,761
Irrevocable commitments to extend credit:		
– maturity not exceeding one year	**376,397**	536,472
– maturity exceeding one year	**22**	22
Foreign exchange related contracts:^		
– less than one year	**25,379**	31,258
Interest rate related contracts:^		
– less than one year	**–**	90,000
Equity related contracts:^		
– less than one year	**–**	7,262
	553,804	862,358

Included in direct credit substitutes is financial guarantee contract of RM152,006,000 (31.12.2017: RM151,583,000) to external parties for subsidiaries.

^ These derivatives are revalued on gross position basis and the unrealised gains or losses have been reflected in Note 12 as derivatives assets or derivative liabilities.

43 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The Group and the Bank have lease commitments in respect of rented premises which are classified as operating leases. A summary of the non-cancellable long-term commitments, net of sub-leases, is as follows:

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Within one year	**43,260**	50,152	**13,515**	14,064
Between one to five years	**25,782**	43,462	**7,568**	11,438
More than five years	**126**	304	**–**	–
	69,168	93,918	**21,083**	25,502

44 CAPITAL AND OTHER COMMITMENTS

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Authorised and contracted for				
– Property, plant and equipment	**20,310**	18,060	**12,236**	9,413
– Investment securities	**8,845**	40,905	**–**	–
	29,155	58,965	**12,236**	9,413

Notes to the Financial Statements

for the financial year ended 31 December 2018

45 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, strategic and cross-border, as well as other forms of risk inherent to its strategy, product range and geographical coverage.

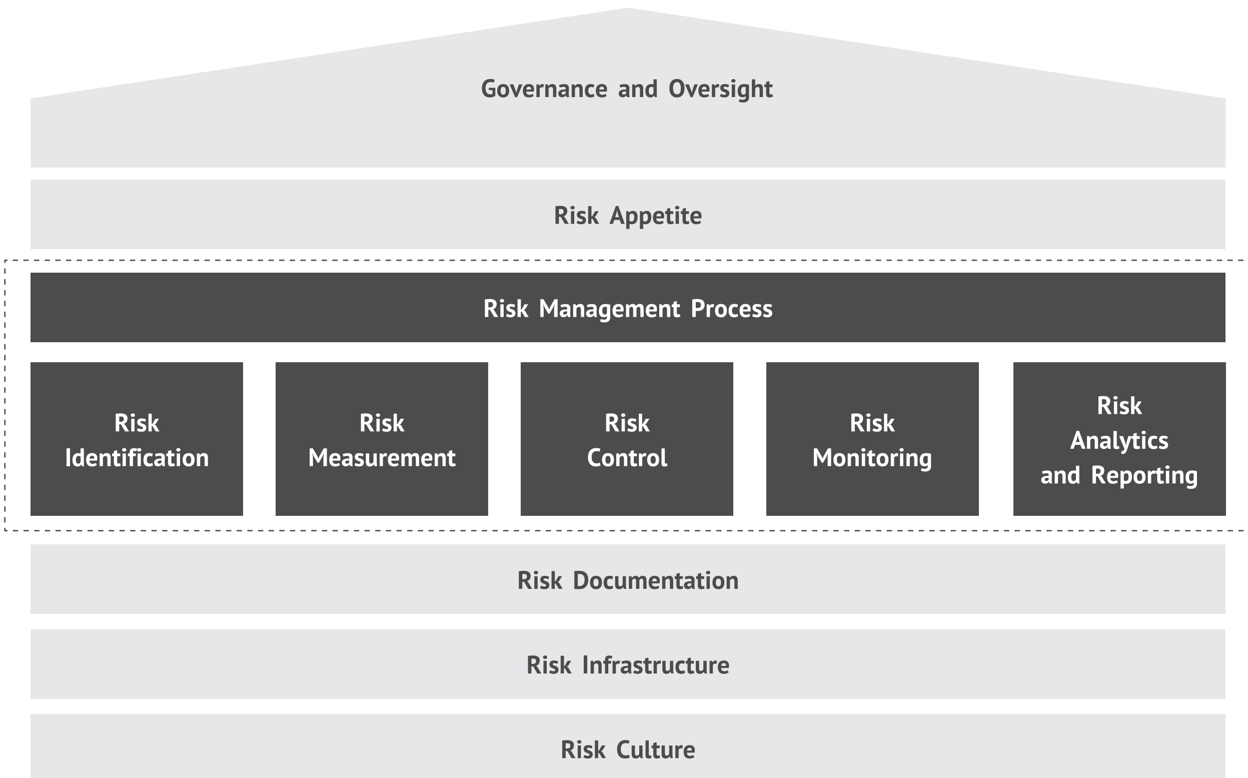
Effective risk management is fundamental to drive sustainable growth and shareholders' value, while maintaining competitive advantage, and is thus a central part of the proactive risk management of the Group's operating environment.

The Group Risk Management Framework governs the management of risks in the RHB Banking 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 2018

45 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:

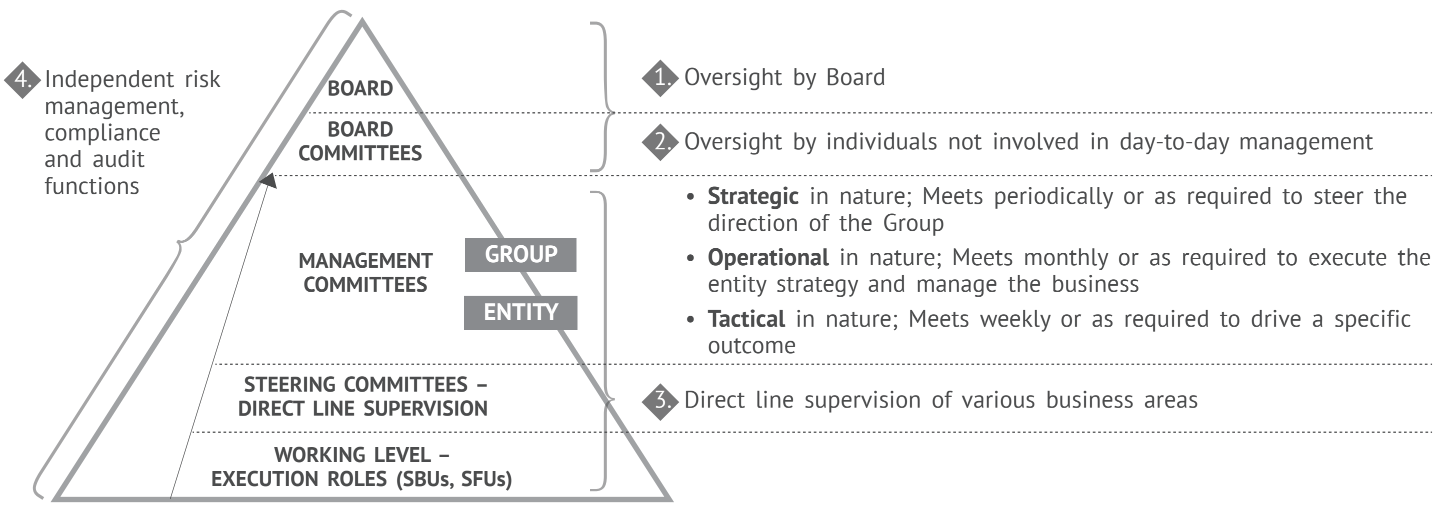
1. Risk Governance from the Boards of Directors of Various Operating Entities within the Group

   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 of Directors ('Board'), through the Board Risk Committee ('BRC'), Group Capital and Risk Committee ('GCRC') and the Group Risk and 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 overall risk management philosophy, frameworks, policies and models.

   The responsibility for the supervision of the day-to-day management of enterprise risk and capital matters is delegated to the Investment Bank Risk Management Committee ('IBRMC') comprising Senior Management of the Group and which reports to the BRC and the Group Management Committee ('GMC'). The Group Asset and Liability Committee ('Group ALCO') assists the BRC to oversee market risk, liquidity risk and balance sheet management. An overview of this government framework at Group level is as below:



Notes to the Financial Statements

for the financial year ended 31 December 2018

45 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 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 operational risks and compliance matters
SECOND LINE **Group Risk 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

Notes to the Financial Statements
for the financial year ended 31 December 2018

45 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 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 is independent of the business function to ensure that the necessary balance in risk and return decisions is not compromised by short-term pressures to generate revenues. The said function is headed by the Group Chief Risk Officer. 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 and the Board on risk issues and their possible impact on the Group in the achievement of its objectives and strategies.

Group Risk and 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 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.

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.

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45 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 Environment and Infrastructure (continued)

3. Institutionalisation of a Risk-focused Organisation (continued)

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 risk 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 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 implemented consistently across the Group.

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

45 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 Appetite

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 of risks and is set by the Board, and reported through various metrics that enable the Group to manage capital resources and shareholders' expectations.

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.

The main areas of financial risks faced by the Group and the Bank and the policies to address these financial risks are set out below:

Major Areas of Risk

As a banking institution with key activities covering advisory, fund raising in the structuring and issuance of debt securities and capital market instruments, mergers and acquisitions, private placements, underwriting, initial public offerings of equity related instruments, private placements and underwriting, the Group and the Bank 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 indicators, such as interest rates, credit spreads, equity prices, currency exchange rates and commodity prices.

(ii) Liquidity risk – the risk of the Group and the Bank being unable to maintain sufficient liquid assets 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, underwriting, 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 and legal risk but excludes strategic and reputational risk.

Notes to the Financial Statements
for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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 Group ALCO and the IBRMC performs a critical role in the management of market risk and supports the BRC in the overall market risk management.

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

- 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 is applied to the Group and the Bank to ascertain market risk under abnormal market conditions.

Liquidity Risk

- The Group ALCO supports the BRC by performing the critical role in management of liquidity risk, and is responsible for establishing strategies that assist in controlling and reducing any potential exposures to liquidity risk.

- 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.

- The Group and the Bank have 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 days under liquidity stress condition.

- Defined liquidity management ratios are maintained and monitored.

- The Group and the Bank establish a Group Liquidity Incident Management Procedure to manage liquidity crisis, identifying early warning signs of a possible liquidity event and the need for heightened liquidity risk monitoring and reduced liquidity risk exposure.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Credit Risk

- The Group and the Bank abide to the Group Credit Policy which supports the development of a strong credit culture and with the objective of maintaining a well-diversified portfolio, and a reliable and satisfactory riskweighted return.

- 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, lending and financing up to the defined threshold.

- Group Investment Underwriting Committee ('GIUC') deliberates, approves and rejects stockbroking, equities and futures business related proposals such as equity underwriting, equity derivatives and structured products, and share margin financing.

- The Board Credit Committee ('BCC') is responsible on affirming, vetoing or imposing more stringent conditions on credits of the Group which are duly approved by the GCC and/or GIUC, overseeing the management of impaired and high risk accounts, and approving credit transactions to connected parties up to the defined threshold.

- 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 or financing authority and relevant committees. With the exception of credit applications for consumer and approved products under program lending and 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 and financing which are beyond the delegated lending authority limits will be escalated to the relevant committees for approval.

- The Group Credit Risk Management ('GCRM') is responsible for credit risk management, portfolio risk monitoring, risk reporting and development of credit policies and guidelines. The GCRM also conduct regular credit stress tests to assess the credit portfolio's vulnerability to adverse credit risk events.

- Clients' accounts are mitigated through the establishment of appropriate approving authority structure or matrix for the extension of trading or 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 issuers, through timely management reporting procedures.

- Counterparty, industry and product exposure limits and directions are set and risk reward relationship 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.

Notes to the Financial Statements

for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Operational Risk

- The Group 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 control tools used includes Risk and Control Self-Assessment, Key Risk Indicators, Incident Management and Loss Management, Key Control Testing 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 Planning ('BCP') programmes for the major critical business operations and activities at the Head Office, data centre, and branch locations. The BCP programmes are 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.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category

Group 31.12.2018	At amortised costs RM'000	At FVTPL RM'000	At FVOCI RM'000	Total RM'000
Financial assets				
Cash and short term funds	1,859,024	–	–	1,859,024
Deposits and placements with banks and other financial institutions	90,449	–	–	90,449
Financial assets at FVTPL	–	743,221	–	743,221
Financial assets at FVOCI	–	–	750,225	750,225
Financial investments at amortised costs	867,307	–	–	867,307
Loans and advances	1,600,323	–	–	1,600,323
Clients' and brokers' balances	943,057	–	–	943,057
Other financial assets	136,113	–	–	136,113
Derivative assets	–	74	–	74
	5,496,273	743,295	750,225	6,989,793
Financial liabilities				
Deposits from customers	1,030,614	–	–	1,030,614
Deposits and placements of banks and other financial institutions	1,834,820	–	–	1,834,820
Bills and acceptances payable	44,536	–	–	44,536
Clients' and brokers' balances	832,160	–	–	832,160
Other financial liabilities	415,261	–	–	415,261
Derivative liabilities	–	5,917	–	5,917
Puttable financial instruments	–	70,615	–	70,615
Borrowings	882,969	–	–	882,969
Subordinated obligations	404,263	–	–	404,263
	5,444,623	76,532	–	5,521,155

Notes to the Financial Statements
for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Group Restated 31.12.2017	Loans and receivables RM'000	Assets at FVTPL RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Total RM'000
Financial assets					
Cash and short-term funds	2,471,578	–	–	–	2,471,578
Deposits and placements with banks and other financial institutions	22,106	–	–	–	22,106
Financial assets at FVTPL	–	823,421	–	–	823,421
Financial investments AFS	–	–	902,249	–	902,249
Financial investments HTM	–	–	–	583,232	583,232
Loans and advances	1,753,928	–	–	–	1,753,928
Clients' and brokers' balances	1,608,731	–	–	–	1,608,731
Other financial assets	164,228	–	–	–	164,228
Derivative assets	–	344	–	–	344
	6,020,571	823,765	902,249	583,232	8,329,817

	Liabilities at FVTPL RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Financial liabilities			
Deposits from customers	–	623,581	623,581
Deposits and placements of banks and other financial institutions	–	3,035,153	3,035,153
Bills and acceptances payable	–	6,185	6,185
Clients' and brokers' balances	–	1,502,382	1,502,382
Other financial liabilities	–	503,293	503,293
Derivative liabilities	46,013	–	46,013
Puttable financial instruments	78,825	–	78,825
Borrowings	–	712,379	712,379
Subordinated obligations	–	404,263	404,263
	124,838	6,787,236	6,912,074

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Group Restated 01.01.2017	Loans and receivables RM'000	Assets at FVTPL RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Total RM'000
Financial assets					
Cash and short-term funds	1,072,140	–	–	–	1,072,140
Deposits and placements with banks and other financial institutions	359,018	–	–	–	359,018
Financial assets at FVTPL	–	612,105	–	–	612,105
Financial investments AFS	–	–	1,856,676	–	1,856,676
Financial investments HTM	–	–	–	398,564	398,564
Loans and advances	1,792,172	–	–	–	1,792,172
Clients' and brokers' balances	2,057,600	–	–	–	2,057,600
Other financial assets	249,780	–	–	–	249,780
Derivative assets	–	7,325	–	–	7,325
	5,530,710	619,430	1,856,676	398,564	8,405,380

	Liabilities at FVTPL RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Financial liabilities			
Deposits from customers	–	682,035	682,035
Deposits and placements of banks and other financial institutions	–	2,693,618	2,693,618
Bills and acceptances payable	–	180,931	180,931
Clients' and brokers' balances	–	1,800,971	1,800,971
Other financial liabilities	–	473,748	473,748
Derivative liabilities	37,197	–	37,197
Puttable financial instruments	68,706	–	68,706
Borrowings	–	552,720	552,720
Subordinated obligations	–	447,595	447,595
	105,903	6,831,618	6,937,521

Notes to the Financial Statements

for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Bank 31.12.2018	At amortised costs RM'000	At FVTPL RM'000	At FVOCI RM'000	Total RM'000
Financial assets				
Cash and short term funds	1,192,584	–	–	1,192,584
Financial assets at FVTPL	–	55,642	–	55,642
Financial assets at FVOCI	–	–	741,927	741,927
Financial investments at amortised costs	867,307	–	–	867,307
Loans and advances	1,031,270	–	–	1,031,270
Clients' and brokers' balances	526,757	–	–	526,757
Other financial assets	20,306	–	–	20,306
Derivative assets	–	74	–	74
	3,638,224	55,716	741,927	4,435,867
Financial liabilities				
Deposits from customers	1,030,614	–	–	1,030,614
Deposits and placements of banks and other financial institutions	1,834,820	–	–	1,834,820
Clients' and brokers' balances	619,201	–	–	619,201
Other financial liabilities	172,243	–	–	172,243
Derivative liabilities	–	3,941	–	3,941
Subordinated obligations	404,263	–	–	404,263
	4,061,141	3,941	–	4,065,082

Notes to the Financial Statements

for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Bank Restated 31.12.2017	**Loans and receivables RM'000**	**Assets at FVTPL RM'000**	**Financial investments AFS RM'000**	**Financial investments HTM RM'000**	**Total RM'000**
Financial assets					
Cash and short-term funds	1,795,452	–	–	–	1,795,452
Financial assets at FVTPL	–	149,139	–	–	149,139
Financial investments AFS	–	–	882,153	–	882,153
Financial investments HTM	–	–	–	583,232	583,232
Loans and advances	1,143,551	–	–	–	1,143,551
Clients' and brokers' balances	911,055	–	–	–	911,055
Other financial assets	45,539	–	–	–	45,539
Derivative assets	–	343	–	–	343
	3,895,597	149,482	882,153	583,232	5,510,464

	Liabilities at FVTPL RM'000	**Other financial liabilities at amortised cost RM'000**	**Total RM'000**
Financial liabilities			
Deposits from customers	–	652,220	652,220
Deposits and placements of banks and other financial institutions	–	3,035,153	3,035,153
Clients' and brokers' balances	–	911,177	911,177
Other financial liabilities	–	171,371	171,371
Derivative liabilities	45,873	–	45,873
Subordinated obligations	–	404,263	404,263
	45,873	5,174,184	5,220,057

Notes to the Financial Statements

for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Bank Restated 01.01.2017	Loans and receivables RM'000	Assets at FVTPL RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Total RM'000
Financial assets					
Cash and short-term funds	485,883	–	–	–	485,883
Deposits and placements with banks and other financial institutions	350,065	–	–	–	350,065
Financial assets at FVTPL	–	54,854	–	–	54,854
Financial investments AFS	–	–	1,833,518	–	1,833,518
Financial investments HTM	–	–	–	398,564	398,564
Loans and advances	1,121,163	–	–	–	1,121,163
Clients' and brokers' balances	757,215	–	–	–	757,215
Other financial assets	63,403	–	–	–	63,403
Derivative assets	–	7,202	–	–	7,202
	2,777,729	62,056	1,833,518	398,564	5,071,867

	Liabilities at FVTPL RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Financial liabilities			
Deposits from customers	–	697,802	697,802
Deposits and placements of banks and other financial institutions	–	2,764,787	2,764,787
Clients' and brokers' balances	–	742,481	742,481
Other financial liabilities	–	169,661	169,661
Derivative liabilities	36,425	–	36,425
Subordinated obligations	–	447,595	447,595
	36,425	4,822,326	4,858,751

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest 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 as at 31 December 2018.

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 rate risk profile is managed to minimise losses and optimise net revenues.

(i) Interest rate sensitivity analysis

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

	Group		Bank	
	Impact on profit after tax RM'000	**Impact on equity RM'000**	**Impact on profit after tax RM'000**	**Impact on equity RM'000**
31.12.2018				
+100 bps	**(11,810)**	**(19,446)**	**(10,027)**	**(19,446)**
-100 bps	**11,810**	**20,207**	**10,027**	**20,207**
31.12.2017				
+100 bps	(9,185)	(22,316)	(9,983)	(22,316)
-100 bps	9,185	21,821	9,983	21,821

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

Impact on the profit/(loss) after tax is the sum of valuation changes on fixed income instruments held in the trading portfolio and movement for all short-term interest 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 rate sensitive assets and liabilities uses a set of risk weights with its respective time band to simulate the 100 bps (31.12.2017: 100 bps) interest rate change impact. For assets and liabilities with non fixed maturity, certain assumptions are made to reflect the actual sensitivity behaviour of these interest bearing assets and liabilities.

Impact on equity represents the changes in fair values of fixed income instruments held in the FVOCI/AFS portfolio arising from the shift in the interest rate.

Notes to the Financial Statements
for the financial year ended 31 December 2018

45 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 United States Dollar ('USD') and Singapore Dollar ('SGD')) on the consolidated currency position, while other variables remain constant.

	Group	Bank
	Impact on profit after tax RM'000	Impact on profit after tax RM'000
31.12.2018		
+10%	**23,430**	**13,125**
-10%	**(23,430)**	**(13,125)**
31.12.2017		
+10%	14,070	4,087
-10%	(14,070)	(4,087)

Impact on the profit/(loss) after taxation 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.

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for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk

The table below summarises the Group'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:

Group 31.12.2018	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	885,297	–	–	–	–	–	973,727	–	1,859,024
Deposits and placements with banks and other financial institutions	–	90,123	–	–	–	–	326	–	90,449
Financial assets at FVTPL	–	–	–	–	–	–	650,255	92,966	743,221
Financial assets at FVOCI	–	–	4,999	8,455	251,141	440,950	44,680	–	750,225
Financial investments at amortised costs	–	–	–	10,002	260,306	588,599	8,400	–	867,307
Loans and advances	1,598,926	–	22	14	–	352	1,009	–	1,600,323
Clients' and brokers' balances	24,041	–	–	–	–	–	919,016	–	943,057
Other assets	–	–	–	–	–	3,329	150,992	–	154,321
Derivative assets	–	–	–	–	–	–	–	74	74
Statutory deposits	–	–	–	–	–	–	64,414	–	64,414
Tax recoverable	–	–	–	–	–	–	24,654	–	24,654
Deferred tax assets	–	–	–	–	–	–	19,610	–	19,610
Investments in associates and joint ventures	–	–	–	–	–	–	30,646	–	30,646
Property, plant and equipment	–	–	–	–	–	–	40,044	–	40,044
Goodwill and other intangible assets	–	–	–	–	–	–	571,521	–	571,521
TOTAL ASSETS	2,508,264	90,123	5,021	18,471	511,447	1,033,230	3,499,294	93,040	7,758,890

Notes to the Financial Statements

for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Group'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)

Group 31.12.2018	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	933,881	94,407	–	–	–	–	2,326	–	1,030,614
Deposits and placements of banks and other financial institutions	328,642	1,496,723	–	–	–	–	9,455	–	1,834,820
Bills and acceptances payable	12,747	31,789	–	–	–	–	–	–	44,536
Clients' and brokers' balances	–	–	–	–	–	–	832,160	–	832,160
Other liabilities	–	–	–	–	–	–	415,261	–	415,261
Derivative liabilities	–	–	–	–	–	–	–	5,917	5,917
Puttable financial instruments	–	–	–	–	–	–	70,615	–	70,615
Tax liabilities	–	–	–	–	–	–	6,288	–	6,288
Deferred tax liabilities	–	–	–	–	–	–	2,072	–	2,072
Borrowings	313,120	568,680	–	–	–	–	1,169	–	882,969
Subordinated obligations	–	–	–	–	200,000	200,000	4,263	–	404,263
TOTAL LIABILITIES	1,588,390	2,191,599	–	–	200,000	200,000	1,343,609	5,917	5,529,515
Shareholders' funds	–	–	–	–	–	–	2,219,336	–	2,219,336
Non-controlling interests	–	–	–	–	–	–	10,039	–	10,039
TOTAL LIABILITIES AND EQUITY	1,588,390	2,191,599	–	–	200,000	200,000	3,572,984	5,917	7,758,890
On-balance sheet interest sensitivity gap	919,874	(2,101,476)	5,021	18,471	311,447	833,230			
Off-balance sheet interest sensitivity gap	–	–	–	–	–	–			
TOTAL INTEREST-SENSITIVITY GAP	919,874	(2,101,476)	5,021	18,471	311,447	833,230			

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Group'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)

Group Restated 31.12.2017	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	1,639,189	–	–	–	–	–	832,389	–	2,471,578
Deposits and placements with banks and other financial institutions	–	14,288	–	7,783	–	–	35	–	22,106
Financial assets at FVTPL	–	–	–	–	–	–	–	823,421	823,421
Financial investments AFS	–	10,015	–	90,865	153,888	549,239	98,242	–	902,249
Financial investments HTM	–	–	35,050	80,349	10,002	453,312	4,519	–	583,232
Loans and advances									
– performing	1,746,635	–	–	1	117	404	–	–	1,747,157
– impaired	–	–	–	–	–	–	6,771*	–	6,771
Clients' and brokers' balances	220,222	–	–	–	–	–	1,388,509	–	1,608,731
Other assets	–	100	100	–	–	3,411	182,298	–	185,909
Derivative assets	–	–	–	–	–	–	–	344	344
Statutory deposits	–	–	–	–	–	–	55,660	–	55,660
Tax recoverable	–	–	–	–	–	–	49,225	–	49,225
Deferred tax assets	–	–	–	–	–	–	14,839	–	14,839
Investments in associates and joint ventures	–	–	–	–	–	–	54,174	–	54,174
Property, plant and equipment	–	–	–	–	–	–	50,293	–	50,293
Goodwill and other intangible assets	–	–	–	–	–	–	572,604	–	572,604
TOTAL ASSETS	3,606,046	24,403	35,150	178,998	164,007	1,006,366	3,309,558	823,765	9,148,293

* This represents outstanding impaired loans after deducting individual impairment allowance and collective impairment allowance.

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for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Group'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)

Group Restated 31.12.2017	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	578,252	40,382	2,411	–	–	–	2,536	–	623,581
Deposits and placements of banks and other financial institutions	1,022,915	1,601,201	400,000	–	–	–	11,037	–	3,035,153
Bills and acceptances payable	–	6,185	–	–	–	–	–	–	6,185
Clients' and brokers' balances	102,121	–	–	–	–	–	1,400,261	–	1,502,382
Other liabilities	–	–	–	–	–	–	503,293	–	503,293
Derivative liabilities	–	–	–	–	–	–	–	46,013	46,013
Puttable financial instruments	–	–	–	–	–	–	78,825	–	78,825
Tax liabilities	–	–	–	–	–	–	6,136	–	6,136
Deferred tax liabilities	–	–	–	–	–	–	2,612	–	2,612
Borrowings	712,075	–	–	–	–	–	304	–	712,379
Subordinated obligations	–	–	–	–	200,000	200,000	4,263	–	404,263
TOTAL LIABILITIES	2,415,363	1,647,768	402,411	–	200,000	200,000	2,009,267	46,013	6,920,822
Shareholders' funds	-	–	–	–	–	–	2,218,276	–	2,218,276
Non-controlling interests	–	–	–	–	–	–	9,195	–	9,195
TOTAL LIABILITIES AND EQUITY	2,415,363	1,647,768	402,411	–	200,000	200,000	4,236,738	46,013	9,148,293
On-balance sheet interest sensitivity gap	1,190,683	(1,623,365)	(367,261)	178,998	(35,993)	806,366			
Off-balance sheet interest sensitivity gap	–	–	60,000	–	–	–			
TOTAL INTEREST-SENSITIVITY GAP	1,190,683	(1,623,365)	(307,261)	178,998	(35,993)	806,366			

Notes to the Financial Statements

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45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Group'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)

	Non-trading book								
Group Restated 01.01.2017	**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	620,794	–	–	–	–	–	451,346	–	1,072,140
Deposits and placements with banks and other financial institutions	–	350,462	–	8,483	–	–	73	–	359,018
Financial assets at FVTPL	–	–	–	–	–	–	–	612,105	612,105
Financial investments AFS	1,085	12,327	22,641	207,219	509,865	983,280	120,259	–	1,856,676
Financial investments HTM	–	30,000	–	20,055	141,130	203,899	3,480	–	398,564
Loans and advances									
– performing	1,714,222	–	–	3,138	281	443	39	–	1,718,123
– impaired	–	–	–	–	–	–	74,049*	–	74,049
Clients' and brokers' balances	286,643	–	–	–	–	–	1,770,957	–	2,057,600
Other assets	6,475	100	100	–	–	3,260	259,147	–	269,082
Derivative assets	–	–	–	–	–	–	–	7,325	7,325
Statutory deposits	–	–	–	–	–	–	85,144	–	85,144
Tax recoverable	–	–	–	–	–	–	61,528	–	61,528
Deferred tax assets	–	–	–	–	–	–	19,477	–	19,477
Investments in associates and joint ventures	–	–	–	–	–	–	54,989	–	54,989
Property, plant and equipment	–	–	–	–	–	–	60,402	–	60,402
Goodwill and other intangible assets	–	–	–	–	–	–	1,320,892	–	1,320,892
TOTAL ASSETS	2,629,219	392,889	22,741	238,895	651,276	1,190,882	4,281,782	619,430	10,027,114

* This represents outstanding impaired loans after deducting individual impairment allowance and collective impairment allowance.

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45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Group'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)

Group Restated 01.01.2017	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	547,414	99,599	28,372	4,690	–	–	1,960	–	682,035
Deposits and placements of banks and other financial institutions	1,895,020	785,584	100	9,000	–	–	3,914	–	2,693,618
Bills and acceptances payable	68,789	87,359	24,783	–	–	–	–	–	180,931
Clients' and brokers' balances	–	–	–	–	–	–	1,800,971	–	1,800,971
Other liabilities	1,132	150	–	8,489	–	–	463,977	–	473,748
Derivative liabilities	–	–	–	–	–	–	–	37,197	37,197
Puttable financial instruments	–	–	–	–	–	–	68,706	–	68,706
Tax liabilities	–	–	–	–	–	–	11,583	–	11,583
Deferred tax liabilities	–	–	–	–	–	–	3,189	–	3,189
Borrowings	552,626	–	–	–	–	–	94	–	552,720
Subordinated obligations	–	–	–	245,000	–	200,000	2,595	–	447,595
TOTAL LIABILITIES	3,064,981	972,692	53,255	267,179	–	200,000	2,356,989	37,197	6,952,293
Shareholders' funds	–	–	–	–	–	–	3,066,619	–	3,066,619
Non-controlling interests	–	–	–	–	–	–	8,202	–	8,202
TOTAL LIABILITIES AND EQUITY	3,064,981	972,692	53,255	267,179	–	200,000	5,431,810	37,197	10,027,114
On-balance sheet interest sensitivity gap	(435,762)	(579,803)	(30,514)	(28,284)	651,276	990,882			
Off-balance sheet interest sensitivity gap	–	–	(40,000)	–	60,000	–			
TOTAL INTEREST-SENSITIVITY GAP	(435,762)	(579,803)	(70,514)	(28,284)	711,276	990,882			

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45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises 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.

	Non-trading book								
Bank 31.12.2018	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	770,845	–	–	–	–	–	421,739	–	1,192,584
Financial assets at FVTPL	–	–	–	–	–	–	36,342	19,300	55,642
Financial assets at FVOCI	–	–	4,999	8,455	251,141	440,950	36,382	–	741,927
Financial investments at amortised costs	–	–	–	10,002	260,306	588,599	8,400	–	867,307
Loans and advances	1,030,882	–	22	14	–	352	–	–	1,031,270
Clients' and brokers' balances	9,681	–	–	–	–	–	517,076	–	526,757
Other assets	–	–	–	–	–	3,329	22,293	–	25,622
Derivative assets	–	–	–	–	–	–	–	74	74
Statutory deposits	–	–	–	–	–	–	60,300	–	60,300
Tax recoverable	–	–	–	–	–	–	21,397	–	21,397
Deferred tax assets	–	–	–	–	–	–	5,832	–	5,832
Investments in subsidiaries	–	–	–	–	–	–	1,182,229	–	1,182,229
Investments in associates and joint ventures	–	–	–	–	–	–	21,057	–	21,057
Property, plant and equipment	–	–	–	–	–	–	20,104	–	20,104
Goodwill and other intangible assets	–	–	–	–	–	–	399,450	–	399,450
TOTAL ASSETS	1,811,408	–	5,021	18,471	511,447	1,033,230	2,752,601	19,374	6,151,552

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45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises 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 31.12.2018	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	933,881	94,407	–	–	–	–	2,326	–	1,030,614
Deposits and placements of banks and other financial institutions	328,642	1,496,723	–	–	–	–	9,455	–	1,834,820
Clients' and brokers' balances	–	–	–	–	–	–	619,201	–	619,201
Other liabilities	–	–	–	–	–	–	172,243	–	172,243
Derivative liabilities	–	–	–	–	–	–	–	3,941	3,941
Subordinated obligations	–	–	–	–	200,000	200,000	4,263	–	404,263
TOTAL LIABILITIES	1,262,523	1,591,130	–	–	200,000	200,000	807,488	3,941	4,065,082
Total equity	–	–	–	–	–	–	2,086,470	–	2,086,470
TOTAL LIABILITIES AND EQUITY	1,262,523	1,591,130	–	–	200,000	200,000	2,893,958	3,941	6,151,552
On-balance sheet interest sensitivity gap	548,885	(1,591,130)	5,021	18,471	311,447	833,230			
Off-balance sheet interest sensitivity gap	–	–	–	–	–	–			
TOTAL INTEREST-SENSITIVITY GAP	548,885	(1,591,130)	5,021	18,471	311,447	833,230			

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises 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)

	Non-trading book								
Bank Restated 31.12.2017	**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	1,441,906	–	–	–	–	–	353,546	–	1,795,452
Financial assets at FVTPL	–	–	–	–	–	–	–	149,139	149,139
Financial investments AFS	–	10,015	–	90,865	153,853	549,238	78,182	–	882,153
Financial investments HTM	–	–	35,050	80,349	10,002	453,312	4,519	–	583,232
Loans and advances									
– performing	1,142,582	–	–	1	116	404	–	–	1,143,103
– impaired	–	–	–	–	–	–	448*	–	448
Clients' and brokers' balances	9,925	–	–	–	–	–	901,130	–	911,055
Other assets	–	–	–	–	–	3,411	48,529	–	51,940
Derivative assets	–	–	–	–	–	–	–	343	343
Statutory deposits	–	–	–	–	–	–	51,650	–	51,650
Tax recoverable	–	–	–	–	–	–	45,470	–	45,470
Deferred tax assets	–	–	–	–	–	–	1,180	–	1,180
Investments in subsidiaries	–	–	–	–	–	–	1,478,140	–	1,478,140
Investments in associates and joint ventures	–	–	–	–	–	–	21,057	–	21,057
Property, plant and equipment	–	–	–	–	–	–	24,888	–	24,888
Goodwill and other intangible assets	–	–	–	–	–	–	400,095	–	400,095
TOTAL ASSETS	2,594,413	10,015	35,050	171,215	163,971	1,006,365	3,408,834	149,482	7,539,345

* This represents outstanding impaired loans after deducting individual impairment allowance and collective impairment allowance.

Notes to the Financial Statements
for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises 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 Restated 31.12.2017	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	606,858	40,382	2,411	–	–	–	2,569	–	652,220
Deposits and placements of banks and other financial institutions	1,022,915	1,601,201	400,000	–	–	–	11,037	–	3,035,153
Clients' and brokers' balances	–	–	–	–	–	–	911,177	–	911,177
Other liabilities	–	–	–	–	–	–	171,371	–	171,371
Derivative liabilities	–	–	–	–	–	–	–	45,873	45,873
Subordinated obligations	–	–	–	–	200,000	200,000	4,263	–	404,263
TOTAL LIABILITIES	1,629,773	1,641,583	402,411	–	200,000	200,000	1,100,417	45,873	5,220,057
Total equity	–	–	–	–	–	–	2,319,288	–	2,319,288
TOTAL LIABILITIES AND EQUITY	1,629,773	1,641,583	402,411	–	200,000	200,000	3,419,705	45,873	7,539,345
On-balance sheet interest sensitivity gap	964,640	(1,631,568)	(367,361)	171,215	(36,029)	806,365			
Off-balance sheet interest sensitivity gap	–	–	60,000	–	–	–			
TOTAL INTEREST-SENSITIVITY GAP	964,640	(1,631,568)	(307,361)	171,215	(36,029)	806,365			

Notes to the Financial Statements

for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises 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)

	Non-trading book								
Bank Restated 01.01.2017	**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	225,283	–	–	–	–	–	260,600	–	485,883
Deposits and placements with banks and other financial institutions	–	350,000	–	–	–	–	65	–	350,065
Financial assets at FVTPL	–	–	–	–	–	–	–	54,854	54,854
Financial investments AFS	1,085	12,327	22,641	207,219	509,865	983,280	97,101	–	1,833,518
Financial investments HTM	–	30,000	–	20,055	141,130	203,899	3,480	–	398,564
Loans and advances									
– performing	1,071,877	–	–	3,138	281	443	39	–	1,075,778
– impaired	–	–	–	–	–	–	45,385*	–	45,385
Clients' and brokers' balances	10,723	–	–	–	–	–	746,492	–	757,215
Other assets	–	–	–	–	–	3,260	64,955	–	68,215
Derivative assets	–	–	–	–	–	–	–	7,202	7,202
Statutory deposits	–	–	–	–	–	–	80,700	–	80,700
Tax recoverable	–	–	–	–	–	–	58,393	–	58,393
Deferred tax assets	–	–	–	–	–	–	7,919	–	7,919
Investments in subsidiaries	–	–	–	–	–	–	1,504,725	–	1,504,725
Investments in associates and joint ventures	–	–	–	–	–	–	21,057	–	21,057
Property, plant and equipment	–	–	–	–	–	–	27,802	–	27,802
Goodwill and other intangible assets	–	–	–	–	–	–	1,145,504	–	1,145,504
TOTAL ASSETS	1,308,968	392,327	22,641	230,412	651,276	1,190,882	4,064,217	62,056	7,922,779

* This represents outstanding impaired loans after deducting individual impairment allowance and collective impairment allowance.

Notes to the Financial Statements

for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises 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)

	Non-trading book								
Bank Restated 01.01.2017	**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	563,171	99,599	28,372	4,690	–	–	1,970	–	697,802
Deposits and placements of banks and other financial institutions	1,966,161	785,584	100	9,000	–	–	3,942	–	2,764,787
Clients' and brokers' balances	–	–	–	–	–	–	742,481	–	742,481
Other liabilities	1,132	150	–	8,489	–	–	159,890	–	169,661
Derivative liabilities	–	–	–	–	–	–	–	36,425	36,425
Subordinated obligations	–	–	–	245,000	–	200,000	2,595	–	447,595
TOTAL LIABILITIES	2,530,464	885,333	28,472	267,179	–	200,000	910,878	36,425	4,858,751
Total equity	–	–	–	–	–	–	3,064,028	–	3,064,028
TOTAL LIABILITIES AND EQUITY	2,530,464	885,333	28,472	267,179	–	200,000	3,974,906	36,425	7,922,779
On-balance sheet interest sensitivity gap	(1,221,496)	(493,006)	(5,831)	(36,767)	651,276	990,882			
Off-balance sheet interest sensitivity gap	–	–	(40,000)	–	60,000	–			
TOTAL INTEREST-SENSITIVITY GAP	(1,221,496)	(493,006)	(45,831)	(36,767)	711,276	990,882			

45 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 has 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. The Group continues to report Net Stable Funding Ratio under the Basel lll observation reporting to BNM.

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 (include non-financial instruments) based on the remaining contractual maturity:

Group 31.12.2018	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	1,404,792	454,232	–	–	–	–	–	1,859,024
Deposits and placements with banks and other financial institutions	–	–	90,449	–	–	–	–	90,449
Financial assets at FVTPL	–	–	–	–	–	–	743,221	743,221
Financial assets at FVOCI	–	–	–	5,009	8,562	697,516	39,138	750,225
Financial investments at amortised costs	–	–	–	–	10,151	857,156	–	867,307
Loans and advances	1,599,935	10	21	20	26	311	–	1,600,323
Clients' and brokers' balances	937,942	2,096	–	–	–	–	3,019	943,057
Other assets	96,633	22,439	5,057	3,023	11,053	10,220	5,896	154,321
Derivative assets	74	–	–	–	–	–	–	74
Statutory deposits	–	–	–	–	–	–	64,414	64,414
Tax recoverable	–	–	–	–	–	–	24,654	24,654
Deferred tax assets	–	–	–	–	–	–	19,610	19,610
Investments in associates and joint ventures	–	–	–	–	–	–	30,646	30,646
Property, plant and equipment	–	–	–	–	–	–	40,044	40,044
Goodwill and other intangible assets	–	–	–	–	–	–	571,521	571,521
TOTAL ASSETS	4,039,376	478,777	95,527	8,052	29,792	1,565,203	1,542,163	7,758,890

Notes to the Financial Statements
for the financial year ended 31 December 2018

45 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 31.12.2018	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	61,506	874,342	94,766	–	–	–	–	1,030,614
Deposits and placements of banks and other financial institutions	87,200	245,154	1,502,466	–	–	–	–	1,834,820
Bills and acceptances payable	12,747	–	31,789	–	–	–	–	44,536
Clients' and brokers' balances	582,512	249,648	–	–	–	–	–	832,160
Other liabilities	153,443	213,595	28,213	7,874	10,965	1,171	–	415,261
Derivative liabilities	2,029	1	1,005	2,723	159	–	–	5,917
Puttable financial instruments	70,615	–	–	–	–	–	–	70,615
Tax liabilities	–	–	–	–	–	–	6,288	6,288
Deferred tax liabilities	–	–	–	–	–	–	2,072	2,072
Borrowings	190,565	122,998	569,406	–	–	–	–	882,969
Subordinated obligations	–	–	–	4,263	–	400,000	–	404,263
TOTAL LIABILITIES	1,160,617	1,705,738	2,227,645	14,860	11,124	401,171	8,360	5,529,515
Total equity	–	–	–	–	–	–	2,229,375	2,229,375
TOTAL LIABILITIES AND EQUITY	1,160,617	1,705,738	2,227,645	14,860	11,124	401,171	2,237,735	7,758,890

Notes to the Financial Statements

for the financial year ended 31 December 2018

45 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 Restated 31.12.2017	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	2,370,044	101,534	–	–	–	–	–	2,471,578
Deposits and placements with banks and other financial institutions	–	–	14,318	–	7,788	–	–	22,106
Financial assets at FVTPL	–	17,231	–	23	–	–	806,167	823,421
Financial investments AFS	–	735	13,588	2,064	90,865	703,092	91,905	902,249
Financial investments HTM	–	183	931	38,433	80,349	463,336	–	583,232
Loans and advances	1,642,259	111,161	25	38	62	383	–	1,753,928
Clients' and brokers' balances	1,126,112	482,619	–	–	–	–	–	1,608,731
Other assets	109,691	22,342	12,037	3,082	9,310	4,219	25,228	185,909
Derivative assets	88	–	–	42	214	–	–	344
Statutory deposits	–	–	–	–	–	–	55,660	55,660
Tax recoverable	–	–	–	–	–	–	49,225	49,225
Deferred tax assets	–	–	–	–	–	–	14,839	14,839
Investments in associates and joint ventures	–	–	–	–	–	–	54,174	54,174
Property, plant and equipment	–	–	–	–	–	–	50,293	50,293
Goodwill and other intangible assets	–	–	–	–	–	–	572,604	572,604
TOTAL ASSETS	5,248,194	735,805	40,899	43,682	188,588	1,171,030	1,720,095	9,148,293

Notes to the Financial Statements

for the financial year ended 31 December 2018

45 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 Restated 31.12.2017	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	22,550	557,864	40,688	2,479	–	–	–	623,581
Deposits and placements of banks and other financial institutions	150,834	878,394	1,605,808	400,117	–	–	–	3,035,153
Bills and acceptances payable	–	–	6,185	–	–	–	–	6,185
Clients' and brokers' balances	1,051,667	450,715	–	–	–	–	–	1,502,382
Other liabilities	240,911	181,327	39,014	7,652	11,128	5	23,256	503,293
Derivative liabilities	170	3,580	40,025	118	2,120	–	–	46,013
Puttable financial instruments	78,825	–	–	–	–	–	–	78,825
Tax liabilities	–	–	–	–	–	–	6,136	6,136
Deferred tax liabilities	–	–	–	–	–	–	2,612	2,612
Borrowings	220,378	492,001	–	–	–	–	–	712,379
Subordinated obligations	–	–	–	4,263	–	400,000	–	404,263
TOTAL LIABILITIES	1,765,335	2,563,881	1,731,720	414,629	13,248	400,005	32,004	6,920,822
Total equity	–	–	–	–	–	–	2,227,471	2,227,471
TOTAL LIABILITIES AND EQUITY	1,765,335	2,563,881	1,731,720	414,629	13,248	400,005	2,259,475	9,148,293

Notes to the Financial Statements
for the financial year ended 31 December 2018

45 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 Restated 01.01.2017	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	953,035	119,105	–	–	–	–	–	1,072,140
Deposits and placements with banks and other financial institutions	–	–	350,531	–	8,487	–	–	359,018
Financial assets at FVTPL	–	–	–	21	1,000	16,399	594,685	612,105
Financial investments AFS	2,552	2,163	21,493	25,993	207,219	1,506,363	90,893	1,856,676
Financial investments HTM	203	127	30,910	1,657	20,055	345,612	–	398,564
Loans and advances	1,660,322	52,525	2,458	47,301	8,086	21,480	–	1,792,172
Clients' and brokers' balances	1,440,320	617,280	–	–	–	–	–	2,057,600
Other assets	88,494	121,979	19,970	5,296	5,446	4,247	23,650	269,082
Derivative assets	16	1,059	5,256	394	–	600	–	7,325
Statutory deposits	–	–	–	–	–	–	85,144	85,144
Tax recoverable	–	–	–	–	–	–	61,528	61,528
Deferred tax assets	–	–	–	–	–	–	19,477	19,477
Investments in associates and joint ventures	–	–	–	–	–	–	54,989	54,989
Property, plant and equipment	–	–	–	–	–	–	60,402	60,402
Goodwill and other intangible assets	–	–	–	–	–	–	1,320,892	1,320,892
TOTAL ASSETS	4,144,942	914,238	430,618	80,662	250,293	1,894,701	2,311,660	10,027,114

Notes to the Financial Statements
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45 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 Restated 01.01.2017	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	310,156	238,661	99,911	28,572	4,735	–	–	682,035
Deposits and placements of banks and other financial institutions	763,013	1,134,243	787,239	102	9,021	–	–	2,693,618
Bills and acceptances payable	–	68,789	87,359	24,783	–	–	–	180,931
Clients' and brokers' balances	1,305,124	495,847	–	–	–	–	–	1,800,971
Other liabilities	189,899	177,681	50,674	6,848	16,843	5,845	25,958	473,748
Derivative liabilities	7	2,291	33,702	257	901	39	–	37,197
Puttable financial instruments	68,706	–	–	–	–	–	–	68,706
Tax liabilities	–	–	–	–	–	–	11,583	11,583
Deferred tax liabilities	–	–	–	–	–	–	3,189	3,189
Borrowings	481,344	71,376	–	–	–	–	–	552,720
Subordinated obligations	–	–	–	–	245,561	202,034	–	447,595
TOTAL LIABILITIES	3,118,249	2,188,888	1,058,885	60,562	277,061	207,918	40,730	6,952,293
Total equity	–	–	–	–	–	–	3,074,821	3,074,821
TOTAL LIABILITIES AND EQUITY	3,118,249	2,188,888	1,058,885	60,562	277,061	207,918	3,115,551	10,027,114

Notes to the Financial Statements

for the financial year ended 31 December 2018

45 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 31.12.2018	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	799,798	392,786	–	–	–	–	–	1,192,584
Financial assets at FVTPL	–	–	–	–	–	–	55,642	55,642
Financial assets at FVOCI	–	–	–	5,009	8,562	697,516	30,840	741,927
Financial investments at amortised costs	–	–	–	–	10,151	857,156	–	867,307
Loans and advances	1,030,882	10	21	20	26	311	–	1,031,270
Clients' and brokers' balances	521,642	2,096	–	–	–	–	3,019	526,757
Other assets	18,338	2,828	1,127	–	–	3,329	–	25,622
Derivative assets	74	–	–	–	–	–	–	74
Statutory deposits	–	–	–	–	–	–	60,300	60,300
Tax recoverable	–	–	–	–	–	–	21,397	21,397
Deferred tax assets	–	–	–	–	–	–	5,832	5,832
Investments in subsidiaries	–	–	–	–	–	–	1,182,229	1,182,229
Investments in associates and joint ventures	–	–	–	–	–	–	21,057	21,057
Property, plant and equipment	–	–	–	–	–	–	20,104	20,104
Goodwill and other intangible assets	–	–	–	–	–	–	399,450	399,450
TOTAL ASSETS	2,370,734	397,720	1,148	5,029	18,739	1,558,312	1,799,870	6,151,552

Notes to the Financial Statements

for the financial year ended 31 December 2018

45 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 31.12.2018	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	61,506	874,342	94,766	–	–	–	–	1,030,614
Deposits and placements of banks and other financial institutions	87,200	245,154	1,502,466	–	–	–	–	1,834,820
Clients' and brokers' balances	433,441	185,760	–	–	–	–	–	619,201
Other liabilities	10,657	161,586	–	–	–	–	–	172,243
Derivative liabilities	53	1	1,005	2,723	159	–	–	3,941
Subordinated obligations	–	–	–	4,263	–	400,000	–	404,263
TOTAL LIABILITIES	592,857	1,466,843	1,598,237	6,986	159	400,000	–	4,065,082
Total equity	–	–	–	–	–	–	2,086,470	2,086,470
TOTAL LIABILITIES AND EQUITY	592,857	1,466,843	1,598,237	6,986	159	400,000	2,086,470	6,151,552

45 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 Restated 31.12.2017	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	1,742,330	53,122	–	–	–	–	–	1,795,452
Financial assets at FVTPL	–	–	–	23	–	–	149,116	149,139
Financial investments AFS	–	735	13,588	2,064	90,865	703,091	71,810	882,153
Financial investments HTM	–	183	931	38,433	80,349	463,336	–	583,232
Loans and advances	1,143,030	13	25	38	62	383	–	1,143,551
Clients' and brokers' balances	637,738	273,317	–	–	–	–	–	911,055
Other assets	39,375	2,590	6,564	–	–	3,411	–	51,940
Derivative assets	87	–	–	42	214	–	–	343
Statutory deposits	–	–	–	–	–	–	51,650	51,650
Tax recoverable	–	–	–	–	–	–	45,470	45,470
Deferred tax assets	–	–	–	–	–	–	1,180	1,180
Investment in subsidiaries	–	–	–	–	–	–	1,478,140	1,478,140
Investments in associates and joint ventures	–	–	–	–	–	–	21,057	21,057
Property, plant and equipment	–	–	–	–	–	–	24,888	24,888
Goodwill and other intangible assets	–	–	–	–	–	–	400,095	400,095
TOTAL ASSETS	3,562,560	329,960	21,108	40,600	171,490	1,170,221	2,243,406	7,539,345

Notes to the Financial Statements

for the financial year ended 31 December 2018

45 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 Restated 31.12.2017	**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	22,550	586,503	40,688	2,479	–	–	–	652,220
Deposits and placements of banks and other financial institutions	150,834	878,393	1,605,808	400,118	–	–	–	3,035,153
Clients' and brokers' balances	637,824	273,353	–	–	–	–	–	911,177
Other liabilities	13,177	158,194	–	–	–	–	–	171,371
Derivative liabilities	37	3,573	40,025	118	2,120	–	–	45,873
Subordinated obligations	–	–	–	4,263	–	400,000	–	404,263
TOTAL LIABILITIES	824,422	1,900,016	1,686,521	406,978	2,120	400,000	–	5,220,057
Total equity	–	–	–	–	–	–	2,319,288	2,319,288
TOTAL LIABILITIES AND EQUITY	824,422	1,900,016	1,686,521	406,978	2,120	400,000	2,319,288	7,539,345

Notes to the Financial Statements

for the financial year ended 31 December 2018

45 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 **Restated** **01.01.2017**	**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	473,561	12,322	–	–	–	–	–	485,883
Deposits and placements with banks and other financial institutions	–	–	350,065	–	–	–	–	350,065
Financial assets at FVTPL	–	–	–	21	1,000	16,399	37,434	54,854
Financial investments AFS	2,552	2,163	21,493	25,993	207,219	1,506,363	67,735	1,833,518
Financial investments HTM	203	127	30,910	1,657	20,055	345,612	–	398,564
Loans and advances	1,041,824	14	2,458	47,301	8,086	21,480	–	1,121,163
Clients' and brokers' balances	530,051	227,164	–	–	–	–	–	757,215
Other assets	56,425	537	7,713	60	211	3,269	–	68,215
Derivative assets	16	1,059	5,133	394	–	600	–	7,202
Statutory deposits	–	–	–	–	–	–	80,700	80,700
Tax recoverable	–	–	–	–	–	–	58,393	58,393
Deferred tax assets	–	–	–	–	–	–	7,919	7,919
Investment in subsidiaries	–	–	–	–	–	–	1,504,725	1,504,725
Investments in associates and joint ventures	–	–	–	–	–	–	21,057	21,057
Property, plant and equipment	–	–	–	–	–	–	27,802	27,802
Goodwill and other intangible assets	–	–	–	–	–	–	1,145,504	1,145,504
TOTAL ASSETS	2,104,632	243,386	417,772	75,426	236,571	1,893,723	2,951,269	7,922,779

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for the financial year ended 31 December 2018

45 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 Restated 01.01.2017	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	325,923	238,661	99,911	28,572	4,735	–	–	697,802
Deposits and placements of banks and other financial institutions	834,182	1,134,243	787,239	102	9,021	–	–	2,764,787
Clients' and brokers' balances	519,737	222,744	–	–	–	–	–	742,481
Other liabilities	4,759	156,233	150	–	8,519	–	–	169,661
Derivative liabilities	7	2,291	32,930	257	901	39	–	36,425
Subordinated obligations	–	–	–	–	245,561	202,034	–	447,595
TOTAL LIABILITIES	1,684,608	1,754,172	920,230	28,931	268,737	202,073	–	4,858,751
Total equity	–	–	–	–	–	–	3,064,028	3,064,028
TOTAL LIABILITIES AND EQUITY	1,684,608	1,754,172	920,230	28,931	268,737	202,073	3,064,028	7,922,779

Notes to the Financial Statements
for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The following table presents the cash outflows for the Group'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 31.12.2018	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
LIABILITIES							
Deposits from customers	937,797	95,235	–	–	–	–	1,033,032
Deposits and placements of banks and other financial institutions	332,766	1,510,817	–	–	–	–	1,843,583
Bills and acceptances payable	12,763	31,856	–	–	–	–	44,619
Clients' and brokers' balances	832,160	–	–	–	–	–	832,160
Other financial liabilities	367,041	36,092	10,969	1,181	–	–	415,283
Derivative liabilities:							
– Gross settled derivatives							
– Inflow	(13,752)	–	–	–	–	–	(13,752)
– Outflow	15,064	–	–	–	–	–	15,064
– Net settled derivatives	718	3,728	159	–	–	–	4,605
Puttable financial instruments	70,615	–	–	–	–	–	70,615
Borrowings	313,563	569,406	–	–	–	–	882,969
Subordinated obligations	–	9,823	9,877	224,590	209,800	–	454,090
TOTAL FINANCIAL LIABILITIES	2,868,735	2,256,957	21,005	225,771	209,800	–	5,582,268

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for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The following table presents the cash outflows for the Group'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 Restated 31.12.2017	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
LIABILITIES							
Deposits from customers	593,734	43,402	–	–	–	–	637,136
Deposits and placements of banks and other financial institutions	1,018,345	2,019,841	–	–	–	–	3,038,186
Bills and acceptances payable	–	6,211	–	–	–	–	6,211
Clients' and brokers' balances	1,502,382	–	–	–	–	–	1,502,382
Other financial liabilities	422,243	50,570	11,528	18,980	–	–	503,321
Derivative liabilities:							
– Gross settled derivatives							
– Inflow	(15,607)	–	–	–	–	–	(15,607)
– Outflow	15,645	7	–	–	–	–	15,652
– Net settled derivatives	3,580	40,204	2,185	1	–	–	45,970
Puttable financial instruments	78,825	–	–	–	–	–	78,825
Borrowings	712,379	–	–	–	–	–	712,379
Subordinated obligations	–	9,823	9,877	234,517	219,573	–	473,790
TOTAL FINANCIAL LIABILITIES	4,331,526	2,170,058	23,590	253,498	219,573	–	6,998,245

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The following table presents the cash outflows for the Group'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 Restated 01.01.2017	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
LIABILITIES							
Deposits from customers	549,345	129,431	4,844	–	–	–	683,620
Deposits and placements of banks and other financial institutions	1,898,618	790,930	9,342	–	–	–	2,698,890
Bills and acceptances payable	68,895	112,738	–	–	–	–	181,633
Clients' and brokers' balances	1,800,971	–	–	–	–	–	1,800,971
Other financial liabilities	393,300	57,764	16,998	5,846	–	–	473,908
Derivative liabilities:							
– Gross settled derivatives							
– Inflow	(911)	(20,806)	–	–	–	–	(21,717)
– Outflow	1,880	42,022	–	–	–	–	43,902
– Net settled derivatives	1,389	12,339	1,133	151	–	–	15,012
Puttable financial instruments	68,706	–	–	–	–	–	68,706
Borrowings	552,720	–	–	–	–	–	552,720
Subordinated obligations	–	–	265,623	–	224,764	–	490,387
TOTAL FINANCIAL LIABILITIES	5,334,913	1,124,418	297,940	5,997	224,764	–	6,988,032
Bank							
31.12.2018							
LIABILITIES							
Deposits from customers	**937,797**	**95,235**	**–**	**–**	**–**	**–**	**1,033,032**
Deposits and placements of banks and other financial institutions	**332,766**	**1,510,817**	**–**	**–**	**–**	**–**	**1,843,583**
Clients' and brokers' balances	**619,201**	**–**	**–**	**–**	**–**	**–**	**619,201**
Other financial liabilities	**172,247**	**–**	**–**	**–**	**–**	**–**	**172,247**
Derivative liabilities:							
– Gross settled derivatives							
– Inflow	**(13,393)**	**–**	**–**	**–**	**–**	**–**	**(13,393)**
– Outflow	**13,447**	**–**	**–**	**–**	**–**	**–**	**13,447**
– Net settled derivatives	**–**	**3,728**	**159**	**–**	**–**	**–**	**3,887**
Subordinated obligations	**–**	**9,823**	**9,877**	**224,590**	**209,800**	**–**	**454,090**
TOTAL FINANCIAL LIABILITIES	**2,062,065**	**1,619,603**	**10,036**	**224,590**	**209,800**	**–**	**4,126,094**

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for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The following table presents the cash outflows for 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 **Restated** **31.12.2017**	**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**
LIABILITIES							
Deposits from customers	609,872	43,402	–	–	–	–	653,274
Deposits and placements of banks and other financial institutions	1,030,886	2,019,841	–	–	–	–	3,050,727
Clients' and brokers' balances	911,177	–	–	–	–	–	911,177
Other financial liabilities	171,374	–	–	–	–	–	171,374
Derivative liabilities:							
– Gross settled derivatives							
– Inflow	(15,607)	–	–	–	–	–	(15,607)
– Outflow	15,645	–	–	–	–	–	15,645
– Net settled derivatives	3,573	40,143	2,120	–	–	–	45,836
Subordinated obligations	–	9,823	9,877	234,517	219,573	–	473,790
TOTAL FINANCIAL LIABILITIES	2,726,920	2,113,209	11,997	234,517	219,573	–	5,306,216

Bank **Restated** **01.01.2017**							
LIABILITIES							
Deposits from customers	565,112	129,431	4,844	–	–	–	699,387
Deposits and placements of banks and other financial institutions	1,969,786	790,930	9,342	–	–	–	2,770,058
Clients' and brokers' balances	742,482	–	–	–	–	–	742,482
Other financial liabilities	160,998	152	8,648	–	–	–	169,798
Derivative liabilities:							
– Gross settled derivatives							
– Inflow	(911)	(20,806)	–	–	–	–	(21,717)
– Outflow	1,880	42,022	–	–	–	–	43,902
– Net settled derivatives	1,330	11,972	900	39	–	–	14,241
Subordinated obligations	–	–	265,623	–	224,764	–	490,387
TOTAL FINANCIAL LIABILITIES	3,440,677	953,701	289,357	39	224,764	–	4,908,538

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Group's commitments and contingencies:

Group 31.12.2018	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
Irrevocable commitments to extend credit	**1,338,876**	**4,243**	**1,343,119**
TOTAL COMMITMENTS AND CONTINGENCIES	**1,338,876**	**4,243**	**1,343,119**
31.12.2017			
Irrevocable commitments to extend credit	1,516,982	4,164	1,521,146
TOTAL COMMITMENTS AND CONTINGENCIES	1,516,982	4,164	1,521,146

The following table presents the contractual expiry by maturity of the Bank's commitments and contingencies:

Bank 31.12.2018	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
Direct credit substitutes	**152,006**	**–**	**152,006**
Irrevocable commitments to extend credit	**376,397**	**22**	**376,419**
TOTAL COMMITMENTS AND CONTINGENCIES	**528,403**	**22**	**528,425**
31.12.2017			
Obligations under underwriting agreements	45,761	–	45,761
Direct credit substitutes	151,583	–	151,583
Irrevocable commitments to extend credit	536,472	22	536,494
TOTAL COMMITMENTS AND CONTINGENCIES	733,816	22	733,838

Undrawn loans 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 commitments will be drawn before expiry.

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for the financial year ended 31 December 2018

45 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 maximum exposure to credit risk for the Group and the Bank:

			Group
		Restated	Restated
	31.12.2018	31.12.2017	01.01.2017
	RM'000	RM'000	RM'000
Credit risk exposure relating to on-balance sheet assets:			
Short-term funds (exclude cash in hand)	**1,858,870**	2,471,385	1,071,972
Deposits and placements with banks and other financial institutions	**90,449**	22,106	359,018
Financial assets and investments portfolios (exclude equity instruments):			
– FVTPL	**–**	23	17,421
– FVOCI	**711,087**	–	–
– Amortised costs	**867,307**	–	–
– AFS	**–**	810,343	1,765,783
– HTM	**–**	583,232	398,564
Loans and advances	**1,600,323**	1,753,928	1,792,172
Clients' and brokers' balances	**943,310**	1,608,731	2,057,600
Other financial assets	**130,525**	164,228	249,780
	6,201,871	7,413,976	7,712,310
Credit risk exposure relating to off-balance sheet items:			
Commitments and contingencies	**1,343,119**	1,521,146	2,067,636
Total maximum credit risk exposure	**7,544,990**	8,935,122	9,779,946
The below shows the credit exposure of the Group that are not subject to credit impairment:			
Financial assets and investments portfolios:			
– FVTPL	**743,221**	823,398	594,684
– FVOCI	**39,138**	–	–
– AFS	**–**	91,906	90,893
– Derivative assets	**74**	344	7,325
– Other financial assets	**5,588**	–	–
	788,021	915,648	692,902

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(i) Maximum exposure to credit risk (continued)

			Bank
		Restated	Restated
	31.12.2018	31.12.2017	01.01.2017
	RM'000	RM'000	RM'000
Credit risk exposure relating to on-balance sheet assets:			
Short-term funds (exclude cash in hand)	**1,192,507**	1,795,369	485,807
Deposits and placements with banks and other financial institutions	**–**	–	350,065
Financial assets and investments portfolios (exclude equity instruments):			
– FVTPL	**–**	23	17,421
– FVOCI	**711,087**	–	–
– Amortised costs	**867,307**	–	–
– AFS	**–**	810,343	1,765,783
– HTM	**–**	583,232	398,564
Loans and advances	**1,031,270**	1,143,551	1,121,163
Clients' and brokers' balances	**526,757**	911,055	757,215
Other financial assets	**17,719**	45,539	63,403
	4,346,647	5,289,112	4,959,421
Credit risk exposure relating to off-balance sheet items:			
Commitments and contingencies	**528,425**	733,838	542,234
Total maximum credit risk exposure	**4,875,072**	6,022,950	5,501,655
The below shows the credit exposure of the Bank that are not subject to credit impairment:			
Financial assets and investments portfolios:			
– FVTPL	**55,642**	149,116	37,433
– FVOCI	**30,840**	–	–
– AFS	**–**	31,775	67,735
– Derivative assets	**74**	343	7,202
– Other financial assets	**2,587**	–	–
	89,143	181,234	112,370

Notes to the Financial Statements
for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(ii) Collaterals

The main types of collateral obtained by the Group and the Bank are as follows:

(a) Fixed deposits and cash deposits/margin

(b) Land and buildings

(c) Quoted shares, warrants and unquoted securities

The Group and the Bank also accept non-tangible securities such as support, guarantees from individuals, corporates and institutions, bank guarantees, which are subject to internal guidelines on eligibility.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans and advances as at 31 December 2018 for the Group and the Bank are 100.0% (31.12.2017: 99.3% and 01.01.2017: 99.4%) and 100.0% (31.12.2017: 100.0% and 01.01.2017: 95.2%) respectively and clients' and brokers' balances as at 31 December 2018 for the Group and the Bank are 99.3% (31.12.2017: 98.1% and 01.01.2017: 97.5%) and 98.6% (31.12.2017: 99.5% and 01.01.2017: 99.2%) respectively. The financial effect of collateral held for the other financial assets are insignificant.

(iii) Credit exposure by stage

Financial assets of the Group and Bank are classified into three stages as below:

Stage	Description
Stage 1: 12 months ECL – not credit impaired	For credit exposures where there has not been a significant increases 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 (4)(d).

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality

The Group and the Bank assess credit quality of loans and advances 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 Bank
Fair	Exposures exhibit fairly acceptable capacity to meet financial commitments and may require varying degrees of concern to the Group and Bank
No Rating	Counterparties which do not satisfy the criteria to be rated based on internal credit grading 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 and advances 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 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(a) The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision:

Group 31.12.2018	Gross Carrying Amount Good RM'000	Fair RM'000	No rating RM'000	Credit-Impaired RM'000	Total RM'000	Provision for Credit Losses RM'000
General Approach						
Cash and short term funds	1,579,677	125,530	154,084	–	1,859,291	(421)
– Stage 1	1,579,677	125,530	154,084	–	1,859,291	(421)
– Stage 2	–	–	–	–	–	–
– Stage 3	–	–	–	–	–	–
Deposits and placements with banks and other financial institutions	90,462	–	–	–	90,462	(13)
– Stage 1	90,462	–	–	–	90,462	(13)
– Stage 2	–	–	–	–	–	–
– Stage 3	–	–	–	–	–	–
Financial assets at FVOCI	–	–	711,087	–	711,087	–
– Stage 1	–	–	711,087	–	711,087	–
– Stage 2	–	–	–	–	–	–
– Stage 3	–	–	–	–	–	–
Financial investments at amortised cost	39,099	–	828,208	78,064	945,371	(78,064)
– Stage 1	39,099	–	828,208	–	867,307	–
– Stage 2	–	–	–	–	–	–
– Stage 3	–	–	–	78,064	78,064	(78,064)
Loans and advances	1,021,401	9,481	568,432	19,990	1,619,304	(18,981)
– Stage 1	1,021,401	9,481	565,415	–	1,596,297	(1)
– Stage 2	–	–	3,017	–	3,017	–
– Stage 3	–	–	–	19,990	19,990	(18,980)
	2,730,639	135,011	2,261,811	98,054	5,225,515	(97,479)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(a) The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

	Gross Carrying Amount					
Bank 31.12.2018	**Good RM'000**	**Fair RM'000**	**No rating RM'000**	**Credit-Impaired RM'000**	**Total RM'000**	**Provision for Credit Losses RM'000**
General Approach						
Cash and short term funds	1,092,181	47	100,434	–	1,192,662	(155)
– Stage 1	1,092,181	47	100,434	–	1,192,662	(155)
– Stage 2	–	–	–	–	–	–
– Stage 3	–	–	–	–	–	–
Financial assets at FVOCI	–	–	711,087	–	711,087	–
– Stage 1	–	–	711,087	–	711,087	–
– Stage 2	–	–	–	–	–	–
– Stage 3	–	–	–	–	–	–
Financial investments at amortised cost	39,099	–	828,208	78,064	945,371	(78,064)
– Stage 1	39,099	–	828,208	–	867,307	–
– Stage 2	–	–	–	–	–	–
– Stage 3	–	–	–	78,064	78,064	(78,064)
Loans and advances	1,021,401	9,481	389	–	1,031,271	(1)
– Stage 1	1,021,401	9,481	389	–	1,031,271	(1)
– Stage 2	–	–	–	–	–	–
– Stage 3	–	–	–	–	–	–
	2,152,681	9,528	1,640,118	78,064	3,880,391	(78,220)

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for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(a) The following table shows an analysis of the credit exposure, together with the ECL allowance provision: (continued)

	Current RM'000	Current to less than 90 days past due RM'000	More than 90 days past due RM'000	Total RM'000
Simplified Approach				
Group				
31.12.2018				
Gross carrying amount				
– Clients' and brokers' balances	938,042	2,247	22,330	962,619
– Other receivables	105,496	5,057	38,577	149,130
	1,043,538	7,304	60,907	1,111,749
Bank				
31.12.2018				
Gross carrying amount				
– Clients' and brokers' balances	525,697	1,994	5,222	532,913
– Other receivables	16,591	1,128	15,925	33,644
	542,288	3,122	21,147	566,557

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(b) Credit risk exposure analysed by industry in respect of the Group's financial assets, including commitments and contingencies, are set out below:

Group 31.12.2018	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVOCI RM'000	Financial investments at amortised costs RM'000	Loans and advances# RM'000	Clients' and brokers' balances* RM'000	Other financial assets RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture	–	19,940	–	29,784	–	–	16,413	66,137
Mining and quarrying	–	–	–	102	–	–	–	102
Manufacturing	–	–	–	29,211	–	–	574	29,785
Electricity, gas and water	–	95,549	35,440	–	–	1,269	11	132,269
Construction	–	–	–	12,931	–	1,500	14,070	28,501
Real estate	–	–	–	120,191	–	5,962	–	126,153
Purchase of landed property	–	–	–	–	–	–	17	17
Wholesale & retail trade and restaurants & hotel	–	–	–	4,881	–	–	2,102	6,983
Transport, storage and communication	–	–	4,947	2,988	–	1,248	2,397	11,580
Finance, insurance and business services	1,949,319	266,068	311,071	236,786	–	–	189,210	2,952,454
Government and government agencies	–	329,530	507,223	–	–	–	–	836,753
Purchase of securities	–	–	–	1,163,450	943,310	–	1,118,325	3,225,085
Others	–	–	8,626	–	–	120,546	–	129,172
	1,949,319	711,087	867,307	1,600,324	943,310	130,525	1,343,119	7,544,991

Excludes non-credit impaired amounting to RM1,000.

* Excludes non-credit impaired amounting to RM253,000.

Notes to the Financial Statements
for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(b) Credit risk exposure analysed by industry in respect of the Bank's financial assets, including commitments and contingencies, are set out below: (continued)

Bank 31.12.2018	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVOCI RM'000	Financial investments at amortised costs RM'000	Loans and advances# RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture	–	19,940	–	905	–	–	1,846	22,691
Mining and quarrying	–	–	–	102	–	–	–	102
Manufacturing	–	–	–	4,775	–	–	271	5,046
Electricity, gas and water	–	95,549	35,440	–	–	1,270	11	132,270
Construction	–	–	–	1,357	–	1,500	1,322	4,179
Real estate	–	–	–	55,682	–	5,963	–	61,645
Purchase of landed property	–	–	–	–	–	–	18	18
Wholesale & retail trade and restaurants & hotel	–	–	–	527	–	–	1,250	1,777
Transport, storage and communication	–	–	4,947	2,988	–	1,248	2,397	11,580
Finance, insurance and business services	1,192,507	266,068	311,071	223,309	–	–	182,671	2,175,626
Government and government agencies	–	329,530	507,223	–	–	–	–	836,753
Purchase of securities	–	–	–	741,626	526,757	–	338,639	1,607,022
Others	–	–	8,626	–	–	7,738	–	16,364
	1,192,507	711,087	867,307	1,031,271	526,757	17,719	528,425	4,875,073

Excludes non-credit impaired amounting to RM1,000.

Notes to the Financial Statements

for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(c) Credit risk exposure analysed by geographical in respect of the Group's financial assets, including commitments and contingencies, are set out below:

Group 31.12.2018	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVOCI RM'000	Financial investments at amortised costs RM'000	Loans and advances# RM'000	Clients' and brokers' balances* RM'000	Other financial assets RM'000	Commitments and contingencies RM'000	Total RM'000
South East Asia								
– Malaysia	1,523,676	711,087	867,307	1,000,698	535,363	48,445	1,343,119	6,029,695
– Singapore	18,347	–	–	185,357	146,073	40,103	–	389,880
– Thailand	139,483	–	–	165,928	123,796	24,667	–	453,874
– Indonesia	126,259	–	–	128,646	94,521	10,391	–	359,817
– Hong Kong	72,464	–	–	88,006	43,528	6,520	–	210,518
– Cambodia	38,145	–	–	–	–	399	–	38,544
– Vietnam	22,299	–	–	–	–	–	–	22,299
South Asia	4,288	–	–	–	29	–	–	4,317
East Asia	603	–	–	–	–	–	–	603
Europe	2,022	–	–	–	–	–	–	2,022
North America	1,733	–	–	–	–	–	–	1,733
Others	–	–	–	31,689	–	–	–	31,689
	1,949,319	711,087	867,307	1,600,324	943,310	130,525	1,343,119	7,544,991

Excludes non-credit impaired amounting to RM1,000.

* Excludes non-credit impaired amounting to RM253,000.

Notes to the Financial Statements

for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(c) Credit risk exposure analysed by geographical in respect of the Bank's financial assets, including commitments and contingencies, are set out below: (continued)

Bank 31.12.2018	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVOCI RM'000	Financial investments at amortised costs RM'000	Loans and advances# RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Commitments and contingencies RM'000	Total RM'000
South East Asia								
– Malaysia	1,150,718	711,087	867,307	999,583	526,757	17,719	528,425	4,801,596
– Singapore	6,495	–	–	–	–	–	–	6,495
– Thailand	3,715	–	–	–	–	–	–	3,715
– Indonesia	1,671	–	–	–	–	–	–	1,671
– Hong Kong	3,251	–	–	–	–	–	–	3,251
– Vietnam	22,299	–	–	–	–	–	–	22,299
East Asia	603	–	–	–	–	–	–	603
Europe	2,022	–	–	–	–	–	–	2,022
North America	1,733	–	–	–	–	–	–	1,733
Others	–	–	–	31,688	–	–	–	31,688
	1,192,507	711,087	867,307	1,031,271	526,757	17,719	528,425	4,875,073

Excludes non-credit impaired amounting to RM1,000.

Notes to the Financial Statements

for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(d) Loans and advances

Loans and advances are summarised as follows:

	Group		Bank	
	31.12.2017 RM'000	**01.01.2017 RM'000**	**31.12.2017 RM'000**	**01.01.2017 RM'000**
Neither past due nor impaired	1,747,157	1,718,123	1,143,103	1,075,778
Individually impaired	93,677	129,166	454	55,803
	1,840,834	1,847,289	1,143,557	1,131,581
Gross loans and advances				
Less:				
– Individual impairment allowance	(86,905)	(54,887)	(5)	(9,966)
– Collective impairment allowance	(1)	(230)	(1)	(452)
Net loans and advances	1,753,928	1,792,172	1,143,551	1,121,163

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for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(d) Loans and advances (continued)

(i) Loans and advances neither past due nor impaired

Analysis of loans and advances that are neither past due nor impaired analysed based on the Group's and the Bank's internal credit grading system is as follows:

	Group		**Bank**	
	31.12.2017 RM'000	**01.01.2017 RM'000**	**31.12.2017 RM'000**	**01.01.2017 RM'000**
Good	–	399,620	–	75,388
No Rating	1,747,157	1,318,503	1,143,103	1,000,390
	1,747,157	1,718,123	1,143,103	1,075,778

Loans and advances classified as non-rated mainly comprise of loans under the standardised approach for credit risk including share margin financing and staff loans.

(ii) Loans and advances that are individually determined to be impaired are as follows:

	Group		**Bank**	
	31.12.2017 RM'000	**01.01.2017 RM'000**	**31.12.2017 RM'000**	**01.01.2017 RM'000**
Individually impaired loans	93,677	129,166	454	55,803

Notes to the Financial Statements

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45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(e) Short-term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios, clients' and brokers' balances, derivative assets and other assets are summarised as follows:

	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
Group							
Restated							
31.12.2017							
Neither past due nor impaired	2,493,491	23	810,343	583,232	1,553,835	162,111	344
Past due but not impaired	–	–	–	–	54,896	426	–
Impaired	–	–	5,259	79,405	31,825	18,345	–
	2,493,491	23	815,602	662,637	1,640,556	180,882	344
Less: Impairment losses	–	–	(5,259)	(79,405)	(31,825)	(16,654)	–
	2,493,491	23	810,343	583,232	1,608,731	164,228	344
Restated							
01.01.2017							
Neither past due nor impaired	1,430,990	17,421	1,750,013	398,004	2,021,192	249,016	7,325
Past due but not impaired	–	–	–	–	36,050	764	–
Impaired	–	–	105,984	109,376	33,534	17,029	–
	1,430,990	17,421	1,855,997	507,380	2,090,776	266,809	7,325
Less: Impairment losses	–	–	(90,214)	(108,816)	(33,176)	(17,029)	–
	1,430,990	17,421	1,765,783	398,564	2,057,600	249,780	7,325

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45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(e) Short-term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios, clients' and brokers' balances, derivative assets and other assets are summarised as follows: (continued)

	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
Bank							
Restated							
31.12.2017							
Neither past due nor impaired	1,795,369	23	810,343	583,232	911,055	45,539	343
Impaired	–	–	5,259	79,405	6,809	15,904	–
	1,795,369	23	815,602	662,637	917,864	61,443	343
Less: Impairment losses	–	–	(5,259)	(79,405)	(6,809)	(15,904)	–
	1,795,369	23	810,343	583,232	911,055	45,539	343
Restated							
01.01.2017							
Neither past due nor impaired	835,872	17,421	1,750,013	398,004	757,215	63,403	7,202
	–	–	105,984	109,376	7,971	15,745	–
Impaired	835,872	17,421	1,855,997	507,380	765,186	79,148	7,202
Less: Impairment losses	–	–	(90,214)	(108,816)	(7,971)	(15,745)	–
	835,872	17,421	1,765,783	398,564	757,215	63,403	7,202

Notes to the Financial Statements

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45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(f) Analysis of short-term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative assets that are neither past due nor impaired by rating agency definition are as follows:

	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
Group							
Restated							
31.12.2017							
AAA to AA3	–	–	–	–	–	–	214
AA	–	22	–	–	–	–	42
A1 to A3	–	–	–	8,834	–	–	–
P1 to P3	2,469,786	–	–	–	–	2,599	88
Non-rated including:	23,705	1	810,343	574,398	1,553,835	159,512	–
– Malaysian Government Securities	–	–	139,092	–	–	–	–
– Malaysian Government Investment Issues	–	1	140,795	457,199	–	–	–
– Corporate bonds/Sukuk	–	–	419,599	105,637	–	–	–
– SPK Bonds	–	–	69,475	–	–	–	–
– Khazanah bonds	–	–	41,382	11,562	–	–	–
– Others	23,705	–	–	–	1,553,835	159,512	–
	2,493,491	23	810,343	583,232	1,553,835	162,111	344

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for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(f) Analysis of short-term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative assets that are neither past due nor impaired by rating agency definition are as follows: (continued)

	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
Group							
Restated							
01.01.2017							
AAA to AA3	–	30	846,438	45,739	–	–	477
AA	–	–	–	–	–	–	3,012
A1 to A3	–	–	263,881	9,810	–	–	–
Baa1 to Baa3	–	1	40,442	–	–	–	–
P1 to P3	1,382,000	1,000	–	–	–	19,896	3,713
Non-rated including:	48,990	16,390	599,252	342,455	2,021,192	229,120	123
– Malaysian Government Securities	–	–	217,072	20,295	–	–	–
– Malaysian Government Investment Issues	–	–	148,794	245,678	–	–	–
– Corporate bonds/Sukuk	–	16,390	124,999	65,363	–	–	–
– SPK Bonds	–	–	68,919	–	–	–	–
– Khazanah bonds	–	–	39,468	11,119	–	–	–
– Others	48,990	–	–	–	2,021,192	229,120	123
	1,430,990	17,421	1,750,013	398,004	2,021,192	249,016	7,325

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(f) Analysis of short-term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative assets that are neither past due nor impaired by rating agency definition are as follows: (continued)

	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
Bank							
Restated							
31.12.2017							
AAA to AA3	–	–	–	–	–	–	214
AA	–	22	–	–	–	–	42
A1 to A3	–	–	–	8,834	–	–	–
P1 to P3	1,795,369	–	–	–	–	25	87
Non-rated including:	–	1	810,343	574,398	911,055	45,514	–
– Malaysian Government Securities	–	–	139,092	–	–	–	–
– Malaysian Government Investment Issues	–	1	140,795	457,199	–	–	–
– Corporate bonds/Sukuk	–	–	419,599	105,637	–	–	–
– SPK Bonds	–	–	69,475	–	–	–	–
– Khazanah bonds	–	–	41,382	11,562	–	–	–
– Others	–	–	–	–	911,055	45,514	–
	1,795,369	23	810,343	583,232	911,055	45,539	343

Notes to the Financial Statements

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45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(f) Analysis of short-term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative assets that are neither past due nor impaired by rating agency definition are as follows: (continued)

	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
Bank							
Restated							
01.01.2017							
AAA to AA3	–	30	846,438	45,739	–	–	477
AA	–	–	–	–	–	–	3,012
A1 to A3	–	–	263,881	9,810	–	–	–
Baa1 to Baa3	–	1	40,442	–	–	–	–
P1 to P3	835,872	1,000	–	–	–	19,676	3,713
Non-rated including:	–	16,390	599,252	342,455	757,215	43,727	–
– Malaysian Government Securities	–	–	217,072	20,295	–	–	–
– Malaysian Government Investment Issues	–	–	148,794	245,678	–	–	–
– Corporate bonds/Sukuk	–	16,390	124,999	65,363	–	–	–
– SPK Bonds	–	–	68,919	–	–	–	–
– Khazanah bonds	–	–	39,468	11,119	–	–	–
– Others	–	–	–	–	757,215	43,727	–
	835,872	17,421	1,750,013	398,004	757,215	63,403	7,202

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(g) Credit risk exposure analysed by industry in respect of the Group's financial assets, including commitments and contingencies, are set out below:

	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVTPL~ RM'000	Financial investments AFS@ RM'000	Financial investments HTM RM'000	Loans and advances# RM'000	Clients' and brokers' balances* RM'000	Other financial assets% RM'000	Commitments and contingencies RM'000	Total RM'000
Group									
Restated									
31.12.2017									
Agriculture	–	–	19,851	–	26,084	–	–	2,013	47,948
Mining and quarrying	–	–	–	–	232	–	–	–	232
Manufacturing	–	–	–	–	25,893	–	–	4,278	30,171
Electricity, gas and water	–	22	95,560	20,049	–	–	–	–	115,631
Real estate	–	–	–	–	34,590	–	–	–	34,590
Purchase of landed property	–	–	–	–	–	–	–	18	18
Wholesale & retail trade and restaurants & hotel	–	–	–	–	12,212	–	–	2,448	14,660
Transport, storage and communication	–	–	–	4,930	3,389	–	–	1,611	9,930
Finance, insurance and business services	2,493,491	–	263,790	92,220	308,711	–	608	306,732	3,465,552
Government and government agencies	–	1	431,142	457,199	–	–	–	–	888,342
Purchase of securities	–	–	–	–	1,334,485	1,612,062	–	1,204,046	4,150,593
Other	–	–	–	8,834	8,333	–	163,964	–	181,131
	2,493,491	23	810,343	583,232	1,753,929	1,612,062	164,572	1,521,146	8,938,798

~ Excludes equity instrument amounting to RM823,398,000.
@ Excludes equity instrument amounting to RM91,906,000.
\# Excludes collective impairment allowance amounting to RM1,000.
* Excludes collective impairment allowance amounting to RM3,331,000.
% Other financial assets include other assets and derivative assets.

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45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(g) Credit risk exposure analysed by industry in respect of the Group's financial assets, including commitments and contingencies, are set out below: (continued)

	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVTPL~ RM'000	Financial investments AFS@ RM'000	Financial investments HTM RM'000	Loans and advances# RM'000	Clients' and brokers' balances* RM'000	Other financial assets% RM'000	Commitments and contingencies RM'000	Total RM'000
Group									
Restated									
01.01.2017									
Agriculture	–	–	19,711	–	27,359	–	–	–	47,070
Mining and quarrying	–	–	–	–	232	–	–	3,267	3,499
Manufacturing	–	16,390	24,301	560	3,524	–	714	6,093	51,582
Electricity, gas and water	–	1,030	45,342	30,302	–	–	–	–	76,674
Construction	–	–	222,703	5,304	3,137	–	–	1	231,145
Real estate	–	–	–	–	–	–	–	278	278
Purchase of landed property	–	–	–	–	672	–	–	18	690
Wholesale & retail trade and restaurants & hotel	–	–	–	–	–	–	–	3,614	3,614
Transport, storage and communication	–	–	139,761	–	–	–	142	–	139,903
Finance, insurance and business services	1,168,665	1	879,180	86,615	372,229	–	8,012	456,373	2,971,075
Government and government agencies	–	–	434,785	265,973	–	–	–	–	700,758
Purchase of securities	–	–	–	–	1,366,279	2,074,208	123	1,522,518	4,963,128
Purchase of transport vehicles	–	–	–	–	53	–	–	–	53
Others	262,325	–	–	9,810	18,917	–	248,114	75,474	614,640
	1,430,990	17,421	1,765,783	398,564	1,792,402	2,074,208	257,105	2,067,636	9,804,109

~ Excludes equity instrument amounting to RM594,684,000.
@ Excludes equity instrument amounting to RM90,893,000.
# Excludes collective impairment allowance amounting to RM230,000.
* Excludes collective impairment allowance amounting to RM16,608,000.
% Other financial assets include other assets and derivative assets.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(g) Credit risk exposure analysed by industry in respect of the Bank's financial assets, including commitments and contingencies, are set out below: (continued)

	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVTPL~ RM'000	Financial investments AFS@ RM'000	Financial investments HTM RM'000	Loans and advances# RM'000	Clients' and brokers' balances* RM'000	Other financial assets% RM'000	Commitments and contingencies RM'000	Total RM'000
Bank									
Restated									
31.12.2017									
Agriculture	–	–	19,851	–	424	–	–	2,013	22,288
Mining and quarrying	–	–	–	–	232	–	–	–	232
Manufacturing	–	–	–	–	–	–	–	3,940	3,940
Electricity, gas and water	–	22	95,560	20,049	–	–	–	–	115,631
Real estate	–	–	–	–	34,590	–	–	–	34,590
Purchase of landed property	–	–	–	–	–	–	–	18	18
Wholesale & retail trade and restaurants & hotel	–	–	–	–	819	–	–	361	1,180
Transport, storage and communication	–	–	–	4,930	3,389	–	–	1,611	9,930
Finance, insurance and business services	1,795,369	–	263,790	92,220	271,188	–	605	244,546	2,667,718
Government and government agencies	–	1	431,142	457,199	–	–	–	–	888,342
Purchase of securities	–	–	–	–	824,577	911,075	–	481,349	2,217,001
Others	–	–	–	8,834	8,333	–	45,277	–	62,444
	1,795,369	23	810,343	583,232	1,143,552	911,075	45,882	733,838	6,023,314

~ Excludes equity instrument amounting to RM149,116,000.

@ Excludes equity instrument amounting to RM71,810,000.

Excludes collective impairment allowance amounting to RM1,000.

* Excludes collective impairment allowance amounting to RM20,000.

% Other financial assets include other assets and derivative assets.

Notes to the Financial Statements

for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(g) Credit risk exposure analysed by industry in respect of the Bank's financial assets, including commitments and contingencies, are set out below: (continued)

	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVTPL~ RM'000	Financial investments AFS@ RM'000	Financial investments HTM RM'000	Loans and advances# RM'000	Clients' and brokers' balances* RM'000	Other financial assets% RM'000	Commitments and contingencies RM'000	Total RM'000
Bank									
Restated									
01.01.2017									
Agriculture	–	–	19,711	–	27,359	–	–	–	47,070
Mining and quarrying	–	–	–	–	232	–	–	3,267	3,499
Manufacturing	–	16,390	24,301	560	3,524	–	714	6,093	51,582
Electricity, gas and water	–	1,030	45,342	30,302	–	–	–	–	76,674
Construction	–	–	222,703	5,304	3,137	–	–	1	231,145
Real estate	–	–	–	–	–	–	–	278	278
Purchase of landed property	–	–	–	–	672	–	–	18	690
Wholesale & retail trade and restaurants & hotel	–	–	–	–	–	–	–	144	144
Transport, storage and communication	–	–	139,761	–	–	–	142	–	139,903
Finance, insurance and business services	835,872	1	879,180	86,615	400,954	–	7,975	220,046	2,430,643
Government and government agencies	–	–	434,785	265,973	–	–	–	–	700,758
Purchase of securities	–	–	–	–	666,767	757,262	–	311,304	1,735,333
Purchase of transport vehicles	–	–	–	–	53	–	–	–	53
Others	–	–	–	9,810	18,917	–	61,774	1,083	91,584
	835,872	17,421	1,765,783	398,564	1,121,615	757,262	70,605	542,234	5,509,356

~ Excludes equity instrument amounting to RM37,433,000.

@ Excludes equity instrument amounting to RM67,735,000.

Excludes collective impairment allowance amounting to RM452,000.

* Excludes collective impairment allowance amounting to RM47,000.

% Other financial assets include other assets and derivative assets.

45 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) casing 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 and advances and clients' and brokers' balances that were written off during the financial year ended 31 December 2018, and are still subject to enforcement activities was RM87,900,000 for the Group.

(vi) Modification of contractual cash flow

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 within 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 performed in accordance with the new terms for six consecutive months or more. During the current financial year, there was no modification of contractual cash flows for loans and advances.

Notes to the Financial Statements

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45 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 statements of financial position; and

ii. all derivative financial instruments (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:

	Effects of offsetting on the statements of financial position		Related amounts not offset		
	Gross amounts RM'000	Net amounts reported on statements of financial position RM'000	Financial investments RM'000	Financial collateral RM'000	Net amount RM'000
Group					
31.12.2018					
Financial assets					
Derivative assets	**74**	**74**	**(46)**	**–**	**28**
Financial liabilities					
Derivative liabilities	**5,917**	**5,917**	**(46)**	**–**	**5,871**
Group					
31.12.2017					
Financial assets					
Derivative assets	344	344	(61)	–	283
Financial liabilities					
Derivative liabilities	46,013	46,013	(61)	–	45,952

45 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)

	Effects of offsetting on the statements of financial position		Related amounts not offset		
	Gross amounts RM'000	Net amounts reported on statements of financial position RM'000	Financial investments RM'000	Financial collateral RM'000	Net amount RM'000
Bank					
31.12.2018					
Financial assets					
Derivative assets	**74**	**74**	**(46)**	**–**	**28**
Financial liabilities					
Derivative liabilities	**3,941**	**3,941**	**(46)**	**–**	**3,895**
Bank					
31.12.2017					
Financial assets					
Derivative assets	343	343	(61)	–	282
Financial liabilities					
Derivative liabilities	45,873	45,873	(61)	–	45,812

Notes to the Financial Statements
for the financial year ended 31 December 2018

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value measurement

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

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

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

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

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
31.12.2018				
Financial assets				
Financial assets at FVTPL	305,946	–	437,275	743,221
– quoted securities	305,946	–	–	305,946
– unquoted securities	–	–	437,275	437,275
Financial assets at FVOCI	2,082	711,087	37,056	750,225
– money market instruments	–	290,965	–	290,965
– quoted securities	2,082	–	–	2,082
– unquoted securities	–	420,122	37,056	457,178
Derivative assets	–	74	–	74
	308,028	711,161	474,331	1,493,520
Financial liabilities				
Derivative liabilities	4,246	1,671	–	5,917
Puttable financial instruments	70,615	–	–	70,615
	74,861	1,671	–	76,532

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value measurement (continued)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
31.12.2017				
Financial assets				
Financial assets at FVTPL	463,539	23	359,859	823,421
– quoted securities	463,539	–	–	463,539
– unquoted securities	–	23	359,859	359,882
Financial investments AFS	58,828	810,343	33,078	902,249
– money market instruments	–	390,744	–	390,744
– quoted securities	58,828	–	–	58,828
– unquoted securities	–	419,599	33,078	452,677
Derivative assets	–	344	–	344
	522,367	810,710	392,937	1,726,014
Financial liabilities				
Derivative liabilities	45,947	66	–	46,013
Puttable financial instruments	78,825	–	–	78,825
	124,772	66	–	124,838
Bank				
31.12.2018				
Financial assets				
Financial assets at FVTPL	**55,642**	**–**	**–**	**55,642**
– quoted securities	**55,642**	**–**	**–**	**55,642**
Financial assets at FVOCI	**–**	**711,087**	**30,840**	**741,927**
– money market instruments	**–**	**290,965**	**–**	**290,965**
– unquoted securities	**–**	**420,122**	**30,840**	**450,962**
Derivative assets	**–**	**74**	**–**	**74**
	55,642	**711,161**	**30,840**	**797,643**
Financial liabilities				
Derivative liabilities	**3,887**	**54**	**–**	**3,941**

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45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value measurement (continued)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Bank				
31.12.2017				
Financial assets				
Financial assets at FVTPL	149,116	23	–	149,139
– quoted securities	149,116	–	–	149,116
– unquoted securities	–	23	–	23
Financial investments AFS	41,530	810,343	30,280	882,153
– money market instruments	–	390,744	–	390,744
– quoted securities	41,530	–	–	41,530
– unquoted securities	–	419,599	30,280	449,879
Derivative assets	–	343	–	343
	190,646	810,709	30,280	1,031,635
Financial liabilities				
Derivative liabilities	45,814	59	–	45,873

There were no transfers between Level 1 and Level 2 during the financial year.

<u>Qualitative disclosures of valuation techniques</u>

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

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value measurement (continued)

Qualitative disclosures of valuation techniques (continued)

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

Reconciliation of fair value measurements in Level 3:

The following represents the changes in Level 3 instruments for the Group and the Bank:

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Financial assets at FVTPL				
Balance as at the beginning of the financial year	**359,859**	167,901	**–**	16,390
Total gains/(losses) recognised in income statements				
– Other operating income/(loss)	**34,047**	(10,677)	**–**	–
Purchases	**44,508**	243,928	**–**	–
Settlements	**(10,660)**	(10,685)	**–**	–
Business transferred to holding company	**–**	(16,390)	**–**	(16,390)
Exchange differences	**9,521**	(14,218)	**–**	–
Balance as at the end of the financial year	**437,275**	359,859	**–**	–

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45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value measurement (continued)

Qualitative disclosures of valuation techniques (continued)

Reconciliation of fair value measurements in Level 3: (continued)

The following represents the changes in Level 3 instruments for the Group and the Bank: (continued)

	Group	Bank
	31.12.2018 RM'000	**31.12.2018 RM'000**
Financial assets at FVOCI		
Balance as at the beginning of the financial year		
– As previously reported	**–**	**–**
– Effect of adoption of MFRS 9	**33,078**	**30,280**
– As restated	**33,078**	**30,280**
Total gain recognised in other comprehensive income	**3,973**	**560**
Exchange differences	**5**	**–**
Balance as at the end of the financial year	**37,056**	**30,840**

	Group	Bank
	31.12.2017 RM'000	**31.12.2017 RM'000**
Financial investments at AFS		
Balance as at the beginning of the financial year	46,910	44,105
Total gain recognised in other comprehensive income	1,945	1,945
Total gain recognised in income statements		
– Other operating income	322	322
Business transferred to holding company	(16,092)	(16,092)
Exchange differences	(7)	–
Balance as at the end of the financial year	33,078	30,280

46 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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 amounts as at the reporting date, except for the following:

	Group		Bank	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
31.12.2018				
Financial assets				
Financial investments at amortised costs	**867,307**	**860,925**	**867,307**	**860,925**
Loans and advances	**1,600,323**	**1,600,323**	**1,031,270**	**1,031,270**
	2,467,630	**2,461,248**	**1,898,577**	**1,892,195**
Financial liabilities				
Deposits from customers	**1,030,614**	**1,030,614**	**1,030,614**	**1,030,614**
Deposits and placements of banks and other financial institutions	**1,834,820**	**1,834,820**	**1,834,820**	**1,834,820**
Borrowings	**882,969**	**882,969**	**–**	**–**
Subordinated obligations	**404,263**	**403,058**	**404,263**	**403,058**
	4,152,666	**4,151,461**	**3,269,697**	**3,268,492**
31.12.2017				
Financial assets				
Financial investments HTM	583,232	579,621	583,232	579,621
Loans and advances	1,753,928	1,753,928	1,143,551	1,143,551
	2,337,160	2,333,549	1,726,783	1,723,172
Financial liabilities				
Deposits from customers	623,581	623,581	652,220	652,220
Deposits and placements of banks and other financial institutions	3,035,153	3,035,153	3,035,153	3,035,153
Borrowings	712,379	712,379	–	–
Subordinated obligations	404,263	400,654	404,263	400,654
	4,775,376	4,771,767	4,091,636	4,088,027

Notes to the Financial Statements

for the financial year ended 31 December 2018

46 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The following table analyses within the fair value hierarchy the Group's and the Bank's assets and liabilities not measured at fair value at 31 December 2018 but for which fair value is disclosed:

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31.12.2018				
Financial assets				
Financial investments at amortised costs	**–**	**860,902**	**23**	**860,925**
Loans and advances	**–**	**1,600,323**	**–**	**1,600,323**
	–	**2,461,225**	**23**	**2,461,248**
Financial liabilities				
Deposits from customers	**–**	**1,030,614**	**–**	**1,030,614**
Deposits and placements of banks and other financial institutions	**–**	**1,834,820**	**–**	**1,834,820**
Borrowings	**–**	**882,969**	**–**	**882,969**
Subordinated obligations	**–**	**403,058**	**–**	**403,058**
	–	**4,151,461**	**–**	**4,151,461**
31.12.2017				
Financial assets				
Financial investments HTM	–	579,598	23	579,621
Loans and advances	–	1,753,928	–	1,753,928
	–	2,333,526	23	2,333,549
Financial liabilities				
Deposits from customers	–	623,581	–	623,581
Deposits and placements of banks and other financial institutions	–	3,035,153	–	3,035,153
Borrowings	–	712,379	–	712,379
Subordinated obligations	–	400,654	–	400,654
	–	4,771,767	–	4,771,767

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46 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The following table analyses within the fair value hierarchy the Group's and the Bank's assets and liabilities not measured at fair value at 31 December 2018 but for which fair value is disclosed: (continued)

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31.12.2018				
Financial assets				
Financial investments at amortised costs	**–**	**860,902**	**23**	**860,925**
Loans and advances	**–**	**1,031,270**	**–**	**1,031,270**
	–	**1,892,172**	**23**	**1,892,195**
Financial liabilities				
Deposits from customers	**–**	**1,030,614**	**–**	**1,030,614**
Deposits and placements of banks and other financial institutions	**–**	**1,834,820**	**–**	**1,834,820**
Subordinated obligations	**–**	**403,058**	**–**	**403,058**
	–	**3,268,492**	**–**	**3,268,492**
31.12.2017				
Financial assets				
Financial investments HTM	–	579,598	23	579,621
Loans and advances	–	1,143,551	–	1,143,551
	–	1,723,149	23	1,723,172
Financial liabilities				
Deposits from customers	–	652,220	–	652,220
Deposits and placements of banks and other financial institutions	–	3,035,153	–	3,035,153
Subordinated obligations	–	400,654	–	400,654
	–	4,088,027	–	4,088,027

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46 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The fair values are based on the following methodologies and assumptions:

(i) Cash and short-term funds and deposits and placements with financial institutions

For cash and short-term funds and deposits and placements with 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 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) Financial assets at FVTPL, FVOCI and financial investments at amortised costs, AFS and HTM

The estimated fair value of financial assets at FVTPL, FVOCI and financial investments at amortised costs, AFS and HTM 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 similar instrument at the date of statement of financial position.

(iii) Loans and advances

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.

(iv) 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.

(v) 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.

(vi) Deposits and placements of banks and other financial institutions and bills and acceptances payable.

The estimated fair values of deposits and placements of banks and other financial institutions, 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.

46 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The fair values are based on the following methodologies and assumptions: (continued)

(vii) 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 six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

(viii) 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.

(ix) 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.

(x) 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.

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47 CAPITAL ADEQUACY RATIO

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

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

			Group
		Restated	Restated
	31.12.2018	31.12.2017	01.01.2017
	RM'000	RM'000	RM'000
Common Equity Tier I ('CET I')/Tier I Capital			
Share capital	**1,487,773**	1,487,773	818,646
Share premium	**–**	–	1,515,150
Retained profits	**561,695**	578,185	108,077
Other reserves	**113,648**	112,410	602,591
FVOCI/AFS reserves	**23,489**	18,861	876
	2,186,605	2,197,229	3,045,340
Less:			
– Goodwill	**(523,911)**	(523,911)	(1,269,934)
– Investments in subsidiaries, associates and joint ventures (portion deducted from CET I Capital) *	**(30,646)**	(43,339)	(32,993)
– Other intangible assets (include associated deferred tax liabilities)	**(47,610)**	(48,693)	(50,958)
– 55% of cumulative gains of FVOCI/AFS financial instruments	**(12,919)**	(10,374)	(482)
– Other deductions	**–**	(12)	(29)
– Deferred tax assets	**(19,610)**	(14,839)	(19,477)
	1,551,909	1,556,061	1,671,467
Total CET I Capital			
Qualifying non-controlling interests recognised as Tier I Capital	**12,359**	21,055	12,321
Total Tier I Capital	**1,564,268**	1,577,116	1,683,788
Tier II Capital			
Subordinated obligations**	**–**	–	245,000
Subordinated obligations meeting all relevant criteria	**400,000**	400,000	200,000
Qualifying non-controlling interests recognised as Tier II Capital	**2,700**	4,861	2,822
Collective impairment allowance^ and regulatory reserves ~	**–**	15,702	29,407
General provision v,~	**24,172**	–	–
	426,872	420,563	477,229
Less:			
– Investments in subsidiaries, associates and joint ventures*	**–**	(10,835)	(21,996)
Total Tier II Capital	**426,872**	409,728	455,233
Total Capital	**1,991,140**	1,986,844	2,139,021

47 CAPITAL ADEQUACY RATIO (CONTINUED)

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

			Bank
		Restated	Restated
	31.12.2018	31.12.2017	01.01.2017
	RM'000	RM'000	RM'000
Common Equity Tier I ('CET I')/Tier I Capital			
Share capital	**1,487,773**	1,487,773	818,646
Share premium	**–**	–	1,515,150
Retained profits	**558,690**	791,673	260,166
Other reserves	**–**	–	449,208
FVOCI/AFS reserves	**20,853**	26,120	7,850
	2,067,316	2,305,566	3,051,020
Less:			
– Goodwill	**(372,395)**	(372,395)	(1,118,418)
– Investments in subsidiaries, associates and joint ventures (portion deducted from CET I Capital)*	**(1,203,286)**	(1,199,358)	(915,469)
– Other intangible assets (include associated deferred tax liabilities)	**(27,055)**	(27,700)	(27,086)
– 55% of cumulative gains of FVOCI/AFS financial instruments	**(11,469)**	(14,366)	(4,318)
– Other deductions	**–**	(12)	(29)
– Deferred tax assets	**(5,832)**	(1,180)	(7,919)
Reduction in excess of Tier II Capital due to insufficient Tier II Capital#	**–**	–	(151,853)
Total CET I Capital/Tier I Capital	**447,279**	690,555	825,928
Tier II Capital			
Subordinated obligations**	**–**	–	245,000
Subordinated obligations meeting all relevant criteria	**400,000**	400,000	200,000
Collective impairment allowance^ and regulatory reserves~	**–**	8,994	13,460
General provision^v,~	**7,657**	–	–
	407,657	408,994	458,460
Less:			
– Investments in subsidiaries, associates and joint ventures*	**–**	(299,839)	(458,460)
Total Tier II Capital	**407,657**	109,155	–
Total Capital	**854,936**	799,710	825,928

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47 CAPITAL ADEQUACY RATIO (CONTINUED)

	31.12.2018 RM'000	Restated 31.12.2017 RM'000	Restated 01.01.2017 RM'000
Group			
Capital ratios			
Before proposed dividends:			
CET I Capital Ratio	**35.445%**	31.151%	28.987%
Tier I Capital Ratio	**35.728%**	31.573%	29.201%
Total Capital Ratio	**45.477%**	39.775%	37.095%
After proposed dividends:			
CET I Capital Ratio	**35.445%**	31.151%	28.987%
Tier I Capital Ratio	**35.728%**	31.573%	29.201%
Total Capital Ratio	**45.477%**	39.775%	37.095%
Bank			
Before proposed dividends:			
CET I Capital Ratio	**21.323%**	30.891%	26.996%
Tier I Capital Ratio	**21.323%**	30.891%	26.996%
Total Capital Ratio	**40.757%**	35.774%	26.996%
After proposed dividends:			
CET I Capital Ratio	**21.323%**	30.891%	26.996%
Tier I Capital Ratio	**21.323%**	30.891%	26.996%
Total Capital Ratio	**40.757%**	35.774%	26.996%

* Investment in subsidiaries are subject to gradual deduction in the calculation under CET l Capital effective from 1 January 2014 as prescribed under paragraph 37.11 of the BNM's Capital Adequacy Framework (Capital Components).

The remaining portion of regulatory adjustments not deducted in the calculation of Tier II Capital shall be deducted in the next higher tier of capital as prescribed under paragraph 31.1 of the BNM's Capital Adequacy Framework (Capital Components).

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

^ Excludes collective impairment allowance attributable to loans and advances classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on 'Classification and Impairment Provisions for Loans/Financing'.

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

~ Includes the qualifying regulatory reserves of the Group and the Bank of RM23,673,000 (31.12.2017: RM12,390,000 and 01.01.2017: RM12,912,000) and RM7,501,000 (31.12.2017: RM8,993,000 and 01.01.2017: RM13,008,000) respectively.

47 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	31.12.2018 RM'000	Restated 31.12.2017 RM'000	Restated 01.01.2017 RM'000
Group			
Credit risk	**1,933,769**	1,256,171	2,352,568
Market risk	**877,506**	2,049,361	1,485,510
Operational risk	**1,567,043**	1,689,666	1,928,196
Total risk-weighted assets	**4,378,318**	4,995,198	5,766,274
Bank			
Credit risk	**612,585**	719,482	1,231,936
Market risk	**678,014**	610,542	676,232
Operational risk	**807,022**	905,417	1,151,279
Total risk-weighted assets	**2,097,621**	2,235,441	3,059,447

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

Notes to the Financial Statements
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48 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined RHB Banking Group's Management Committee as its chief operating decision-maker.

The 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 centre and the application of transfer pricing, where appropriate, has been used in preparing the segmental reporting.

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

(a) Investment Banking

Investment banking provides services for advisory, fund raising in the structuring and issuance of debt securities and capital market instruments, mergers and acquisitions, private placements, underwriting, 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 nominees services.

Included in Investment Banking are Stockbroking and Investment Banking products and services to RHB regional customers in Singapore, Hong Kong, Indonesia and Thailand.

(b) Treasury

Treasury and money market operations are involved in non-proprietary trading of various financial products that include short-term money market instruments, long term securities and foreign exchange and derivatives products, as well as funding centre.

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

(c) Asset Management

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

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

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

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for the financial year ended 31 December 2018

48 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis

Group	Investment Banking RM'000	Treasury RM'000	Asset Management RM'000	Others and Elimination RM'000	Total RM'000
31.12.2018					
External revenue	527,769	105,601	134,945	–	768,315
Inter-segment revenue	6,861	214	(1,714)	(5,361)	–
Segment revenue	534,630	105,815	133,231	(5,361)	768,315
Other operating expenses:	(584,734)	(26,822)	(105,891)	2,161	(715,286)
Including:					
Depreciation of property, plant and equipment	(16,507)	(7)	(877)	–	(17,391)
Amortisation of intangible assets	(10,853)	(414)	(722)	–	(11,989)
Allowance (made)/written back for credit losses	(6,826)	(88)	84	–	(6,830)
Impairment losses on other non-financial assets	(23,000)	–	–	–	(23,000)
Share of results of associates	(79,930)	78,905	27,424	(3,200)	23,199
Share of results of joint ventures					413
Profit before taxation					99
Taxation					23,711
Net loss for the financial year					(36,135)
					(12,424)

Notes to the Financial Statements
for the financial year ended 31 December 2018

48 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

Group	Investment Banking RM'000	Treasury RM'000	Asset Management RM'000	Others and Elimination RM'000	Total RM'000
31.12.2018					
Segment assets	4,514,594	3,191,520	641,954	(1,187,999)	7,160,069
Goodwill	380,544	–	143,367	–	523,911
Investments in associates and joint ventures					30,646
Tax recoverable					24,654
Deferred tax assets					19,610
Total assets					7,758,890
Segment liabilities	1,130,855	2,862,240	330,815	(89,987)	4,233,923
Tax liabilities					6,288
Deferred tax liabilities					2,072
Borrowings					882,969
Subordinated obligations					404,263
Total liabilities					5,529,515
Other segment items					
Capital expenditure	17,094	–	1,583	–	18,677

Notes to the Financial Statements

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48 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

Group	Investment Banking RM'000	Treasury RM'000	Asset Management RM'000	Others and Elimination RM'000	Total RM'000
Restated					
31.12.2017					
External revenue	574,252	104,804	166,870	–	845,926
Inter-segment revenue	12,351	1,237	(3,200)	(10,388)	–
Segment revenue	586,603	106,041	163,670	(10,388)	845,926
Other operating expenses:	(592,663)	(36,439)	(100,111)	388	(728,825)
Including:					
Depreciation of property, plant and equipment	(20,969)	(235)	(1,104)	–	(22,308)
Amortisation of intangible assets	(11,221)	(1,106)	(561)	–	(12,888)
Allowance (made)/written back for credit losses	(56,248)	–	119	–	(56,129)
	(62,308)	69,602	63,678	(10,000)	60,972
Share of results of associates					468
Share of results of joint ventures					391
Profit before taxation					61,831
Taxation					(40,753)
Net profit for the financial year					21,078

Notes to the Financial Statements
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48 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

Group	Investment Banking RM'000	Treasury RM'000	Asset Management RM'000	Others and Elimination RM'000	Total RM'000
Restated					
31.12.2017					
Segment assets	5,241,181	4,085,672	755,613	(1,576,322)	8,506,144
Goodwill	380,544	–	143,367	–	523,911
Investments in associates and joint ventures					54,174
Tax recoverable					49,225
Deferred tax assets					14,839
Total assets					9,148,293
Segment liabilities	2,076,399	3,378,691	440,079	(99,737)	5,795,432
Tax liabilities					6,136
Deferred tax liabilities					2,612
Borrowings					712,379
Subordinated obligations					404,263
Total liabilities					6,920,822
Other segment items					
Capital expenditure	22,299	944	1,719	–	24,962
Group					
Restated					
01.01.2017					
Segment assets	5,817,552	3,875,168	701,926	(1,773,461)	8,621,185
Goodwill	512,392	614,176	143,367	–	1,269,935
Investments in associates and joint ventures					54,989
Tax recoverable					61,528
Deferred tax assets					19,477
Total assets					10,027,114
Segment liabilities	2,546,356	3,119,390	379,833	(108,373)	5,937,206
Tax liabilities					11,583
Deferred tax liabilities					3,189
Borrowings					552,720
Subordinated obligations					447,595
Total liabilities					6,952,293
Other segment items					
Capital expenditure	27,939	–	2,691	–	30,630

Notes to the Financial Statements

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48 SEGMENT REPORTING (CONTINUED)

(b) The geographical information is prepared based on the location of the assets:

	Revenue RM'000	Segment assets RM'000	Capital expenditure RM'000
Group			
31.12.2018			
Attributed to the country of domicile:			
– Malaysia	**561,611**	**6,050,241**	**8,648**
Attributed to foreign countries:			
– Indonesia	**66,427**	**380,210**	**1,984**
– Singapore	**56,693**	**585,484**	**4,822**
– Thailand	**55,972**	**529,938**	**2,667**
– Hong Kong	**25,553**	**170,087**	**556**
– Cambodia	**2,059**	**42,930**	**–**
	768,315	**7,758,890**	**18,677**
Restated			
31.12.2017			
Attributed to the country of domicile:			
– Malaysia	538,008	7,132,847	17,118
Attributed to foreign countries:			
– Indonesia	73,798	345,752	1,713
– Singapore	104,058	709,539	3,811
– Thailand	81,772	693,411	1,815
– Hong Kong	46,238	224,992	505
– Cambodia	2,052	41,752	–
	845,926	9,148,293	24,962
Restated			
01.01.2017			
Attributed to the country of domicile:			
– Malaysia		7,074,000	20,333
Attributed to foreign countries:			
– Indonesia		417,600	1,262
– Singapore		1,216,825	4,842
– Thailand		764,482	2,366
– Hong Kong		508,255	1,756
– Cambodia		45,952	71
		10,027,114	30,630

Notes to the Financial Statements

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49 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRECEDING FINANCIAL YEAR

Current Year

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

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

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

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

On 18 October 2018, the Bank received a letter from Vietnam SSC dated 17 October 2018 granting its approval for the Proposed Acquisition. The approval by Vietnam SSC is subject to the following conditions:-

(i) the Proposed Acquisition must be completed within 90 days from the date of approval, failing which the approval shall lapse; and

(ii) VSEC shall make the necessary reporting and announcement in relation to the transaction in accordance with the relevant laws in Vietnam.

BNM had on 12 December 2018, granted approval to the Bank pursuant to Section 85(1)(a) of the Financial Services Act 2013 to establish a subsidiary in Vietnam following the Proposed Acquisition.

On 27 December 2018, the Bank, Chu Thi Phuong Dung, Truong Lan Anh and Viet Quoc Insurance Broker Joint Stock Company, by way of an exchange of letter, mutually agreed to further extend the period to satisfy or waive the conditions precedent set out in the CSPA dated 9 February 2018 and extension letter dated 7 August 2018 for the Proposed Acquisition to 28 February 2019.

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

All the conditions precedent in the CSPA have been fulfilled on 29 January 2019 and the details are disclosed in Note 50(a) to the financial statements.

49 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRECEDING FINANCIAL YEAR (CONTINUED)

Prior Year

(b) RHB Finex, a company in which RHB Bank Berhad ('RHB Bank') holds a 100% effective equity interest through its 59.95% direct shareholding and a 40.05% indirect shareholding through the Bank, which in turn is a wholly-owned subsidiary of RHB Bank, had on 6 August 2015 entered into a subscription agreement ('Agreement') with Silverlake International Capital Market Solution Limited ('Silverlake Capital'), to each subscribe for 50% redeemable convertible preference shares ('RCPS') of USD1.00 each at par in Digital Financial Lab Limited ('DFLL') for RM10 million each ('Proposed Subscription'). The Agreement is conditional on the fulfilment of certain terms and conditions, including regulatory approval.

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

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

(c) Internal Reorganisation – Transfer of Certain Businesses of the Bank to RHB Bank

(i) Transfer of Treasury Business and Transfer of Structured Lending Business (collectively the 'Business Transfers')

The Business Transfers entail the transfer of a certain portion of treasury business and the structured lending business of the Bank to RHB Bank by way of a business transfer scheme pursuant to Section 100 of the Financial Services Act, 2013 ('FSA') and the Order of the High Court of Malaya pursuant to Sections 102 and 104 of the FSA.

- Certain portion of the treasury business comprising FVTPL at fair value of RM16,390,000, AFS and HTM at amortised cost amounting to RM835,879,000 and RM46,232,000 respectively, with the corresponding goodwill of RM614,176,000 and liabilities of RM1,512,677,000.

- The structured lending business comprising portfolio at net carrying amount of RM6,080,000, with corresponding goodwill of RM131,847,000 and liabilities of RM137,927,000.

Approvals from the relevant regulatory authorities have been obtained and the Business Transfers was effectively completed on 24 July 2017, based on the respective carrying value of the relevant securities and structured lending, with the corresponding goodwill. The Business Transfers do not have any significant effect to the financial results of the Bank and there is no financial impact from the Group's perspective.

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49 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRECEDING FINANCIAL YEAR (CONTINUED)

Prior Year (continued)

(c) Internal Reorganisation – Transfer of Certain Businesses of the Bank to RHB Bank (continued)

(ii) Capital Repayment

The High Court of Malaya had on 18 September 2017, granted an order confirming the cancellation of 718,646,000 shares of the Bank amounting to RM846,023,000 from the entire consolidated issued capital of RM2,333,796,000 (representing issued capital of RM818,646,000 and the share premium amount formerly in the share premium account being RM1,515,150,000) pursuant to Section 116 of the Companies Act 2016. The capital repayment was effectively completed on 25 September 2017, and the Bank remains as wholly-owned subsidiary of RHB Bank upon completion of the capital repayment.

50 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

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

The Bank had on 19 February 2019 completed the Proposed Acquisition following the full payment of the purchase consideration of VND121,629,915,000 to Chu Thi Phuong Dung, Truong Lan Anh and Viet Quoc Insurance Broker Joint Stock Company.

The Vietnam SSC had earlier on 9 January 2019 granted its approval for the conversion of the legal form of VSEC from a joint stock company to a single-member limited liability company.

Subsequently, Vietnam SSC had on 29 January 2019 granted VSEC 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 Vietnam Securities Coporation had been changed to RHB Securities Vietnam Company Limited ('RHB Securities Vietnam') on 29 January 2019.

Following the granting of the New Licence and the completion of the Proposed Acquisition, RHB Securities Vietnam has become a wholly-owned subsidiary of the Bank.

The assets and liabilities recognised as a result of the acquisition 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	**29**
Other liabilities	**(18)**
Total identifiable net assets	**32,518**
Less: Fair value of previously held equity interest	**(15,934)**
Goodwill arising from acquisition	**4,816**
Cash consideration	**21,400**

50 SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR (CONTINUED)

(b) Proposed reorganisation of the equity, economic and fixed income and currencies research operations of RHB Research Institute Sdn Bhd ('RHBRI')

The Bank is proposing to undertake a reorganisation of its equity and economic research operations, currently housed under RHBRI, into a division within the Bank while their fixed income and currencies research function is to be absorbed by its immediate holding company, RHB Bank, subject to all applicable approvals ('Proposed Reorganisation'). RHBRI is currently a wholly-owned subsidiary of the Bank.

The Proposed Reorganisation is intended to streamline the research operations under the Bank and RHB Bank, and rationalise the costs of maintaining a separate licensed entity for research.

The Proposed Reorganisation is subject to the approval of Securities Commission Malaysia ('SC') and conditional upon the successful application for a variation in the Bank's Capital Market Services License ('CMSL') to include the regulated activity of Investment Advice.

The Proposed Reorganisation will be effected via an Asset Purchase Agreement ('APA') to be entered into between the Bank and RHBRI and will include a novation contracts entered into by RHBRI and a transfer of employees. Similarly, RHB Bank and RHBRI propose to enter into an APA in relation to the transfer of assets.

The Proposed Reorganisation will not have any effect on the issued capital and substantial shareholders' shareholdings of the Bank, and it's not expected to have any material effect on the earnings and net assets of the Bank for the financial year ending 31 December 2019.

The Proposed Reorganisation is expected to be completed by the first quarter of 2019.

None of the Directors of the Bank or persons connected with them has any interest, direct or indirect, in the Proposed Reorganisation.

Notes to the Financial Statements

for the financial year ended 31 December 2018

51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

(A) Changes in accounting policies

(1) Adoption of MFRS 9 'Financial Instruments'

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

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

MFRS 9 also significantly amends other standards dealing with financial instruments such as MFRS 7 'Financial Instruments: Disclosures'. Consequently, the amendments to MFRS 7 disclosures have only been applied to the current financial year, and comparative year's disclosures have not been restated as shown in Note 45.

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

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

(a) Classification and measurement of financial assets

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

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

Financial assets are measured at amortised cost if the assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest. Financial assets are measured at FVOCI if the assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual cash flows represent solely payments of principal and interest. All other financial assets are classified and measured at FVTPL.

51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(A) Changes in accounting policies (continued)

(1) Adoption of MFRS 9 'Financial Instruments' (continued)

(a) Classification and measurement of financial assets (continued)

Upon adoption of MFRS 9, the following are noted:

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

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

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

(b) Classification and measurement of financial liabilities

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

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

(c) Hedge accounting

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

(d) Impairment of financial assets

As a result of the changes in basis of determining the level of allowances for credit losses mentioned above, the total ECL allowances computed under MFRS 9 is higher by RM296,000 (net of tax) and RM378,000 (net of tax) for the Group and the Bank respectively, than the total allowance for impairment on financial assets under MFRS 139.

The financial effects of the adoption of MFRS 9 are presented in Note 51(C).

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

With effect from 1 January 2018, 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, in accordance with the revised policy document on Financial Reporting issued by BNM.

The financial effects of the adoption of the revised policy are presented in Note 51(C).

Notes to the Financial Statements

for the financial year ended 31 December 2018

51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(B) Prior Year Adjustments

Clients' and Brokers' Balances in Foreign Currency Revaluation

During the financial year, the Bank has identified differences in certain foreign currency balances which required adjustments. Arising from the adjustments, the affected foreign currency balances have been restated in accordance with MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Given the uncertainty over the recovery of tax, therefore no tax recoverable has been recognised from the prior year adjustments.

The following are restatement of comparatives that have been made to each line item in the Group's and the Bank's statements of financial position and statements of changes in equity as at 31 December 2017 and 1 January 2017:

	Group			Bank		
	As previously reported RM'000	**Effects from prior year adjustments RM'000**	**As restated RM'000**	**As previously reported RM'000**	**Effects from prior year adjustments RM'000**	**As restated RM'000**
As at 31.12.2017						
STATEMENTS OF FINANCIAL POSITION						
Cash and short term funds						
– Cash and balances with banks and other financial institutions	864,015	57,366	921,381	293,303	57,366	350,669
Clients' and brokers' balances (Assets)						
– Amounts owing by clients	1,061,043	(15,037)	1,046,006	633,810	(15,037)	618,773
– Amounts owing by brokers	230,439	24,174	254,613	185,971	24,174	210,145
Other assets						
– Other receivables	91,742	(18,814)	72,928	44,397	(18,814)	25,583
Clients' and brokers' balances (Liabilities)						
– Amounts due to clients	962,428	118,747	1,081,175	678,919	118,747	797,666
– Amounts due to brokers	168,738	20,110	188,848	93,401	20,110	113,511
Other liabilities						
– Other creditors and accruals	139,517	377	139,894	55,288	377	55,665

51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(B) Prior Year Adjustments (continued)

The following are restatement of comparatives that have been made to each line item in the Group's and the Bank's statements of financial position and statements of changes in equity as at 31 December 2017 and 1 January 2017: (continued)

	Group			Bank		
	As previously reported RM'000	Effects from prior year adjustments RM'000	As restated RM'000	As previously reported RM'000	Effects from prior year adjustments RM'000	As restated RM'000
As at 31.12.2017						
STATEMENTS OF CHANGES IN EQUITY						
Retained profits	669,730	(91,545)	578,185	883,218	(91,545)	791,673

Notes to the Financial Statements

for the financial year ended 31 December 2018

51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(B) Prior Year Adjustments (continued)

The following are restatement of comparatives that have been made to each line item in the Group's and the Bank's statements of financial position and statements of changes in equity as at 31 December 2017 and 1 January 2017: (continued)

	Group			Bank		
	As previously reported RM'000	**Effects from prior year adjustments RM'000**	**As restated RM'000**	**As previously reported RM'000**	**Effects from prior year adjustments RM'000**	**As restated RM'000**
As at 01.01.2017						
STATEMENTS OF FINANCIAL POSITION						
Cash and short term funds						
– Cash and balances with banks and other financial institutions	745,283	7,757	753,040	252,744	7,757	260,501
Clients' and brokers' balances (Assets)						
– Amounts owing by clients	1,055,739	(20,507)	1,035,232	552,160	(20,507)	531,653
– Amounts owing by brokers	679,891	(12,677)	667,214	107,672	(12,677)	94,995
Other assets						
– Other receivables	67,668	(5,632)	62,036	37,950	(5,632)	32,318
Clients' and brokers' balances (Liabilities)						
– Amounts due to clients	1,217,592	67,504	1,285,096	464,241	67,504	531,745
– Amounts due to brokers	298,594	(7,096)	291,498	217,832	(7,096)	210,736
Other liabilities						
– Other creditors and accruals	110,661	(47)	110,614	46,124	(47)	46,077
STATEMENTS OF CHANGES IN EQUITY						
Retained profits	199,497	(91,420)	108,077	351,586	(91,420)	260,166

51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(C) Financial effects

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

						MFRS 9 reclassification					
Group	**MFRS 139 measurement category**	**MFRS 9 measurement category**	**MFRS 139 carrying amount at 31.12.2017 RM'000**	**Prior year adjustments RM'000**	**Restated MFRS 139 carrying amount at 31.12.2017 RM'000**	**Amortised costs RM'000**	**FVTPL RM'000**	**FVOCI RM'000**	**Carrying amount post classification and measurement RM'000**	**Expected credit losses RM'000**	**MFRS 9 carrying amount at 01.01.2018 RM'000**
ASSETS											
Cash and short term funds	Loans & receivables	Amortised costs	2,414,212	57,366	2,471,578	–	–	–	2,471,578	(288)	2,471,290
Deposits and placements with banks and other financial institutions	Loans & receivables	Amortised costs	22,106	–	22,106	–	–	–	22,106	(25)	22,081
Financial assets at FVTPL	FVTPL	FVTPL	823,421	–	823,421	–	56,464	–	879,885	–	879,885
Financial investments AFS	AFS	FVOCI	902,249	–	902,249	–	(56,464)	(845,785)	–	–	–
Financial investments HTM	HTM	Amortised costs	583,232	–	583,232	(583,232)	–	–	–	–	–
Financial assets at FVOCI											
– debt instruments	N/A	FVOCI	–	–	–	–	–	810,343	810,343	–	810,343
– equity instruments	N/A	FVOCI	–	–	–	–	–	35,442	35,442	–	35,442
Financial investments at amortised costs	N/A	Amortised costs	–	–	–	583,232	–	–	583,232	–	583,232
Loans and advances	Loans & receivables	Amortised costs	1,753,928	–	1,753,928	–	–	–	1,753,928	–	1,753,928
Clients' and brokers' balances	Loans & receivables	Amortised costs	1,599,594	9,137	1,608,731	–	–	–	1,608,731	–	1,608,731
Other assets	Loans & receivables	Amortised costs	204,723	(18,814)	185,909	–	–	–	185,909	–	185,909
Derivative assets	FVTPL	FVTPL	344	–	344	–	–	–	344	–	344
Statutory deposits	Loans & receivables	Amortised costs	55,660	–	55,660	–	–	–	55,660	–	55,660
Tax recoverable	N/A	N/A	49,225	–	49,225	–	–	–	49,225	19	49,244
Deferred tax assets	N/A	N/A	14,839	–	14,839	–	1,978	–	16,817	–	16,817
Investments in associates and joint ventures	N/A	N/A	54,174	–	54,174	–	–	–	54,174	–	54,174
Property, plant and equipment	N/A	N/A	50,293	–	50,293	–	–	–	50,293	–	50,293
Goodwill and other intangible assets	N/A	N/A	572,604	–	572,604	–	–	–	572,604	–	572,604
TOTAL ASSETS			9,100,604	47,689	9,148,293	–	1,978	–	9,150,271	(294)	9,149,977

Notes to the Financial Statements
for the financial year ended 31 December 2018

51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(C) Financial effects (continued)

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

Group	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount at 31.12.2017 RM'000	Prior year adjustments RM'000	Restated MFRS 139 carrying amount at 31.12.2017 RM'000	MFRS 9 reclassification: Amortised costs RM'000	MFRS 9 reclassification: FVTPL RM'000	MFRS 9 reclassification: FVOCI RM'000	Carrying amount post classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount at 01.01.2018 RM'000
LIABILITIES AND EQUITY											
Deposits from customers	Amortised costs	Amortised costs	623,581	–	623,581	–	–	–	623,581	–	623,581
Deposits and placements of banks and other financial institutions	Amortised costs	Amortised costs	3,035,153	–	3,035,153	–	–	–	3,035,153	–	3,035,153
Bills and acceptances payable	Amortised costs	Amortised costs	6,185	–	6,185	–	–	–	6,185	–	6,185
Clients' and brokers' balances	Amortised costs	Amortised costs	1,363,525	138,857	1,502,382	–	–	–	1,502,382	–	1,502,382
Other liabilities	Amortised costs	Amortised costs	502,916	377	503,293	–	–	–	503,293	–	503,293
Derivative liabilities	FVTPL	FVTPL	46,013	–	46,013	–	–	–	46,013	–	46,013
Puttable financial instruments	FVTPL	FVTPL	78,825	–	78,825	–	–	–	78,825	–	78,825
Tax liabilities	N/A	N/A	6,136	–	6,136	–	–	–	6,136	–	6,136
Deferred tax liabilities	N/A	N/A	2,612	–	2,612	–	–	–	2,612	–	2,612
Borrowings	Amortised costs	Amortised costs	712,379	–	712,379	–	–	–	712,379	–	712,379
Subordinated obligations	Amortised costs	Amortised costs	404,263	–	404,263	–	–	–	404,263	–	404,263
TOTAL LIABILITIES			6,781,588	139,234	6,920,822	–	–	–	6,920,822	–	6,920,822

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51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(C) Financial effects (continued)

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

Group	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount at 31.12.2017 RM'000	Prior year adjustments RM'000	Restated MFRS 139 carrying amount at 31.12.2017 RM'000	MFRS 9 reclassification: Amortised costs RM'000	MFRS 9 reclassification: FVTPL RM'000	MFRS 9 reclassification: FVOCI RM'000	Carrying amount post classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount at 01.01.2018 RM'000
EQUITY											
Share capital			1,487,773	–	1,487,773	–	–	–	1,487,773	–	1,487,773
Reserves			822,048	(91,545)	730,503	–	1,978	–	732,481	(294)	732,187
			2,309,821	(91,545)	2,218,276	–	1,978	–	2,220,254	(294)	2,219,960
Non-controlling interests			9,195	–	9,195	–	–	–	9,195	–	9,195
TOTAL EQUITY			2,319,016	(91,545)	2,227,471	–	1,978	–	2,229,449	(294)	2,229,155
TOTAL LIABILITIES AND EQUITY			9,100,604	47,689	9,148,293	–	1,978	–	9,150,271	(294)	9,149,977

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51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(C) Financial effects (continued)

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

						MFRS 9 reclassification					
Bank	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount at 31.12.2017 RM'000	Prior year adjustments RM'000	Restated MFRS 139 carrying amount at 31.12.2017 RM'000	Amortised costs RM'000	FVTPL RM'000	FVOCI RM'000	Carrying amount post classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount at 01.01.2018 RM'000
ASSETS											
Cash and short term funds	Loans & receivables	Amortised costs	1,738,086	57,366	1,795,452	–	–	–	1,795,452	(73)	1,795,379
Financial assets at FVTPL	FVTPL	FVTPL	149,139	–	149,139	–	41,530	–	190,669	–	190,669
Financial investments AFS	AFS	FVOCI	882,153	–	882,153	–	(41,530)	(840,623)	–	–	–
Financial investments HTM	HTM	Amortised costs	583,232	–	583,232	(583,232)	–	–	–	–	–
Financial assets at FVOCI											
– debt instruments	N/A	FVOCI	–	–	–	–	–	810,343	810,343	–	810,343
– equity instruments	N/A	FVOCI	–	–	–	–	–	30,280	30,280	–	30,280
Financial investments at amortised costs	N/A	Amortised costs	–	–	–	583,232	–	–	583,232	–	583,232
Loans and advances	Loans & receivables	Amortised costs	1,143,551	–	1,143,551	–	–	–	1,143,551	–	1,143,551
Clients' and brokers' balances	Loans & receivables	Amortised costs	901,918	9,137	911,055	–	–	–	911,055	–	911,055
Other assets	Loans & receivables	Amortised costs	70,754	(18,814)	51,940	–	–	–	51,940	–	51,940
Derivative assets	FVTPL	FVTPL	343	–	343	–	–	–	343	–	343
Statutory deposits	Loans & receivables	Amortised costs	51,650	–	51,650	–	–	–	51,650	–	51,650
Tax recoverable	N/A	N/A	45,470	–	45,470	–	–	–	45,470	95	45,565
Deferred tax assets	N/A	N/A	1,180	–	1,180	–	1,978	–	3,158	–	3,158
Investments in subsidiaries	N/A	N/A	1,478,140	–	1,478,140	–	–	–	1,478,140	–	1,478,140
Investments in associates and joint ventures	N/A	N/A	21,057	–	21,057	–	–	–	21,057	–	21,057
Property, plant and equipment	N/A	N/A	24,888	–	24,888	–	–	–	24,888	–	24,888
Goodwill and other intangible assets	N/A	N/A	400,095	–	400,095	–	–	–	400,095	–	400,095
TOTAL ASSETS			7,491,656	47,689	7,539,345	–	1,978	–	7,541,323	22	7,541,345

51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(C) Financial effects (continued)

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

Bank	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount at 31.12.2017 RM'000	Prior year adjustments RM'000	Restated MFRS 139 carrying amount at 31.12.2017 RM'000	MFRS 9 reclassification: Amortised costs RM'000	MFRS 9 reclassification: FVTPL RM'000	MFRS 9 reclassification: FVOCI RM'000	Carrying amount post classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount at 01.01.2018 RM'000
LIABILITIES AND EQUITY											
Deposits from customers	Amortised costs	Amortised costs	652,220	–	652,220	–	–	–	652,220	–	652,220
Deposits and placements of banks and other financial institutions	Amortised costs	Amortised costs	3,035,153	–	3,035,153	–	–	–	3,035,153	–	3,035,153
Clients' and brokers' balances	Amortised costs	Amortised costs	772,320	138,857	911,177	–	–	–	911,177	–	911,177
Other liabilities	Amortised costs	Amortised costs	170,994	377	171,371	–	–	–	171,371	323	171,694
Derivative liabilities	FVTPL	FVTPL	45,873	–	45,873	–	–	–	45,873	–	45,873
Subordinated obligations	Amortised costs	Amortised costs	404,263	–	404,263	–	–	–	404,263	–	404,263
TOTAL LIABILITIES			5,080,823	139,234	5,220,057	–	–	–	5,220,057	323	5,220,380
EQUITY											
Share capital			1,487,773	–	1,487,773	–	–	–	1,487,773	–	1,487,773
Reserves			923,060	(91,545)	831,515	–	1,978	–	833,493	(301)	833,192
TOTAL EQUITY			2,410,833	(91,545)	2,319,288	–	1,978	–	2,321,266	(301)	2,320,965
TOTAL LIABILITIES AND EQUITY			7,491,656	47,689	7,539,345	–	1,978	–	7,541,323	22	7,541,345

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51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(C) Financial effects (continued)

(ii) The following table shows the effects on FVOCI/AFS reserves, regulatory reserves and retained profits as at 31 December 2017 and 1 January 2018:

	Group RM'000	Bank RM'000
FVOCI/AFS reserves		
Closing balance under MFRS 139 as at 31 December 2017	18,861	26,120
Effect of reclassification of investment securities (debt instruments) from AFS to FVTPL	854	(6,498)
Restated balance under MFRS 9 as at 1 January 2018	19,715	19,622
Regulatory reserves		
Closing balance under MFRS 139 as at 31 December 2017	21,047	13,722
Transfer from retained profits	13,149	9,129
Restated balance under MFRS 9 as at 1 January 2018	34,196	22,851
Retained profits		
Closing balance under MFRS 139 as at 31 December 2017	669,730	883,218
Prior year adjustments	(91,545)	(91,545)
	578,185	791,673
As restated	(313)	(396)
Recognition of ECL under MFRS 9	19	95
Effect of taxation		
Effect of reclassification of investment securities (debt instruments) from AFS to FVTPL	1,124	8,476
Transfer to regulatory reserve	(13,149)	(9,129)
Restated balance under MFRS 9 as at 1 January 2018	565,866	790,719

51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(C) Financial effects (continued)

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

	MFRS 139 allowance as at 31.12.2017 RM'000	Reclassification as per MFRS 9 RM'000	Expected credit losses RM'000	MFRS 9 allowance as at 01.01.2018 RM'000
Group				
Cash and short term funds	–	–	288	**288**
Deposits and placements with banks and other financial institutions	–	–	25	**25**
Financial investments AFS	6,754	(6,754)	–	**–**
Financial investments HTM	79,405	(79,405)	–	**–**
Financial assets at FVOCI, debt instruments	–	6,754	–	**6,754**
Financial investments at amortised costs	–	79,405		**79,405**
Loans and advances	86,906	–	–	**86,906**
Clients' and brokers' balances	31,882	–	–	**31,882**
Other assets	16,654	–	–	**16,654**
	221,601	–	313	**221,914**
Bank				
Cash and short term funds	–	–	73	**73**
Financial investments AFS	6,754	(6,754)	–	**–**
Financial investments HTM	79,405	(79,405)	–	**–**
Financial assets at FVOCI, debt instruments	–	6,754	–	**6,754**
Financial investments at amortised costs	–	79,405	–	**79,405**
Loans and advances	6	–	–	**6**
Clients' and brokers' balances	6,809	–	–	**6,809**
Other assets	15,904	–	–	**15,904**
Off balance sheet commitments and financial guarantee contracts	–	–	323	**323**
	108,878	–	396	**109,274**

Statement By Directors

pursuant to section 251(2) of the Companies Act 2016

We, Tan Sri Azlan bin Mohd Zainol and Chin Yoong Kheong, two of the Directors of RHB Investment Bank Berhad do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 52 to 286 are drawn up so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2018 and financial performance of the Group and of the Bank for the financial year ended 31 December 2018 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 Director in accordance with a resolution of the Directors dated 26 February 2019.

TAN SRI AZLAN BIN MOHD ZAINOL
CHAIRMAN

CHIN YOONG KHEONG
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Kuala Lumpur
27 February 2019

Statutory Declaration

pursuant to section 251 (1) of the Companies Act 2016

I, Tan Boon Ching, the Officer primarily responsible for the financial management of RHB Investment Bank Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 52 to 286 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.

TAN BOON CHING
(MIA membership No.: 44307)

Subscribed and solemnly declared by the abovenamed Tan Boon Ching at Kuala Lumpur in Wilayah Persekutuan on 27 February 2019.

COMMISSIONER FOR OATHS
Kuala Lumpur
27 February 2019

Independent Auditors' Report

to the member of RHB Investment Bank Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of RHB Investment 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 2018 and of their financial performance and their cash flows for the 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 2018 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 52 to 286.

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.

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 2018 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 member of RHB Investment 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 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 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 Bank to cease to continue as a going concern.

Independent Auditors' Report

to the member of RHB Investment Bank Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

(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.

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.

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 MATTER

This report is made solely to the member 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
02682/10/2019 J
Chartered Accountant

Kuala Lumpur
27 February 2019

BASEL II PILLAR 3 DISCLOSURES

AS AT 31 DECEMBER 2018

List of Tables

Statement By Chief Executive Officer

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 Investment Bank Berhad, I am pleased to provide an attestation that the Basel II Pillar 3 disclosures of RHB Investment Bank Berhad for the year ended 31 December 2018 are accurate and complete.

ROBERT ANGELO HENDRO SANTOSO HURAY
Chief Executive Officer

Basel II Pillar 3 Disclosures

as at 31 December 2018

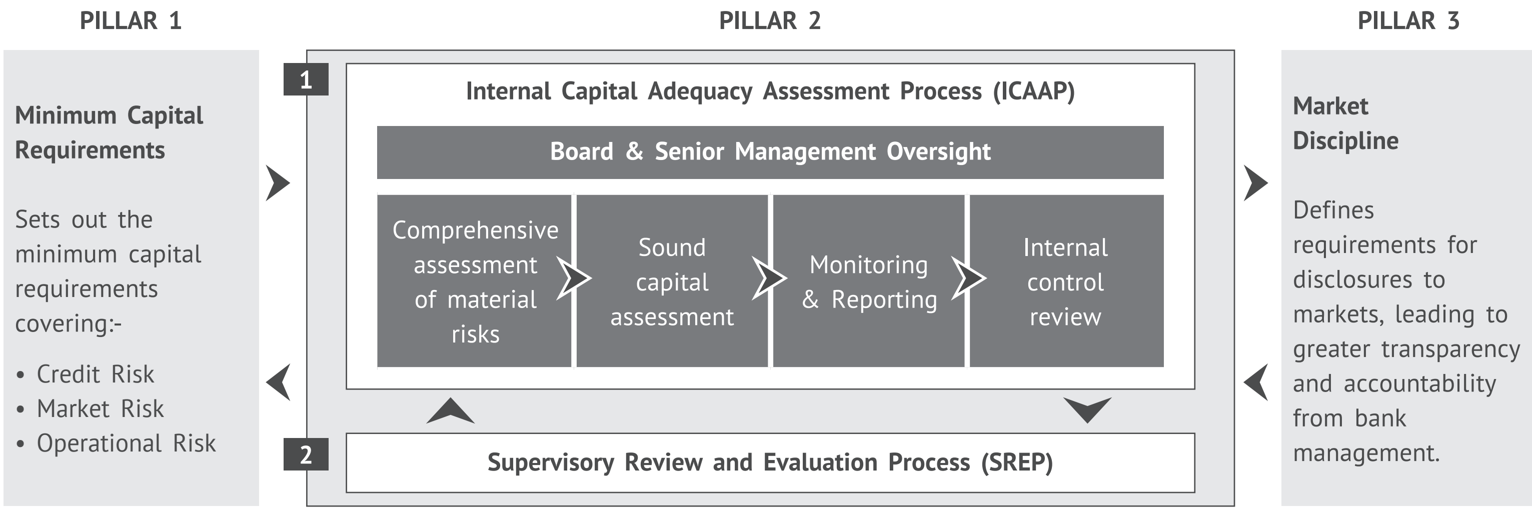
1.0 INTRODUCTION

This document describes RHB Investment Bank Berhad'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) 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 RHB Investment Bank Berhad are as follows:

Entity	Credit Risk	Market Risk	Operational Risk
RHB Investment Bank Berhad	Standardised Approach	Standardised Approach	Basic Indicator 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
as at 31 December 2018

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 2018 with comparative quantitative information of the preceding financial year 2017.

During the financial year, RHB Investment Bank Berhad has identified differences in certain foreign currency balances which required adjustments. Arising from the adjustments, the affected balances have been restated in accordance with MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors. Refer to Note 51(B) to the Financial Statements for more details.

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

RHB Investment Bank Berhad's Pillar 3 disclosure report is made available under the Investor Relations section of RHB Banking Group's website at www.rhbgroup.com as a separate report in the Bank's Annual Report 2018, after the notes to the Financial Statements.

2.0 SCOPE OF APPLICATION

In this Pillar 3 document, RHB Investment Bank Berhad's information is presented on a consolidated basis, ie RHB Investment Bank Berhad with its overseas operations, its subsidiaries, and its overseas joint venture company, and is referred to as "RHB Investment Bank Group".

RHB Investment Bank 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). In 2018, changes in BNM's policy documents/frameworks were as follows:

a. The Capital Adequacy Framework was updated and reissued by BNM on 2 February 2018 for application with effect from 1 January 2018. The main updates in the said framework are:

   - Revised definition of General Provision and Specific Provision arising from the implementation of Malaysian Financial Reporting Standards 'Financial Instruments' (MFRS 9).
   - Definition of General Provision and its recognition in Tier II Capital.
   - Alignment of terminologies used under MFRS 9 for the purpose of capital recognition and regulatory adjustment.

2.0 SCOPE OF APPLICATION (CONTINUED)

b. BNM's Revised Policy Document on Financial Reporting issued on 2 February 2018 requires RHB Investment Bank Group and its domestic banking subsidiary companies must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures with effect from 1 January 2018.

   In the previous year, RHB Investment Bank Group has maintained in aggregate collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of impairment allowance.

   The impact to the capital adequacy ratios of RHB Investment Bank Group and of the Bank are disclosed in Section A(1)(c)(ii) to the Financial Statements as at 31 December 2018.

RHB Investment Bank Group adopted the MFRS 9 effective 1 January 2018.

As permitted by the transitional provisions of MFRS 9, comparative figures are not restated for first time adoption of the Standards. Refer to Note 51 to the Financial Statements for more details.

RHB Investment Bank Group is involved in merchant banking business, dealing in securities, stock, debt and derivatives, stockbroking business and the business of brokers and dealers in futures and options contracts, investment management services, islamic investment management services, management of unit trust funds and islamic unit trust funds, management of private retirement schemes, provision of investment advisory services, research services and provision of nominee services.

The transfer of funds for regulatory capital within the RHB Investment Bank Group is subject to shareholders' and regulatory approval.

During the financial year 2018, there were no capital deficiencies in RHB Investment Bank Berhad or in any of its subsidiaries and its associate company.

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 RHB Investment Bank Group's balance sheet are sufficient to cover the business capital requirements now and in the foreseeable future. It also indicates the ability of RHB Investment Bank Group to provide financing across the business cycles and in meeting any contingency without compromising the interest of the depositors and investors. RHB Investment Bank 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, RHB Investment Bank Group aims to have a sound capital management practice that is aligned to BNM's ICAAP requirements.

The management of capital involves capital strategy, capital planning and capital allocation/structuring/optimisation.

Basel II Pillar 3 Disclosures
as at 31 December 2018

3.0 CAPITAL MANAGEMENT (CONTINUED)

- **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 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, RHB Investment Bank 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 RHB Investment Bank 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 RHB Investment Bank Group maintains adequate capital on a forward-looking basis. RHB Investment Bank 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 Investment Bank Risk Management Committee (IBRMC) for endorsement, and submitted to Board Risk Committee (BRC) and the Board for approval.

- **Capital Allocation/Structuring/Optimisation**

  RHB Investment Bank 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 RHB Investment Bank Group's shareholders.

  Capital structuring affects RHB Investment Bank Group through its impact on cash flow and cost of capital. RHB Investment Bank Group adopts capital structuring that maximises value and minimises overall cost of capital. In order to achieve optimum capital structure, RHB Investment Bank 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.

  RHB Investment Bank Group optimises its capital by integrating risk-based capital into strategy and aligning this with performance measurement.

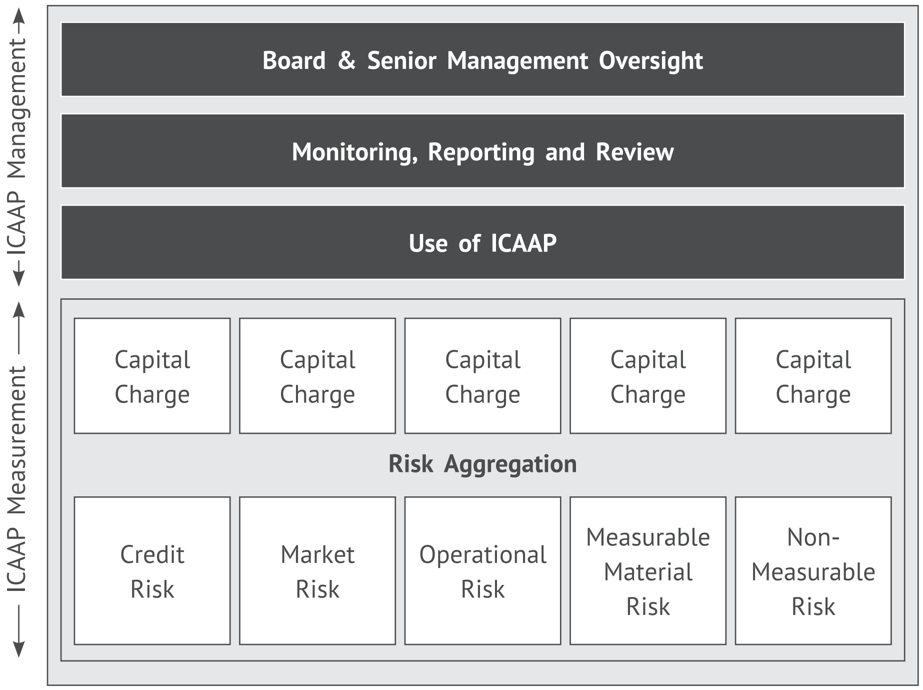
  RHB Investment Bank Group also aims to achieve a balance between dividend pay-out and the need to retain earnings in order to be consistent with its capital strength and to support business expansion. The Board reviews the dividend pay-out recommendation on an annual basis.

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), RHB Investment Bank Group has implemented ICAAP with the objective to forge a strong alignment between risk and capital. Capital adequacy is assessed in relation to RHB Investment Bank Group's risk profile, and strategies are in place to maintain appropriate capital levels.

The ICAAP Framework developed and adopted across RHB Investment Bank 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.
- Assess 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 and 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.

RHB Investment Bank Group has implemented BNM's liquidity standards on Liquidity Coverage Ratio (LCR) effective from 1 June 2015 after reporting the LCR under observation since June 2012. BNM has adopted the phased-in arrangement for Malaysian banking institutions to comply with the minimum requirement of 60% in 2015 with incremental of 10% each year thereafter until 100% from 1 January 2019 onwards. RHB Investment Bank Group continues to report on Net Stable Funding Ratio (NSFR) under observation. The result produced during the observation period facilitates RHB Investment Bank Group's strategy in managing the appropriate balance sheet structure for achieving optimal NSFR.

Basel II Pillar 3 Disclosures

as at 31 December 2018

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.3 Capital Adequacy Ratios

BNM's Guideline on Capital Adequacy Framework (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	4.5%
Tier I Capital Ratio	6.0%
Total Capital Ratio	8.0%

In addition, RHB Investment Bank 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) and countercyclical capital buffer (CCyB). The CCB is intended to enable the banking system to withstand future periods of stress and will be phased-in as follows:

Calendar Year	CCB
2018	1.875%
2019 onwards	2.500%

CCyB is determined based on the weighted average of the prevailing CCyB rates applied in the jurisdictions in which RHB Investment Bank 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. Application of CCyB above the minimum capital ratios is in the range of 0.0% to 2.5%. BNM will communicate any decision on the CCyB rate by up to 12 months before the date from which the rate applies.

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.3 Capital Adequacy Ratios (continued)

The capital ratios of RHB Investment Bank Berhad on consolidated basis (RHB Investment Bank Group), and on global basis (RHB Investment Bank) as at 31 December 2018 and 31 December 2017 are:

Table 1: Capital Adequacy Ratios

	RHB Investment Bank Group		RHB Investment Bank	
	2018	Restated 2017	2018	Restated 2017
Before proposed dividends				
Common Equity Tier I Capital Ratio	**35.445%**	31.151%	**21.323%**	30.891%
Tier I Capital Ratio	**35.728%**	31.573%	**21.323%**	30.891%
Total Capital Ratio	**45.477%**	39.775%	**40.757%**	35.774%
After proposed dividends				
Common Equity Tier I Capital Ratio	**35.445%**	31.151%	**21.323%**	30.891%
Tier I Capital Ratio	**35.728%**	31.573%	**21.323%**	30.891%
Total Capital Ratio	**45.477%**	39.775%	**40.757%**	35.774%

The above capital ratios are above the minimum level required by BNM.

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 2018 and 31 December 2017:

Table 2: Risk-Weighted Assets (RWA) by Risk Types

	RHB Investment Bank Group		RHB Investment Bank	
Risk Types	2018 RM'000	Restated 2017 RM'000	2018 RM'000	Restated 2017 RM'000
Credit RWA	**1,933,769**	1,256,171	**612,585**	719,482
Market RWA	**877,506**	2,049,361	**678,014**	610,542
Operational RWA	**1,567,043**	1,689,666	**807,022**	905,417
Total RWA	**4,378,318**	**4,995,198**	**2,097,621**	**2,235,441**

Basel II Pillar 3 Disclosures
as at 31 December 2018

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.4 Minimum Capital Requirements and Risk-Weighted Assets (RWA) (continued)

The following tables show the breakdown of RWA by risk types and the corresponding capital requirement as at 31 December 2018 and 31 December 2017:

Table 3a: Risk-Weighted Assets by Risk Types and Minimum Capital Requirements as at 31 December 2018

	RWA		Minimum Capital Requirements	
Risk Types	**RHB Investment Bank Group RM'000**	**RHB Investment Bank RM'000**	**RHB Investment Bank Group RM'000**	**RHB Investment Bank RM'000**
Credit Risk				
Under Standardised Approach	**1,933,769**	**612,585**	**154,702**	**49,007**
Market Risk				
Under Standardised Approach	**877,506**	**678,014**	**70,200**	**54,241**
Operational Risk				
Under Basic Indicator Approach	**1,567,043**	**807,022**	**125,363**	**64,562**
Total	**4,378,318**	**2,097,621**	**350,265**	**167,810**

Table 3b: Risk-Weighted Assets by Risk Types and Minimum Capital Requirements as at 31 December 2017 (Restated)

	RWA		Minimum Capital Requirements	
Risk Types	**RHB Investment Bank Group RM'000**	**RHB Investment Bank RM'000**	**RHB Investment Bank Group RM'000**	**RHB Investment Bank RM'000**
Credit Risk				
Under Standardised Approach	1,256,171	719,482	100,494	57,559
Market Risk				
Under Standardised Approach	2,049,361	610,542	163,949	48,843
Operational Risk				
Under Basic Indicator Approach	1,689,666	905,417	135,173	72,433
Total	**4,995,198**	**2,235,441**	**399,616**	**178,835**

Capital requirement for the three risk types is derived by multiplying the risk-weighted assets by 8%.

The movement of Credit and Market RWA for RHB Investment Group were largely due to the reclassification of Trading Book assets to Banking Book assets following the implementation of MFRS 9.

Basel II Pillar 3 Disclosures
as at 31 December 2018

4.0 CAPITAL STRUCTURE

The constituents of total eligible capital are set out in BNM's Guideline Capital Adequacy Framework (Capital Components). These include shareholders' funds, after regulatory-related adjustments, and eligible capital instruments issued by RHB Investment Bank Group. Tier I capital consists primarily of ordinary share capital, retained profits and other reserves. Tier II capital consists of subordinated obligations and general provisions. Refer to Note 47 to the Financial Statements for the terms of these capital instruments.

The following table represents the capital position of RHB Investment Bank Group and RHB Investment Bank as at 31 December 2018 and 31 December 2017:

Table 4: Capital Structure

	RHB Investment Bank Group		RHB Investment Bank	
	2018 RM'000	**Restated 2017 RM'000**	**2018 RM'000**	**Restated 2017 RM'000**
Common Equity Tier I Capital/Tier I Capital				
Paid up ordinary share capital	**1,487,773**	1,487,773	**1,487,773**	1,487,773
Share premium	**–**	–	**–**	–
Retained profits	**561,695**	578,185	**558,690**	791,673
Other reserves	**113,648**	112,410	**–**	–
Fair value through other comprehensive income (FVOCI)/ Available for sale (AFS) reserves	**23,489**	18,861	**20,853**	26,120
Less:				
Goodwill	**(523,911)**	(523,911)	**(372,395)**	(372,395)
Investments in subsidiaries, associates and joint ventures (portion deducted from CET I Capital)*	**(30,646)**	(43,339)	**(1,203,286)**	(1,199,358)
Other Intangible assets	**(47,610)**	(48,693)	**(27,055)**	(27,700)
Deferred tax assets	**(19,610)**	(14,839)	**(5,832)**	(1,180)
55% of cumulative gains arising from change in value of FVOCI/AFS instruments	**(12,919)**	(10,374)	**(11,469)**	(14,366)
Other deductions	**–**	(12)	**–**	(12)
Reduction in excess of Tier II Capital due to insufficient Tier II capital#	**–**	–	**–**	–
Total Common Equity Tier I Capital	**1,551,909**	**1,556,061**	**447,279**	**690,555**
Qualifying non controlling interest recognised as Tier I Capital	**12,359**	21,055	**–**	–
Total Tier I Capital	**1,564,268**	**1,577,116**	**447,279**	**690,555**

Basel II Pillar 3 Disclosures

as at 31 December 2018

4.0 CAPITAL STRUCTURE (CONTINUED)

Table 4: Capital Structure (continued)

	RHB Investment Bank Group		RHB Investment Bank	
	2018 RM'000	**Restated 2017 RM'000**	**2018 RM'000**	**Restated 2017 RM'000**
Tier II Capital				
Subordinated obligations meeting all relevant criteria	**400,000**	400,000	**400,000**	400,000
Qualifying non controlling interest recognised as Tier II Capital	**2,700**	4,861	**–**	–
Collective impairment allowances^ and regulatory reserves~	**–**	15,702	**–**	8,994
General provisionsˇ,~	**24,172**	–	**7,657**	–
Less:				
Investments in subsidiaries, associates and joint ventures	**–**	(10,835)	**–**	(299,839)
Total Tier II Capital	**426,872**	**409,728**	**407,657**	**109,155**
Total Capital	**1,991,140**	**1,986,844**	**854,936**	**799,710**

* Investments in subsidiaries are subject to gradual deduction using the corresponding deduction approach under CET I Capital effective from 1 January 2014 as prescribed under paragraph 37.11 of the BNM's Guideline on Capital Adequacy Framework (Capital Components).

The remaining portion of regulatory adjustments not deducted in calculation of Tier II Capital shall be deducted in the next higher tier of capital as prescribed under paragraph 31.1 of the BNM's Guideline on Capital Adequacy Framework (Capital Components).

^ Excludes collective impairment allowance attributable to loans and advances classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on Classification and Impairment Provisions for Loans/Financing.

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

~ Includes the qualifying regulatory reserves of RHB Investment Bank Group and RHB Investment Bank of RM23,673,000 (31 December 2017: RM12,390,000) and RM7,501,000 (31 December 2017: RM8,993,000) respectively.

5.0 RISK MANAGEMENT

Risk is inherent in RHB Investment Bank 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, RHB Investment Bank Group is exposed to a range of other risk types such as market, liquidity, operational, legal, 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 RHB Investment Bank Group's operating environment.

The Group Risk Management Framework governs the management of risks in the RHB Banking Group (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.

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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.

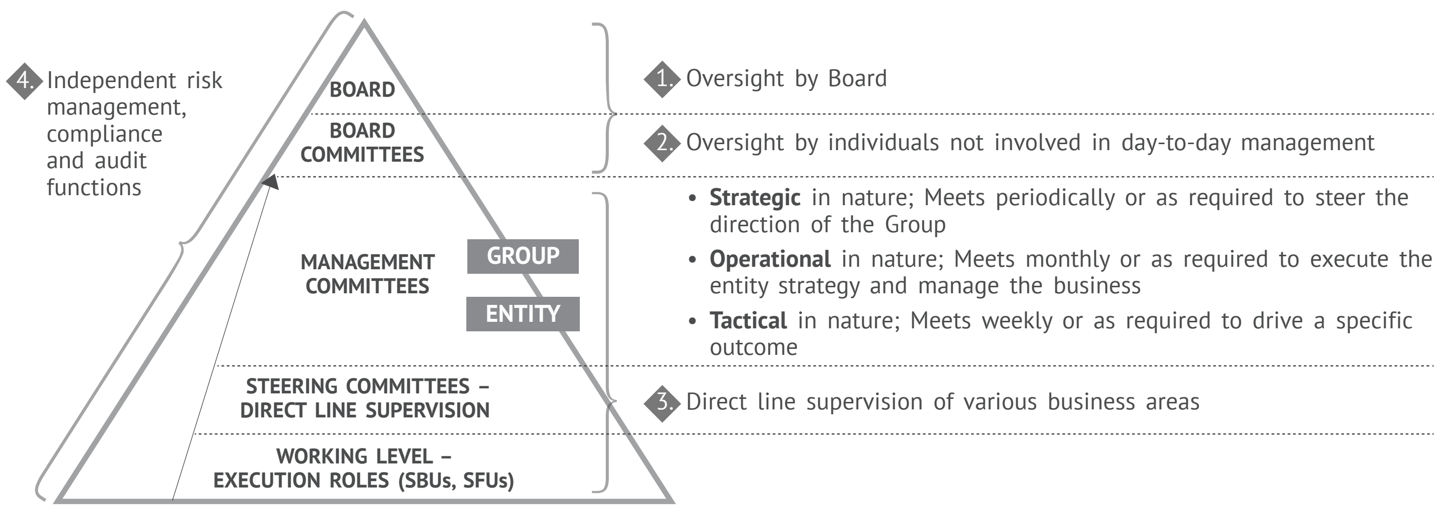
Principle 1: Risk Governance from the Boards of Directors of various operating entities within the Group

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 BRC, Group Capital and Risk Committee (GCRC) 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 responsibility for the supervision of the day-to-day management of enterprise risk and capital matters is delegated to the IBRMC comprising senior management of RHB Investment Bank Group and which reports to the BRC and the Group Management Committee (GMC). The Group Asset and Liability Committee (Group ALCO) assists the BRC to oversee market risk, liquidity risk and balance sheet management. An overview of this governance framework at Group level is as below:



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 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 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 said function is headed by the Group Chief Risk Officer. 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 and the Board on risk issues and their possible impact on the Group in the achievement of its objectives and strategies.

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5.0 RISK MANAGEMENT (CONTINUED)

RISK ENVIRONMENT AND INFRASTRUCTURE (continued)

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 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.

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.

5.0 RISK MANAGEMENT (CONTINUED)

Risk and Control Environment (continued)

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 specific functions, and invested in 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 of risks and is set by the Board, and reported through various metrics that enable the Group to manage capital resources and shareholders' expectations.

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.

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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/underwriting, 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.

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 BCC's 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.

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 programme 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.

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 IBRMC, BRC and the Board. These reports include various credit risk aspects such as portfolio quality, and concentration risk exposures by business portfolio. 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

RHB Investment Bank Group's credit risk management framework is founded upon guidelines issued by BNM (such as Policy on Credit Risk, Guidelines on Investment Banks and Single Counterparty Exposures Limit) and industry best practices. RHB Investment Bank Group abides by the 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's best practices are instilled in the continual updating of the Group Credit Policy.

RHB Investment Bank Group's credit risk management process is documented in Group Credit Guidelines (GCG) and the Group Credit Procedures Manual (GCPM) which set out the operational procedures and guidelines governing the credit management processes within the Group.

The GCG and GCPM have been designed to ensure that:

- The process of credit initiation, administration, supervision and management of loan/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 undertaken in the course of its share margin/trading or investment banking activities in derivatives and debt securities.

Credit Risk from Investment or Trading Activities

In the course of its trading or investment banking activities, RHB Investment Bank Group is also exposed to credit risk from trading, derivative and equity/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 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 issuers, through timely management reporting procedures.

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6.0 CREDIT RISK (CONTINUED)

6.3 Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR)

The management of the following off-balance sheet exposures of RHB Investment Bank Group is in accordance to the credit risk management approach as set out under Section 6.2 of this document:

- Underwriting commitments in respect of RHB Investment Bank Group's debt capital or equity capital market activities;
- Commitments to extend credit/financing including the unutilised or undrawn portions of credit facilities; and
- Credit equivalent amount of derivative financial instruments.

Counterparty Credit Risk

Counterparty Credit Risk is the risk that the entity with whom one has entered into a financial contract (the counterparty to the contract) will fail to fulfil their side of the contractual agreement (eg they default). Counterparty risk is typically defined as arising from two broad classes of financial products:

- Over-the-counter derivatives such as interest rate swaps, FX forwards and credit default swaps.
- Securities financing transactions such as repos and reverse repos; and securities borrowing and lending/financing.

Derivative financial instruments are primarily entered into for hedging purposes. RHB Investment Bank Group may also take 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. 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.

All outstanding financial derivative positions are marked-to-market on a daily basis. RHB Investment Bank Group's Treasury Operations Department 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 2018 compared with 31 December 2017, 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 2018

RHB Investment 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 the Standardised Approach				
On Balance Sheet Exposures				
Sovereigns & Central Banks	922,632	922,632	5,839	467
Public Sector Entities	126,857	126,857	–	–
Banks, Development Financial Institutions & MDBs	1,805,065	1,805,065	474,164	37,933
Insurance Cos, Securities Firms & Fund Managers	94,524	94,524	94,524	7,562
Corporates	1,832,873	797,740	8,367	669
Regulatory Retail	561,337	2,731	2,049	164
Residential Mortgages	349	349	122	10
Higher Risk Assets	494,864	494,864	742,297	59,384
Other Assets	1,075,097	1,075,097	360,685	28,855
Securitisation Exposures	–	–	–	–
Equity Exposures	194,278	194,278	194,278	15,542
Defaulted Exposures	1,008	1,008	911	73
Total On Balance Sheet Exposures	7,108,884	5,515,145	1,883,236	150,659
Off Balance Sheet Exposures				
OTC Derivatives	1,611	1,611	322	26
Off balance sheet exposures other than OTC derivatives or credit derivatives	269,897	56,869	50,211	4,017
Defaulted Exposures	–	–	–	–
Total Off Balance Sheet Exposures	271,508	58,480	50,533	4,043
Total On and Off Balance Sheet Exposures	7,380,392	5,573,625	1,933,769	154,702

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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 2017 (Restated)

RHB Investment 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 the Standardised Approach				
On Balance Sheet Exposures				
Sovereigns & Central Banks	1,685,257	1,685,257	5,777	462
Public Sector Entities	60,869	60,869	–	–
Banks, Development Financial Institutions & MDBs	1,640,889	1,640,889	418,962	33,517
Insurance Cos, Securities Firms & Fund Managers	101,073	101,073	101,073	8,086
Corporates	1,640,988	525,391	9,203	736
Regulatory Retail	625,921	2,819	2,114	169
Residential Mortgages	486	486	170	14
Higher Risk Assets	17,727	17,727	26,591	2,127
Other Assets	1,926,336	1,926,336	606,012	48,481
Securitisation Exposures	–	–	–	–
Equity Exposures	32,608	32,608	32,608	2,609
Defaulted Exposures	7,318	2,425	2,431	194
Total On Balance Sheet Exposures	**7,739,472**	**5,995,880**	**1,204,941**	**96,395**
Off Balance Sheet Exposures				
OTC Derivatives	861	425	85	7
Off balance sheet exposures other than OTC derivatives or credit derivatives	305,478	57,523	51,145	4,092
Defaulted Exposures	–	–	–	–
Total Off Balance Sheet Exposures	**306,339**	**57,948**	**51,230**	**4,099**
Total On and Off Balance Sheet Exposures	**8,045,811**	**6,053,828**	**1,256,171**	**100,494**

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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 2018

RHB Investment 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	–		–	–
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	–		–	–
Foreign exchange related contracts	129,753	46	1,611	322
1 year or less	*129,753*	*46*	*1,611*	*322*
Over 1 year to 5 years	–	–	–	–
Over 5 years	–	–	–	–
Interest rate related contracts	–	–	–	–
1 year or less	–	–	–	–
Over 1 year to 5 years	–	–	–	–
Over 5 years	–	–	–	–
Equity related contracts	–	–	–	–
1 year or less	–	–	–	–
Over 1 year to 5 years	–	–	–	–
Over 5 years	–	–	–	–
Other commitments, such as formal standby facilities and credit lines, with original maturity of over 1 year	4,243		2,122	8
Other commitments, such as formal standby facilities and credit lines, with original maturity of up to 1 year	1,338,876		267,775	50,203
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	–		–	–
Total	**1,472,872**	**46**	**271,508**	**50,533**

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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 2017

RHB Investment 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	–		–	–
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	–		–	–
Foreign exchange related contracts	36,962	34	34	7
1 year or less	*36,962*	*34*	*34*	*7*
Over 1 year to 5 years	–	–	–	–
Over 5 years	–	–	–	–
Interest rate related contracts	90,000	256	391	78
1 year or less	*90,000*	*256*	*391*	*78*
Over 1 year to 5 years	–	–	–	–
Over 5 years	–	–	–	–
Equity related contracts	7,262	–	436	–
1 year or less	*7,262*	–	*436*	–
Over 1 year to 5 years	–	–	–	–
Over 5 years	–	–	–	–
Other commitments, such as formal standby facilities and credit lines, with original maturity of over 1 year	4,164		2,082	5
Other commitments, such as formal standby facilities and credit lines, with original maturity of up to 1 year	1,516,982		303,396	51,140
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	–		–	–
Total	**1,655,370**	**290**	**306,339**	**51,230**

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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 2018

RHB Investment Bank Group Exposure Class	Malaysia RM'000	Singapore RM'000	Hong Kong RM'000	Indonesia RM'000	Thailand RM'000	Cambodia RM'000	Total RM'000
Exposures under Standardised Approach							
Sovereigns & Central Banks	918,518	–	–	–	–	4,114	922,632
Public Sector Entities	126,857	–	–	–	–	–	126,857
Banks, Development Financial Institutions & MDBs	1,414,260	39,785	52,287	124,720	137,418	38,207	1,806,677
Insurance/Takaful Cos, Securities Firms & Fund Managers	26,257	63,458	4,809	–	–	–	94,524
Corporates	1,444,072	182,029	106,880	95,328	129,273	–	1,957,582
Regulatory Retail	457,384	50,846	67,078	58,609	73,615	–	707,532
Residential Mortgages	349	–	–	–	–	–	349
Higher Risk Assets	494,570	–	–	39	255	–	494,864
Other Assets	611,650	163,658	23,468	119,015	156,635	671	1,075,097
Total	5,493,917	499,776	254,522	397,711	497,196	42,992	7,186,114

Note: This table excludes equity and securitisation exposures

Table 7b: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31 December 2017 (Restated)

RHB Investment Bank Group Exposure Class	Malaysia RM'000	Singapore RM'000	Hong Kong RM'000	Indonesia RM'000	Thailand RM'000	Cambodia RM'000	Total RM'000
Exposures under Standardised Approach							
Sovereigns & Central Banks	1,681,247	–	–	–	–	4,010	1,685,257
Public Sector Entities	60,869	–	–	–	–	–	60,869
Banks, Development Financial Institutions & MDBs	1,314,081	78,037	42,733	87,810	81,959	36,693	1,641,313
Insurance/Takaful Cos, Securities Firms & Fund Managers	56,605	15,680	17,964	1,545	9,279	–	101,073
Corporates	1,235,102	125,097	138,095	78,696	214,908	–	1,791,898
Regulatory Retail	536,440	47,143	88,102	48,807	67,743	–	788,235
Residential Mortgages	495	–	–	–	–	–	495
Higher Risk Assets	17,443	35	–	–	249	–	17,727
Other Assets	1,168,470	331,656	62,442	136,287	226,431	1,050	1,926,336
Total	**6,070,752**	**597,648**	**349,336**	**353,145**	**600,569**	**41,753**	**8,013,203**

Note: This table excludes equity and securitisation exposures

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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 2018

RHB Investment Bank Group Exposure Class	Agriculture RM'000	Mining & Quarrying RM'000	Manufac-turing RM'000	Electricity, Gas & Water Supply RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurants & Hotels RM'000	Transport, Storage & Commu-nication RM'000	Finance, Insurance, 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	–	–	–	–	–	–	–	–	922,632	–	–	922,632
Public Sector Entities	–	–	–	–	–	–	–	71,144	55,713	–	–	126,857
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	–	1,806,677	–	–	–	1,806,677
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	–	–	–	94,524	–	–	–	94,524
Corporates	32,287	102	4,971	131,689	40,932	214,908	95,123	788,052	–	649,518	–	1,957,582
Regulatory Retail	–	–	–	–	–	–	–	132	–	707,400	–	707,532
Residential Mortgages	–	–	–	–	–	–	–	–	–	349	–	349
Higher Risk Assets	–	–	–	–	–	–	–	494,864	–	–	–	494,864
Other Assets	–	–	–	–	–	–	–	283,769	–	–	791,328	1,075,097
Total	32,287	102	4,971	131,689	40,932	214,908	95,123	3,539,162	978,345	1,357,267	791,328	7,186,114

Note: This table excludes equity and securitisation exposures

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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 2017 (Restated)

RHB Investment Bank Group Exposure Class	Agriculture RM'000	Mining & Quarrying RM'000	Manufac-turing RM'000	Electricity, Gas & Water Supply RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurants & Hotels RM'000	Transport, Storage & Commu-nication RM'000	Finance, Insurance, 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	–	–	–	–	–	–	–	–	1,685,257	–	–	1,685,257
Public Sector Entities	–	–	–	–	–	–	–	–	60,869	–	–	60,869
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	–	1,641,313	–	–	–	1,641,313
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	–	–	–	101,073	–	–	–	101,073
Corporates	26,486	232	856	176,128	–	83,262	49,215	638,602	–	817,117	–	1,791,898
Regulatory Retail	–	–	–	–	–	–	–	–	–	788,235	–	788,235
Residential Mortgages	–	–	–	–	–	–	–	–	–	495	–	495
Higher Risk Assets	–	–	–	–	–	–	–	17,727	–	–	–	17,727
Other Assets	–	–	–	–	–	–	–	507,475	–	–	1,418,861	1,926,336
Total	**26,486**	**232**	**856**	**176,128**	**–**	**83,262**	**49,215**	**2,906,190**	**1,746,126**	**1,605,847**	**1,418,861**	**8,013,203**

Note: This table excludes equity and securitisation exposures

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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 2018

RHB Investment 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	242,742	554,426	125,464	922,632
Public Sector Entities	–	126,857	–	126,857
Banks, Development Financial Institutions & MDBs	1,588,953	30,472	187,252	1,806,677
Insurance Cos, Securities Firms & Fund Managers	–	–	94,524	94,524
Corporates	1,138,964	767,147	51,471	1,957,582
Regulatory Retail	707,497	–	35	707,532
Residential Mortgages	22	14	313	349
Higher Risk Assets	255	–	494,609	494,864
Other Assets	83,278	–	991,819	1,075,097
Total	**3,761,711**	**1,478,916**	**1,945,487**	**7,186,114**

Note: This table excludes equity and securitisation exposures

Table 9b: Credit Risk Exposures (Before Credit Risk Mitigation) by Remaining Maturity as at 31 December 2017 (Restated)

RHB Investment 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	997,026	504,084	184,147	1,685,257
Public Sector Entities	–	60,869	–	60,869
Banks, Development Financial Institutions & MDBs	1,552,383	–	88,930	1,641,313
Insurance Cos, Securities Firms & Fund Managers	–	–	101,073	101,073
Corporates	1,306,264	460,352	25,282	1,791,898
Regulatory Retail	788,199	32	4	788,235
Residential Mortgages	–	102	393	495
Higher Risk Assets	284	–	17,443	17,727
Other Assets	–	–	1,926,336	1,926,336
Total	**4,644,156**	**1,025,439**	**2,343,608**	**8,013,203**

Note: This table excludes equity and securitisation exposures

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6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Standardised Approach

Under the 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 Investment 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 2018

RHB Investment 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%	909,892	126,857	30,472	–	789,372	–	–	–	487,477	–	2,344,070	–
20%	8,626	–	1,442,416	–	–	–	–	–	283,669	–	1,734,711	346,942
35%	–	–	–	–	–	–	349	–	–	–	349	122
50%	–	–	295,572	–	–	601	–	–	–	–	296,173	148,087
75%	–	–	–	–	–	29,361	–	–	–	–	29,361	22,021
100%	4,114	–	38,217	94,524	38,606	–	–	–	303,951	194,278	673,690	673,690
150%	–	–	–	–	–	407	–	494,864	–	–	495,271	742,907
Total Exposures	922,632	126,857	1,806,677	94,524	827,978	30,369	349	494,864	1,075,097	194,278	5,573,625	1,933,769

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6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Standardised Approach (continued)

Table 10b: Portfolios under the Standardised Approach by Risk-Weights as at 31 December 2017 (Restated)

RHB Investment 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%	1,672,414	60,869	–	–	516,188	–	–	–	914,412	–	3,163,883	–
20%	8,833	–	1,399,851	–	–	–	–	–	507,390	–	1,916,074	383,215
35%	–	–	–	–	–	–	495	–	–	–	495	173
50%	–	–	204,769	–	–	396	–	–	–	–	205,165	102,583
75%	–	–	–	–	–	28,311	–	–	–	–	28,311	21,233
100%	4,010	–	36,693	101,073	42,708	139	–	–	504,534	32,608	721,765	721,765
150%	–	–	–	–	–	408	–	17,727	–	–	18,135	27,203
Total Exposures	**1,685,257**	**60,869**	**1,641,313**	**101,073**	**558,896**	**29,254**	**495**	**17,727**	**1,926,336**	**32,608**	**6,053,828**	**1,256,171**

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 RHB Investment Bank Group's credit exposures for 31 December 2018 compared with 31 December 2017, according to the ratings by ECAIs:

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6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings (continued)

Table 11a: Rated Exposures According to Ratings by External Credit Assessment Institutions (ECAIs) as at 31 December 2018

RHB Investment 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		–	–	–	–	126,857
Insurance Cos, Securities Firms & Fund Managers		–	–	–	–	94,524
Corporates		–	–	–	–	827,978

Short Term Ratings of Banking Institutions 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		–	–	–	–	–

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6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings (continued)

Table 11a: Rated Exposures According to Ratings by External Credit Assessment Institutions (ECAIs) as at 31 December 2018 (continued)

RHB Investment Bank Group

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		–	918,518	–	4,114	–	–

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
Exposure Class	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off Balance Sheet Exposures							
Banks, Development Financial Institutions & MDBs		1,203,028	76,550	1,613	–	–	525,486

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6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings (continued)

Table 11b: Rated Exposures According to Ratings by External Credit Assessment Institutions (ECAIs) as at 31 December 2017 (Restated)

RHB Investment 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		–	–	–	–	60,869
Insurance Cos, Securities Firms & Fund Managers		–	–	–	–	101,073
Corporates		–	–	–	–	558,896

Short Term Ratings of Banking Institutions 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		–	–	–	–	–

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6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings (continued)

Table 11b: Rated Exposures According to Ratings by External Credit Assessment Institutions (ECAIs) as at 31 December 2017 (Restated) (continued)

RHB Investment Bank Group

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		–	1,681,247	–	4,010	–	–

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
Exposure Class	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off Balance Sheet Exposures							
Banks, Development Financial Institutions & MDBs		1,239,041	68,718	48	–	–	333,506

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6.0 CREDIT RISK (CONTINUED)

6.6 Credit Risk Monitoring and Control

Credit Risk Mitigation

RHB Investment Bank Group generally does not enter into a credit/financing commitment solely on the basis of collateral provided. All credit facilities/commitments are granted based on prior analysis of the credit standing of the borrower/counterparty with a legitimate credit purpose and a good debt servicing ability, and on RHB Investment Bank Group's ability to adequately ring-fence the source(s) of repayment. Attention is also paid to ensure that the credit transaction is within BNM's directives on lending by an investment bank.

Collateral is taken whenever possible to mitigate the credit risk assumed, subject to RHB Investment Bank 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, RHB Investment Bank Group as part of the RHB Banking Group adopts the Group's standards on the acceptance of guarantors as credit risk mitigants, where relevant.

Collateral is valued in accordance with RHB Investment Bank 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 during the annual/periodic renewal of facilities, as well as updated into RHB Investment Bank Group's collateral system.

RHB Investment Bank Group may 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, RHB Investment Bank Group does not employ the use of derivative credit instruments or on-balance sheet netting to mitigate its credit exposures. Where possible, RHB Investment Bank 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 financing and acquisition of equity securities or investment properties. Any further impairment of the assets or business acquired is treated as an impairment of the relevant asset or business rather than as an impairment of the original instrument.

RHB Investment Bank Group has established mechanism to monitor credit and market concentration within its credit mitigation.

6.0 CREDIT RISK (CONTINUED)

6.6 Credit Risk Monitoring and Control (continued)

The following tables show the credit risk mitigation of portfolios under the Standardised Approach as at 31 December 2018 compared with 31 December 2017:

Table 12a: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2018

RHB Investment 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	922,632	–	–
Public Sector Entities	126,857	126,857	–
Banks, Development Financial Institutions & MDBs	1,805,065	30,472	–
Insurance Cos, Securities Firms & Fund Managers	94,524	–	–
Corporates	1,832,873	789,372	1,035,133
Regulatory Retail	561,337	–	558,606
Residential Mortgages	349	–	–
Higher Risk Assets	494,864	–	–
Other Assets	1,075,097	–	–
Securitisation Exposures	–	–	–
Equity Exposures	194,278	–	–
Defaulted Exposures	1,008	–	–
Total On Balance Sheet Exposures	**7,108,884**	**946,701**	**1,593,739**
Off Balance Sheet Exposures			
OTC Derivatives	1,611	–	–
Off balance sheet exposures other than OTC derivatives or credit derivatives	269,897	–	213,028
Defaulted Exposures	–	–	–
Total Off Balance Sheet Exposures	**271,508**	**–**	**213,028**
Total On and Off Balance Sheet Exposures	**7,380,392**	**946,701**	**1,806,767**

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6.0 CREDIT RISK (CONTINUED)

6.6 Credit Risk Monitoring and Control (continued)

The following tables show the credit risk mitigation of portfolios under the Standardised Approach as at 31 December 2018 compared with 31 December 2017: (continued)

Table 12b: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2017 (Restated)

RHB Investment 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	1,685,257	–	–
Public Sector Entities	60,869	60,869	–
Banks, Development Financial Institutions & MDBs	1,640,889	–	–
Insurance Cos, Securities Firms & Fund Managers	101,073	–	–
Corporates	1,640,988	516,188	1,115,597
Regulatory Retail	625,921	–	623,103
Residential Mortgages	486	–	–
Higher Risk Assets	17,727	–	–
Other Assets	1,926,336	–	–
Securitisation Exposures	–	–	–
Equity Exposures	32,608	–	–
Defaulted Exposures	7,318	–	4,893
Total On Balance Sheet Exposures	**7,739,472**	**577,057**	**1,743,593**
Off Balance Sheet Exposures			
OTC Derivatives	861	–	436
Off balance sheet exposures other than OTC derivatives or credit derivatives	305,478	–	247,955
Defaulted Exposures	–	–	–
Total Off Balance Sheet Exposures	**306,339**	**–**	**248,391**
Total On and Off Balance Sheet Exposures	**8,045,811**	**577,057**	**1,991,984**

6.0 CREDIT RISK (CONTINUED)

6.6 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 other factors. To manage this concentration risk, exposure limits are established for single borrowing/financing groups and industry segments. 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

RHB Investment Bank Group regularly monitors financing exposures, portfolio performance, and external trends which may impact risk management outcomes. Internal risk management reports are generated for senior management, IBRMC, BRC and Board, and include information on portfolio quality, and concentration of risk exposures by business portfolios.

In addition to the on-going qualitative assessment by the account relationship managers, reviews are conducted at least once a year. Specific exposures may be reviewed more frequently under appropriate circumstances. Such circumstances may arise if, for instance, RHB Investment Bank Group believes that heightened risk exists in a particular industry, or the borrower has defaulted on obligations to suppliers or other financial institutions or is facing cash flow or other difficulties.

Where relevant, 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 standards and policies on lending/financing and investment established by RHB Investment Bank Group’s management or by laws and regulations.

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6.0 CREDIT RISK (CONTINUED)

6.7 Impairment Allowances for Loans/Financing

RHB Investment Bank 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, the MFRS 9. As part of RHB Banking Group, RHB Investment Bank Group adopts the Group's policy and guidelines on impairment allowances, where relevant.

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 and Loss and equity securities, which are not subject to impairment assessment. Off-balance sheet items that are subject to ECL include financial guarantees and undrawn loan commitments.

MFRS 9 does not distinguish between individual assessment and collective assessment. The Group 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 individual 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 individual 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.

6.0 CREDIT RISK (CONTINUED)

6.7 Impairment Allowances for Loans/Financing (continued)

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.

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 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 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 RHB Investment Bank Group to facilitate impairment classification.

Note:
For R&R facilities, the borrower/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 be recovered from the impaired borrowers/customers ie net present value of future cashflows are discounted based on original effective interest rates and compared against carrying amount. Any impairment on the shortfalls will be provided in full immediately.

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6.0 CREDIT RISK (CONTINUED)

6.7 Impairment Allowances for Loans/Financing (continued)

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 RHB Investment Bank Group being past due less than 90 days or 3 months.
2. Where the borrower exhibits weakness(es) that render it to be classified as impaired, even though the loan 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 margin account's equity exceeds 130% of the outstanding balance, as determined in accordance with Chapter 7 Rule 703 of Bursa Malaysia Securities Berhad at the end of the calendar month of that occurring.

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/discount already given 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 scored 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 unsecured personal financing, aging is 6 months and above and the write-off is automatic.

Partial write-offs of impaired loans/financing is permitted for the shortfall portion in outstanding balance over the security value which is uncollectible and worthless; and RHB Investment Bank Group is in the final stage of realising the security/collateral; or in the case of approved composite settlement arrangement, the waiver portion. Further shortfall if any, arising from the disposal of all securities and upon receipt of the sale proceeds, shall be written-off immediately. For loans/financing secured with properties classified as impaired > 3 years with 3 rounds of abortive auctions, the balance outstanding is permitted to be written down to 50% of the value of security, with the shortfall to be written-off.

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 RHB Investment Bank Group's books.

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6.0 CREDIT RISK (CONTINUED)

6.7 Impairment Allowances for Loans/Financing (continued)

The following tables show RHB Investment Bank Group's impaired and past due loans/financing and allowances by industry sector as at 31 December 2018 compared with 31 December 2017:

Table 13a: Impaired and Past Due Loans/Financing and Allowances for Impairment by Industry Sector as at 31 December 2018

RHB Investment Bank Group Industry Sector	Impaired Loans and Advances/ Financing RM'000	Past Due Loans/ Financing RM'000	Allowance For Credit Losses RM'000
Agriculture	–	–	–
Mining & Quarrying	7,445	–	7,445
Manufacturing	–	–	–
Electricity, Gas & Water Supply	–	–	–
Construction	–	–	–
Wholesale, Retail Trade, Restaurants & Hotels	–	–	–
Transport, Storage & Communication	–	–	–
Finance, Insurance/Takaful, Real Estate & Business	–	–	–
Education, Health & Others	–	–	–
Household	12,545	–	11,536
Others	–	–	–
Total	**19,990**	**–**	**18,981**

Table 13b: Impaired and Past Due Loans/Financing and Allowances for Impairment by Industry Sector as at 31 December 2017

RHB Investment Bank Group Industry Sector	Impaired Loans and Advances/ Financing RM'000	Past Due Loans/ Financing RM'000	Individual Impairment Allowances RM'000	Collective Impairment Allowances RM'000
Agriculture	–	–	–	–
Mining & Quarrying	7,609	–	1,681	–
Manufacturing	2,191	–	2,191	–
Electricity, Gas & Water Supply	–	–	–	–
Construction	–	–	–	–
Wholesale, Retail Trade, Restaurants & Hotels	34,979	–	34,979	–
Transport, Storage & Communication	–	–	–	–
Finance, Insurance/Takaful, Real Estate & Business	26,241	–	26,241	–
Education, Health & Others	–	–	–	–
Household	22,657	–	21,813	1
Others	–	–	–	–
Total	**93,677**	**–**	**86,905**	**1**

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6.0 CREDIT RISK (CONTINUED)

6.7 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 2018 compared with 31 December 2017:

Table 14: Net Charges/(Write-back) and Write-Offs for Impairment by Industry Sector

RHB Investment Bank Group	Twelve Months Period Ended 2018		Twelve Months Period Ended 2017	
Industry Sector	Net Charges/ (Write-back) for Lifetime ECL Credit Impaired (Stage 3) RM'000	Write-Offs RM'000	Net Charges/ (Write-back) for Individual Impairment Allowances RM'000	Write-Offs RM'000
Agriculture	–	–	–	–
Mining & Quarrying	5,644	–	1,710	–
Manufacturing	–	(2,194)	2,262	–
Electricity, Gas & Water Supply	–	–	–	–
Construction	–	–	–	–
Wholesale, Retail Trade, Restaurants & Hotels	–	(35,645)	31,954	–
Transport, Storage & Communication	–	–	–	–
Finance, Insurance, Real Estate & Business	–	(26,740)	(188)	–
Education, Health & Others	–	–	–	–
Household	(165)	(10,511)	13,211	(347)
Others	–	–	–	–
Total	**5,479**	**(75,090)**	**48,949**	**(347)**

6.0 CREDIT RISK (CONTINUED)

6.7 Impairment Allowances for Loans/Financing (continued)

The following tables show RHB Investment Bank Group's impaired and past due loans & allowances by geographical distribution as at 31 December 2018 compared with 31 December 2017:

Table 15a: Impaired and Past Due Loans and Allowances for Impairment by Geographical Distribution as at 31 December 2018

RHB Investment Bank Group Geographical Distribution	Impaired Loans and Advances RM'000	Past Due Loans RM'000	Allowance For Credit Losses RM'000
Malaysia	–	–	1
Singapore	11,323	–	10,313
Hong Kong	16	–	16
Thailand	8,651	–	8,651
Total	**19,990**	**–**	**18,981**

Table 15b: Impaired and Past Due Loans and Allowances for Impairment by Geographical Distribution as at 31 December 2017

RHB Investment Bank Group Geographical Distribution	Impaired Loans and Advances RM'000	Past Due Loans RM'000	Individual Impairment Allowances RM'000	Collective Impairment Allowances RM'000
Malaysia	454	–	5	1
Singapore	14,994	–	8,671	–
Hong Kong	69,799	–	69,799	–
Thailand	8,430	–	8,430	–
Total	**93,677**	**–**	**86,905**	**1**

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6.0 CREDIT RISK (CONTINUED)

6.7 Impairment Allowances for Loans/Financing (continued)

The following tables show the reconciliation of changes to loan/financing impairment allowances as at 31 December 2018 compared with 31 December 2017:

Table 16a: Reconciliation of Changes to Loan/Financing Impairment Allowances as at 31 December 2018

RHB Investment Bank Group	12-month ECL (Stage 1) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
Balance as at the beginning of financial period			
– As previously reported	–	–	–
– Effect of adoption of MFRS 9	1	86,905	86,906
– As restated	1	86,905	86,906
Allowance made/(written-back) during the financial period	–	5,479	5,479
Bad debts written off	–	(75,090)	(75,090)
Exchange differences	–	1,686	1,686
Balance as at the end of financial period	**1**	**18,980**	**18,981**

Table 16b: Reconciliation of Changes to Loan/Financing Impairment Allowances as at 31 December 2017

RHB Investment Bank Group	RM'000
Individual Impairment Allowance	
Balance as at the beginning of financial year	**54,887**
Net allowance made	48,949
Amount written off	(347)
Business transferred to holding company	(9,966)
Exchange differences	(6,618)
Balance as at the end of financial year	**86,905**
Collective Impairment Allowance	
Balance as at the beginning of financial year	**230**
Net allowance made	(229)
Balance as at the end of financial year	**1**

Note:

The impairment as at 31 December 2017 is computed based on MFRS 139 while the impairment as at 31 December 2018 is computed based on MFRS 9. Comparatives have not been restated as provided in the transitional provision of MFRS 9 for Tables 13 to 16.

7.0 MARKET RISK

Market risk is the risk of losses arising from adverse movements in market indicators, such as interest/profit rates, credit spreads, equity prices, currency exchange rates and commodity prices within the trading portfolios and certain exposures in the banking book.

RHB Investment Bank Group transacts financial instruments such as debt papers and financial derivative instruments such as futures, forwards, swaps, and options transactions. Derivative instruments are contracts whose characteristics and value are derived from the underlying instruments that can be a reference to interest/profit rates, exchange rates, debt paper, or equity and indices.

The Group Market Risk Management within Group Risk Management is the working level that forms a centralised function to support senior management to operationalise the processes and implement methods, 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.

RHB Investment Bank Group has an established Group Trading Book Policy Statement as guidance for market risk management. This is reviewed regularly and/or upon change in significant event that has a material impact on policy compliance or regulatory changes.

The Group Asset and Liability Committee (Group ALCO) and IBRMC perform a critical role in the management of market risk and supports the BRC in the overall market risk management. Both 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 RHB Investment Bank Group's market risk strategy, market risk management structure and the policies as well as measurement techniques to be put in place.

Market Risk Assessment

RHB Investment Bank 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.

RHB Investment Bank 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, RHB Investment Bank 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, IBRMC, BRC 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 RHB Investment Bank Group and the subsequent control procedures such as effectiveness measurement and reporting to Group ALCO.

Hedging instruments used to mitigate these risks include derivatives such as options, futures, forwards and swaps that are approved by the Board. Execution of the hedging is carried out by the relevant division through RHB Investment Bank Group's treasury functions with the approval of Group ALCO.

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7.0 MARKET RISK (CONTINUED)

Capital Treatment for Market Risk

RHB Investment Bank 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 Investment Bank Group and RHB Investment Bank as at 31 December 2018 and 31 December 2017 are shown in the tables below:

Table 17a: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2018

RHB Investment 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	5,890	5,870	–	–
Equity Position Risk	24,749	11,332	71,768	5,741
Foreign Currency Risk	586,105	86,926	586,105	46,888
Options Risk	150,167	11,332	219,633	17,571
Total			877,506	70,200

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	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:
1. As at year 2018, RHB Investment Bank Group and RHB Investment Bank did not have any exposures under Commodity or Inventory Risk.
2. For the Equity Position risk, the position is computed based on net long and net short position.

7.0 MARKET RISK (CONTINUED)

Capital Treatment for Market Risk

Table 17b: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2017

RHB Investment 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	57,480	57,269	357	29
Equity Position Risk	717,773	132,802	1,309,630	104,770
Foreign Currency Risk	469,235	94,143	469,235	37,539
Options Risk	173,840	132,813	270,139	21,611
Total			**2,049,361**	**163,949**

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	57,480	57,269	357	29
Equity Position Risk	148,674	132,190	67,446	5,395
Foreign Currency Risk	346,940	293,163	346,940	27,755
Options Risk	120,000	132,190	195,799	15,664
Total			**610,542**	**48,843**

Note:

1. As at year 2017, RHB Investment Bank Group and RHB Investment Bank did not have any exposures under Commodity or Inventory Risk.
2. For the Equity Position risk, the position is computed based on net long and net short position.

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8.0 EQUITY EXPOSURES IN THE BANKING BOOK

Equity risk is the risk of decline in the net realisable value of investment assets arising from adverse movements in market prices or factors specific to the investment itself. RHB Investment Bank 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.

For debt equity conversions, RHB Investment Bank Group has established a Policy on Debt & Equity Instruments that governs the management of such exposures to ensure that these exposures are effectively managed and accounted for it’s books.

For regulatory capital purpose, RHB Investment Bank Group adopts the Standardised Approach to calculate the risk-weighted exposures. The risk-weighted assets of equity investments of RHB Investment Bank Group as at 31 December 2018 and 31 December 2017 are shown in the tables below:

Table 18: Equity Exposures in the Banking Book

RHB Investment Bank Group	Gross Credit Exposures		Risk-Weighted Assets	
Equity Type	**2018 RM’000**	**2017 RM’000**	**2018 RM’000**	**2017 RM’000**
Publicly traded				
Investment in unit trust funds	**36,342**	–	**36,342**	–
Holdings of equity investments	**127,096**	2,364	**127,096**	2,382
Privately held				
For socio economic purposes	**36,762**	30,280	**39,723**	30,280
For non socio economic purpose	**488,942**	2,798	**733,414**	4,177
Total	**689,142**	**35,442**	**936,575**	**36,839**

	2018 RM’000	**2017 RM’000**
Cumulative Realised Gains/(Loss) from Sale and Liquidations	**32**	–
Total Net Unrealised Gains/(Loss)	**62,030**	30,887

9.0 LIQUIDITY RISK

Liquidity risk is the risk of the Group being unable to maintain sufficient liquid assets 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 Bank 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 BRC 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 RHB Investment Bank Group's balance sheet profile. Global and domestic economic data, information and events are deliberated at the Group ALCO meetings which enables RHB Investment Bank Group to determine its actions and reactions in the capital markets. The Group ALCO is also the governance body which sets interest 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.

RHB Investment Bank 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 days under liquidity stress condition. RHB Investment Bank Group continues to report NSFR under the Basel III observation reporting to BNM.

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 RHB Investment Bank 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.

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10.0 INTEREST RATE RISK IN THE BANKING BOOK

Interest rate 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. The risk may arise from the mismatches in the timing of repricing 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 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 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 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 Risk – Arises primarily from options that are embedded in many banking book positions (eg some fixed rate mortgage products give borrowers the option to prepay the loan 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 in the banking book. They are computed based on the repricing 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 BRC 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 risk profile of the banking book. The primary objective in managing balance sheet risk is to manage the net interest income and economic value of equity, as well as to ensure that interest rate 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 in the banking book. Interest rate sensitivity triggers are applied on earnings for the respective profit centres within RHB Investment Bank Group. RHB Investment Bank Group regularly considers the economics and necessity of increasing or reducing its interest rate 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 rates, interest rate 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 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 in the banking book in an environment of rapid financial market changes.

10.0 INTEREST RATE RISK IN THE BANKING BOOK (CONTINUED)

The impact of changes in interest rates to net earnings and economic value as at 31 December 2018 and 31 December 2017 are shown in the following tables:

Table 19a: Interest Rate Risk in the Banking Book as at 31 December 2018

RHB Investment 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	(10,376)	10,376	(50,569)	50,569
USD – US Dollar	(4,704)	4,704	210	(210)
Others[1]	(460)	460	(7,509)	7,509
Total	**(15,540)**	**15,540**	**(57,868)**	**57,868**

Table 19b: Interest Rate Risk in the Banking Book as at 31 December 2017

RHB Investment 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	(8,549)	8,549	(44,364)	44,364
USD – US Dollar	(3,648)	3,648	(97)	97
Others[1]	112	(112)	(7,579)	7,579
Total	**(12,085)**	**12,085**	**(52,040)**	**52,040**

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 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 rate change impact.
- For assets and liabilities with non-fix maturity, eg, current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of interest rate bearing items.

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10.0 INTEREST RATE RISK IN THE BANKING BOOK (CONTINUED)

Economic value is characterised by the impact of interest rates changes on the value of all net cash flows, ie, the effect on the economic value of RHB Investment Bank 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 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 RHB Investment Bank 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 RHB Investment Bank 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.

11.0 OPERATIONAL RISK (CONTINUED)

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, IBRMC, BRC 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.

Operational Risk Management Processes and Tools

RHB Investment Bank 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.

- **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 and Technology 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.

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11.0 OPERATIONAL RISK (CONTINUED)

Operational Risk Management Processes and Tools (continued)

- **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.

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 to 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.

11.0 OPERATIONAL RISK (CONTINUED)

Risk Mitigation and Controls (continued)

- **Business Continuity Management**

  To mitigate the impact of unforeseen operational risk events, RHB Investment Bank 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 GMC. The Group Business Continuity Steering Committee, which reports to the GCRC, is the committee that oversees the Group's business continuity framework, policies, budget and plans.

- **Outsourcing**

  With the increasing need to outsource for cost and operational efficiency, the Group Sourcing Policy ensures that the risk arising from outsourcing activities is adequately identified, assessed and managed prior to entering into any new arrangements and on an on-going basis.

- **Insurance Management**

  RHB Investment Bank Group considers risk transfer by means of insurance to mitigate operational risk. RHB Investment Bank Group has a programme of insurance designed to reduce its exposure to liability and to protect its assets. RHB Investment Bank Group purchases insurance from leading insurers 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 and will financially mitigate the economic consequences of risks.

Technology Risk

Technology Risk refers to the business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an enterprise.

RHB Investment Bank 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.

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.

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11.0 OPERATIONAL RISK (CONTINUED)

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 RHB Investment Bank Group's legal counsel and external legal counsel to ensure that legal risk is effectively managed.

Capital Treatment for Operational Risk

Currently, RHB Investment Bank 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 Investment Bank Group and RHB Investment Bank as at 31 December 2018 and 31 December 2017, are shown below:

Table 20: Operational Risk-Weighted Assets and Minimum Capital Requirements

	RHB Investment Bank Group		RHB Investment Bank	
Operational Risk	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Risk-Weighted Assets	**1,567,043**	1,689,666	**807,022**	905,417
Minimum Capital Requirements	**125,363**	135,173	**64,562**	72,433

12.0 COUNTRY CROSS-BORDER RISK

Country cross-border risk is the risk that RHB Investment Bank 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 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.

RHB Investment Bank 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 RHB Investment Bank Group's interest, thus reducing the risks associated with business activities.

13.0 REPUTATIONAL RISK

Reputational risk is defined as the risk that negative publicity regarding the conduct of RHB Investment Bank 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 level reporting approach for incident that affects 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.

For RHB Investment Bank Group's overseas operations, it is the responsibility of the Country Heads to promote awareness and application of RHB Investment Bank Group's policy and procedures regarding reputational risk, in all dealings with customers, potential investors and host regulators.

14.0 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 rates and exchange rates, changes in regulation, and future business combinations or dispositions. As a result, RHB Investment Bank Group's actual future results may differ materially from the plans, goals, and the expectations contained in the forward looking statements.

RHB Investment Bank 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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14.0 FORWARD LOOKING STATEMENTS (CONTINUED)

Table 21: Glossary of Terms

BCC	Board Credit Committee
BCM	Business Continuity Management
BNM	Bank Negara Malaysia
Board	Board of Directors
BRC	Board Risk Committee
CCB	Capital Conservation Buffer
CCR	Counterparty Credit Risk
CCYb	Countercyclical Capital Buffer
CET	Common Equity Tier
CRM	Credit Risk Mitigation
EAD	Exposure at Default
EaR	Earnings-at-Risk
ECAIs	External Credit Assessment Institutions
EUR	Euro Dollar
EVE	Economic Value of Equity
Fitch	Fitch Ratings
GBCSC	Group Business Continuity Steering Committee
GBP	Pound Sterling
GCG	Group Credit Guidelines
GCPM	Group Credit Procedures Manual
GCRC	Group Capital and Risk Committee
GIUC	Group Investment Underwriting Committee
GMC	Group Management Committee
GRM	Group Risk Management
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
ISDA	International Swaps and Derivatives Association
KCT	Key Control Testing
KRI	Key Risk Indicators

14.0 FORWARD LOOKING STATEMENTS (CONTINUED)

Table 21: Glossary of Terms (continued)

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
R&I	Rating and Investment Information, Inc
RAM	Rating Agency Malaysia
RCSA	Risk and Control Self-Assessment
RM’000	Malaysian Ringgit in nearest thousand
RWCAF	Risk-Weighted Capital Adequacy Framework
RWA	Risk-Weighted Assets
SA	Standardised Approach
SBUs	Strategic Business Units
SFUs	Strategic Functional Units
SGD	Singapore Dollar
S&P	Standard & Poor’s
USD	US Dollar
VaR	Value-at-Risk

Group Branch Network

as at 31 December 2018

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- Kepong
- Pandan Indah
- Seri Petaling

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- Klang
- Rawang
- USJ Taipan

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- Kuala Terengganu
- Kuantan

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- Segamat
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SABAH REGION

Branch
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Group Branch Network

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