RHB INVESTMENT BANK BERHAD

(Incorporated in Malaysia)

Registration No. 197401002639 (19663-P)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

RHB INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
Registration No. 197401002639 (19663-P)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Azlan bin Mohd Zainol
Chin Yoong Kheong
Tan Sri Ong Leong Huat @ Wong Joo Hwa
Yap Chee Meng
Dato' Darawati Hussain
Sharifatu Laila binti Syed Ali
Dato' Siow Kim Lun @ Siow Kim Lin

SECRETARY

Azman Shah Md Yaman

REGISTERED OFFICE

Level 10, Tower One
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Malaysia

AUDITORS

PricewaterhouseCoopers PLT
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur
Malaysia

RHB INVESTMENT BANK BERHAD
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STATUTORY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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RHB INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
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DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activities of the Bank 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, stock-broking 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	Bank
	RM'000	RM'000
Net profit for the financial year attributable to:		
- Equity holder of the Bank	23,949	4,642
- Non-controlling interests	1,159	-
Net profit for the financial year	25,108	4,642

DIVIDENDS

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

The Directors proposed an interim single-tier dividend of 143.00 sen per ordinary share, amounting to RM143,000,000 in respect of the current financial year ended 31 December 2019, which was approved by the Board of Directors on 28 January 2020.

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

The Directors do not propose any final dividend for the financial year ended 31 December 2019.

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT (CONTINUED)

ISSUE OF SHARES

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

BAD AND DOUBTFUL DEBTS AND FINANCING

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

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.

DIRECTORS' REPORT (CONTINUED)

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 49(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.

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 52 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	
Dato' Darawati Hussain	
Sharifatu Laila binti Syed Ali	(Appointed on 15 March 2019)
Dato' Siow Kim Lun @ Siow Kim Lin	(Appointed on 1 October 2019)
Tan Sri Dr Rebecca Fatima Sta Maria	(Resigned on 15 April 2019)

Pursuant to Article 97 of the Bank's Constitution, Dato' Siow Kim Lun @ Siow Kim Lin shall retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Pursuant to Article 95 of the Bank's Constitution, Mr Yap Chee Meng and Dato' Darawati Hussain shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' REPORT (CONTINUED)

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 **RHB Bank Berhad**	**As at 01.01.2019**	**Bought**	**Sold**	**As at 31.12.2019**
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.

	Debentures held			
	As at 01.01.2019	**Bought**	**Sold**	**As at 31.12.2019**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Ultimate Holding Company				
RHB Bank Berhad				
- **USD500 Million 2.503% Senior Debt Securities**				
Yap Chee Meng	-	200	-	**200**

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than Directors' remuneration and benefits-in-kind as disclosed in Note 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.

RHB INVESTMENT BANK BERHAD
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DIRECTORS' REPORT (CONTINUED)

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 13 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 24 February 2020. 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
24 February 2020

RHB INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
Registration No. 197401002639 (19663-P)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
ASSETS					
Cash and short-term funds	**2**	**2,146,388**	1,859,024	**1,443,786**	1,192,584
Deposits and placements with banks and other financial institutions	**3**	**206,999**	90,449	**-**	-
Financial assets at fair value through profit or loss ('FVTPL')	**4**	**847,934**	743,221	**60,382**	55,642
Financial assets at fair value through other comprehensive income ('FVOCI')	**5**	**752,242**	750,225	**743,970**	741,927
Financial investments at amortised costs	**6**	**911,838**	867,307	**911,838**	867,307
Loans and advances	**7**	**1,855,873**	1,600,323	**1,405,692**	1,031,270
Clients' and brokers' balances	**8**	**893,448**	943,057	**466,285**	526,757
Other assets	**9**	**199,535**	154,321	**79,616**	25,622
Derivative assets	**10**	**3,091**	74	**3,054**	74
Statutory deposits	**11**	**66,015**	64,414	**62,000**	60,300
Tax recoverable		**17,102**	24,654	**15,282**	21,397
Deferred tax assets	**12**	**19,410**	19,610	**10,106**	5,832
Investments in subsidiaries	**13**	**-**	-	**1,093,697**	1,182,229
Investments in associates and joint ventures	**14**	**16,083**	30,646	**5,028**	21,057
Right of use assets	**15**	**29,962**	-	**7,038**	-
Property, plant and equipment	**16**	**42,601**	40,044	**20,722**	20,104
Goodwill and other intangible assets	**17**	**559,553**	571,521	**398,300**	399,450
TOTAL ASSETS		**8,568,074**	7,758,890	**6,726,796**	6,151,552

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

RHB INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
Registration No. 197401002639 (19663-P)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 (CONTINUED)

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
LIABILITIES AND EQUITY					
Deposits from customers	**18**	**1,410,984**	1,030,614	**1,410,984**	1,030,614
Deposits and placements of banks and other financial institutions	**19**	**2,014,638**	1,834,820	**2,014,638**	1,834,820
Bills and acceptances payable		**36,957**	44,536	**-**	-
Clients' and brokers' balances	**20**	**824,166**	832,160	**544,849**	619,201
Other liabilities	**21**	**659,424**	415,261	**226,103**	172,243
Derivative liabilities	**10**	**4,509**	5,917	**3,873**	3,941
Puttable financial instruments		**-**	70,615	**-**	-
Tax liabilities		**5,503**	6,288	**-**	-
Deferred tax liabilities	**12**	**1,531**	2,072	**-**	-
Lease liabilities	**22**	**29,567**	-	**7,203**	-
Borrowings	**23**	**882,036**	882,969	**-**	-
Subordinated obligations	**24**	**404,263**	404,263	**404,263**	404,263
TOTAL LIABILITIES		**6,273,578**	5,529,515	**4,611,913**	4,065,082
Share capital	**25**	**1,487,773**	1,487,773	**1,487,773**	1,487,773
Reserves	**26**	**796,515**	731,563	**627,110**	598,697
		2,284,288	2,219,336	**2,114,883**	2,086,470
Non-controlling interests	**27**	**10,208**	10,039	**-**	-
TOTAL EQUITY		**2,294,496**	2,229,375	**2,114,883**	2,086,470
TOTAL LIABILITIES AND EQUITY		**8,568,074**	7,758,890	**6,726,796**	6,151,552
COMMITMENTS AND CONTINGENCIES	**42**	**1,254,782**	1,472,872	**778,989**	553,804

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

RHB INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
Registration No. 197401002639 (19663-P)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019	Group 2018	Bank 2019	Bank 2018
		RM'000	**RM'000**	**RM'000**	**RM'000**
Interest income	**28**	**243,345**	231,729	**177,851**	168,896
Interest expense	**29**	**(168,323)**	(167,022)	**(127,769)**	(132,154)
Net interest income		**75,022**	64,707	**50,082**	36,742
Fee and commission income	**30**	**755,987**	673,603	**266,228**	238,868
Fee and commission expense	**31**	**(233,144)**	(170,932)	**(9,911)**	(11,249)
Other operating income	**32**	**180,269**	179,149	**161,536**	152,901
		778,134	746,527	**467,935**	417,262
Other operating expenses	**33**	**(650,770)**	(693,498)	**(285,631)**	(335,979)
Operating profit before allowances		**127,364**	53,029	**182,304**	81,283
Provision for restructuring costs	**49(b)**	**(9,769)**	-	**(49,458)**	-
Allowance (made)/written back for expected credit losses	**35**	**(1,310)**	(6,830)	**787**	1,769
Impairment loss on other non-financial assets	**36**	**(17,505)**	(23,000)	**(65,742)**	(295,585)
		98,780	23,199	**67,891**	(212,533)
Share of results of associates		**6,083**	413	**-**	-
Share of results of joint ventures		**(30)**	99	**-**	-
Profit/(Loss) before taxation		**104,833**	23,711	**67,891**	(212,533)
Taxation	**37**	**(79,725)**	(36,135)	**(63,249)**	(23,193)
Net profit/(loss) for the financial year		**25,108**	(12,424)	**4,642**	(235,726)
Attributable to:					
- Equity holder of the Bank		**23,949**	(13,429)	**4,642**	(235,726)
- Non-controlling interests		**1,159**	1,005	**-**	-
		25,108	(12,424)	**4,642**	(235,726)
Earnings/(Loss) per share (sen)					
- Basic/Diluted	**38**	**23.95**	(13.43)	**4.64**	(235.73)

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

RHB INVESTMENT BANK BERHAD
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STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019	Group 2018	Bank 2019	Bank 2018
		RM'000	RM'000	RM'000	RM'000
Net profit/(loss) for the financial year		**25,108**	(12,424)	**4,642**	(235,726)
Other comprehensive income:					
(a) Items that will not be reclassified to income statements:					
(i) Actuarial (loss)/gain on defined benefit plan of subsidiaries		**(2,166)**	8,204	**-**	-
(ii) Financial assets at FVOCI, equity instruments:					
- Unrealised net gain on revaluation		**1,844**	3,724	**1,891**	560
- Net gain on disposal		**5,370**	8	**5,370**	-
(b) Items that will be reclassified subsequently to income statements:					
(i) Foreign currency translation reserves					
- Currency translation differences		**22,204**	837	**-**	-
- Disposal of a subsidiary		**(192)**	-	**-**	-
- Net investment hedge	**10(i),(ii)**	**(306)**	326	**-**	-
(ii) Financial assets at FVOCI, debt instruments:					
- Unrealised net gain on revaluation		**12,405**	1,053	**12,405**	1,053
- Net transfer to income statements on disposal		**-**	6	**-**	6
Income tax relating to components of other comprehensive loss/(income)	**39**	**2,958**	(714)	**4,211**	(388)
Other comprehensive income, net of tax, for the financial year		**42,117**	13,444	**23,877**	1,231
Total comprehensive income/(loss) for the financial year		**67,225**	1,020	**28,519**	(234,495)
Total comprehensive income/(loss) attributable to:					
- Equity holder of the Bank		**66,050**	(624)	**28,519**	(234,495)
- Non-controlling interests		**1,175**	1,644	**-**	-
		67,225	1,020	**28,519**	(234,495)

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

RHB INVESTMENT BANK BERHAD
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Registration No. 197401002639 (19663-P)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		← Attributable to Equity Holder of the Bank →								
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**
Balance as at 1 January 2019										
- As previously reported		1,487,773	513	23,489	113,135	32,731	561,695	2,219,336	10,039	2,229,375
- Effect of adoption of MFRS 16	54	-	-	-	-	-	(1,098)	(1,098)	(6)	(1,104)
- As restated		1,487,773	513	23,489	113,135	32,731	560,597	2,218,238	10,033	2,228,271
Net profit for the financial year		-	-	-	-	-	23,949	23,949	1,159	25,108
Foreign currency translation reserve:										
- Currency translation differences		-	-	-	22,141	-	-	22,141	63	22,204
- Recycled to income statements on disposal of a subsidiary		-	-	-	(192)	-	-	(192)	-	(192)
- Net Investment hedge	10(i),(ii)	-	-	-	(306)	-	-	(306)	-	(306)
Financial assets at FVOCI:										
- Equity instruments										
- Unrealised net gain/(loss) on revaluation		-	-	1,853	-	-	-	1,853	(9)	1,844
- Net gain on disposal		-	-	-	-	-	5,370	5,370	-	5,370
- Debt instruments										
- Unrealised net gain on revaluation		-	-	12,405	-	-	-	12,405	-	12,405
Actuarial loss on defined benefit plan of subsidiaries		-	-	-	-	-	(2,138)	(2,138)	(28)	(2,166)
Income tax relating to components of other comprehensive loss/(income)	39	-	-	4,171	-	-	(1,203)	2,968	(10)	2,958
Other comprehensive income, net of tax, for the financial year		-	-	18,429	21,643	-	2,029	42,101	16	42,117
Total comprehensive income for the financial year		-	-	18,429	21,643	-	25,978	66,050	1,175	67,225
Transfer to statutory reserves	26(a)	-	4	-	-	-	(4)	-	-	-
Transfer from regulatory reserves	26(d)	-	-	-	-	(727)	727	-	-	-
Dividends to non-controlling interest	40	-	-	-	-	-	-	-	(1,000)	(1,000)
Total transactions with owner		-	4	-	-	(727)	723	-	(1,000)	(1,000)
Balance as at 31 December 2019		1,487,773	517	41,918	134,778	32,004	587,298	2,284,288	10,208	2,294,496

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

RHB INVESTMENT BANK BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

		← Attributable to Equity Holder of the Bank						→		
	Note	Share capital	Statutory reserves	FVOCI reserves	Translation reserves	Regulatory reserves	Retained profits	Total	Non-controlling interests	Total
Group		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2018		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	10(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 to non-controlling interest	40	-	-	-	-	-	-	-	(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.

RHB INVESTMENT BANK BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

			Non-distributable		Distributable	
	Note	**Share capital**	**FVOCI reserves**	**Regulatory reserves**	**Retained profits**	**Total**
Bank		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Balance as at 1 January 2019						
- As previously reported		1,487,773	20,853	19,154	558,690	2,086,470
- Effect of adoption of MFRS 16	54	-	-	-	(106)	(106)
- As restated		1,487,773	20,853	19,154	558,584	2,086,364
Net profit for the financial year		-	-	-	4,642	4,642
Financial assets at FVOCI:						
- Equity instruments						
- Unrealised net gain on revaluation		-	1,891	-	-	1,891
- Net gain on disposal		-	-	-	5,370	5,370
- Debt instruments						
- Unrealised net gain on revaluation		-	12,405	-	-	12,405
Income tax relating to components of other comprehensive loss	39	-	4,211	-	-	4,211
Other comprehensive income,net of tax, for the financial year		-	18,507	-	5,370	23,877
Total comprehensive income for the financial year		-	18,507	-	10,012	28,519
Transfer to regulatory reserves	26(d)	-	-	1,403	(1,403)	-
Total transactions with owner		-	-	1,403	(1,403)	-
Balance as at 31 December 2019		1,487,773	39,360	20,557	567,193	2,114,883

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

RHB INVESTMENT BANK BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

			Non-distributable		Distributable	
	Note	Share capital	FVOCI reserves	Regulatory reserves	Retained profits	Total
Bank		RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2018		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

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

RHB INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
Registration No. 197401002639 (19663-P)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

			Group
	Note	**2019**	2018
		RM'000	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**104,833**	23,711
Adjustments for non-operating and non-cash items:			
Allowance made for expected credit losses of loan and advances, other receivables and clients and brokers' balances	**35**	**2,520**	7,804
Bad debts written off	**35**	**3**	495
Allowance (written back)/made for expected credit losses of other financial assets	**35**	**(170)**	134
Impairment losses made on investments in an associate	**36**	**-**	23,000
Impairment losses made on goodwill	**36**	**17,505**	-
Property, plant and equipment:			
- Depreciation	**33**	**18,316**	17,391
- Gain on disposal	**32**	**(332)**	-
- Written off	**33**	**56**	752
Other intangible assets:			
- Amortisation	**33**	**13,732**	11,989
- Written off	**33**	**246**	28
Interest income from financial assets at FVTPL, FVOCI and financial investments at amortised costs	**28**	**(63,348)**	(61,720)
Net gain from sale/redemption of financial assets at FVTPL, FVOCI and financial investments at amortised costs	**32**	**(15,084)**	(5,256)
Net unrealised gain on revaluation of financial instruments at FVTPL and derivatives		**(36,712)**	(15,993)
Net gain from sale of derivatives		**(9,149)**	(50,326)
Gross dividend income from financial assets at FVTPL and FVOCI	**32**	**(32,785)**	(8,168)
Share of results of associates		**(6,083)**	(413)
Share of results of joint ventures		**30**	(99)
Gain on remeasurement of previouly held equity interest in a joint venture	**32, 51(a)**	**(258)**	-
Loss on disposal of a subsidiary	**32, 51(c)**	**51**	-
Gain on modification of right of use assets	**32**	**(9)**	-
Borrowings interest expense	**29**	**37,246**	32,576
Subordinated obligations interest expense	**29**	**19,700**	19,700
Lease interest		**1,164**	-
Unrealised foreign exchange loss/(gain)	**32**	**806**	(1,179)
Depreciation of right of use assets	**33**	**19,845**	-
Provision for restructuring costs	**49(b)**	**9,769**	-
Operating profit/(loss) before working capital changes		**81,892**	(5,574)
(Increase)/Decrease in operating assets:			
Deposits and placements with banks and other financial institutions		**(116,192)**	(68,516)
Financial assets at FVTPL		**(61,081)**	58,124
Loans and advances		**(239,781)**	148,965
Clients' and brokers' balances		**50,574**	661,055
Other assets		**(47,719)**	30,628
Derivative assets		**(3,027)**	283
Statutory deposits		**(1,615)**	(8,739)
		(418,841)	821,800

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

RHB INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
Registration No. 197401002639 (19663-P)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Note	2019	Group 2018
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
Increase/(Decrease) in operating liabilities:			
Deposits from customers		**380,370**	407,033
Deposits and placements of banks and other financial institutions		**179,818**	(1,198,908)
Bills and acceptances payable		**(8,701)**	38,323
Clients' and brokers' balances		**(9,657)**	(670,735)
Derivative liabilities		**4,629**	39,353
Other liabilities		**230,532**	(79,776)
		776,991	(1,464,710)
Cash generated from/(used in) operations		**440,042**	(648,484)
Lease interest		**(1,164)**	-
Net tax paid		**(70,027)**	(15,602)
Net cash generated from/(used in) operating activities		**368,851**	(664,086)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchases of financial assets at FVOCI and financial investments at amortised costs		**(31,128)**	(104,088)
Net gain on disposal of financial assets at FVOCI, equity instruments		**5,370**	-
Interest income received from financial assets at FVTPL, FVOCI and financial investments at amortised costs		**62,533**	63,485
Dividend income received from financial assets at FVTPL and FVOCI		**32,785**	8,168
Dividend income received from an associate		**4,806**	1,041
Property, plant and equipment:			
- Purchases	**16**	**(20,718)**	(8,762)
- Proceeds from disposal		**598**	6
Other intangible assets:			
- Purchases	**17(b)**	**(14,369)**	(9,915)
- Proceeds from disposal		**12**	-
Acquisition of a subsidiary, net of cash and cash equivalents acquired	**51(a)**	**10,710**	-
Proceeds from disposal of a subsidiary, net of cash and cash equivalents received		**16,548**	-
Net cash generated from/(used in) investing activities		**67,147**	(50,065)

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Note		Group
		2019	**2018**
		RM'000	**RM'000**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (repayment)/drawdown of borrowings		**(10,175)**	153,809
Borrowings interest paid		**(37,942)**	(31,711)
Subordinated obligations interest paid		**(19,700)**	(19,700)
Lease principal payment		**(18,953)**	-
Redemption of puttable financial instruments		**(74,185)**	-
Dividend paid to non-controlling interests		**-**	(800)
Net cash (used in)/generated from financing activities		**(160,955)**	101,598
Net increase/(decrease) in cash and cash equivalents		**275,043**	(612,553)
Effects of exchange rate differences		**12,107**	420
Cash and cash equivalents:			
- At the beginning of the financial year		**1,859,445**	2,471,578
- At the end of the financial year		**2,146,595**	1,859,445
Cash and cash equivalents comprise the following:			
- Cash and short-term funds before expected credit losses	**2**	**2,146,595**	1,859,445

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

RHB INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
Registration No. 197401002639 (19663-P)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

Changes in liabilities arising from financing activities as following:

		Cash Changes		Non-cash Changes				
Group	**As at 01.01.2019**	**Net Cash Flows from Operating Activities**	**Net Cash Flows from Financing Activities**	**Foreign Exchange Movement**	**Addition**	**Reversal/ Charged Out**	**Interest Expense/ Other Income**	**As at 31.12.2019**
2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Lease liabilities	**34,698**	**(1,164)**	**(18,953)**	**836**	**14,474**	**(1,488)**	**1,164**	**29,567**
Borrowings	**882,969**	**-**	**(48,117)**	**9,938**	**-**	**-**	**37,246**	**882,036**
Subordinated obligations	**404,263**	**-**	**(19,700)**	**-**	**-**	**-**	**19,700**	**404,263**
Puttable financial instruments	**70,615**	**-**	**(74,185)**	**463**	**-**	**-**	**3,107**	**-**
	1,392,545	**(1,164)**	**(160,955)**	**11,237**	**14,474**	**(1,488)**	**61,217**	**1,315,866**

		Cash Changes		Non-cash Changes				
Group	**As at 01.01.2018**	**Net Cash Flows from Operating Activities**	**Net Cash Flows from Financing Activities**	**Foreign Exchange Movement**	**Addition**	**Reversal/ Charged Out**	**Interest Expense/ Other Income**	**As at 31.12.2018**
2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Borrowings	712,379	-	122,098	15,916	-	-	32,576	882,969
Subordinated obligations	404,263	-	(19,700)	-	-	-	19,700	404,263
Puttable financial instruments	78,825	-	-	(1,030)	-	-	(7,180)	70,615
	1,195,467	-	102,398	14,886	-	-	45,096	1,357,847

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RHB INVESTMENT BANK BERHAD
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Registration No. 197401002639 (19663-P)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Note	2019	Bank 2018
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before taxation		**67,891**	(212,533)
Adjustments for non-operating and non-cash items:			
Allowance made/(written back) for expected credit losses of loan and advances, other receivables and clients and brokers' balances	**35**	**266**	(637)
Bad debts written off	**35**	**3**	367
Allowance (written back)/made for expected credit losses of other financial assets	**35**	**(118)**	104
Impairment losses made on investments in subsidiaries	**36**	**65,742**	295,585
Property, plant and equipment:			
- Depreciation	**33**	**6,481**	7,559
- Gain on disposal	**32**	**(153)**	-
- Written off	**33**	**6**	7
Other intangible assets:			
- Amortisation	**33**	**5,972**	5,641
Interest income from financial assets at FVTPL, FVOCI and financial investments at amortised costs	**28**	**(63,111)**	(61,336)
Net gain from sale/redemption of financial assets at FVTPL, FVOCI and financial investments at amortised costs	**32**	**(1,767)**	(10,542)
Net unrealised gain on revaluation of financial instruments at FVTPL and derivatives		**(2,786)**	(5,684)
Net gain from sale of derivatives		**(7,781)**	(22,827)
Gross dividend income from financial assets at FVTPL and FVOCI	**32**	**(1,456)**	(1,243)
Gross dividend income from subsidiaries	**32**	**(49,000)**	(11,400)
Gross dividend income from an associate	**32**	**(4,806)**	(1,041)
Gain on disposal of a subsidiary	**32, 51(c)**	**(11,492)**	-
Gain on modification of right of use assets	**32**	**(9)**	-
Subordinated obligations interest expense	**29**	**19,700**	19,700
Lease interest		**392**	-
Unrealised foreign exchange loss/(gain)	**32**	**1,609**	(1,428)
Depreciation of right of use assets	**33**	**5,291**	-
Loss on remeasurement of interest in a joint venture		**95**	-
Provision for restructuring costs	**49(b)**	**49,458**	-
Operating profit before working capital changes		**80,427**	292
(Increase)/Decrease in operating assets:			
Financial assets at FVTPL		**(1,494)**	66,352
Loans and advances		**(374,422)**	112,286
Clients' and brokers' balances		**58,930**	381,310
Derivative assets		**(2,991)**	282
Other assets		**(11,731)**	26,262
Statutory deposits		**(1,700)**	(8,650)
		(333,408)	577,842

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

RHB INVESTMENT BANK BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Note	2019	Bank 2018
		RM'000	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
Increase/(Decrease) in operating liabilities:			
Deposits from customers		**380,370**	378,394
Deposits and placements of banks and other financial institutions		**179,818**	(1,198,908)
Clients' and brokers' balances		**(74,352)**	(291,976)
Derivative liabilities		**8,787**	2,370
Other liabilities		**4,378**	622
		499,001	(1,109,498)
Cash generated from/(used in) operations		**246,020**	(531,364)
Lease interest		**(392)**	-
Net tax paid		**(57,164)**	(2,182)
Net cash generated from/(used in) operating activities		**188,464**	(533,546)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchases of financial assets at FVOCI and financial investments at amortised costs		**(31,124)**	(127,353)
Net gain on disposal of financial assets at FVOCI, equity instruments		**5,370**	-
Interest income received from financial assets at FVTPL, FVOCI and financial investments at amortised costs		**62,296**	71,980
Dividend income received from financial assets at FVTPL and FVOCI		**1,456**	1,243
Dividend income received from subsidiaries		**6,000**	11,400
Dividend income received from an associate		**4,806**	1,041
Property, plant and equipment:			
- Purchases	**16**	**(7,113)**	(2,782)
- Proceeds from disposal		**161**	-
Purchases of other intangible assets	**17(b)**	**(4,822)**	(4,996)
Acquisition of additional equity interest from a joint venture	**51(a)**	**(21,400)**	-
Proceeds from disposal of a subsidiary	**51(c)**	**71,922**	-
Net cash generated from/(used in) investing activities		**87,552**	(49,467)

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

RHB INVESTMENT BANK BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Note	Bank 2019 RM'000	Bank 2018 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Subordinated obligations interest paid		**(19,700)**	(19,700)
Lease principal payment		**(5,256)**	-
Net cash used in financing activities		**(24,956)**	(19,700)
Net increase/(decrease) in cash and cash equivalents		**251,060**	(602,713)
Cash and cash equivalents:			
- At the beginning of the financial year		**1,192,739**	1,795,452
- At the end of the financial year		**1,443,799**	1,192,739
Cash and cash equivalents comprise the following:			
- Cash and short-term funds before expected credit losses	**2**	**1,443,799**	1,192,739

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

RHB INVESTMENT BANK BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

Changes in liabilities arising from financing activities as following:

		Cash Changes		Non-cash Changes			
Bank	**As at 01.01.2019**	**Net Cash Flows from Operating Activities**	**Net Cash Flows from Financing Activities**	**Addition**	**Reversal/ Charged Out**	**Interest Expense**	**As at 31.12.2019**
2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Lease liabilities	**10,488**	**(392)**	**(5,256)**	**2,491**	**(520)**	**392**	**7,203**
Subordinated obligations	**404,263**	**-**	**(19,700)**	**-**	**-**	**19,700**	**404,263**
	414,751	**(392)**	**(24,956)**	**2,491**	**(520)**	**20,092**	**411,466**

		Cash Changes		Non-cash Changes			
Bank	**As at 01.01.2018**	**Net Cash Flows from Operating Activities**	**Net Cash Flows from Financing Activities**	**Addition**	**Reversal/ Charged Out**	**Interest Expense**	**As at 31.12.2018**
2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Subordinated obligations	404,263	-	(19,700)	-	-	19,700	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 2019

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements. These accounting policies have been consistently applied to all the 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 2019 are as follows:

(i) Annual Improvements to MFRS 2015-2017 Cycle

- Amendments to MFRS 3 'Business Combinations'

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

- Amendments to MFRS 11 'Joint Arrangements'

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

- Amendments to MFRS 112 'Income Taxes'

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

- Amendments to MFRS 123 ‘Borrowing Costs’

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

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

(ii) Amendments to MFRS 128 ‘Long-term Interests in Associates and Joint Ventures’

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

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

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

(iii) MFRS 16 ‘Leases’

MFRS 16 supersedes MFRS 117 ‘Leases’ and the related interpretations.

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

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

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

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

(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)

(iii) MFRS 16 'Leases' (continued)

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

The details and the financial effects of the adoption of MFRS 16 are disclosed in Note 54.

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

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

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

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

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

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(i) The Conceptual Framework for Financial Reporting (Revised 2018) - effective for annual periods on or after 1 January 2020

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

Key changes to the Framework are as follows:

- Objective of general purpose financial reporting - clarification that the objective of financial reporting is to provide useful information to the users of financial statements for resource allocation decisions and assessment of management's stewardship.

- Qualitative characteristics of useful financial information - reinstatement of the concepts of prudence when making judgement of uncertain conditions and 'substance over form' concept to ensure faithful representation of economic phenomenon.

- Clarification on reporting entity for financial reporting - introduction of new definition of a reporting entity, which might be a legal entity or a portion of a legal entity.

- Elements of financial statements - the definitions of an asset and a liability have been refined. Guidance in determining unit of account for assets and liabilities have been added, by considering the nature of executory contracts and substance of contracts.

- Recognition and derecognition - the probability threshold for asset or liability recognition has been removed. New guidance on derecognition of asset and liability have been added.

- Measurement - explanation of factors to consider when selecting a measurement basis have been provided.

- Presentation and disclosure - clarification that income statements is the primary source of information about an entity's financial performance for a reporting period. In principle, recycling of income or expense included in other comprehensive income to income statements is required if this results in more relevant information or a more faithful representation of income statements.

Amendments to References to the Conceptual Framework in MFRS Standards

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(ii) Amendments to MFRS 101 and MFRS 108 'Definition of Material' - effective for annual periods on or after 1 January 2020

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

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

The amendments also:

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

The amendments shall be applied prospectively.

(iii) Amendments to MFRS 3 'Definition of a Business' - effective for annual periods on or after 1 January 2020

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

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

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

(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) Amendments to MFRS 3 'Definition of a Business' - effective for annual periods on or after 1 January 2020 (continued)

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

The amendments shall be applied prospectively.

The adoption of the accounting standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective above are not expected to give rise to any material financial impact to the Group and the Bank.

(c) Changes in regulatory requirements

(i) Financial Reporting

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

The application of the revised policy document will only affect disclosure and classification of a rescheduled and restructured credit facility as credit impaired and does not have any financial impact to the Group and the Bank.

2) BASIS OF CONSOLIDATION

(a) Subsidiaries

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

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

(i) Acquisition accounting

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2) BASIS OF CONSOLIDATION (CONTINUED)

(a) Subsidiaries (continued)

(i) Acquisition accounting (continued)

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in income statements 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 and the Bank apply predecessor accounting to account for business combinations under common control. Under the predecessor accounting, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to ensure uniform accounting policies of the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) of the acquired entity is recorded as an adjustment to retained 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 year 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.

(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 owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity attributable to owners of the Group.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in 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 disposal of subsidiaries included the carrying amount of goodwill relating to subsidiaries sold.

(d) Joint ventures

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

(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 the income statements.

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

(f) Puttable 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.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3) INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

In the Bank's separate financial statements, investments in subsidiaries, associates and joint ventures are stated at cost less accumulated impairment losses. At the end of each reporting period, the Group and the Bank assess whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy Section A(18) on impairment of non-financial assets.

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

4) FINANCIAL ASSETS

(a) Classification

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

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

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

(i) Business model assessment

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

(b) Recognition and derecognition

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

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

(c) Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(i) Debt instruments

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

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

(1) Financial investments at amortised cost

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

(2) Financial assets through other comprehensive income

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

(c) Measurement (continued)

(i) Debt instruments (continued)

(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 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.

The Group and the Bank subsequently measure all equity instruments at FVTPL, except where the management has elected, at initial recognition, to irrevocably designate an equity instrument as FVOCI. The Group and the Bank's policy is to designate equity instruments as FVOCI when those instruments are held for purposes other than 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.

(d) Reclassification policy

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives are initially recognised at fair value on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative. 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 qualifies as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Bank designate certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge); or (3) hedges of a net investment in a foreign operation (net investment hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

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

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 10 to the financial statements.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified 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 other operating income.

(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 or 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 or 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(18) on impairment of non-financial assets.

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7) INTANGIBLE ASSETS

Intangible assets comprise separately identifiable intangible items arising from business combinations, computer software licenses and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life. Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Group and the Bank have a definite useful life. At each date of the consolidated statements of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exists, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Intangible assets with indefinite useful life are annually tested for impairment and whenever there is an indication that the asset may be impaired. Refer to accounting policy Section A(18) on impairment of non-financial assets.

(a) Computer software licences

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

(b) Other intangible assets

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

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

Customer relationship	10 years
Brand	3-10 years

(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% to 33 1/3%
Office equipment	10% to 33 1/3%
Computer equipment	10% to 33 1/3%
Motor vehicles	15% to 25%

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 amounts and are included in other operating income in income statements.

At the end of the reporting period, the Group and the Bank assess whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is written down to its recoverable amount. Refer to accounting policy Section A(18) on impairment of non-financial assets.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9) FINANCIAL LIABILITIES

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

(a) Financial liabilities at FVTPL

This category comprises two sub-categories: financial liabilities as held-for-trading, and financial liabilities designated at FVTPL upon initial recognition.

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated as hedges. Refer to accounting policy Section A(5) on hedge accounting.

(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 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.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10) LEASES – WHERE THE GROUP AND THE BANK ARE THE LESSEE

Accounting policy from 1 January 2019

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

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

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

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

(a) Lease term

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

The Group and the Bank reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Bank, and affects whether the Group and the Bank are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities (refer to accounting policy Section A(10)(d)).

(b) Right of use assets

Right of use assets are initially measured at cost comprising the following:

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

Right of use assets are subsequently measured at cost, less accumulated depreciation and impairment loss, if any. The right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Bank are reasonably certain to exercise a purchase option, the right of use asset is depreciated over the underlying asset's useful life. In addition, the right of use assets are adjusted for certain remeasurement of the lease liabilities.

The Group and the Bank present the right of use assets as a separate line item in the statements of financial position.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10) LEASES – WHERE THE GROUP AND THE BANK ARE THE LESSEE (CONTINUED)

Accounting policy from 1 January 2019 (continued)

(c) Lease liabilities

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

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

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

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

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

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

(d) Reassessment of lease liabilities

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10) LEASES – WHERE THE GROUP AND THE BANK ARE THE LESSEE (CONTINUED)

Accounting policy prior 1 January 2019

(a) Operating lease

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

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

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

(b) Finance lease

Leases of assets where the Group and the Bank assumed substantially all the risks and rewards of ownership of the assets were classified as finance leases. The assets were capitalised under property, plant and equipment and subjected to depreciation consistent with that of depreciable assets which were owned. The assets and the corresponding lease obligations were 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 was allocated between the liability and finance charges using effective yield basis. The corresponding rental obligations, net of finance charges, were included in liabilities. The interest element of the finance charges was 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 were depreciated over the shorter of the estimated useful life of the asset and the lease term.

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 assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11) PROVISIONS (CONTINUED)

(a) Onerous contracts

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

(b) Restructuring

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

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.

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

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

13) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13) CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

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 ‘Provisions, Contingent Liabilities and Contingent Assets’ and the amount initially recognised less when appropriate, cumulative amortisation recognised in accordance with MFRS 15 ‘Revenue from Contracts with Customers’.

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.

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.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17) IMPAIRMENT OF FINANCIAL ASSETS

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

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

(1) General approach

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

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

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

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

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

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

(iii) Stage 3: Lifetime ECL – credit impaired

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

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;
- Margin of financing shall be classified as impaired where the force selling ratio is triggered and after a period of time after force selling has commenced or where margin of finance exceeds a set threshold above the force selling ratio.

(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
- Restructuring and reschedule facilities shall be classified as impaired based on the revised or restructured terms.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

There are two approaches adopted by the Group and the Bank: (continued)

(1) General approach (continued)

Significant increase in credit risk ('SICR')

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(1) General approach (continued)

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

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

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

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

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

(2) Simplified approach

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

18) 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 income statements in the period to which they relate. Once the contributions have been paid, the Group and the Bank have no further legal or constructive obligations.

(c) Termination benefits

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

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

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

(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.

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

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

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

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments under FVOCI 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 OCI.

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 FVTPL 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, are recognised in OCI.

(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.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20) CURRENCY CONVERSION AND TRANSLATION (CONTINUED)

(c) Group companies (continued)

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.

22) TRUST ACTIVITIES

The Group and the Bank act as trustees and in other fiduciary capacities that result in holding or placing of assets on behalf of individuals, trust and other institutions. These assets and income arising thereon are not recognised as assets of the Group and the Bank.

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(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 and the Bank have 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).

The valuation techniques are further disclosed in Note 45(g) to the financial statements.

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

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

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

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (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 17 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 2019

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, stock-broking 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 24 February 2020.

2 CASH AND SHORT-TERM FUNDS

		Group		Bank
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and balances with banks and other financial institutions	**877,317**	975,701	**256,058**	418,357
Money at call and deposit placements maturing within one month	**1,269,278**	883,744	**1,187,741**	774,382
	2,146,595	1,859,445	**1,443,799**	1,192,739
Less: Allowance for ECL	**(207)**	(421)	**(13)**	(155)
	2,146,388	1,859,024	**1,443,786**	1,192,584

Included in the Group's and the Bank's cash and short term funds are accounts held in trust for remisiers amounting to RM64,861,000 (2018: RM62,917,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Licensed banks	**199,591**	90,462	**-**	-
Licensed Islamic banks	**7,054**	-	**-**	-
Other financial institutions	**422**	-	**-**	-
	207,067	90,462	**-**	-
Less: Allowance for ECL	**(68)**	(13)	**-**	-
	206,999	90,449	**-**	-

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

	Group		Bank	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At fair value				
Quoted securities:				
In Malaysia				
Shares and exchange traded funds	**23,565**	20,158	**23,565**	17,894
Unit trusts	**56,514**	67,553	**8,863**	8,683
Outside Malaysia				
Shares	**247,184**	190,576	**-**	1,406
Unit trusts	**27,954**	27,659	**27,954**	27,659
Unquoted securities:				
Outside Malaysia				
Private equity funds	**492,717**	437,275	**-**	-
	847,934	743,221	**60,382**	55,642

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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

		Group		Bank	
	Note	**2019**	**2018**	**2019**	**2018**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Debt instruments	**(a)**	**711,239**	711,087	**711,239**	711,087
Equity instruments	**(b)**	**41,003**	39,138	**32,731**	30,840
		752,242	750,225	**743,970**	741,927

(a) Debt instruments

At fair value

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Money market instruments:				
Malaysian Government Securities	**133,309**	128,725	**133,309**	128,725
Malaysian Government Investment Issues	**40,878**	49,146	**40,878**	49,146
Khazanah bonds	**45,910**	43,180	**45,910**	43,180
Sukuk Perumahan Kerajaan ('SPK')	**71,596**	69,914	**71,596**	69,914
Unquoted securities:				
In Malaysia				
Corporate bonds/Sukuk	**393,629**	394,661	**393,629**	394,661
Prasarana bonds	**25,917**	25,461	**25,917**	25,461
	711,239	711,087	**711,239**	711,087

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

(b) Equity instruments

At fair value

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Quoted securities:				
Outside Malaysia				
Shares	**2,035**	2,082	**-**	-
Unquoted securities:				
In Malaysia				
Shares	**38,653**	36,762	**32,731**	30,840
Outside Malaysia				
Shares	**315**	294	**-**	-
	41,003	39,138	**32,731**	30,840

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (‘FVOCI’) (CONTINUED)

(b) Equity instruments (continued)

The Group and the Bank designated contain investments shown in the following tables as equity securities under FVOCI. The FVOCI designation was made because these investments are not held for trading purposes.

List of these investments are as follows:

	Group		Bank	
	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**
Unquoted Securities:				
2019				
Malaysian Rating Corporation Berhad	**2,731**	**98**	**2,731**	**98**
Cagamas Holdings Bhd	**30,000**	**300**	**30,000**	**300**
Bond Pricing Agency Malaysia Sdn Bhd	**5,922**	**173**	**-**	**-**
Others	**2,350**	**88**	**-**	**-**
	41,003	**659**	**32,731**	**398**
2018				
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.

6 FINANCIAL INVESTMENTS AT AMORTISED COSTS

		Group and Bank
	2019	2018
At amortised cost	**RM'000**	**RM'000**
Money market instruments:		
Malaysian Government Investment Issues	**364,232**	375,258
Khazanah Bonds	**12,504**	12,025
Wakala Global Sukuk	**8,471**	8,626
Unquoted Securities:		
In Malaysia		
Corporate bonds/Sukuk	**507,387**	457,605
Loan stocks	**25,853**	26,163
Prasarana bonds	**70,838**	65,694
	989,285	945,371
Allowance for ECL	**(77,447)**	(78,064)
	911,838	867,307

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

	2019	2018
Balance as at the beginning of the financial year	**78,064**	79,405
Amount recovered	**(617)**	(1,341)
Balance as at the end of the financial year	**77,447**	78,064

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

6 FINANCIAL INVESTMENTS AT AMORTISED COSTS (CONTINUED)

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

	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 and Bank					
2019					
Balance as at the beginning of the financial year		**-**	**-**	**78,064**	**78,064**
Net allowance written back	**35**	**-**	**-**	**(617)**	**(617)**
Balance as at the end of the financial year		**-**	**-**	**77,447**	**77,447**
Group and Bank					
2018					
Balance as at the beginning of the financial year		-	-	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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

7 LOANS AND ADVANCES

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
i) By type				
At amortised cost				
Term loans	**20,113**	28,792	**2**	2
Revolving credits	**-**	-	**26,589**	-
Share margin financing	**1,855,055**	1,590,125	**1,378,780**	1,030,882
Staff loans	**322**	387	**322**	387
Gross loans and advances	**1,875,490**	1,619,304	**1,405,693**	1,031,271
Less: Allowance for ECL	**(19,617)**	(18,981)	**(1)**	(1)
Net loans and advances	**1,855,873**	1,600,323	**1,405,692**	1,031,270
ii) By type of customer				
Domestic non-bank financial institutions:				
- Others	**-**	94	**-**	94
Domestic business enterprises:				
- Small and medium enterprises	**193,205**	102,801	**193,205**	102,801
- Others	**200,659**	181,106	**200,659**	181,106
Individuals	**954,015**	715,581	**954,015**	715,581
Foreign entities	**527,611**	619,722	**57,814**	31,689
	1,875,490	1,619,304	**1,405,693**	1,031,271
iii) By geographical distribution				
In Malaysia	**1,379,104**	1,031,271	**1,379,104**	1,031,271
Outside Malaysia:				
- Singapore operations	**214,471**	197,364	**-**	-
- Hong Kong operations	**27,031**	88,022	**26,589**	-
- Indonesia operations	**88,690**	128,069	**-**	-
- Thailand operations	**166,194**	174,578	**-**	-
	1,875,490	1,619,304	**1,405,693**	1,031,271

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

7 LOANS AND ADVANCES (CONTINUED)

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
iv) By interest rate sensitivity				
Fixed rate:				
- Other fixed rate loans	**1,682,262**	1,356,702	**1,379,102**	1,031,269
Variable rate:				
- Cost plus	**-**	-	**26,589**	-
- Base lending rate plus	**193,228**	262,602	**2**	2
	1,875,490	1,619,304	**1,405,693**	1,031,271
v) By purpose				
Purchase of securities	**1,875,166**	1,618,915	**1,378,780**	1,030,882
Purchase of transport vehicles	**-**	15	**-**	15
Purchase of landed property:				
- Residential	**324**	374	**324**	374
Working capital	**-**	-	**26,589**	-
	1,875,490	1,619,304	**1,405,693**	1,031,271
vi) By economic sector				
Agriculture, hunting, forestry and fishing	**5,437**	29,784	**1,077**	905
Mining and quarrying	**7,039**	7,547	**103**	102
Manufacturing	**22,743**	29,211	**2,631**	4,775
Construction	**8,871**	12,931	**8,871**	1,357
Wholesale and retail trade and restaurant and hotel	**577**	4,881	**577**	527
Transport, storage and communication	**2,587**	2,988	**2,587**	2,988
Finance, insurance, real estate and business services	**426,240**	377,404	**409,054**	278,991
Household sector	**1,401,996**	1,154,558	**980,793**	741,626
	1,875,490	1,619,304	**1,405,693**	1,031,271
vii) By remaining contractual maturities				
Maturity within one year	**1,875,166**	1,618,952	**1,405,369**	1,030,919
One year to three years	**10**	-	**10**	-
Three years to five years	**-**	14	**-**	14
Over five years	**314**	338	**314**	338
	1,875,490	1,619,304	**1,405,693**	1,031,271

7 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				
2019				
Balance as at the beginning of the financial year	**1,596,297**	**3,017**	**19,990**	**1,619,304**
Transfer to 12-month ECL (Stage 1)	**37,037**	**(22,177)**	**(14,860)**	**-**
Transfer to Lifetime ECL not credit impaired (Stage 2)	**(19,245)**	**19,245**	**-**	**-**
Transfer to Lifetime ECL credit impaired (Stage 3)	**(18,697)**	**-**	**18,697**	**-**
Addition and origination	**3,754,837**	**-**	**-**	**3,754,837**
Derecognition	**(3,514,310)**	**(58)**	**(687)**	**(3,515,055)**
Exchange differences	**16,229**	**2**	**173**	**16,404**
Balance as at the end of the financial year	**1,852,148**	**29**	**23,313**	**1,875,490**
Group				
2018				
Balance as at the beginning of the financial year	1,736,491	10,666	93,677	1,840,834
Transfer to 12-month ECL (Stage 1)	67,115	(52,704)	(14,411)	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	(52,805)	52,824	(19)	-
Transfer 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

7 LOANS AND ADVANCES (CONTINUED)

viii) By stages (continued)

	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
Bank				
2019				
Balance as at the beginning of the financial year	**1,031,271**	**-**	**-**	**1,031,271**
Transfer to 12-month ECL (Stage 1)	**16,552**	**(9,516)**	**(7,036)**	**-**
Transfer to Lifetime ECL not credit impaired (Stage 2)	**(9,545)**	**9,545**	**-**	**-**
Transfer to Lifetime ECL credit impaired (Stage 3)	**(7,036)**	**-**	**7,036**	**-**
Addition and origination	**3,013,126**	**-**	**-**	**3,013,126**
Derecognition	**(2,638,704)**	**-**	**-**	**(2,638,704)**
Balance as at the end of the financial year	**1,405,664**	**29**	**-**	**1,405,693**
Bank				
2018				
Balance as at the beginning of the financial year	1,138,775	4,328	454	1,143,557
Transfer to 12-month ECL (Stage 1)	54,035	(42,065)	(11,970)	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	(38,536)	38,536	-	-
Transfer 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

7 LOANS AND ADVANCES (CONTINUED)

ix) Impaired loans and advances

	Group 2019	Group 2018	Bank 2019	Bank 2018
	RM'000	RM'000	RM'000	RM'000
a) By purpose				
Purchase of securities	**23,313**	19,990	**-**	-
b) By economic sector				
Mining and quarrying	**6,936**	7,445	**-**	-
Household sector	**16,377**	12,545	**-**	-
	23,313	19,990	**-**	-
c) By geographical distribution				
Outside Malaysia:				
- Singapore	**13,892**	11,323	**-**	-
- Hong Kong	**97**	16	**-**	-
- Thailand	**9,324**	8,651	**-**	-
	23,313	19,990	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

7 LOANS AND ADVANCES (CONTINUED)

ix) Impaired loans and advances (continued)

d) Movement in allowance for ECL

	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					
2019					
Balance as at the beginning of the financial year		**1**	**-**	**18,980**	**18,981**
Net allowance made	**35**	**-**	**-**	**461**	**461**
Exchange differences		**-**	**-**	**175**	**175**
Balance as at the end of the financial year		**1**	**-**	**19,616**	**19,617**
Group					
2018					
Balance as at the beginning of the financial year		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

7 LOANS AND ADVANCES (CONTINUED)

ix) Impaired loans and advances (continued)

d) Movement in allowance for ECL (continued)

	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
Bank					
2019					
Balance as at the beginning/end of the financial year		**1**	**-**	**-**	**1**
Bank					
2018					
Balance as at the beginning of the financial year		1	-	5	6
Net allowance written back	35	-	-	(5)	(5)
Balance as at the end of the financial year		1	-	-	1

8 CLIENTS' AND BROKERS' BALANCES

	Group		Bank	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Amounts owing by clients	**696,427**	578,117	**325,231**	315,491
Less: Allowance for ECL	**(20,772)**	(19,562)	**(4,636)**	(6,156)
	675,655	558,555	**320,595**	309,335
Amounts owing by brokers	**75,556**	119,980	**69,740**	51,714
Amounts owing by clearing houses and stock exchanges	**142,237**	264,522	**75,950**	165,708
	893,448	943,057	**466,285**	526,757

Movement in allowance for ECL

a) Non-credit impaired

	Group 2019	Group 2018	Bank 2019	Bank 2018
Balance as at the beginning of the financial year	**253**	642	**-**	-
Transferred to credit impaired	**(386)**	(149)	**-**	-
Allowance for credit loss	**953**	403	**6**	1
Derecognition	**(714)**	(643)	**(5)**	(1)
Exchange differences	**1**	-	**-**	-
Balance as at the end of the financial year	**107**	253	**1**	-

b) Credit impaired

	Group 2019	Group 2018	Bank 2019	Bank 2018
Balance as at the beginning of the financial year	**19,309**	31,240	**6,156**	6,809
Transferred from non-credit impaired	**386**	149	**-**	-
Allowance for credit loss	**2,985**	2,014	**118**	101
Derecognition	**(1,666)**	(1,493)	**(664)**	(754)
Amount written off	**(975)**	(12,820)	**(975)**	-
Exchange differences	**626**	219	**-**	-
Balance as at the end of the financial year	**20,665**	19,309	**4,635**	6,156

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

9 OTHER ASSETS

		Group		Bank	
	Note	**2019**	**2018**	**2019**	**2018**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Other receivables	**(i)**	**85,095**	82,824	**25,980**	15,341
Unit trust fee receivables		**25,804**	23,231	**-**	-
Management fee receivables		**2,976**	2,666	**-**	-
Deposits		**20,893**	16,143	**2,949**	3,974
Prepayments		**14,391**	18,506	**5,485**	4,626
Amount receivable for release of units from funds		**48,611**	10,447	**-**	-
Transferable memberships		**262**	342	**262**	262
Amount due from holding company	**(ii)**	**-**	13	**-**	-
Amount due from subsidiaries	**(ii)**	**-**	-	**44,938**	1,397
Amount due from related companies	**(ii)**	**1,503**	149	**2**	22
		199,535	154,321	**79,616**	25,622

(i) Other receivables of the Group and the Bank are stated at net of allowance for ECL of RM16,265,000 (2018: RM18,605,000) and RM13,671,000 (2018: RM15,925,000) respectively. During the financial year, there was write off against allowance for ECL of the Group and the Bank of RM2,841,000 (2018: RM223,000) and RM2,141,000 (2018: RM NIL) respectively.

(ii) Amounts due from holding company/subsidiaries/related companies are unsecured, interest free and repayable on demand. The amounts due from subsidiaries are net of allowance for ECL of RM2,048,000 (2018: RM1,119,000).

10 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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Derivative assets				
- Trading derivatives	**3,091**	74	**3,054**	74
Derivative liabilities				
- Trading derivatives	**(4,509)**	(5,917)	**(3,873)**	(3,941)
	(1,418)	(5,843)	**(819)**	(3,867)

Group 2019	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	**119,015**	**91**	**232**
Structured warrants	**43,817**	**-**	**4,277**
Company warrants	**12,250**	**3,000**	**-**
	175,082	**3,091**	**4,509**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

10 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

Group **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

Bank **2019**	**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:			
- Swaps/Spot	**43,113**	**54**	**54**
Structured warrants	**26,699**	**-**	**3,819**
Company warrants	**12,250**	**3,000**	**-**
	82,062	**3,054**	**3,873**

Bank **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:			
- Swaps/Spot	28,174	74	54
Structured warrants	81,928	-	3,887
	110,102	74	3,941

10 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

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

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

The Group and the Bank have identified the possible sources of ineffectiveness for mismatches in terms of the hedged items and hedging instruments such as voluntary discontinuance, maturity date and disposal of hedged item.

(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
	2019	**2018**
	RM'000	**RM'000**
(Loss)/Gain on hedging instruments *	**(306)**	326
Gain/(Loss) on the hedged items attributable to the hedged risk	**306**	(326)
	-	-

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

(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 2019 amounting to RM197,612,000 (2018: RM283,366,000). 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.

11 STATUTORY DEPOSITS

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Statutory deposits with BNM	**(i)**	**62,000**	60,300	**62,000**	60,300
Statutory deposits with National Bank of Cambodia ('NBC')	**(ii)**	**4,015**	4,114	**-**	-
		66,015	64,414	**62,000**	60,300

(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.

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

12 DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Deferred tax assets	**19,410**	19,610	**10,106**	5,832
Deferred tax liabilities	**(1,531)**	(2,072)	**-**	-
	17,879	17,538	**10,106**	5,832
Deferred tax assets				
- Settled more than 12 months	**8,322**	11,310	**710**	-
- Settled within 12 months	**23,027**	22,422	**16,862**	16,792
Deferred tax liabilities				
- Settled more than 12 months	**(7,594)**	(11,982)	**(5,893)**	(8,492)
- Settled within 12 months	**(5,876)**	(4,212)	**(1,573)**	(2,468)
	17,879	17,538	**10,106**	5,832

RHB INVESTMENT BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
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12 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	Financial assets at FVOCI	Tax losses	Other liabilities	Other temporary differences	Total
2019		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Balance as at the beginning of the financial year							
- As previously reported		**(7,662)**	**(6,537)**	**4,840**	**19,005**	**7,892**	**17,538**
- Effect of adoption of MFRS 16	**54**	**-**	**-**	**-**	**-**	**36**	**36**
- As restated		**(7,662)**	**(6,537)**	**4,840**	**19,005**	**7,928**	**17,574**
Transfer from/(to) income statements	**37**	**3,123**	**-**	**(3,164)**	**1,188**	**(4,079)**	**(2,932)**
Transfer from/(to) equity	**39**	**-**	**4,161**	**-**	**-**	**(1,203)**	**2,958**
Exchange differences		**65**	**-**	**88**	**29**	**97**	**279**
Balance as at the end of the financial year		**(4,474)**	**(2,376)**	**1,764**	**20,222**	**2,743**	**17,879**

Group	Note	Property, plant and equipment and other intangible assets	Financial assets at FVOCI	Tax losses	Other liabilities	Other temporary differences	Total
2018							
Balance as at the beginning of the financial year		(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 differences		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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

12 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**	**Financial assets at FVOCI**	**Other liabilities**	**Other temporary differences**	**Total**
2019		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Balance as at the beginning of the financial year						
- As previously reported		**(4,375)**	**(6,584)**	**16,791**	**-**	**5,832**
- Effect of adoption of MFRS 16	**54**	**-**	**-**	**-**	**33**	**33**
- As restated		**(4,375)**	**(6,584)**	**16,791**	**33**	**5,865**
Transfer from/(to) income statements	**37**	**972**	**-**	**(1,017)**	**75**	**30**
Transfer from equity	**39**	**-**	**4,211**	**-**	**-**	**4,211**
Balance as at the end of the financial year		**(3,403)**	**(2,373)**	**15,774**	**108**	**10,106**
Bank						
2018						
Balance as at the beginning of the financial year		(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

13 INVESTMENTS IN SUBSIDIARIES

	Note	2019 RM'000	Bank 2018 RM'000
Unquoted shares, at cost			
- In Malaysia		**307,202**	307,202
- Outside Malaysia		**1,326,653**	1,349,749
		1,633,855	1,656,951
Fair value changes arising from fair value hedge	**10(i)**	**47,118**	46,812
		1,680,973	1,703,763
Accumulated impairment losses		**(587,276)**	(521,534)
		1,093,697	1,182,229

During the financial year, impairment losses of RM65,742,000 (2018: RM295,585,000) 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 RHB Securities Singapore Pte Ltd ('RHBSS'), the CAGR used in VIU calculation for impairment assessment is sensitive to changes. If the CAGR for fee income had been 41 basis points lower than management estimates at 31 December 2019 (i.e. 5.12% instead of 5.53%), the Bank would have recognised additional impairment for cost of investment amounting to RM5,000,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2019 %	Effective equity interest held by the Group 2018 %	Effective equity interest held by the non-controlling interest 2019 %	Effective equity interest held by the non-controlling interest 2018 %	Principal activities
RHB Merchant Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	**100**	100	**-**	-	To act as nominee services for Malaysian beneficial shareholders
RHB Merchant Nominees (Asing) Sdn Bhd	Malaysia	10,000	**100**	100	**-**	-	Provision of nominee services for foreign beneficial shareholders
RHB Nominees Sdn Bhd	Malaysia	25,000	**100**	100	**-**	-	Nominee and custodian services
RHB Nominees (Asing) Sdn Bhd	Malaysia	25,000	**100**	100	**-**	-	Nominee and custodian services for foreign beneficial shareholders
RHB Nominees (Tempatan) Sdn Bhd	Malaysia	25,000	**100**	100	**-**	-	Nominee and custodian services for Malaysian beneficial shareholders
RHB Asset Management Sdn Bhd	Malaysia	10,000,000	**100**	100	**-**	-	Rendering of investment management services, management of unit trust funds and private retirement schemes and provision of investment advisory services
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
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2019 %	Effective equity interest held by the Group 2018 %	Effective equity interest held by the non-controlling interest 2019 %	Effective equity interest held by the non-controlling interest 2018 %	Principal activities
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
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

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2019 %	Effective equity interest held by the Group 2018 %	Effective equity interest held by the non-controlling interest 2019 %	Effective equity interest held by the non-controlling interest 2018 %	Principal activities
RHB Fundamental Capital Hong Kong Limited [1,6]	Hong Kong	HKD10,000,000	**-**	100	**-**	-	Dissolved
RHB Asset Management Limited [1]	Hong Kong	HKD17,000,000	**100**	100	**-**	-	Dealing in securities, advising on securities and provision of asset management services
RHB Wealth Management Hong Kong Limited [1]	Hong Kong	HKD5,000,000	**100**	100	**-**	-	Negotiating or arranging contracts of insurance in or from Hong Kong as the agent of the policy holder or potential policy holder or advising on matters related to insurance
RHB (China) Investment Advisory Co Ltd [1]	People's Republic of China	USD2,000,000	**100**	100	**-**	-	Consulting for investment business and related services
PT RHB Sekuritas Indonesia [1]	Indonesia	IDR204,082 million	**99**	99	**1**	1	Securities brokerage and underwriting
PT RHB Asset Management Indonesia [1]	Indonesia	IDR50,000 million	**98.62**	98.62	**1.38**	1.38	Investment manager
RHB Securities Singapore Pte. Ltd. [1]	Singapore	SGD75,000,000	**100**	100	**-**	-	Provision of stock and share broking services and corporate finance advisory services
RHB Nominees Singapore Pte. Ltd. [1]	Singapore	SGD2	**100**	100	**-**	-	Inactive
Summit Nominees Pte. Ltd. [1]	Singapore	SGD2,000	**100**	100	**-**	-	Inactive

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2019 %	Effective equity interest held by the Group 2018 %	Effective equity interest held by the non-controlling interest 2019 %	Effective equity interest held by the non-controlling interest 2018 %	Principal activities
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 Securities Vietnam Company Limited [7, 8]	Vietnam	VND135,000 million	**100**	-	**-**	-	Securities brokerage, securities investment, consultancy and self-trading
RHB Entrepreneur Fund [1, 9, ^]	Singapore	-	**-**	49.78	**-**	50.22	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

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2019 %	Effective equity interest held by the Group 2018 %	Effective equity interest held by the non-controlling interest 2019 %	Effective equity interest held by the non-controlling interest 2018 %	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

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2019 %	Effective equity interest held by the Group 2018 %	Effective equity interest held by the non-controlling interest 2019 %	Effective equity interest held by the non-controlling interest 2018 %	Principal activities
Dormant subsidiaries (continued)							
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
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 and the company has since been dormant
RHB Research Institute Singapore Pte. Ltd. [1]	Singapore	SGD175,000	**100**	100	**-**	-	Financial advisory services and the company has since been dormant

Notes:
1 Subsidiaries audited by a member firm of PricewaterhouseCoopers which is a separate and independent legal entity from PricewaterhouseCoopers PLT, Malaysia.
2 Subsidiary not audited pursuant to Companies 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 The company has been dissolved upon its deregistration on 18 April 2019 pursuant to Section 751 of the Hong Kong Companies Ordinance.
7 Subsidiary audited by a firm other than member firms of PricewaterhouseCoopers.
8 As set out in Note 51(a) to the financial statements, the Bank had acquired the remaining 51% equity interest in RHB Securities Vietnam Company Limited ('RHBSV') on 19 February 2019 for VND121,629,915,000.
9 As set out in Note 51(c) to the financial statements, the fund has terminated on 16 September 2019 and fully redeemed during the financial year.

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

14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Share of net assets of associates	(a)	**41,721**	40,444	**5,028**	5,028
Less: Allowance for impairment losses		**(25,650)**	(25,650)	**-**	-
		16,071	14,794	**5,028**	5,028
Share of net assets of joint ventures	(b)	**12**	29,622	**-**	27,399
Less: Allowance for impairment losses		**-**	(13,770)	**-**	(11,370)
		12	15,852	**-**	16,029
		16,083	30,646	**5,028**	21,057

There were impairment losses of RM23,000,000 in prior year arising from investment in Satin Straits as the recoverable amount of the investment was 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 2019 %	Effective equity interest 2018 %	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 and the company has since been dormant
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 RM743,000 (2018: RM346,000) as at 31 December 2019 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 2019.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

14 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	
	2019	**2018**	**2019**	**2018**	**2019 ^**	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets								
Cash and cash equivalents	**9,440**	11,043	**5**	2	**18**	18	**9,463**	11,063
Other current assets	**7,070**	3,763	**25**	259	**-**	-	**7,095**	4,022
Non-current assets	**43**	86	**119**	96	**32,591**	32,591	**32,753**	32,773
Total assets	**16,553**	14,892	**149**	357	**32,609**	32,609	**49,311**	47,858
Liabilities								
Financial liabilities	**(109)**	(1,246)	**(2,378)**	(1,384)	**(92)**	(92)	**(2,579)**	(2,722)
Other current liabilities	**(37)**	(428)	**-**	(11)	**(61)**	(61)	**(98)**	(500)
Total liabilities	**(146)**	(1,674)	**(2,378)**	(1,395)	**(153)**	(153)	**(2,677)**	(3,222)
Net Assets/(Liabilities)	**16,407**	13,218	**(2,229)**	(1,038)	**32,456**	32,456	**46,634**	44,636

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

14 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)

(ii) Summarised statements of comprehensive income

	Finexasia		Prostar		Satin Straits		Total	
	2019	**2018**	**2019**	**2018**	**2019** ^	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Interest income	**266**	243	**-**	-	**-**	-	**266**	243
Other operating income	**16,835**	3,209	**10,331**	13,959	**-**	-	**27,166**	17,168
Net operating income	**17,101**	3,452	**10,331**	13,959	**-**	-	**27,432**	17,411
Other operating expenses	**(1,715)**	(2,116)	**(11,550)**	(14,907)	**-**	(13)	**(13,265)**	(17,036)
Including:								
Depreciation and amortisation	**(44)**	(41)	**-**	-	**-**	-	**(44)**	(41)
Profit/(Loss) before taxation	**15,386**	1,336	**(1,219)**	(948)	**-**	(13)	**14,167**	375
Taxation	**(197)**	(302)	**-**	(11)	**-**	-	**(197)**	(313)
Net profit/(loss) for the financial year	**15,189**	1,034	**(1,219)**	(959)	**-**	(13)	**13,970**	62

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

14 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	
	2019	**2018**	**2019**	**2018**	**2019** ^	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Balance as at the beginning of the financial year	**13,218**	14,784	**(1,038)**	(78)	**32,456**	32,469	**44,636**	47,175
Net profit/(loss) for the financial year	**15,189**	1,034	**(1,219)**	(959)	**-**	(13)	**13,970**	62
Dividend paid	**(12,000)**	(2,600)	**-**	-	**-**	-	**(12,000)**	(2,600)
Translation reserves	**-**	-	**28**	(1)	**-**	-	**28**	(1)
Balance as at the end of the financial year	**16,407**	13,218	**(2,229)**	(1,038)	**32,456**	32,456	**46,634**	44,636
Equity interest attributable to net assets	**6,571**	5,294	**-** *	- *	**32,500** #	32,500 #	**39,071**	37,794
Goodwill	**2,650**	2,650	**-**	-	**-**	-	**2,650**	2,650
Accumulated impairment losses	**(2,650)**	(2,650)	**-**	-	**(23,000)**	(23,000)	**(25,650)**	(25,650)
Carrying value	**6,571**	5,294	**-**	-	**9,500**	9,500	**16,071**	14,794

* Kindly refer to Note 1 of Note 14(a) to the financial statements.
# Kindly refer to Note 2 of Note 14(a) to the financial statements.
^ No financial information available for financial year ended 31 December 2019. The last financial information received from management was for financial year ended 31 December 2018.

14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

(b) Share of net assets of joint ventures

The details of the joint ventures are as follows:

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

* The Bank had on 19 February 2019 completed the acquisition of the remaining 51% equity interest of RHBSV, and accordingly the RHBSV has become a wholly-owned subsidiary of the Bank as disclosed in Note 13 to the financial statements.

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

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

14 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)

(ii) Summarised statements of comprehensive income

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

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

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

15 RIGHT OF USE ASSETS

Group 2019	Note	Properties	Equipment RM'000	Motor vehicles RM'000	Total RM'000
Balance as at the beginning of the financial year					
- As previously reported		-	-	-	-
- Effect of adoption of MFRS 16	54	33,381	1,326	420	35,127
- As restated		33,381	1,326	420	35,127
Depreciation charge for the financial year	33	(18,826)	(787)	(232)	(19,845)
Additions		14,776	8	-	14,784
Written off		(511)	-	-	(511)
Exchange differences		349	27	31	407
Balance as at the end of the financial year		29,169	574	219	29,962

Bank 2019	Note	Properties	Equipment	Motor vehicles	Total
Balance as at the beginning of the financial year					
- As previously reported		-	-	-	-
- Effect of adoption of MFRS 16	54	10,349	-	-	10,349
- As restated		10,349	-	-	10,349
Depreciation charge for the financial year	33	(5,291)	-	-	(5,291)
Additions		2,491	-	-	2,491
Written off		(511)	-	-	(511)
Balance as at the end of the financial year		7,038	-	-	7,038

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

16 PROPERTY, PLANT AND EQUIPMENT

Group	Note	Renovations	Office equipment and furniture	Computer equipment	Motor vehicles	Total
2019		RM'000	RM'000	RM'000	RM'000	RM'000
Cost						
Balance as at the beginning of the financial year		85,486	83,967	139,239	11,157	319,849
Acquisition of a subsidiary	51(a)	-	156	1,050	197	1,403
Additions		9,293	1,511	9,196	718	20,718
Disposals		(323)	(28)	(266)	(1,761)	(2,378)
Written off		(9,712)	(989)	(10,681)	-	(21,382)
Exchange differences		244	1,350	1,263	181	3,038
Balance as at the end of the financial year		84,988	85,967	139,801	10,492	321,248
Less: Accumulated depreciation						
Balance as at the beginning of the financial year		63,351	78,168	127,702	10,584	279,805
Acquisition of a subsidiary	51(a)	-	155	1,022	196	1,373
Charge for the financial year	33	6,816	3,028	8,284	188	18,316
Disposals		(73)	(25)	(253)	(1,761)	(2,112)
Written off		(9,667)	(987)	(10,672)	-	(21,326)
Exchange differences		172	1,158	1,114	147	2,591
Balance as at the end of the financial year		60,599	81,497	127,197	9,354	278,647
Net book value as at the end of the financial year		24,389	4,470	12,604	1,138	42,601

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	**Note**	**Renovations**	**Office equipment and furniture**	**Computer equipment**	**Motor vehicles**	**Total**
2018		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
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	17(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 to other intangible assets	17(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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank	**Note**	**Renovations**	**Office equipment and furniture**	**Computer equipment**	**Motor vehicles**	**Total**
2019		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cost						
Balance as at the beginning of the financial year		**66,334**	**52,225**	**80,857**	**3,915**	**203,331**
Additions		**2,879**	**1,023**	**2,791**	**420**	**7,113**
Disposals		**-**	**(4)**	**(22)**	**(1,400)**	**(1,426)**
Written off		**(823)**	**(264)**	**(969)**	**-**	**(2,056)**
Balance as at the end of the financial year		**68,390**	**52,980**	**82,657**	**2,935**	**206,962**
Less: Accumulated depreciation						
Balance as at the beginning of the financial year		**50,353**	**50,908**	**78,051**	**3,915**	**183,227**
Charge for the financial year	**33**	**3,212**	**612**	**2,617**	**40**	**6,481**
Disposals		**-**	**(2)**	**(16)**	**(1,400)**	**(1,418)**
Written off		**(819)**	**(263)**	**(968)**	**-**	**(2,050)**
Balance as at the end of the financial year		**52,746**	**51,255**	**79,684**	**2,555**	**186,240**
Net book value as at the end of the financial year		**15,644**	**1,725**	**2,973**	**380**	**20,722**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank	Note	Renovations	Office equipment and furniture	Computer equipment	Motor vehicles	Total
2018		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
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

17 GOODWILL AND OTHER INTANGIBLE ASSETS

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Goodwill on consolidation	**(a)**	**511,221**	523,911	**372,395**	372,395
Other intangible assets	**(b)**				
Customer relationship		**6,329**	8,562	**1,603**	2,169
Brand		**1,399**	1,894	-	-
Trading rights and memberships		**1,274**	1,427	-	-
Computer software license		**39,330**	35,727	**24,302**	24,886
		559,553	571,521	**398,300**	399,450

(a) Goodwill on consolidation

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Balance as at the beginning of the financial year		**523,911**	523,911	**372,395**	372,395
Add: Addition during the year	**51(a)**	**4,815**	-	**-**	-
Less: Allowance for impairment losses	**36**	**(17,505)**	-	**-**	-
Balance as at the end of the financial year		**511,221**	523,911	**372,395**	372,395

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

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
CGUs					
Investment Banking		**242,591**	242,591	**229,028**	229,028
Asset Management		**143,367**	143,367	**143,367**	143,367
Securities Singapore		**46,443**	63,948	**-**	-
Securities Indonesia		**74,005**	74,005	**-**	-
Securities Vietnam	**51(a)**	**4,815**	-	**-**	-
		511,221	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 (2018: four-years). Cash flows beyond the four-years (2018: 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.

17 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill on consolidation (continued)

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

	Discount rate		Growth rate	
	2019	**2018**	**2019**	**2018**
	%	**%**	**%**	**%**
Investment Banking	**8.2**	8.9	**4.3**	4.5
Asset Management	**8.2**	8.9	**4.3**	4.5
Securities Singapore	**5.4**	6.1	**1.5**	2.6
Securities Indonesia	**13.0**	12.0	**5.1**	5.1
Securities Vietnam	**8.0**	-	**6.6**	-

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 or FVLCD, which based on a recent available market transaction. In each case, other than the GCUs summarised below, the Group believes that a reasonably possible change in CAGR and a fixed multiple would not cause the carrying amount to materially exceed its recoverable amount.

For RHB Securities Singapore Pte Ltd ('RHBSS'), the CAGR used in VIU calculation for impairment assessment is sensitive to changes. If the CAGR for fee income had been 41 basis points lower than management estimates at 31 December 2019 (i.e. 5.12% instead of 5.53%), the Bank would have recognised additional impairment for cost of investment amounting to RM5,000,000.

17 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets

Group 2019	Note	Customer relationship RM'000	Brand RM'000	Trading rights RM'000	Computer software license RM'000	Total RM'000
Cost						
Balance as at the beginning of the financial year		22,333	4,945	2,760	144,834	174,872
Additions		-	-	-	14,369	14,369
Disposals		-	-	-	(14)	(14)
Written off		-	-	(709)	(2,007)	(2,716)
Exchange differences		-	-	250	787	1,037
Balance as at the end of the financial year		22,333	4,945	2,301	157,969	187,548
Less: Accumulated amortisation						
Balance as at the beginning of the financial year		13,771	3,051	1,333	109,107	127,262
Charge for the financial year	33	2,233	495	80	10,924	13,732
Disposals		-	-	-	(2)	(2)
Written off		-	-	(463)	(2,007)	(2,470)
Exchange differences		-	-	77	617	694
Balance as at the end of the financial year		16,004	3,546	1,027	118,639	139,216
Net book value as at the end of the financial year		6,329	1,399	1,274	39,330	48,332

17 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets (continued)

Group	**Note**	**Customer relationship**	**Brand**	**Trading rights**	**Computer software license**	**Total**
2018		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
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	16	-	-	-	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	16	-	-	-	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

17 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets (continued)

Bank	**Note**	**Customer relationship**	**Computer software license**	**Total**
2019		**RM'000**	**RM'000**	**RM'000**
Cost				
Balance as at the beginning of the financial year		**5,659**	**110,216**	**115,875**
Additions		**-**	**4,822**	**4,822**
Disposals		**-**	**(6)**	**(6)**
Written off		**-**	**(134)**	**(134)**
Balance as at the end of the financial year		**5,659**	**114,898**	**120,557**
Less: Accumulated amortisation				
Balance as at the beginning of the financial year		**3,490**	**85,330**	**88,820**
Charge for the financial year	**33**	**566**	**5,406**	**5,972**
Disposals		**-**	**(6)**	**(6)**
Written off		**-**	**(134)**	**(134)**
Balance as at the end of the financial year		**4,056**	**90,596**	**94,652**
Net book value as at the end of the financial year		**1,603**	**24,302**	**25,905**

17 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets (continued)

Bank	**Note**	**Customer relationship**	**Brand**	**Computer software license**	**Total**
2018		**RM'000**	**RM'000**	**RM'000**	**RM'000**
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

18 DEPOSITS FROM CUSTOMERS

	Group and Bank 2019 RM'000	2018 RM'000
i) By type of deposits		
Short-term deposits	**1,410,984**	1,030,614
ii) By type of customer		
Government and statutory bodies	**100,080**	100,088
Business enterprises	**1,310,904**	930,526
	1,410,984	1,030,614
iii) By maturity structure of the deposits		
Due within six months	**1,410,984**	1,030,614

19 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank 2019 RM'000	2018 RM'000
Licensed banks	**1,813,803**	1,643,142
Licensed investment banks	**200,835**	191,678
	2,014,638	1,834,820

20 CLIENTS' AND BROKERS' BALANCES

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Amounts due to:				
- Clients	**669,821**	772,714	**513,368**	588,464
- Brokers	**47,728**	39,954	**31,481**	30,737
- Clearing houses and stock exchanges	**106,617**	19,492	**-**	-
	824,166	832,160	**544,849**	619,201

21 OTHER LIABILITIES

		Group		Bank	
	Note	2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Other creditors and accruals		**145,867**	134,850	**62,736**	53,603
Contract liabilities	(i)	**7,409**	7,401	**3,274**	1,359
Remisiers' trust deposits		**64,861**	62,917	**64,861**	62,917
Amount payable for creation of units due to funds		**42,007**	112,679	**-**	-
Amount payable for redemption units		**312,101**	13,955	**-**	-
Short-term employee benefits		**68,122**	70,749	**39,083**	43,707
Amount due to holding company	(ii)	**12,034**	12,013	**6,573**	8,975
Amount due to subsidiaries	(ii)	**-**	-	**16**	1,409
Amount due to related companies	(ii)	**149**	697	**102**	273
Provision for restructuring costs	49(b)	**6,874**	-	**49,458**	-
		659,424	415,261	**226,103**	172,243

(i) Contract liabilities were reduced by RM7,401,000 and RM1,359,000 (2018: RM3,231,000 and RM Nil) for the Group and the Bank 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 RM7,409,000 and RM3,274,000 (2018: RM7,401,000 and RM1,359,000) respectively. Advances received and recognised as revenue for the Group and the Bank amounts to RM6,894,000 and RM2,420,000 (2018: 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.

22 LEASE LIABILITIES

	Group	Bank
	2019	2019
	RM'000	RM'000
Lease liabilities	**29,567**	**7,203**
Scheduled repayments of lease liabilities:		
- Within one year	**15,223**	**4,351**
- One year to three years	**9,917**	**2,852**
- More than three years	**4,427**	**-**
	29,567	**7,203**

23 BORROWINGS

	Note	Group 2019 RM'000	2018 RM'000
Unsecured			
Revolving credits:			
- United States Dollar ('USD')	**(a)(i)**	**585,419**	619,313
- Hong Kong Dollar ('HKD')	**(a)(ii)**	**-**	39,584
Term loans:			
- Hong Kong Dollar ('HKD')	**(b)(i)**	**3,101**	-
- Singapore Dollar ('SGD')	**(b)(ii)**	**72,972**	90,999
- Thai Baht ('THB')	**(b)(iii)**	**-**	48,721
Promissory notes:			
- Indonesia Rupiah ('IDR')	**(c)(i)**	**29,673**	57,706
- Thai Baht ('THB')	**(c)(ii)**	**190,871**	26,646
		882,036	882,969

The borrowings of the Group are as follows:

(a) Revolving credits

(i) USD revolving credits

The unsecured USD revolving credit facilities of the Group which bears interest at rates ranging from 3.15% to 5.20% (2018: 2.90% to 5.02%) per annum, which fully repaid in January 2020.

(ii) HKD revolving credits

The unsecured HKD revolving credit facilities of the Group borne interest at rates ranging from 1.75% to 7.10% per annum, which fully repaid in January 2019.

(b) Term loans

(i) HKD term loan

The unsecured HKD term loan of the Group bears interest at rates ranging from 1.33% to 4.72% per annum, which fully repaid in January 2020.

(ii) SGD term loan

The unsecured SGD term loan of the Group bears interest at rates ranging from 1.07% to 2.85% (2018: 1.00% to 2.59%) per annum, which fully repaid in January 2020.

(iii) THB term loan

The unsecured THB term loan of the Group borne interest at rates ranging from 2.49% to 2.55% per annum, which fully repaid in January 2019.

23 BORROWINGS (CONTINUED)

The borrowings of the Group are as follows: (continued)

(c) Promissory notes

(i) IDR promissory notes

The unsecured IDR promissory notes of the Group bears interest at rates ranging from 7.50% to 8.80% (2018: 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 rates ranging from 1.85% to 3.27% (2018: 1.85% to 2.90%) per annum and repayable on demand.

24 SUBORDINATED OBLIGATIONS

	Note	2019 RM'000	Group and Bank 2018 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

25 SHARE CAPITAL

	Group and Bank			
	2019		2018	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid:				
Balance as at the beginning/end of the financial year	**100,000**	**1,487,773**	100,000	1,487,773

26 RESERVES

		Group		Bank	
	Note	2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Retained profits		**587,298**	561,695	**567,193**	558,690
Statutory reserves	**(a)**	**517**	513	**-**	-
FVOCI reserves	**(b)**	**41,918**	23,489	**39,360**	20,853
Translation reserves	**(c)**	**134,778**	113,135	**-**	-
Regulatory reserves	**(d)**	**32,004**	32,731	**20,557**	19,154
		796,515	731,563	**627,110**	598,697

(a) The statutory reserves represent non-distributable profits held by:

(i) the Thailand's stockbroking subsidiary in compliance with Section 116 of the Public Limited Company Act B.E. 2535 in Thailand; and

(ii) the Vietnam's stockbroking subsidiary in compliance with the Circular No. 146/2014/TT-BTC issued by the Ministry of Finance

(b) FVOCI reserves arise from a change in the fair value of financial assets classified as FVOCI. 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.

27 NON-CONTROLLING INTERESTS ('NCI')

	Note	2019	Group 2018
		RM'000	**RM'000**
Balance as at the beginning of the financial year			
- As previously reported		**10,039**	9,195
- Effect of adoption of MFRS 16	**54**	**(6)**	-
- As restated		**10,033**	9,195
Share of the profit for the financial year		**1,159**	1,005
Share of other comprehensive income for the financial year		**16**	639
Dividends to NCI		**(1,000)**	(800)
Balance as at the end of the financial year		**10,208**	10,039

28 INTEREST INCOME

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Loans and advances	**102,709**	99,648	**63,226**	53,945
Money at call and deposit placements with banks and other financial institutions	**67,320**	63,889	**49,522**	51,345
Financial assets at FVTPL	**238**	195	**1**	173
Financial assets at FVOCI, debt instruments	**27,142**	30,180	**27,142**	29,818
Financial investments at amortised costs	**35,968**	31,345	**35,968**	31,345
Others	**9,968**	6,472	**1,992**	2,270
	243,345	231,729	**177,851**	168,896
Of which:				
Interest income accrued on impaired financial assets	**1,211**	7,454	**-**	-

29 INTEREST EXPENSE

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Deposits and placements of bank and other financial institutions	**63,805**	75,091	**63,805**	75,091
Deposits from customers	**43,792**	36,870	**43,792**	37,320
Subordinated obligations	**19,700**	19,700	**19,700**	19,700
Borrowings	**37,246**	32,576	**-**	-
Others	**3,780**	2,785	**472**	43
	168,323	167,022	**127,769**	132,154

30 FEE AND COMMISSION INCOME

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
i) By type of fee income				
Brokerage income	**237,553**	274,350	**155,572**	181,011
Fund management fees	**235,281**	222,053	**-**	-
Unit trust fee income	**110,128**	52,951	**-**	-
Corporate advisory fees	**52,074**	46,619	**32,147**	15,556
Arrangement fees and underwriting	**29,682**	7,214	**16,712**	2,338
Placement fees	**12,573**	6,746	**9,227**	5,340
Rollover fees	**5,040**	5,039	**4,796**	4,856
Commission	**2,888**	3,525	**1,276**	1,500
Service charges and fees	**3,911**	4,911	**616**	-
Other fee income	**66,857**	50,195	**45,882**	28,267
	755,987	673,603	**266,228**	238,868
ii) By geographical market of fee income				
Malaysia	**595,625**	531,143	**266,228**	238,868
Singapore	**72,160**	48,093	**-**	-
Indonesia	**38,738**	40,267	**-**	-
Thailand	**37,247**	36,232	**-**	-
Hong Kong	**11,923**	17,430	**-**	-
Cambodia	**279**	438	**-**	-
Vietnam	**15**	-	**-**	-
	755,987	673,603	**266,228**	238,868
iii) By timing of fee income recognition				
At a point in time	**504,989**	438,262	**263,349**	237,412
Over time	**250,998**	235,341	**2,879**	1,456
	755,987	673,603	**266,228**	238,868

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

31 FEE AND COMMISSION EXPENSE

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Fund management fees	**108,905**	102,368	-	-
Unit trust fees	**106,284**	48,626	-	-
Commission and incentives	**17,955**	19,938	9,911	11,249
	233,144	170,932	9,911	11,249

32 OTHER OPERATING INCOME

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Net gain/(loss) arising from financial instruments at FVTPL					
- net gain/(loss) on disposal		**14,745**	(16,670)	**1,428**	(11,384)
- unrealised gain/(loss) on revaluation		**39,768**	(13,149)	**1,703**	(15,808)
- gross dividend income		**32,126**	7,638	**1,058**	940
		86,639	(22,181)	**4,189**	(26,252)
Net gain arising from derivatives		**6,093**	79,468	**8,864**	44,319
Net gain arising from financial assets at FVOCI, debts instruments					
- net gain on disposal		**339**	21,897	**339**	21,897

32 OTHER OPERATING INCOME (CONTINUED)

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Dividend income from financial assets at FVOCI, equity instruments		**659**	530	**398**	303
Net gain arising from derecognition of financial investments at amortised costs		**-**	29	**-**	29
Gross dividend income from subsidiaries in Malaysia		**-**	-	**49,000**	11,400
Gross dividend income from an associate in Malaysia		**-**	-	**4,806**	1,041
Other income					
Net foreign exchange gain/(loss)					
- realised		**9,625**	13,126	**11,169**	14,439
- unrealised		**(806)**	1,179	**(1,609)**	1,428
Net gain on disposal of property, plant and equipment		**332**	-	**153**	-
Gain on modification of right of use assets		**9**	-	**9**	-
Gain on remeasurement of previouly held equity interest in a joint venture	**51(a)**	**258**	-	**-**	-
(Loss)/Gain on disposal of a subsidiary	**51(c)**	**(51)**	-	**11,492**	-
Other operating income		**77,172**	85,101	**72,726**	84,297
		86,539	99,406	**93,940**	100,164
		180,269	179,149	**161,536**	152,901

33 OTHER OPERATING EXPENSES

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Personnel costs					
- Salaries, bonus, wages and allowances		**303,520**	339,415	**138,216**	154,922
- Defined contribution plan		**30,076**	34,342	**20,060**	22,642
- Other staff related costs		**36,805**	42,346	**15,101**	18,047
		370,401	416,103	**173,377**	195,611
Establishment costs					
- Property, plant and equipment:					
- Depreciation	16	**18,316**	17,391	**6,481**	7,559
- Written off		**56**	752	**6**	7
- Other intangible assets					
- Amortisation	17	**13,732**	11,989	**5,972**	5,641
- Written off		**246**	28	**-**	-
- Depreciation of right of use assets	15	**19,845**	-	**5,291**	-
- Information technology expenses		**69,205**	64,932	**33,901**	36,434
- Security and escorting charges		**181**	200	**146**	164
- Repair and maintenance		**7,132**	2,679	**1,792**	1,797
- Rental of premises		**24,545**	44,094	**7,416**	14,410
- Water and electricity		**5,593**	5,604	**3,567**	3,639
- Rental of equipment		**340**	1,003	**-**	140
- Insurance		**4,852**	5,494	**3,167**	3,505
- Others		**6,018**	7,683	**6,020**	7,522
		170,061	161,849	**73,759**	80,818
Marketing expenses					
- Advertisement and publicity		**2,444**	6,013	**376**	3,458
- Sales commission		**3,549**	6,435	**696**	1,183
- Others		**16,601**	19,517	**4,782**	6,304
		22,594	31,965	**5,854**	10,945
Administration and general expenses					
- Communication expenses		**35,027**	40,616	**11,872**	15,492
- Auditors' remuneration (Note (i))		**2,601**	2,603	**419**	376
- Legal and professional fee		**12,126**	10,987	**4,064**	2,353
- Others		**37,960**	29,375	**16,286**	30,384
		87,714	83,581	**32,641**	48,605
		650,770	693,498	**285,631**	335,979

33 OTHER OPERATING EXPENSES (CONTINUED)

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
(i) Auditors' remuneration *					
(a) Audit					
Statutory audit					
- Malaysia		**573**	579	**377**	371
- Overseas		**1,983**	1,960	**-**	-
Other audit related		**15**	64	**12**	5
		2,571	2,603	**389**	376
(b) Non-audit					
- Malaysia		**30**	-	**30**	-
		2,601	2,603	**419**	376

Included in the personnel costs is the Chief Executive Officer's remuneration 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, 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			
2019	**Salary and other remuneration RM'000**	**Benefits-in-kind (based on an estimated monetary value) RM'000**	**Bonus RM'000**	**Total RM'000**
Robert Angelo Hendro Santoso Huray	**2,340**	**7**	**1,500**	**3,847**

In addition to the above, for the financial year ended 31 December 2019, the Chief Executive Officer who led the achievement of the Group's short and long term business objectives, was awarded a sum of RM290,000 as a Special Recognition Award.

	Group and Bank			
2018	**Salary and other remuneration RM'000**	**Benefits-in-kind (based on an estimated monetary value) RM'000**	**Bonus RM'000**	**Total RM'000**
Robert Angelo Hendro Santoso Huray	2,246	7	870	3,123

In addition to the above, for 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

34 CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION (CONTINUED)

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

	Group				Bank			
2019	**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**
Non-executive Directors								
Tan Sri Azlan bin Mohd Zainol	240	-	29	269	170	-	23	193
Chin Yoong Kheong	354	-	116	470	135	-	85	220
Tan Sri Ong Leong Huat @ Wong Joo Hwa	160	-	68	228	135	-	66	201
Yap Chee Meng	363	-	93	456	135	-	19	154
Dato' Darawati Hussain	160	-	42	202	135	-	27	162
Sharifatu Laila binti Syed Ali (Appointed on 15 March 2019)	248	-	86	334	108	-	58	166
Dato' Siow Kim Lun @ Siow Kim Lin (Appointed on 1 October 2019)	34	-	5	39	34	-	5	39
Tan Sri Dr Rebecca Fatima Sta Maria (Resigned on 15 April 2019)	38	-	19	57	38	-	19	57
	1,597	-	458	2,055	890	-	302	1,192

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 RM217 million (2018: RM208 million) and RM200 million (2018: RM200 million) respectively. The total amount of premium paid for the Directors' Liability Insurance by the Group and the Bank was RM142,250 (2018: RM118,948) and RM74,412 (2018: RM74,190) respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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	Benefits-in-kind (based on an estimated monetary value)	Other remuneration	Total	Fees	Benefits-in-kind (based on an estimated monetary value)	Other remuneration	Total
2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Net allowance made/(written back) on loans and advances	**461**	5,479	**-**	(5)
Allowance made/(written back) for expected credit losses on other receivables and clients' and brokers' balances	**2,059**	2,325	**266**	(632)
Bad debts recovered	**(426)**	(262)	**(321)**	(262)
Bad debts written off	**3**	495	**3**	367
Financial investments at amortised costs	**(617)**	(1,341)	**(617)**	(1,341)
Other financial assets	**(170)**	134	**(118)**	104
	1,310	6,830	**(787)**	(1,769)

36 IMPAIRMENT LOSS ON OTHER NON-FINANCIAL ASSETS

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Investments in subsidiaries	**-**	-	**65,742**	295,585
Investments in an associate	**-**	23,000	**-**	-
Goodwill	**17,505**	-	**-**	-
	17,505	23,000	**65,742**	295,585

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

37 TAXATION

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Income tax based on profit for the financial year					
- Malaysian income tax		**48,609**	34,223	**34,971**	23,537
- Overseas tax		**467**	2,793	**-**	-
Deferred taxation	**12**	**2,932**	(4,164)	**(30)**	(3,062)
Under provision in respect of prior years		**27,717**	3,283	**28,308**	2,718
		79,725	36,135	**63,249**	23,193
Current tax					
Current year		**49,076**	37,016	**34,971**	23,537
Under provision in respect of prior years		**27,717**	3,283	**28,308**	2,718
		76,793	40,299	**63,279**	26,255
Deferred tax					
Origination and reversal of temporary differences	**12**	**2,932**	(4,164)	**(30)**	(3,062)
		2,932	(4,164)	**(30)**	(3,062)
		79,725	36,135	**63,249**	23,193

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	
	2019	**2018**	**2019**	**2018**
	%	**%**	**%**	**%**
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	**(2.2)**	21.1	**-**	-
- Income not subject to tax	**(6.5)**	(23.0)	**(19.7)**	1.7
- Expenses not deductible for tax purposes	**18.2**	61.1	**47.2**	(35.3)
- Utilisation of previously unrecognised tax losses	**-**	(0.7)	**-**	-
- Current year loss not recognised as deferred tax assets during the year	**16.1**	56.1	**-**	-
- Under provision in respect of prior years	**26.4**	13.8	**41.7**	(1.3)
Effective tax rate	**76.0**	152.4	**93.2**	(10.9)

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	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unabsorbed tax losses carried forward	**434,560**	236,890	**-**	-
Unabsorbed capital allowances carried forward	**4,446**	682	**-**	-

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.

38 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

	Group		Bank	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net profit/(loss) attributable to equity holder	**23,949**	(13,429)	**4,642**	(235,726)
Weighted average number of ordinary shares in issue ('000)	**100,000**	100,000	**100,000**	100,000
Basic earnings/(loss) per share (sen)	**23.95**	(13.43)	**4.64**	(235.73)

(b) Diluted earnings/(loss) per share

There were no dilutive potential ordinary shares outstanding as at 31 December 2019 and 31 December 2018. As a result, the diluted earnings/(loss) per share equal to the basic earnings/(loss) per share.

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

Group 2019	**Before tax RM'000**	**Tax expense RM'000**	**Net of tax RM'000**
Financial assets at FVOCI			
- Equity instruments			
- reversal of deferred tax recognised for prior year to other comprehensive income	**-**	**7,138**	**7,138**
- Debt instruments			
- net fair value gain and amount transfer to other comprehensive income	**12,405**	**(2,977)**	**9,428**
Actuarial loss on defined benefit plan of subsidiaries			
- net fair value loss and amount transfer to other comprehensive income	**(3,645)**	**869**	**(2,776)**
- reversal of net fair value loss in prior year and amount transfer to other comprehensive income	**1,479**	**(2,072)**	**(593)**
	10,239	**2,958**	**13,197**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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

Group **2018**	**Before tax** **RM'000**	**Tax expense** **RM'000**	**Net of tax** **RM'000**
Financial assets at FVOCI			
- Equity instruments			
- net fair value gain and amount transfer to other comprehensive income	3,732	(86)	3,646
- Debt instruments			
- net fair value gain and amount transfer to other comprehensive income	1,059	(254)	805
Actuarial gain on defined benefit plan of subsidiaries			
- net fair value gain and amount transfer to other comprehensive income	8,204	(374)	7,830
	12,995	(714)	12,281

Bank **2019**	**Before tax** **RM'000**	**Tax expense** **RM'000**	**Net of tax** **RM'000**
Financial assets at FVOCI			
- Equity instruments			
- reversal of deferred tax recognised for prior year to other comprehensive income	**-**	**7,188**	**7,188**
- Debt instruments			
- net fair value gain and amount transfer to other comprehensive income	**12,405**	**(2,977)**	**9,428**
	12,405	**4,211**	**16,616**

Bank **2018**	**Before tax** **RM'000**	**Tax expense** **RM'000**	**Net of tax** **RM'000**
Financial assets at FVOCI			
- Equity instruments			
- net fair value gain and amount transfer to other comprehensive income	560	(134)	426
- Debt instruments			
- net fair value gain and amount transfer to other comprehensive income	1,059	(254)	805
	1,619	(388)	1,231

40 DIVIDENDS

Dividend proposed is as follows:

	Group and Bank			
	2019		2018	
	Dividend per share sen	Total dividend RM'000	Dividend per share sen	Total dividend RM'000
<u>Ordinary shares</u>				
Interim dividend	**143.00**	**143,000**	-	-

The Directors proposed an interim single-tier dividend of 143.00 sen per ordinary share, amounting to RM143,000,000 in respect of the current financial year ended 31 December 2019, which was approved by the Board of Directors on 28 January 2020.

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

The Directors do not propose any final dividend for the financial year ended 31 December 2019.

Dividends payable by the Bank's subsidiaries to the non-controlling interest amounting to RM1,000,000 (2018: RM800,000) during the financial year ended 31 December 2019.

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 13	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 9 and 21, 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.

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Group 2019	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	21,062	-	-	2,520
Fee income	25,177	14,166	436	6,837
Brokerage income	-	12,595	133	-
Other operating income	71,223	73	227	-
	117,462	26,834	796	9,357
Expenses				
Insurance premium	-	-	-	891
Interest expense on deposits and placements	39,196	-	-	-
Interest expense on deposits from customers	-	7,557	-	266
Interest expense on borrowings	1,479	-	-	25,803
Fee and commission expense	19,920	-	-	-
Rental of premises	8,387	-	-	-
Personnel costs	526	-	-	939
Establishment costs	-	-	-	2,078
Administration and general expenses	2,891	-	-	542
	72,399	7,557	-	30,519
Amounts due from				
Cash and short-term funds	173,739	-	-	4,136
Deposits and placements with banks and other financial institutions	144,231	-	-	28,004
Clients' and brokers' balances *	-	16,465	2,296	-
Derivative assets	52	-	2	-
Other assets	-	5,471	9	1,503
	318,022	21,936	2,307	33,643
Amounts due to				
Deposits from customers	-	251,008	-	9,004
Deposits and placements of banks and other financial institutions	1,301,609	-	-	-
Clients' and brokers' balances *	-	16,528	568	-
Derivative liabilities	232	-	-	-
Borrowings	67,197	-	-	585,419
Other liabilities	12,034	81	40	149
	1,381,072	267,617	608	594,572

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

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Group 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 at FVTPL	1	9	-	-
Fee income	2,768	8,525	980	1,158
Brokerage income	-	13,550	178	-
Other operating income	102,483	73	196	-
	115,851	22,157	1,354	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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank **2019**	**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	**16,776**	**-**	**-**	**-**	**1,463**
Interest on loans and advances	**-**	**-**	**12**	**-**	**-**
Fee income	**11,574**	**7,401**	**2,704**	**128**	**6,579**
Brokerage income	**-**	**7,327**	**1,453**	**133**	**-**
Rental income	**-**	**-**	**158**	**-**	**-**
Other operating income	**71,022**	**73**	**48,576**	**227**	**-**
	99,372	**14,801**	**52,903**	**488**	**8,042**
Expenses					
Insurance premium	**-**	**-**	**-**	**-**	**187**
Interest expense on deposits and placements	**39,196**	**-**	**-**	**-**	**-**
Interest expense on deposits from customers	**-**	**7,557**	**-**	**-**	**266**
Rental of premises	**7,033**	**-**	**-**	**-**	**-**
Personnel costs	**457**	**-**	**-**	**-**	**638**
Establishment costs	**-**	**-**	**-**	**-**	**2,069**
Administration and general expenses	**400**	**-**	**5,494**	**-**	**252**
	47,086	**7,557**	**5,494**	**-**	**3,412**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank 2019	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
Amounts due from					
Cash and short-term funds	158,247	-	-	-	-
Loans and advances	-	-	26,589	-	-
Clients' and brokers' balances	-	4,908	-	2,296	-
Derivative assets	52	-	-	2	-
Other assets	-	3,758	44,938	9	2
	158,299	8,666	71,527	2,307	2
Amounts due to					
Deposit from customers	-	251,008	-	-	-
Deposits and placements of banks and other financial institutions	1,301,609	-	-	-	-
Clients' and brokers' balances	-	16,528	-	514	-
Derivative liabilities	54	-	-	-	-
Other liabilities	6,573	1	16	-	102
	1,308,236	267,537	16	514	102

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank **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 at 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	196	-
	110,696	14,104	15,290	1,027	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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank 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
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

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Key management personnel

The remuneration of key management personnel are as follows:

	Note	2019	Group 2018	2019	Bank 2018
		RM'000	**RM'000**	**RM'000**	**RM'000**
Short-term employee benefits					
- Fees		**1,597**	1,631	**890**	1,070
- Salary and other remuneration	**(i)**	**4,587**	9,486	**4,433**	7,594
- Contribution to EPF	**(i)**	**-**	441	**-**	441
- Benefits-in-kind		**7**	59	**7**	59
		6,191	11,617	**5,330**	9,164

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

Note:
(i) In 2019, the Chief Executive Officer who led the achievement of the Group's short and long term business objectives, was awarded a sum of RM290,000 as a Special Recognition Award.

In 2018, 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 2019	2018
Outstanding credit exposure with connected parties (RM'000)	**372,176**	335,403
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	**6.81%**	6.96%
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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(e) Intercompany charges

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

Group	Interest expense on deposits, placements and borrowings	Interest expense on deposits from customers	Rental of premises	Other expenses
2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Malaysia	**39,196**	**-**	**8,349**	**25,090**
Singapore	**-**	**-**	**38**	**2,491**
Thailand	**3,023**	**266**	**-**	**-**
Hong Kong	**4,382**	**-**	**-**	**194**
United Kingdom	**19,877**	**-**	**-**	**12**
	66,478	**266**	**8,387**	**27,787**

Group				
2018				
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(e) Intercompany charges (continued)

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

Bank 2019	**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	**39,196**	**266**	**-**	**7,033**	**9,497**
Bank 2018					
Malaysia	43,419	693	683	7,318	21,262

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
	2019	**2018**
Principal amount	**RM'000**	**RM'000**
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	**1,129,454**	1,338,876
- maturity exceeding one year	**6,313**	4,243
Foreign exchange related contracts: ^		
- less than one year	**119,015**	129,753
	1,254,782	1,472,872

^ These derivatives are revalued on gross position basis and the unrealised gains or losses have been reflected in Note 10 as derivatives assets or derivative liabilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

42 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The commitments and contingencies comprise the following: (continued)

		Bank
	2019	**2018**
Principal amount	**RM'000**	**RM'000**
Direct credit substitutes #	**152,467**	152,006
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	**583,387**	376,397
- maturity exceeding one year	**22**	22
Foreign exchange related contracts: ^		
- less than one year	**43,113**	25,379
	778,989	553,804

Included in direct credit substitutes is financial guarantee contract of RM152,467,000 (2018: RM152,006,000) to external parties for subsidiaries.

^ These derivatives are revalued on gross position basis and the unrealised gains or losses have been reflected in Note 10 as derivatives assets or derivative liabilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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

		Group		Bank
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Within one year	**5,088**	43,260	**13**	13,515
Between one to five years	**4,233**	25,782	**8**	7,568
More than five years	**-**	126	**-**	-
	9,321	69,168	**21**	21,083

44 CAPITAL AND OTHER COMMITMENTS

		Group		Bank
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Authorised and contracted for				
- Property, plant and equipment	**19,614**	18,638	**12,218**	12,236
- Investment securities	**5,796**	8,845	**-**	-
	25,410	27,483	**12,218**	12,236

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.

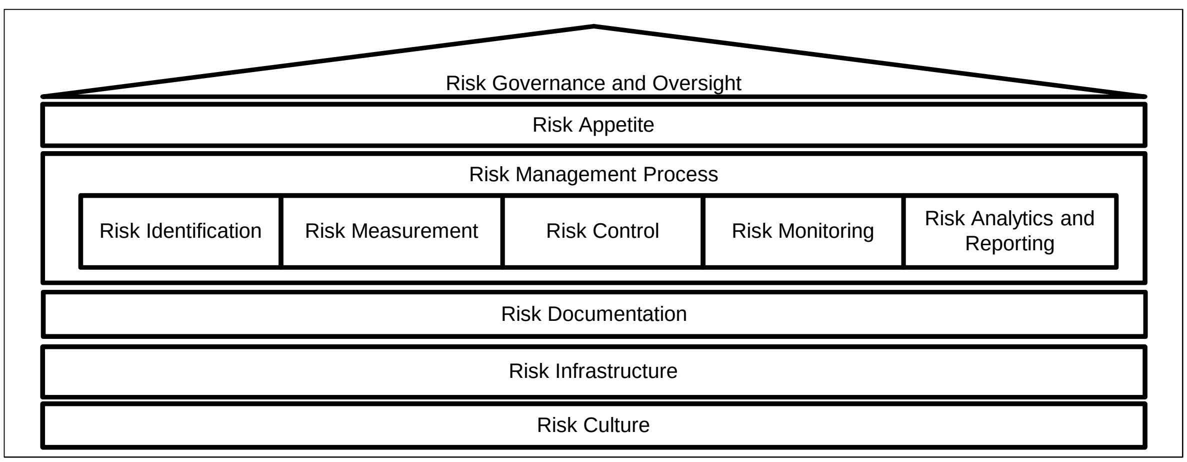
Effective risk management is fundamental to being able to drive sustainable growth and shareholders' value, while maintaining competitive advantage, and is thus a central part of the proactive risk management of the Group's operating environment.

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

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

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

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



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.

   <u>Risk Governance and Organisation</u>

   The Board of Directors ('Board'), through the respective risk committees and the Group Risk and Credit Management function, establishes the risk appetite and risk principles for the Group and relevant entities. The Board Risk Committee ('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 Group BRC assists the Board to review the overall risk management philosophy, frameworks, policies and models. The Investment Bank Board Risk Committee ('IBBRC') assist the Board of the Group on risk issues relevant and unique to its business.

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

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

FIRST LINE Business/Functional Level	• Responsible for managing day-to-day 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

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, headed by the Group Chief Risk Officer 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 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 process within the Group seeks to identify, measure, monitor and control risk so that risk exposures are adequately managed and the expected returns adequately compensate the risks.

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

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

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

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

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

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)

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

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 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.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Major Areas of Risk

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

(i) Market risk - the risk of losses arising from adverse movements in market drivers, such as interest rates, credit spreads, equity prices, currency exchange rates and commodity prices. Under this definition, market risk will constitute:

- the interest rate and equity risks pertaining to financial instruments in the trading book; and
- foreign exchange risk and commodities risk in the trading and banking books.

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

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

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

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

Market Risk

- A framework of risk policies, measurement methodologies and limits, as approved by the Board, which controls the Group's and the Bank's financial market activities as well as to identify potential risk areas early in order to mitigate against any adverse effects arising from market volatility.
- The senior management committees; namely Group Asset and Liability Committee ('Group ALCO'), the GCRC and IBRMC performs a critical role in the oversight of the management of market risk and supports the respective board risk committees in the overall market risk management.
- The Group Risk Management function forms a centralised function to support senior management to operationalise the processes and methods, to ensure adequate risk control and oversight are in place.
- The Group and the Bank apply risk monitoring and assessment tools to measure trading book positions and market risk factors. Statistical and non-statistical risk assessment tools applied include Value-at-Risk ('VaR'), sensitivity analysis and stress testing.
- Market risk is primarily monitored and controlled via a structure of limits and triggers i.e. cut loss, VaR, trading and notional limit set in accordance with the size of positions and risk tolerance appetites.
- Periodic stress testing are applied to ascertain market risk under abnormal market conditions.

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)

Liquidity Risk

- The Group ALCO plays a fundamental role in the asset and liability management of the Group and the Bank, and establishes strategies to assist in controlling and reducing any potential exposures to liquidity risk.
- The liquidity risk management process involves establishing liquidity risk management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.
- The Group and the Bank have adopted the BNM's liquidity standard on Liquidity Coverage Ratio, to ensure maintenance of adequate stock of unencumbered high-quality liquid assets to survive the liquidity needs for 30 calendar day under liquidity stress condition. In July 2019, BNM has issued the final Net Stable Funding Ratio (NSFR) policy document, which will be effective from 1 July 2020 and banking institutions are expected to maintain a minimal NSFR of 100% at the consolidated level i.e. at RHB Investment Banking Group level.
- Defined liquidity management ratios are maintained and monitored.
- The Group and the Bank have established a Liquidity Incident Management Procedure to manage any potential adverse liquidity incidences, and which can be implemented on a timely basis so that appropriate actions can be taken to mitigate against any unexpected market developments.

Credit Risk

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

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 (continued)

- Internal credit rating models are an integral part of the Group's and the Bank's credit risk management, decision-making process, and regulatory capital calculations.

- Clients' accounts are reviewed at regular intervals and weakening credits are transferred to Loan Recovery for more effective management.

- Counterparty, industry and product exposure limits and directions are set and risk reward relationships are mapped with the aim of maintaining a diverse credit profile and track the changing risk concentrations in response to market changes and external events.

- The Bank applies the Internal Ratings-Based ('IRB') approach for credit risk, whereby more advanced Basel II approaches and key program components are implemented, which includes:

  (i) Enhancing the returns of the Bank using established credit risk framework and methodologies;

  (ii) Implementing and using empirical credit scoring models for consumer financing and credit rating models for business loans and financing; and

  (iii) Designing and implementing modelling of expected and unexpected losses.

Operational Risk

- The Group Operational Risk Management function is responsible for the development of group-wide operational risk policies, framework and methodologies, and providing guidance and information to the business units on operational risk areas. The respective business units are primarily responsible for managing operational risk on a day-to-day basis. Some of the operational risk tools used include Risk and Control Self-Assessment, Key Risk Indicators, Key Control Testing, Incident and Loss Management and Scenario Analysis.

- The Group's and the Bank's operational risk management system has integrated applications to support the operational risk management process. This system facilitates the Group's and the Bank's capabilities for the Advanced Measurement Approach of the Basel II Framework in the future.

- The Group and the Bank have Business Continuity Management ('BCM') programme for the major critical business operations and activities at the Head Office, data centre, and branches' locations. The BCM programme is subject to regular testing to ensure efficacy, reliability and functionality.

- There is continuous refinement of existing policies, procedures and internal control measures; and regular internal review, compliance monitoring, and audits are performed to prevent and/or minimise unexpected losses.

- Regular operational risk reporting is made to senior management, relevant committees and board to facilitate the identification of adverse operational lapses, taking of prompt corrective actions, and ensuring appropriate risk mitigation decision making and action plans.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category

Group 2019	At amortised costs RM'000	At FVTPL RM'000	At FVOCI RM'000	Total RM'000
Financial assets				
Cash and short-term funds	**2,146,388**	**-**	**-**	**2,146,388**
Deposits and placements with banks and other financial institutions	**206,999**	**-**	**-**	**206,999**
Financial assets at FVTPL	**-**	**847,934**	**-**	**847,934**
Financial assets at FVOCI				
- Debt instruments	**-**	**-**	**711,239**	**711,239**
- Equity instruments	**-**	**-**	**41,003**	**41,003**
Financial investments at amortised costs	**911,838**	**-**	**-**	**911,838**
Loans and advances	**1,855,873**	**-**	**-**	**1,855,873**
Clients' and brokers' balances	**893,448**	**-**	**-**	**893,448**
Other financial assets	**185,144**	**-**	**-**	**185,144**
Derivative assets	**-**	**3,091**	**-**	**3,091**
	6,199,690	**851,025**	**752,242**	**7,802,957**
Financial liabilities				
Deposits from customers	**1,410,984**	**-**	**-**	**1,410,984**
Deposits and placements of banks and other financial institutions	**2,014,638**	**-**	**-**	**2,014,638**
Bills and acceptances payable	**36,957**	**-**	**-**	**36,957**
Clients' and brokers' balances	**824,166**	**-**	**-**	**824,166**
Other financial liabilities	**659,424**	**-**	**-**	**659,424**
Derivative liabilities	**-**	**4,509**	**-**	**4,509**
Lease liabilities	**29,567**	**-**	**-**	**29,567**
Borrowings	**882,036**	**-**	**-**	**882,036**
Subordinated obligations	**404,263**	**-**	**-**	**404,263**
	6,262,035	**4,509**	**-**	**6,266,544**

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Group 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				
- Debt instruments	-	-	711,087	711,087
- Equity instruments	-	-	39,138	39,138
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	135,815	-	-	135,815
Derivative assets	-	74	-	74
	5,495,975	743,295	750,225	6,989,495
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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Bank 2019	At amortised costs RM'000	At FVTPL RM'000	At FVOCI RM'000	Total RM'000
Financial assets				
Cash and short-term funds	1,443,786	-	-	1,443,786
Financial assets at FVTPL	-	60,382	-	60,382
Financial assets at FVOCI				
- Debt instruments	-	-	711,239	711,239
- Equity instruments	-	-	32,731	32,731
Financial investments at amortised costs	911,838	-	-	911,838
Loans and advances	1,405,692	-	-	1,405,692
Clients' and brokers' balances	466,285	-	-	466,285
Other financial assets	74,131	-	-	74,131
Derivative assets	-	3,054	-	3,054
	4,301,732	63,436	743,970	5,109,138
Financial liabilities				
Deposits from customers	1,410,984	-	-	1,410,984
Deposits and placements of banks and other financial institutions	2,014,638	-	-	2,014,638
Clients' and brokers' balances	544,849	-	-	544,849
Other financial liabilities	226,103	-	-	226,103
Derivative liabilities	-	3,873	-	3,873
Lease liabilities	7,203	-	-	7,203
Subordinated obligations	404,263	-	-	404,263
	4,608,040	3,873	-	4,611,913

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Bank 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				
- Debt instruments	-	-	711,087	711,087
- Equity instruments	-	-	30,840	30,840
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	20,996	-	-	20,996
Derivative assets	-	74	-	74
	3,638,914	55,716	741,927	4,436,557
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

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.

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	**Impact on equity**	**Impact on profit after tax**	**Impact on equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**
2019				
+100 bps	**(14,082)**	**(12,380)**	**(10,794)**	**(12,380)**
-100 bps	**14,082**	**12,946**	**10,794**	**12,946**
2018				
+100 bps	(11,810)	(19,446)	(10,027)	(19,446)
-100 bps	11,810	20,207	10,027	20,207

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

(a) Impact on the profit/(loss) after tax is the sum of valuation changes on fixed income instruments held in the trading portfolio and earnings movement for all short term interest 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 (2018: 100 bps) interest rate change impact. For assets and liabilities with non-fixed maturity e.g. current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of these interest bearing assets and liabilities.

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

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 and Singapore Dollar) on the consolidated currency position, while other variables remain constant.

	Group Impact on profit after tax RM'000	Bank Impact on profit after tax RM'000
2019		
+10%	**(5,341)**	**2,692**
-10%	**5,341**	**(2,692)**
2018		
+10%	23,430	13,125
-10%	(23,430)	(13,125)

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 2019 (CONTINUED)

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:

	Non-trading book								
Group	**Up to 1 month**	**>1-3 months**	**>3-6 months**	**>6-12 months**	**>1-3 years**	**Over 3 years**	**Non-interest sensitive**	**Trading book**	**Total**
2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
ASSETS									
Cash and short-term funds	**1,264,861**	**-**	**-**	**-**	**-**	**-**	**881,527**	**-**	**2,146,388**
Deposits and placements with banks and other financial institutions	**-**	**162,225**	**19,889**	**24,192**	**-**	**-**	**693**	**-**	**206,999**
Financial assets at FVTPL	**-**	**-**	**-**	**-**	**-**	**-**	**576,309**	**271,625**	**847,934**
Financial assets at FVOCI	**-**	**-**	**110,442**	**30,133**	**422,043**	**143,193**	**46,431**	**-**	**752,242**
Financial investments at amortised costs	**-**	**-**	**-**	**-**	**674,761**	**228,397**	**8,680**	**-**	**911,838**
Loans and advances	**1,851,850**	**-**	**-**	**-**	**10**	**314**	**3,699**	**-**	**1,855,873**
Clients' and brokers' balances	**17,206**	**-**	**-**	**-**	**-**	**-**	**876,242**	**-**	**893,448**
Other assets	**-**	**-**	**-**	**-**	**-**	**6,857**	**192,678**	**-**	**199,535**
Derivative assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,091**	**3,091**
Statutory deposits	**-**	**-**	**-**	**-**	**-**	**-**	**66,015**	**-**	**66,015**
Tax recoverable	**-**	**-**	**-**	**-**	**-**	**-**	**17,102**	**-**	**17,102**
Deferred tax assets	**-**	**-**	**-**	**-**	**-**	**-**	**19,410**	**-**	**19,410**
Investments in associates and joint ventures	**-**	**-**	**-**	**-**	**-**	**-**	**16,083**	**-**	**16,083**
Right of use assets	**-**	**-**	**-**	**-**	**-**	**-**	**29,962**	**-**	**29,962**
Property, plant and equipment	**-**	**-**	**-**	**-**	**-**	**-**	**42,601**	**-**	**42,601**
Goodwill and other intangible assets	**-**	**-**	**-**	**-**	**-**	**-**	**559,553**	**-**	**559,553**
TOTAL ASSETS	**3,133,917**	**162,225**	**130,331**	**54,325**	**1,096,814**	**378,761**	**3,336,985**	**274,716**	**8,568,074**

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 2019	Non-trading book: Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
LIABILITIES									
Deposits from customers	972,161	436,076	-	-	-	-	2,747	-	1,410,984
Deposits and placements of banks and other financial institutions	278,778	1,568,893	160,000	-	-	-	6,967	-	2,014,638
Bills and acceptances payable	-	36,957	-	-	-	-	-	-	36,957
Clients' and brokers' balances	-	-	-	-	-	-	824,166	-	824,166
Other liabilities	-	-	-	-	-	-	659,424	-	659,424
Derivative liabilities	-	-	-	-	-	-	-	4,509	4,509
Tax liabilities	-	-	-	-	-	-	5,503	-	5,503
Deferred tax liabilities	-	-	-	-	-	-	1,531	-	1,531
Lease liabilities	-	-	-	-	-	-	29,567	-	29,567
Borrowings	852,097	29,470	-	-	-	-	469	-	882,036
Subordinated obligations	-	-	200,000	-	200,000	-	4,263	-	404,263
TOTAL LIABILITIES	2,103,036	2,071,396	360,000	-	200,000	-	1,534,637	4,509	6,273,578
Shareholders' funds	-	-	-	-	-	-	2,284,288	-	2,284,288
Non-controlling interests	-	-	-	-	-	-	10,208	-	10,208
TOTAL LIABILITIES AND EQUITY	2,103,036	2,071,396	360,000	-	200,000	-	3,829,133	4,509	8,568,074
On-balance sheet interest sensitivity gap	1,030,881	(1,909,171)	(229,669)	54,325	896,814	378,761			
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-			
TOTAL INTEREST SENSITIVITY GAP	1,030,881	(1,909,171)	(229,669)	54,325	896,814	378,761			

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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 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	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	-	-	-	-	-	6,256	148,065	-	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	1,036,157	3,496,367	93,040	7,758,890

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 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	836,157			
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-			
TOTAL INTEREST SENSITIVITY GAP	919,874	(2,101,476)	5,021	18,471	311,447	836,157			

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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:

Bank 2019	Non-trading book: Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS									
Cash and short-term funds	1,184,693	-	-	-	-	-	259,093	-	1,443,786
Financial assets at FVTPL	-	-	-	-	-	-	36,817	23,565	60,382
Financial assets at FVOCI	-	-	110,441	30,133	422,043	143,193	38,160	-	743,970
Financial investments at amortised costs	-	-	-	-	674,760	228,398	8,680	-	911,838
Loans and advances	1,405,365	-	-	-	10	314	3	-	1,405,692
Clients' and brokers' balances	8,259	-	-	-	-	-	458,026	-	466,285
Other assets	-	-	-	-	-	3,332	76,284	-	79,616
Derivative assets	-	-	-	-	-	-	-	3,054	3,054
Statutory deposits	-	-	-	-	-	-	62,000	-	62,000
Tax recoverable	-	-	-	-	-	-	15,282	-	15,282
Deferred tax assets	-	-	-	-	-	-	10,106	-	10,106
Investments in subsidiaries	-	-	-	-	-	-	1,093,697	-	1,093,697
Investments in associates and joint ventures	-	-	-	-	-	-	5,028	-	5,028
Right of use assets	-	-	-	-	-	-	7,038	-	7,038
Property, plant and equipment	-	-	-	-	-	-	20,722	-	20,722
Goodwill and other intangible assets	-	-	-	-	-	-	398,300	-	398,300
TOTAL ASSETS	2,598,317	-	110,441	30,133	1,096,813	375,237	2,489,236	26,619	6,726,796

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	**Up to 1 month**	**>1-3 months**	**>3-6 months**	**>6-12 months**	**>1-3 years**	**Over 3 years**	**Non-interest sensitive**	**Trading book**	**Total**
2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
LIABILITIES									
Deposits from customers	**972,161**	**436,076**	**-**	**-**	**-**	**-**	**2,747**	**-**	**1,410,984**
Deposits and placements of banks and other financial institutions	**278,778**	**1,568,893**	**160,000**	**-**	**-**	**-**	**6,967**	**-**	**2,014,638**
Clients' and brokers' balances	**-**	**-**	**-**	**-**	**-**	**-**	**544,849**	**-**	**544,849**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**226,103**	**-**	**226,103**
Derivative liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,873**	**3,873**
Lease liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**7,203**	**-**	**7,203**
Subordinated obligations	**-**	**-**	**200,000**	**-**	**200,000**	**-**	**4,263**	**-**	**404,263**
TOTAL LIABILITIES	**1,250,939**	**2,004,969**	**360,000**	**-**	**200,000**	**-**	**792,132**	**3,873**	**4,611,913**
Total equity	**-**	**-**	**-**	**-**	**-**	**-**	**2,114,883**	**-**	**2,114,883**
TOTAL LIABILITIES AND EQUITY	**1,250,939**	**2,004,969**	**360,000**	**-**	**200,000**	**-**	**2,907,015**	**3,873**	**6,726,796**
On-balance sheet interest sensitivity gap	**1,347,378**	**(2,004,969)**	**(249,559)**	**30,133**	**896,813**	**375,237**			
Off-balance sheet interest sensitivity gap	**-**	**-**	**-**	**-**	**-**	**-**			
TOTAL INTEREST SENSITIVITY GAP	**1,347,378**	**(2,004,969)**	**(249,559)**	**30,133**	**896,813**	**375,237**			

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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	**Up to 1 month**	**>1-3 months**	**>3-6 months**	**>6-12 months**	**>1-3 years**	**Over 3 years**	**Non-interest sensitive**	**Trading book**	**Total**
2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**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

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	**Up to 1 month**	**>1-3 months**	**>3-6 months**	**>6-12 months**	**>1-3 years**	**Over 3 years**	**Non-interest sensitive**	**Trading book**	**Total**
2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**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)

(d) Liquidity risk

Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds upon maturity, extensions of credit and working capital needs.

The Group and the Bank have adopted the BNM's liquidity standard on Liquidity Coverage Ratio, to ensure maintenance of adequate stock of unencumbered high-quality liquid assets to survive the liquidity needs for 30 calendar day under liquidity stress condition. In July 2019, BNM has issued the final Net Stable Funding Ratio (NSFR) policy document, which will be effective from 1 July 2020 and banking institutions are expected to maintain a minimal NSFR of 100% at the consolidated level i.e. at RHB Investment Banking Group level.

The Group and the Bank seek to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity:

Group 2019	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short-term funds	1,934,755	211,633	-	-	-	-	-	2,146,388
Deposits and placements with banks and other financial institutions	-	-	162,779	9,944	34,276	-	-	206,999
Financial assets at FVTPL	-	-	-	-	-	-	847,934	847,934
Financial assets at FVOCI	-	-	-	110,736	30,225	570,278	41,003	752,242
Financial investments at amortised costs	-	-	-	-	-	911,838	-	911,838
Loans and advances	1,851,854	3	7	10	21	282	3,696	1,855,873
Clients' and brokers' balances	888,847	2,311	-	-	-	-	2,290	893,448
Other assets	107,778	34,763	9,364	1,697	3,493	32,455	9,985	199,535
Derivative assets	3,054	-	37	-	-	-	-	3,091
Statutory deposits	-	-	-	-	-	-	66,015	66,015
Tax recoverable	-	-	-	-	-	-	17,102	17,102
Deferred tax assets	-	-	-	-	-	-	19,410	19,410
Investments in associates and joint ventures	-	-	-	-	-	-	16,083	16,083
Right of use assets	-	-	-	-	-	-	29,962	29,962
Property, plant and equipment	-	-	-	-	-	-	42,601	42,601
Goodwill and other intangible assets	-	-	-	-	-	-	559,553	559,553
TOTAL ASSETS	4,786,288	248,710	172,187	122,387	68,015	1,514,853	1,655,634	8,568,074

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 2019	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
LIABILITIES								
Deposits from customers	229,723	744,652	436,609	-	-	-	-	1,410,984
Deposits and placements of banks and other financial institutions	179,956	100,327	1,573,990	160,365	-	-	-	2,014,638
Bills and acceptances payable	-	-	36,957	-	-	-	-	36,957
Clients' and brokers' balances	679,079	145,087	-	-	-	-	-	824,166
Other liabilities	369,043	252,559	29,137	3,300	4,559	826	-	659,424
Derivative liabilities	55	422	214	2,288	1,530	-	-	4,509
Tax liabilities	-	-	-	-	-	-	5,503	5,503
Deferred tax liabilities	-	-	-	-	-	-	1,531	1,531
Lease liabilities	-	1,170	2,956	3,973	7,124	14,344	-	29,567
Borrowings	198,233	654,130	29,673	-	-	-	-	882,036
Subordinated obligations	-	-	-	204,263	-	200,000	-	404,263
TOTAL LIABILITIES	1,656,089	1,898,347	2,109,536	374,189	13,213	215,170	7,034	6,273,578
Total equity	-	-	-	-	-	-	2,294,496	2,294,496
TOTAL LIABILITIES AND EQUITY	1,656,089	1,898,347	2,109,536	374,189	13,213	215,170	2,301,530	8,568,074

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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 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	1,598,926	10	21	20	26	311	1,009	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	4,038,367	478,777	95,527	8,052	29,792	1,565,203	1,543,172	7,758,890

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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 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 2019 (CONTINUED)

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 2019	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short-term funds	1,308,778	135,008	-	-	-	-	-	1,443,786
Financial assets at FVTPL	-	-	-	-	-	-	60,382	60,382
Financial assets at FVOCI	-	-	-	110,736	30,225	570,278	32,731	743,970
Financial investments at amortised costs	-	-	-	-	-	911,838	-	911,838
Loans and advances	1,378,780	26,592	7	10	21	282	-	1,405,692
Clients' and brokers' balances	461,684	2,311	-	-	-	-	2,290	466,285
Other assets	5,046	9,466	47,718	665	-	16,721	-	79,616
Derivative assets	3,054	-	-	-	-	-	-	3,054
Statutory deposits	-	-	-	-	-	-	62,000	62,000
Tax recoverable	-	-	-	-	-	-	15,282	15,282
Deferred tax assets	-	-	-	-	-	-	10,106	10,106
Investments in subsidiaries	-	-	-	-	-	-	1,093,697	1,093,697
Investments in associates and joint ventures	-	-	-	-	-	-	5,028	5,028
Right of use assets	-	-	-	-	-	-	7,038	7,038
Property, plant and equipment	-	-	-	-	-	-	20,722	20,722
Goodwill and other intangible assets	-	-	-	-	-	-	398,300	398,300
TOTAL ASSETS	3,157,342	173,377	47,725	111,411	30,246	1,499,119	1,707,576	6,726,796

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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 2019	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
LIABILITIES								
Deposits from customers	**229,723**	**744,652**	**436,609**	**-**	**-**	**-**	**-**	**1,410,984**
Deposits and placements of banks and other financial institutions	**179,956**	**100,327**	**1,573,990**	**160,365**	**-**	**-**	**-**	**2,014,638**
Clients' and brokers' balances	**435,302**	**109,547**	**-**	**-**	**-**	**-**	**-**	**544,849**
Other liabilities	**14,659**	**211,444**	**-**	**-**	**-**	**-**	**-**	**226,103**
Derivative liabilities	**54**	**153**	**123**	**2,080**	**1,463**	**-**	**-**	**3,873**
Lease liabilities	**-**	**432**	**838**	**1,123**	**1,958**	**2,852**	**-**	**7,203**
Subordinated obligations	**-**	**-**	**-**	**204,263**	**-**	**200,000**	**-**	**404,263**
TOTAL LIABILITIES	**859,694**	**1,166,555**	**2,011,560**	**367,831**	**3,421**	**202,852**	**-**	**4,611,913**
Total equity	**-**	**-**	**-**	**-**	**-**	**-**	**2,114,883**	**2,114,883**
TOTAL LIABILITIES AND EQUITY	**859,694**	**1,166,555**	**2,011,560**	**367,831**	**3,421**	**202,852**	**2,114,883**	**6,726,796**

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 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

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 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 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 2019	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
LIABILITIES							
Deposits from customers	**975,563**	**438,785**	**-**	**-**	**-**	**-**	**1,414,348**
Deposits and placements of banks and other financial institutions	**280,594**	**1,744,080**	**-**	**-**	**-**	**-**	**2,024,674**
Bills and acceptances payable	**-**	**37,026**	**-**	**-**	**-**	**-**	**37,026**
Clients' and brokers' balances	**824,166**	**-**	**-**	**-**	**-**	**-**	**824,166**
Other financial liabilities	**621,605**	**32,438**	**4,558**	**825**	**-**	**-**	**659,426**
Derivative liabilities:							
- Gross settled derivatives							
- Inflow	**(22,295)**	**-**	**-**	**-**	**-**	**-**	**(22,295)**
- Outflow	**22,351**	**-**	**-**	**-**	**-**	**-**	**22,351**
- Net settled derivatives	**422**	**2,502**	**1,529**	**-**	**-**	**-**	**4,453**
Lease liabilities	**1,304**	**7,541**	**7,767**	**11,850**	**4,655**	**-**	**33,117**
Borrowings	**852,363**	**29,673**	**-**	**-**	**-**	**-**	**882,036**
Subordinated obligations	**-**	**209,931**	**4,887**	**219,573**	**-**	**-**	**434,391**
TOTAL FINANCIAL LIABILITIES	**3,556,073**	**2,501,976**	**18,741**	**232,248**	**4,655**	**-**	**6,313,693**

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 **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

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:

Bank 2019	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
LIABILITIES							
Deposits from customers	**975,563**	**438,785**	**-**	**-**	**-**	**-**	**1,414,348**
Deposits and placements of banks and other financial institutions	**280,594**	**1,744,080**	**-**	**-**	**-**	**-**	**2,024,674**
Clients' and brokers' balances	**544,849**	**-**	**-**	**-**	**-**	**-**	**544,849**
Other financial liabilities	**226,107**	**-**	**-**	**-**	**-**	**-**	**226,107**
Derivative liabilities:							
- Gross settled derivatives							
- Inflow	**(22,295)**	**-**	**-**	**-**	**-**	**-**	**(22,295)**
- Outflow	**22,351**	**-**	**-**	**-**	**-**	**-**	**22,351**
- Net settled derivatives	**153**	**2,202**	**1,462**	**-**	**-**	**-**	**3,817**
Lease liabilities	**457**	**2,067**	**2,044**	**3,129**	**-**	**-**	**7,697**
Subordinated obligations	**-**	**209,931**	**4,887**	**219,573**	**-**	**-**	**434,391**
TOTAL FINANCIAL LIABILITIES	**2,027,779**	**2,397,065**	**8,393**	**222,702**	**-**	**-**	**4,655,939**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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 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
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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 2019	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
Irrevocable commitments to extend credit	**1,129,454**	**6,313**	**1,135,767**
TOTAL COMMITMENTS AND CONTINGENCIES	**1,129,454**	**6,313**	**1,135,767**
2018			
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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Bank's commitments and contingencies:

Bank 2019	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
Direct credit substitutes	**152,467**	**-**	**152,467**
Irrevocable commitments to extend credit	**583,387**	**22**	**583,409**
TOTAL COMMITMENTS AND CONTINGENCIES	**735,854**	**22**	**735,876**
2018			
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

Undrawn loans and financing commitments are recognised at activation stage and include commitments which are unconditionally cancellable by the Group and the Bank. The Group and the Bank expect that not all of the contingent liabilities and undrawn loan and financing commitments will be drawn before expiry.

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 credit exposure of the Group that are subject to impairment:

		Group
	2019	**2018**
	RM'000	**RM'000**
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds (exclude cash in hand)	**2,146,256**	1,858,870
Deposits and placements with banks and other financial institutions	**206,999**	90,449
Financial assets and investments portfolios (exclude equity instruments):		
- FVOCI	**711,239**	711,087
- Amortised costs	**911,838**	867,307
Loans and advances	**1,855,873**	1,600,323
Clients' and brokers' balances	**893,448**	943,057
Other financial assets	**175,939**	130,227
	6,901,592	6,201,320
Credit risk exposure relating to off-balance sheet items:		
Commitments and contingencies	**1,135,767**	1,343,119
Total maximum credit risk exposure that are subject to impairment	**8,037,359**	7,544,439

The table below shows the credit exposure of the Group that are not subject to impairment:

Financial assets and investments portfolios:

FVTPL	**847,934**	743,221
FVOCI	**41,003**	39,138
Derivative assets	**3,091**	74
Other financial assets	**9,205**	5,588
	901,233	788,021

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(i) Maximum exposure to credit risk (continued)

The table below shows the credit exposure of the Bank that are subject to impairment:

		Bank
	2019	**2018**
	RM'000	**RM'000**
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds (exclude cash in hand)	**1,443,716**	1,192,507
Financial assets and investments portfolios (exclude equity instruments):		
- FVOCI	**711,239**	711,087
- Amortised costs	**911,838**	867,307
Loans and advances	**1,405,692**	1,031,270
Clients' and brokers' balances	**466,285**	526,757
Other financial assets	**69,082**	18,409
	5,007,852	4,347,337
Credit risk exposure relating to off-balance sheet items:		
Commitments and contingencies	**735,876**	528,425
Total maximum credit risk exposure that are subject to impairment	**5,743,728**	4,875,762

The below shows the credit exposure of the Bank that are not subject to impairment:

Financial assets and investments portfolios:

FVTPL	**60,382**	55,642
FVOCI	**32,731**	30,840
Derivative assets	**3,054**	74
Other financial assets	**5,049**	2,587
	101,216	89,143

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, negotiable instrument of deposits, foreign currency deposits and cash deposits/margin
(b) Land and/or buildings
(c) Quoted shares, unit trusts, government bonds and securities and private debt 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 2019 for the Group and the Bank are 100.0% (2018: 100.0%) and 100.0% (2018: 100.0%) respectively and clients' and brokers' balances as at 31 December 2019 for the Group and the Bank are 99.3% (2018: 99.3%) and 98.9% (2018: 98.6%) 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 the Bank are classified into three stages as below:

Stages	**Description**
- Stage 1: 12 months ECL - not credit impaired	For credit exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within the next 12 months will be recognised.
- Stage 2: Lifetime ECL - not credit impaired	For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, the ECL associated with the probability of default events occurring within the lifetime ECL will be recognised.
- Stage 3: Lifetime ECL - credit impaired	Financial assets are assessed as credit impaired when one or more objective evidence of defaults that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL will be recognised.

For further details on the stages, refer to accounting policy Section A(17).

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 the Bank
- Fair	Exposures exhibit strong capacity to meet financial commitments with no cause of concern to the Group and the Bank
- No Rating	Counterparties which do not satisfy the criteria to be rated based on internal credit rating system
- Credit impaired	When one or more objective evidence of defaults that have a detrimental impact on the estimated future cash flows have occurred

The credit quality of financial assets other than loans 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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 2019	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	2,007,189	98,411	40,863	-	2,146,463	(207)
- Stage 1	2,007,189	98,411	40,863	-	2,146,463	(207)
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	164,407	9,448	33,212	-	207,067	(68)
- Stage 1	164,407	9,448	33,212	-	207,067	(68)
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Financial assets at FVOCI	-	-	711,239	-	711,239	-
- Stage 1	-	-	711,239	-	711,239	-
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Financial investments at amortised costs	38,911	-	872,927	77,447	989,285	(77,447)
- Stage 1	38,911	-	872,927	-	911,838	-
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	77,447	77,447	(77,447)
Loans and advances	1,368,422	10,703	473,052	23,313	1,875,490	(19,617)
- Stage 1	1,368,422	10,703	473,023	-	1,852,148	(1)
- Stage 2	-	-	29	-	29	-
- Stage 3	-	-	-	23,313	23,313	(19,616)
	3,578,929	118,562	2,131,293	100,760	5,929,544	(97,339)

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					
Group	**Good**	**Fair**	**No rating**	**Credit-Impaired**	**Total**	**Provision for Credit Losses**
2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**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 costs	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)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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)

Bank 2019	**Gross Carrying Amount: Good RM'000**	**Fair RM'000**	**No rating RM'000**	**Credit-Impaired RM'000**	**Total RM'000**	**Provision for Credit Losses RM'000**
General Approach						
Cash and short term funds	**1,439,866**	**49**	**3,814**	**-**	**1,443,729**	**(13)**
- Stage 1	**1,439,866**	**49**	**3,814**	**-**	**1,443,729**	**(13)**
- Stage 2	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 3	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets at FVOCI	**-**	**-**	**711,239**	**-**	**711,239**	**-**
- Stage 1	**-**	**-**	**711,239**	**-**	**711,239**	**-**
- Stage 2	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 3	**-**	**-**	**-**	**-**	**-**	**-**
Financial investments at amortised costs	**38,911**	**-**	**872,927**	**77,447**	**989,285**	**(77,447)**
- Stage 1	**38,911**	**-**	**872,927**	**-**	**911,838**	**-**
- Stage 2	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 3	**-**	**-**	**-**	**77,447**	**77,447**	**(77,447)**
Loans and advances	**1,368,077**	**10,703**	**26,913**	**-**	**1,405,693**	**(1)**
- Stage 1	**1,368,077**	**10,703**	**26,884**	**-**	**1,405,664**	**(1)**
- Stage 2	**-**	**-**	**29**	**-**	**29**	**-**
- Stage 3	**-**	**-**	**-**	**-**	**-**	**-**
	2,846,854	**10,752**	**1,614,893**	**77,447**	**4,549,946**	**(77,461)**

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	**Good**	**Fair**	**No rating**	**Credit-Impaired**	**Total**	**Provision for Credit Losses**
2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**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 costs	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)

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)

Simplified Approach	Current	Current to less than 90 days past due	More than 90 days past due	Total	Provision for Credit Losses
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
2019					
Gross carrying amount					
- Clients' and brokers' balances	**893,054**	**1,401**	**19,765**	**914,220**	**(20,772)**
- Other receivables	**19,221**	**5,292**	**20,015**	**44,528**	**(16,188)**
	912,275	**6,693**	**39,780**	**958,748**	**(36,960)**
2018					
Gross carrying amount					
- Clients' and brokers' balances	938,042	2,247	22,330	962,619	(19,562)
- Other receivables	10,692	5,057	21,628	37,377	(18,532)
	948,734	7,304	43,958	999,996	(38,094)
Bank					
2019					
Gross carrying amount					
- Clients' and brokers' balances	**466,003**	**1,294**	**3,624**	**470,921**	**(4,636)**
- Other receivables	**12,451**	**4,718**	**14,155**	**31,324**	**(13,671)**
	478,454	**6,012**	**17,779**	**502,245**	**(18,307)**
2018					
Gross carrying amount					
- Clients' and brokers' balances	525,697	1,994	5,222	532,913	(6,156)
- Other receivables	6,012	1,127	15,925	23,064	(15,925)
	531,709	3,121	21,147	555,977	(22,081)

Other assets for the Group and the Bank of RM147,599,000 (2018: RM111,382,000) and RM51,429,000 (2018: RM11,270,000) respectively are non-rated and short-term in nature, of which no provision for credit loss is provided, with the exception of the amount due from subsidiaries, of which allowance for ECL of RM2,048,000 (2018: RM1,119,000) is provided.

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 2019	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, hunting, forestry and fishing	-	15,233	-	5,437	-	-	10,612	31,282
Mining and quarrying	-	-	-	103	-	-	-	103
Manufacturing	-	-	-	22,743	-	-	595	23,338
Electricity, gas and water	-	95,743	45,458	-	-	-	873	142,074
Construction	-	-	-	8,871	-	1,500	18,673	29,044
Purchase of landed property	-	-	-	-	-	-	18	18
Wholesale & retail trade and restaurants & hotel	-	-	-	577	-	-	1,209	1,786
Transport, storage and communication	-	25,917	75,802	2,587	-	318	2,439	107,063
Finance, insurance, real estate and business services	2,353,530	246,020	285,996	426,240	-	10,357	200,063	3,522,206
Government and government agencies	-	328,326	496,111	-	-	-	-	824,437
Purchase of securities	-	-	-	1,389,316	893,555	-	901,285	3,184,156
Others	-	-	8,471	-	-	163,764	-	172,235
	2,353,530	711,239	911,838	1,855,874	893,555	175,939	1,135,767	8,037,742

^ Excludes non-credit impaired amounting to RM275,000.
# Excludes non-credit impaired amounting to RM1,000.
* Excludes non-credit impaired amounting to RM107,000.

RHB INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
Registration No. 197401002639 (19663-P)

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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: (continued)

Group 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, hunting, forestry and fishing	-	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
Purchase of landed property	-	-	-	-	-	-	17	17
Wholesale & retail trade and restaurants & hotel	-	-	-	4,881	-	-	2,102	6,983
Transport, storage and communication	-	25,461	70,642	2,988	-	1,248	2,397	102,736
Finance, insurance, real estate and business services	1,949,753	240,607	245,376	377,404	-	5,962	189,210	3,008,312
Government and government agencies	-	329,530	507,223	-	-	-	-	836,753
Purchase of securities	-	-	-	1,143,023	943,310	-	1,118,325	3,204,658
Others	-	-	8,626	-	-	120,248	-	128,874
	1,949,753	711,087	867,307	1,600,324	943,310	130,227	1,343,119	7,545,127

^ Excludes non-credit impaired amounting to RM434,000.
# Excludes non-credit impaired amounting to RM1,000.
* Excludes non-credit impaired amounting to RM253,000.

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:

Bank	Short-term funds and deposits and placements with banks and other financial institutions ^	Financial assets at FVOCI	Financial investments at amortised costs	Loans and advances #	Clients' and brokers' balances *	Other financial assets	Commitments and contingencies	Total
2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Agriculture, hunting, forestry and fishing	-	15,233	-	1,077	-	-	1,770	18,080
Mining and quarrying	-	-	-	103	-	-	-	103
Manufacturing	-	-	-	2,631	-	-	363	2,994
Electricity, gas and water	-	95,743	45,458	-	-	-	873	142,074
Construction	-	-	-	8,871	-	1,500	650	11,021
Purchase of landed property	-	-	-	-	-	-	18	18
Wholesale & retail trade and restaurants & hotel	-	-	-	577	-	-	1,149	1,726
Transport, storage and communication	-	25,917	75,802	2,587	-	317	2,440	107,063
Finance, insurance, real estate and business services	1,443,729	246,020	285,996	409,054	-	10,357	284,079	2,679,235
Government and government agencies	-	328,326	496,111	-	-	-	-	824,437
Purchase of securities	-	-	-	980,793	466,286	-	444,534	1,891,613
Others	-	-	8,471	-	-	56,908	-	65,379
	1,443,729	711,239	911,838	1,405,693	466,286	69,082	735,876	5,743,743

^ Excludes non-credit impaired amounting to RM13,000.
# Excludes non-credit impaired amounting to RM1,000.
* Excludes non-credit impaired amounting to RM1,000.

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 **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, hunting, forestry and fishing	-	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
Purchase of landed property	-	-	-	-	-	-	18	18
Wholesale & retail trade and restaurants & hotel	-	-	-	527	-	-	1,250	1,777
Transport, storage and communication	-	25,461	70,642	2,988	-	1,248	2,397	102,736
Finance, insurance, real estate and business services	1,192,662	240,607	245,376	278,991	-	5,963	182,671	2,146,270
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	-	-	8,428	-	17,054
	1,192,662	711,087	867,307	1,031,271	526,757	18,409	528,425	4,875,918

^ Excludes non-credit impaired amounting to RM155,000.
# Excludes non-credit impaired amounting to RM1,000.

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 2019	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	1,972,515	711,239	911,838	1,385,545	479,186	94,384	1,135,767	6,690,474
- Singapore	78,469	-	-	173,849	78,589	40,806	-	371,713
- Thailand	59,206	-	-	156,870	151,614	24,573	-	392,263
- Indonesia	102,217	-	-	92,444	137,737	10,876	-	343,274
- Cambodia	38,565	-	-	-	-	11	-	38,576
- Vietnam	32,142	-	-	-	-	298	-	32,440
South Asia	3,201	-	-	-	538	-	-	3,739
East Asia	65,625	-	-	35,443	41,968	4,991	-	148,027
Europe	1,237	-	-	-	-	-	-	1,237
North America	353	-	-	11,723	3,923	-	-	15,999
	2,353,530	711,239	911,838	1,855,874	893,555	175,939	1,135,767	8,037,742

^ Excludes non-credit impaired amounting to RM275,000.
# Excludes non-credit impaired amounting to RM1,000.
* Excludes non-credit impaired amounting to RM107,000.

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: (continued)

Group 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	1,523,779	711,087	867,307	1,000,698	535,363	48,955	1,343,119	6,030,308
- Singapore	18,361	-	-	185,357	146,073	40,101	-	389,892
- Thailand	139,573	-	-	165,928	123,796	23,861	-	453,158
- Indonesia	126,364	-	-	128,646	94,521	10,391	-	359,922
- Cambodia	38,208	-	-	-	-	399	-	38,607
- Vietnam	22,335	-	-	-	-	-	-	22,335
South Asia	4,288	-	-	-	29	-	-	4,317
East Asia	73,086	-	-	88,006	43,528	6,520	-	211,140
Europe	2,025	-	-	-	-	-	-	2,025
North America	1,734	-	-	-	-	-	-	1,734
Others	-	-	-	31,689	-	-	-	31,689
	1,949,753	711,087	867,307	1,600,324	943,310	130,227	1,343,119	7,545,127

^ Excludes non-credit impaired amounting to RM434,000.
# Excludes non-credit impaired amounting to RM1,000.
* Excludes non-credit impaired amounting to RM253,000.

RHB INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
Registration No. 197401002639 (19663-P)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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:

Bank 2019	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	1,433,425	711,239	911,838	1,379,104	466,286	69,082	735,876	5,706,850
- Singapore	1,632	-	-	-	-	-	-	1,632
- Thailand	1,589	-	-	-	-	-	-	1,589
- Indonesia	1,737	-	-	-	-	-	-	1,737
- Vietnam	2	-	-	-	-	-	-	2
East Asia	3,754	-	-	26,589	-	-	-	30,343
Europe	1,237	-	-	-	-	-	-	1,237
North America	353	-	-	-	-	-	-	353
	1,443,729	711,239	911,838	1,405,693	466,286	69,082	735,876	5,743,743

^ Excludes non-credit impaired amounting to RM13,000.
# Excludes non-credit impaired amounting to RM1,000.
* Excludes non-credit impaired amounting to RM1,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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	**Short-term funds and deposits and placements with banks and other financial institutions ^**	**Financial assets at FVOCI**	**Financial investments at amortised costs**	**Loans and advances #**	**Clients' and brokers' balances**	**Other financial assets**	**Commitments and contingencies**	**Total**
2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
South East Asia								
- Malaysia	1,150,820	711,087	867,307	999,583	526,757	18,409	528,425	4,802,388
- Singapore	6,497	-	-	-	-	-	-	6,497
- Thailand	3,724	-	-	-	-	-	-	3,724
- Indonesia	1,672	-	-	-	-	-	-	1,672
- Vietnam	22,335	-	-	-	-	-	-	22,335
East Asia	3,855	-	-	-	-	-	-	3,855
Europe	2,025	-	-	-	-	-	-	2,025
North America	1,734	-	-	-	-	-	-	1,734
Others	-	-	-	31,688	-	-	-	31,688
	1,192,662	711,087	867,307	1,031,271	526,757	18,409	528,425	4,875,918

^ Excludes non-credit impaired amounting to RM155,000.
# Excludes non-credit impaired amounting to RM1,000.

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) ceasing enforcement activity and (ii) where the Group's and the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

A write-off constitutes a derecognition event. The Group and the Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's and the Bank's enforcement activities will be written back as bad debts recovered in the income statements.

The contractual amount outstanding on loans and advances and clients' and brokers' balances that were written off during the financial year ended 31 December 2019, and are still subject to enforcement activities was RM NIL (2018: 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 with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the Group and the Bank would not otherwise consider, the instrument is considered to be credit impaired and is considered forborne.

ECL for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk. These assets are assessed to determine whether there has been a significant increase in credit risk subsequent to the modification.

Although loans and financing may be modified for non-credit reasons, a significant increase in credit risk may occur. The Group and the Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from stage 3 or stage 2 to stage 1. This is only the case for assets which have been monitored for consecutive six months observation period or more. During the current financial year, there was no modification of contractual cash flows for loans and advances.

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		
Group	**Gross amounts**	**Net amounts reported on statements of financial position**	**Financial instruments**	**Financial collateral**	**Net amount**
2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets					
Derivative assets	**3,091**	**3,091**	**(52)**	**-**	**3,039**
Financial liabilities					
Derivative liabilities	**4,509**	**4,509**	**(52)**	**-**	**4,457**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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		
Group	**Gross amounts**	**Net amounts reported on statements of financial position**	**Financial instruments**	**Financial collateral**	**Net amount**
2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets					
Derivative assets	74	74	(46)	-	28
Financial liabilities					
Derivative liabilities	5,917	5,917	(46)	-	5,871

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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		
Bank **2019**	**Gross amounts** **RM'000**	**Net amounts reported on statements of financial position** **RM'000**	**Financial instruments** **RM'000**	**Financial collateral** **RM'000**	**Net amount** **RM'000**
Financial assets					
Derivative assets	**3,054**	**3,054**	**(52)**	**-**	**3,002**
Financial liabilities					
Derivative liabilities	**3,873**	**3,873**	**(52)**	**-**	**3,821**

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		
Bank	**Gross amounts**	**Net amounts reported on statements of financial position**	**Financial instruments**	**Financial collateral**	**Net amount**
2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets					
Derivative assets	74	74	(46)	-	28
Financial liabilities					
Derivative liabilities	3,941	3,941	(46)	-	3,895

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value of financial instruments

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

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

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

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

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

Group	**Level 1**	**Level 2**	**Level 3**	**Total**
2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Financial assets at FVTPL	**355,217**	**-**	**492,717**	**847,934**
- quoted securities	**355,217**	**-**	**-**	**355,217**
- unquoted securities	**-**	**-**	**492,717**	**492,717**
Financial assets at FVOCI	**2,035**	**711,239**	**38,968**	**752,242**
- money market instruments	**-**	**291,693**	**-**	**291,693**
- quoted securities	**2,035**	**-**	**-**	**2,035**
- unquoted securities	**-**	**419,546**	**38,968**	**458,514**
Derivative assets	**3,000**	**91**	**-**	**3,091**
	360,252	**711,330**	**531,685**	**1,603,267**
Financial liabilities				
Derivative liabilities	**4,277**	**232**	**-**	**4,509**

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value of financial instruments (continued)

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

Group 2018	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets				
Financial assets at FVTPL	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

Bank 2019	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets				
Financial assets at FVTPL	**60,382**	**-**	**-**	**60,382**
- quoted securities	**60,382**	**-**	**-**	**60,382**
Financial assets at FVOCI	**-**	**711,239**	**32,731**	**743,970**
- money market instruments	**-**	**291,693**	**-**	**291,693**
- unquoted securities	**-**	**419,546**	**32,731**	**452,277**
Derivative assets	**3,000**	**54**	**-**	**3,054**
	63,382	**711,293**	**32,731**	**807,406**
Financial liabilities				
Derivative liabilities	**3,819**	**54**	**-**	**3,873**

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value of financial instruments (continued)

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

Bank **2018**	**Level 1** **RM'000**	**Level 2** **RM'000**	**Level 3** **RM'000**	**Total** **RM'000**
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

There were no transfers between Level 1 and Level 2 during the financial year.

Valuation techniques

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

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

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value of financial instruments (continued)

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	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets at FVTPL				
Balance as at the beginning of the financial year	**437,275**	359,859	**-**	-
Total gains recognised in income statements				
- Other operating income	**33,817**	34,047	**-**	-
Purchases	**27,484**	44,508	**-**	-
Settlements	**(792)**	(10,660)	**-**	-
Exchange differences	**(5,067)**	9,521	**-**	-
Balance as at the end of the financial year	**492,717**	437,275	**-**	-
Financial assets at FVOCI				
Balance as at the beginning of the financial year	**37,056**	33,078	**30,840**	30,280
Total gains recognised in other comprehensive income	**1,891**	3,973	**1,891**	560
Exchange differences	**21**	5	**-**	-
Balance as at the end of the financial year	**38,968**	37,056	**32,731**	30,840

Sensitivity for Private Equity Funds - Unquoted (Level 3)

Investments classified within Level 3 have significant unobservable inputs, as they are traded infrequently. As observable prices are not available for this investment, the fair value of the unquoted investment is derived based on enterprise valuation method.

The main input into the enterprise valuation method for this unquoted investment include earnings before interest, taxes, depreciation and amortisation ('EBITDA'), comparable companies earning multiple and marketability discount. For unquoted private equity funds, its current fair value of RM492,717,000 is based on multiple of 11.8x to 16.8x. A possible shift of 5% in the multiple will change the valuation by RM62,700,000.

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	**Fair value**	**Carrying value**	**Fair value**
2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Financial investments at amortised costs	**911,838**	**927,969**	**911,838**	**927,969**
Loans and advances	**1,855,873**	**1,855,873**	**1,405,692**	**1,405,692**
	2,767,711	**2,783,842**	**2,317,530**	**2,333,661**
Financial liabilities				
Deposits from customers	**1,410,984**	**1,410,984**	**1,410,984**	**1,410,984**
Deposits and placements of banks and other financial institutions	**2,014,638**	**2,014,638**	**2,014,638**	**2,014,638**
Borrowings	**882,036**	**882,036**	**-**	**-**
Subordinated obligations	**404,263**	**405,932**	**404,263**	**405,932**
	4,711,921	**4,713,590**	**3,829,885**	**3,831,554**
2018				
Financial assets				
Financial investments at amortised costs	867,307	869,324	867,307	869,324
Loans and advances	1,600,323	1,600,323	1,031,270	1,031,270
	2,467,630	2,469,647	1,898,577	1,900,594
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

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 2019 but for which fair value is disclosed:

Group 2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial investments at amortised costs	**-**	**927,969**	**-**	**927,969**
Loans and advances	**-**	**1,855,873**	**-**	**1,855,873**
	-	**2,783,842**	**-**	**2,783,842**
Financial liabilities				
Deposits from customers	**-**	**1,410,984**	**-**	**1,410,984**
Deposits and placements of banks and other financial institutions	**-**	**2,014,638**	**-**	**2,014,638**
Borrowings	**-**	**882,036**	**-**	**882,036**
Subordinated obligations	**-**	**405,932**	**-**	**405,932**
	-	**4,713,590**	**-**	**4,713,590**
2018				
Financial assets				
Financial investments at amortised costs	-	869,301	23	869,324
Loans and advances	-	1,600,323	-	1,600,323
	-	2,469,624	23	2,469,647
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

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 2019 but for which fair value is disclosed: (continued)

Bank	**Level 1**	**Level 2**	**Level 3**	**Total**
2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Financial investments at amortised costs	**-**	**927,969**	**-**	**927,969**
Loans and advances	**-**	**1,405,692**	**-**	**1,405,692**
	-	**2,333,661**	**-**	**2,333,661**
Financial liabilities				
Deposits from customers	**-**	**1,410,984**	**-**	**1,410,984**
Deposits and placements of banks and other financial institutions	**-**	**2,014,638**	**-**	**2,014,638**
Subordinated obligations	**-**	**405,932**	**-**	**405,932**
	-	**3,831,554**	**-**	**3,831,554**
2018				
Financial assets				
Financial investments at amortised costs	-	869,301	23	869,324
Loans and advances	-	1,031,270	-	1,031,270
	-	1,900,571	23	1,900,594
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

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, 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 of six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

(ii) Financial assets at FVTPL, FVOCI and financial investments at amortised costs

The estimated fair value of financial assets at FVTPL, FVOCI and financial investments at amortised costs 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) Lease liabilities

The estimated fair value of lease liabilities with maturities of less than six months approximate the carrying values. For other lease liabilities with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates of incremental borrowings.

(viii) 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.

(ix) 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.

(x) 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.

(xi) 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.

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		Bank	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Common Equity Tier I ('CET I')/Tier I Capital				
Share capital	**1,487,773**	1,487,773	**1,487,773**	1,487,773
Retained profits	**587,298**	561,695	**567,193**	558,690
Other reserves	**135,295**	113,648	**-**	-
FVOCI reserves	**41,918**	23,489	**39,360**	20,853
	2,252,284	2,186,605	**2,094,326**	2,067,316
Less:				
- Goodwill	**(511,221)**	(523,911)	**(372,395)**	(372,395)
- Investments in subsidiaries	**-**	-	**(1,093,697)**	(1,182,229)
- Investments in associates and joint ventures	**(16,083)**	(30,646)	**(5,028)**	(21,057)
- Other intangible assets	**(48,332)**	(47,610)	**(25,905)**	(27,055)
- 55% of cumulative gains arising from change in value of FVOCI financial instruments	**(23,055)**	(12,919)	**(21,648)**	(11,469)
- Deferred tax assets	**(19,410)**	(19,610)	**(10,106)**	(5,832)
Total CET I Capital	**1,634,183**	1,551,909	**565,547**	447,279
Qualifying non-controlling interests recognised as Tier I Capital	**2,121**	12,359	**-**	-
Total Tier I Capital	**1,636,304**	1,564,268	**565,547**	447,279
Tier II Capital				
Subordinated obligations meeting all relevant criteria	**400,000**	400,000	**400,000**	400,000
Qualifying non-controlling interests recognised as Tier II Capital	**226**	2,700	**-**	-
General provision ^	**24,564**	24,172	**9,932**	7,657
Total Tier II Capital	**424,790**	426,872	**409,932**	407,657
Total Capital	**2,061,094**	1,991,140	**975,479**	854,936

47 CAPITAL ADEQUACY RATIO (CONTINUED)

	Group		Bank	
	2019	**2018**	**2019**	**2018**
Capital ratios				
Before proposed dividends:				
CET I Capital Ratio	**43.964%**	35.445%	**33.144%**	21.323%
Tier I Capital Ratio	**44.021%**	35.728%	**33.144%**	21.323%
Total Capital Ratio	**55.449%**	45.477%	**57.169%**	40.757%
After proposed dividends:				
CET I Capital Ratio	**40.117%**	35.445%	**24.764%**	21.323%
Tier I Capital Ratio	**40.174%**	35.728%	**24.764%**	21.323%
Total Capital Ratio	**51.602%**	45.477%	**48.788%**	40.757%

^ 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 RM24,184,000 (2018: RM23,673,000) and RM9,917,000 (2018: RM7,501,000) respectively.

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

	Group		Bank	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Credit risk	**1,965,132**	1,933,769	**794,533**	612,585
Market risk	**258,450**	877,506	**127,778**	678,014
Operational risk	**1,493,492**	1,567,043	**784,006**	807,022
Total risk-weighted assets	**3,717,074**	4,378,318	**1,706,317**	2,097,621

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).

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, Thailand and Vietnam.

(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 businesses, 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.

48 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis

Group 2019	Investment Banking RM'000	Treasury RM'000	Asset Management RM'000	Others and Elimination RM'000	Total RM'000
External revenue	516,530	103,857	157,747	-	778,134
Inter-segment revenue	2,840	-	(1,408)	(1,432)	-
Segment revenue	519,370	103,857	156,339	(1,432)	778,134
Other operating expenses:	(532,276)	(18,243)	(101,683)	1,432	(650,770)
Including:					
Depreciation of property, plant and equipment	(16,829)	-	(1,487)	-	(18,316)
Depreciation of right of use assets	(18,807)	-	(1,038)	-	(19,845)
Amortisation of other intangible assets	(12,359)	(358)	(1,015)	-	(13,732)
Provision for restructuring costs	(9,769)	-	-	-	(9,769)
Allowance (made)/written back for credit losses	(1,377)	124	(57)	-	(1,310)
Impairment losses on other non-financial assets	(17,505)	-	-	-	(17,505)
	(41,557)	85,738	54,599	-	98,780
Share of results of associates					6,083
Share of results of joint ventures					(30)
Profit before taxation					104,833
Taxation					(79,725)
Net profit for the financial year					25,108

48 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

Group **2019**	**Investment Banking** **RM'000**	**Treasury** **RM'000**	**Asset Management** **RM'000**	**Others and Elimination** **RM'000**	**Total** **RM'000**
Segment assets	**4,202,675**	**4,242,522**	**740,164**	**(1,181,103)**	**8,004,258**
Goodwill	**367,854**	**-**	**143,367**	**-**	**511,221**
Investments in associates and joint ventures					**16,083**
Tax recoverable					**17,102**
Deferred tax assets					**19,410**
Total assets					**8,568,074**
Segment liabilities	**1,193,847**	**3,425,999**	**500,047**	**(139,648)**	**4,980,245**
Tax liabilities					**5,503**
Deferred tax liabilities					**1,531**
Borrowings					**882,036**
Subordinated obligations					**404,263**
Total liabilities					**6,273,578**
Other segment items					
Capital expenditure	**40,754**	**-**	**9,117**	**-**	**49,871**

48 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

Group 2018	Investment Banking RM'000	Treasury RM'000	Asset Management RM'000	Others and Elimination RM'000	Total RM'000
External revenue	507,494	105,600	133,433	-	746,527
Inter-segment revenue	3,661	214	(1,714)	(2,161)	-
Segment revenue	511,155	105,814	131,719	(2,161)	746,527
Other operating expenses:	(564,459)	(26,821)	(104,379)	2,161	(693,498)
Including:					
Depreciation of property, plant and equipment	(16,507)	(7)	(877)	-	(17,391)
Amortisation of other 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)
	(83,130)	78,905	27,424	-	23,199
Share of results of associates					413
Share of results of joint ventures					99
Profit before taxation					23,711
Taxation					(36,135)
Net loss for the financial year					(12,424)

48 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

Group 2018	Investment Banking RM'000	Treasury RM'000	Asset Management RM'000	Others and Elimination RM'000	Total RM'000
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
<u>Other segment items</u>					
Capital expenditure	17,094	-	1,583	-	18,677

48 SEGMENT REPORTING (CONTINUED)

(b) The geographical information is prepared based on the location of the assets:

Group	Revenue	Segment assets	Capital expenditure
2019	**RM'000**	**RM'000**	**RM'000**
Attributed to the country of domicile:			
- Malaysia	**569,697**	**6,943,043**	**20,900**
Attributed to foreign countries:			
- Singapore	**78,036**	**399,970**	**1,965**
- Thailand	**60,878**	**655,406**	**5,902**
- Indonesia	**50,629**	**366,289**	**20,071**
- Hong Kong	**14,871**	**126,413**	**77**
- Cambodia	**1,955**	**43,787**	**210**
- Vietnam	**2,068**	**33,166**	**746**
	778,134	**8,568,074**	**49,871**
2018			
Attributed to the country of domicile:			
- Malaysia	539,824	6,050,241	8,648
Attributed to foreign countries:			
- Singapore	56,693	585,484	4,822
- Thailand	55,972	529,938	2,667
- Indonesia	66,427	380,210	1,984
- Hong Kong	25,552	170,087	556
- Cambodia	2,059	42,930	-
	746,527	7,758,890	18,677

49 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRECEDING FINANCIAL YEAR

Current Year

(a) Reorganisation of the equity, economic and fixed income and currencies research operations of RHB Research Institute Sdn Bhd ('RHBRI')

The Bank proposed to undertake a reorganisation of its equity and economic research operations, which previously were housed under RHBRI, into a division within the Bank while their fixed income and currencies research function is absorbed by its immediate holding company, RHB Bank, subjected to all applicable approvals ('Reorganisation'). RHBRI was a wholly-owned subsidiary of the Bank.

The Reorganisation was intended to streamline the research operations under the Bank and RHB Bank, and rationalised the costs of maintaining a separate licensed entity for research.

The Bank had on 15 April 2019 obtained the approval from Securities Commission Malaysia ('SC') for the Reorganisation, which include the variation of the Bank's Capital Market Services License ('CMSL') to include the regulated activity of Investment Advice pursuant to Section 69 of the Capital Markets and Services Act 2007.

The Reorganisation has completed on 2 May 2019 via an Asset Purchase Agreement ('APA') entered into between the Bank and RHBRI and included a novation contracts entered into by RHBRI and a transfer of employees. Similarly, RHB Bank and RHBRI entered into an APA in relation to the transfer of assets.

The equity and economic research operations under RHBRI has since become a division of the Bank, whereas the fixed income and currencies research function has absorbed by RHB Bank upon completion of the Reorganisation. RHBRI had thereafter surrendered its CMSL and will proceed to members' voluntary winding up.

The effects of the Reorganisation to the financial result of the Bank for the current financial year is not material.

(b) Proposed Cessation of Business Operations of Subsidiaries in Hong Kong

On 5 December 2019, the RHB Bank announced that RHB Hong Kong Limited ('RHB Hong Kong') and its subsidiaries (collectively known as 'RHB Hong Kong Group') had on 4 December 2019 decided that they will commence to cease their business operations ('Proposed Cessation'). RHB Hong Kong is a wholly-owned subsidiary of the Bank.

With the increasingly challenging operating broking environment in Hong Kong has resulted in losses being recorded for RHB Hong Kong Group. As a result, it is no longer viable for RHB Hong Kong Group to continue its business operations. The Proposed Cessation would allow the Bank to refocus efforts and resources in driving long-term growth in other ASEAN markets in line with the larger RHB Banking Group's FIT22 strategy.

Pursuant to the Proposed Cessation, RHB Hong Kong Group will gradually discontinue offering financial services to its existing and potential clients.

The Proposed Cessation will not have any material effect on the issued and paid-up 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 ended 31 December 2019, other than disclosed below.

None of the Directors or major shareholders of the Bank or persons connected to them has any interest, direct or indirect, in the Proposed Cessation.

The Bank being the shareholder of RHB Hong Kong Group will provide the requisite support to ensure an orderly winding down of their business operations. As at 31 December 2019, the Bank recognised of provision for restructuring costs amounting to RM49,458,000, which in line with RHB Hong Kong Group's net liabilities as at 31 December 2019.

49 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRECEDING FINANCIAL YEAR (CONTINUED)

Current Year (Continued)

(b) Proposed Cessation of Business Operations of Subsidiaries in Hong Kong (continued)

Barring any unforeseen circumstances, the Proposed Cessation is expected to be completed by second quarter of 2020.

On 5 December 2019, all employees in RHB Hong Kong Group have been notified on the Proposed Cessation. Following the announcement of the Proposed Cessation, the Group recognised a restructuring provision of RM9,769,000, which is made up of:

(i) Employee termination benefits; and

(ii) Other expenditure necessarily entailed by the restructuring and not associated with the ongoing activities of the business.

The provisions are based on the term of the relevant contracts and expected to be settled within 12 months after the financial year end. Future operating costs are not provided for.

50 CONTINGENT LIABILITIES

During the financial year, claims totalling approximately RM13,054,000 with interest was lodged against joint parties, including a subsidiary of the Bank, in relation to damages suffered by the claimants in respect of their investments in bills of exchange or promissory notes, arising from the default of the respective Issuers. As the cases are still preliminary, no provision is recognised in the financial statements at this juncture.

51 CHANGE IN THE COMPOSITION OF THE GROUP

(a) Acquisition of the remaining 51% equity interest in RHB Securities Vietnam Company Limited ('RHB Securities Vietnam') ('Acquisition')

Prior to 19 February 2019, the Bank holds 49% equity interest in RHB Securities Vietnam (formerly known as Vietnam Securities Corporation ('VSEC')) and has accounted for this investment as a joint venture.

The Bank had on 19 February 2019 completed the acquisition of the remaining 51% equity interest in RHB Securities Vietnam following the full payment of the purchase consideration of VND121,629,915,000 (equivalent to RM21,400,000) to Chu Thi Phuong Dung, Truong Lan Anh and Viet Quoc Insurance Broker Joint Stock Company.

RHB Securities Vietnam has since become a wholly-owned subsidiary of RHB Investment Bank effective 19 February 2019.

The State Securities Commission of Vietnam ('Vietnam SSC') had on 9 January 2019 granted its approval for the conversion of the legal form of RHB Securities Vietnam from a joint company to a single-member limited liability company. Subsequently, Vietnam SSC had on 29 January 2019 granted RHB Securities Vietnam a license for establishment and operation ('New License') to operate as a single-member limited liability company.

With the issuance of the New License, and to reflect the new status as a single-member limited liability company, the name of VSEC had been changed to RHB Securities Vietnam on 29 January 2019.

51 CHANGE IN THE COMPOSITION OF THE GROUP (CONTINUED)

(a) Acquisition of the remaining 51% equity interest in RHB Securities Vietnam Company Limited (‘RHB Securities Vietnam’) (‘Acquisition’) (continued)

The Group has accounted for the Acquisition of RHB Securities Vietnam in accordance with MFRS 3 ‘Business Combination’ and the following are the accounting effects:

(i) Equity interest previously held as joint venture at 49% in RHB Securities Vietnam is now deemed as disposed at fair value, giving rise to a gain on disposal of RM258,000 as disclosed in Note 32:

	RM’000
Fair value of previously held equity interest	**15,934**
Less: Equity attributable to net assets	**(15,676)**
Gain on remeasurement of previously held equity interest in a joint venture	**258**

(ii) The acquisition of assets and liabilities of RHB Securities Vietnam on acquisition date are as follows:

	RM’000
Cash and short term funds	**1,765**
Deposits and placements with banks and other financial institutions	**30,345**
Other assets	**397**
Property, plant and equipment	**30**
Other liabilities	**(18)**
Total identifiable net assets	**32,519**
Less: Fair value of previously held equity interest	**(15,934)**
Goodwill arising from acquisition	**4,815**
Cash consideration	**21,400**

(iii) The net cash flows arising from this Acquisition is as follows:

	RM’000
Cash settlement	**(21,400)**
Cash and short term funds	**1,765**
Deposits and placements with banks and other financial institutions	**30,345**
Acquisition of a subsidiary, net of cash and cash equivalents acquired	**10,710**

(iv) Effect of financial results

The financial results of the Acquisition in the period between the date of acquisition and the date of statements of financial position was not significant to the Group.

51 CHANGE IN THE COMPOSITION OF THE GROUP (CONTINUED)

(b) RHB Fundamental Capital Hong Kong Limited, an indirect wholly-owned subsidiary of the Bank, has been dissolved upon its deregistration on 18 April 2019 pursuant to Section 751 of the Hong Kong Companies

(c) Disposal of entire investment in RHB Entrepreneur Fund

On 16 September 2019, the Bank has fully redeemed its entire investment in RHB Entrepreneur Fund, a subsidiary of the Bank, for a sale proceeds of RM71,922,000 and recorded a gain on disposal of RM11,492,000 as disclosed in Note 32.

The effects of the disposal on the financial results of the Group for the current financial period is not material.

52 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

(a) Subscription of 10 million Redeemable Preference Shares (‘RPS’) in RHB Private Equity Holdings Sdn Bhd (‘RHBPEH’)

On 28 January 2020, the Bank subscribed for 10 million RPS of RM2.00 each in RHBPEH amounting to RM20,000,000 for additional working capital purpose. Upon completion of the subscription, the equity interest held by the Bank in RHBPEH remains the same.

(b) Subscription of HKD150,000,000 new ordinary shares in RHB Hong Kong Limited (‘RHBHK’)

On 14 February 2020, the Bank subscribed for 150 million new ordinary shares in RHBHK amounting to HKD150,000,000. The issued and paid-up share capital of RHBHK increased from HKD300,000,000 to HKD450,000,000. The rationale for the increase is to ensure that RHBHK Group are solvent for the purposes of the Proposed Cessation and winding up as disclosed in Note 49(b) to the financial statements.

53 CLIENT TRUST ACCOUNTS

In accordance with Financial Reporting Standards Implementation Committee Consensus 18 ‘Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad’ (‘FRSIC 18’), the cash held in trust for clients by the Group and the Bank amounted to RM1,901,389,000 and RM1,394,913,000 (2018: RM1,894,487,000 and RM1,491,717,000) respectively, are not recognised in the financial statements as the Group and the Bank held them in a fiduciary capacity.

54 CHANGES IN ACCOUNTING POLICIES

The Group and the Bank have adopted MFRS 16 'Leases' issued by the MASB with its mandatory adoption date of 1 January 2019. MFRS 16 supersedes MFRS 117 'Leases' and the related interpretations. As permitted by MFRS 16, the Group and the Bank have adopted the simplified transitional approach and will not restate comparative amounts for the year prior to first adoption.

Right of use assets for property leases will be measured on transition as if the new rules had always been applied. All other right of use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

On adoption of MFRS 16, the Group and the Bank recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group and the Bank's borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 for the Group and the Bank were 6.4% and 4.1% respectively.

Summarised below are the effects upon adoption of MFRS 16 as at 1 January 2019:

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

	As previously reported	Effect of adoption of MFRS 16	As restated
Group	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets	**19,610**	**36**	**19,646**
Right of use assets	**-**	**35,127**	**35,127**
Other assets	**154,321**	**(1,569)**	**152,752**
Lease liabilities	**-**	**34,698**	**34,698**
Retained profits	**561,695**	**(1,098)**	**560,597**
Non-controlling interests	**10,039**	**(6)**	**10,033**
Bank			
Deferred tax assets	**5,832**	**33**	**5,865**
Right of use assets	**-**	**10,349**	**10,349**
Lease liabilities	**-**	**10,488**	**10,488**
Retained profits	**558,690**	**(106)**	**558,584**

54 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The reconciliation on operating lease commitments under MFRS 117 to MFRS 16 are as follows:

	Group RM'000	Bank RM'000
Operating lease commitments disclosed as at 31 December 2018	**69,168**	**21,083**
(Less) : Discounted using incremental borrowing rate	**(1,299)**	**(531)**
Finance lease liabilities recognised under MFRS 117	**67,869**	**20,552**
(Less) : Short term lease recognised on a straight-line basis as expense	**(10,868)**	**(3,094)**
(Less) : Out of scope	**(21,820)**	**(7,217)**
(Less) : Adjustments	**(483)**	**247**
Lease liabilities recognised as at 1 January 2019	**34,698**	**10,488**
Of which :		
Current lease liabilities	**5,131**	**3,285**
Non-current lease liabilities	**29,567**	**7,203**
Lease liabilities recognised as at 1 January 2019	**34,698**	**10,488**

The recognised right of use assets relate to the following type of assets:

	Group RM'000	Bank RM'000
Properties	**33,381**	**10,349**
Equipment	**1,325**	**-**
Motor vehicles	**421**	**-**
Right of use assets recognised as at 1 January 2019	**35,127**	**10,349**

55 COMPARATIVE INFORMATION

The comparative balances have been reclassified to conform to current year's presentation which more accurately reflect the nature of the relevant transactions.

<u>Income Statements</u>	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Group			
Fee and commission income	675,453	(1,850)	673,603
Fee and commission expenses	(150,994)	(19,938)	(170,932)
Other operating expenses	(715,286)	21,788	(693,498)
Bank			
Fee and commission expenses	-	(11,249)	(11,249)
Other operating expenses	(347,228)	11,249	(335,979)

RHB INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
Registration No. 197401002639 (19663-P)

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 6 to 213 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 2019 and financial performance of the Group and of the Bank for the financial year ended 31 December 2019 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Director in accordance with a resolution of the Directors dated 24 February 2020.

TAN SRI AZLAN BIN MOHD ZAINOL
CHAIRMAN

CHIN YOONG KHEONG
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Kuala Lumpur
24 February 2020

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 6 to 213 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 24 February 2020.

PESURUHJAYA SUMPAH
No. W 540
Dr. T. YOKHESWAREM
PhD., MBA.
1-1-2019 – 31-12-2021
MALAYSIA

COMMISSIONER FOR OATHS
Kuala Lumpur
24 February 2020

Unit A11-1 & 2, Megan Avenue 1,
No. 189, Jalan Tun Razak,
50400 Kuala Lumpur.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF RHB INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
(Registration No. 197401002639 (19663-P))

REPORT ON THE AUDIT OF 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 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 213.

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, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon (continued)

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, 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.

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.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF RHB INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Registration No. 197401002639 (19663-P))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Bank's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF RHB INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Registration No. 197401002639 (19663-P))

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 13 to the financial statements.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

SOO HOO KHOON YEAN
02682/10/2021 J
Chartered Accountant

Kuala Lumpur
24 February 2020