

RHB INVESTMENT BANK BERHAD

(Incorporated in Malaysia)

Registration No. 197401002639 (19663-P)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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
Sharifatu Laila binti Syed Ali
Dato' Siow Kim Lun @ Siow Kim Lin
Datuk Seri Dr Govindan A/L Kunchambo

SECRETARY

Azman Shah bin 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

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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 2020.

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

	<u>Group</u> RM'000	<u>Bank</u> RM'000
Profit from continuing operations	226,048	89,448
Profit from discontinued operation	32,073	-
Net profit for the financial year	<u>258,121</u>	<u>89,448</u>

DIVIDENDS

The dividends paid by the Bank since 31 December 2019 were as follows:-

	RM'000
In respect of the financial year ended 31 December 2019:	
Single-tier interim dividend of 143.00 sen per share, paid on 27 March 2020	143,000
In respect of the financial year ended 31 December 2020:	
Single-tier interim dividend of 178.00 sen per share, paid on 9 December 2020	<u>178,000</u>
	<u>321,000</u>

The Directors do not propose any final dividend for the financial year ended 31 December 2020.

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT (CONTINUED)

ISSUE OF SHARES

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

BAD AND DOUBTFUL DEBTS AND FINANCING

Before the financial statements of the Group and the Bank were made out, the Directors took reasonable steps to ascertain that proper actions have been taken in relation to the writing off of bad debts and financing and the making of allowance for impaired debts, and 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 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 51 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
Sharifatu Laila binti Syed Ali
Dato' Siow Kim Lun @ Siow Kim Lin
Datuk Seri Dr Govindan A/L Kunchamboo (Appointed on 20 October 2020)
Dato' Darawati Hussain (Retired on 28 May 2020)

Pursuant to Clause 97 of the Bank's Constitution, Datuk Seri Dr Govindan A/L Kunchamboo shall retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Pursuant to Clause 95 of the Bank's Constitution, Tan Sri Ong Leong Huat @ Wong Joo Hwa and Mr Chin Yoong Kheong 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:

Ultimate Holding Company RHB Bank Berhad	<u>Number of ordinary shares</u>			As at 31.12.2020
	As at 01.01.2020	Bought	Sold	
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.

Ultimate Holding Company RHB Bank Berhad - USD500 Million 2.503% Senior Debt Securities	<u>Debentures held</u>			As at 31.12.2020 USD'000
	As at 01.01.2020 USD'000	Bought USD'000	Sold USD'000	
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.

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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 23 February 2021. 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
23 February 2021

RHB INVESTMENT BANK BERHAD
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REPORT OF THE SHARIAH ADVISOR

In the name of Allah, The Most Gracious, The Most Merciful

In compliance with the Best Practices in Islamic Stockbroking Services Undertaken by Participating Organisation and other relevant guidelines issued by relevant regulators, we, Dr. Ahmad Basri Ibrahim, Assoc. Prof. Dr. Kamaruzaman Noordin, Mohd Fadhly Md. Yusoff, Wan Abdul Rahim Kamil Wan Mohamed Ali and Shabnam Mohamad Mokhtar, being five members of the Shariah Committee of RHB Islamic Bank Berhad being appointed as the Shariah Advisor of RHB Investment Bank Berhad (the 'Bank'), do hereby confirm the following:

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Bank during the financial year ended 31 December 2020.

We have also conducted our review to form an opinion as to whether the Bank has complied with Shariah rulings, resolutions and guidelines issued by the Shariah Advisory Council ('SAC') of Securities Commission Malaysia, Bursa Malaysia, and SAC of Bank Negara Malaysia (where applicable), as well as the specific rulings and decisions issued by us.

The Bank's management is responsible for ensuring that the financial institution conducts its Islamic stockbroking services in accordance with Shariah rules and principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank, and to report to you.

We have periodically assessed the work carried out by Shariah compliance review and Shariah audit, as presented to us, which included examining, on a test basis, each type of transaction, the relevant documentation and procedures adopted by the Bank.

The said Shariah compliance reviews and audits have been planned and performed to ensure that all necessary information and explanations have been obtained to provide sufficient evidence that would give us reasonable assurance that the Bank has complied with Shariah rules and principles.

In our opinion:

- (a) the main sources of income of the Bank, in relation to the Islamic stockbroking services, during the financial year ended 31 December 2020 that we have reviewed are in compliance with the Shariah rules and principles;
- (b) all earnings, in relation to the Islamic stockbroking services, that have been realised from sources or by means prohibited by the Shariah principles have been considered for disposal to charitable causes;
- (c) the contracts and legal documents of the products, relating to the Islamic stockbroking services, used by the Bank that we reviewed are in compliance with the Shariah rules and principles;
- (d) the Islamic stockbroking products proposals including concept used by the Bank which have been reviewed and advised by us are in compliance with the Shariah rules and principles; and
- (e) nothing has come to our attention that causes us to believe that the Islamic stockbroking services and operations of the Bank involves any material Shariah non-compliances.

To the best of our knowledge based on the information provided and disclosed to us during discussions and meetings, we hereby confirm that the operations of the Bank, in relation to the Islamic stockbroking services, for the financial year ended 31 December 2020 have been conducted in conformity with the Shariah rules and principles.

We pray Allah, The Almighty to grant us success and lead us on the right path.

Wassalamu 'Alaikum Wa Rahmatullahi Wa Barakatuh

On behalf of the Shariah Committee.



DR. AHMAD BASRI IBRAHIM
CHAIRMAN OF THE COMMITTEE



MOHD FADHLY MD. YUSOFF
MEMBER OF THE COMMITTEE

Kuala Lumpur
23 February 2021

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 RM'000	Group 2019 RM'000	2020 RM'000	Bank 2019 RM'000
ASSETS					
Cash and short-term funds	2	2,422,065	2,146,388	1,793,368	1,443,786
Deposits and placements with banks and other financial institutions	3	214,766	206,999	-	-
Financial assets at fair value through profit or loss ('FVTPL')	4	1,034,843	847,934	258,837	60,382
Financial assets at fair value through other comprehensive income (('FVOCI'))	5	623,525	752,242	615,488	743,970
Financial investments at amortised costs	6	1,009,646	911,838	1,009,646	911,838
Loans and advances	7	1,817,874	1,855,873	1,496,483	1,405,692
Clients' and brokers' balances	8	1,339,568	893,448	946,680	466,285
Other assets	9	144,430	199,535	65,629	79,616
Derivative assets	10	1,017	3,091	122	3,054
Statutory deposits	11	16,977	66,015	13,000	62,000
Tax recoverable		1,781	17,102	-	15,282
Deferred tax assets	12	28,392	19,410	17,985	10,106
Investments in subsidiaries	13	-	-	715,398	1,093,697
Investments in associates and joint ventures	14	4,611	16,083	5,028	5,028
Right of use assets	15	23,034	29,962	6,733	7,038
Property, plant and equipment	16	38,374	42,601	19,272	20,722
Goodwill and other intangible assets	17	487,392	559,553	396,691	398,300
TOTAL ASSETS		9,208,295	8,568,074	7,360,360	6,726,796

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

**STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020 (CONTINUED)**

	Note	2020 RM'000	Group 2019 RM'000	2020 RM'000	Bank 2019 RM'000
LIABILITIES AND EQUITY					
Deposits from customers	18	1,252,094	1,410,984	1,252,094	1,410,984
Deposits and placements of banks and other financial institutions	19	2,773,193	2,014,638	2,773,193	2,014,638
Bills and acceptances payable		-	36,957	-	-
Clients' and brokers' balances	20	1,171,930	824,166	824,677	544,849
Other liabilities	21	813,038	659,424	331,179	226,103
Derivative liabilities	10	71,748	4,509	71,732	3,873
Tax liabilities		15,481	5,503	6,646	-
Deferred tax liabilities	12	-	1,531	-	-
Lease liabilities	22	22,739	29,567	6,881	7,203
Borrowings	23	717,427	882,036	-	-
Subordinated obligations	24	202,148	404,263	202,148	404,263
TOTAL LIABILITIES		7,039,798	6,273,578	5,468,550	4,611,913
Share capital	25	1,487,773	1,487,773	1,487,773	1,487,773
Reserves	26	670,486	796,515	404,037	627,110
		2,158,259	2,284,288	1,891,810	2,114,883
Non-controlling interests	27	10,238	10,208	-	-
TOTAL EQUITY		2,168,497	2,294,496	1,891,810	2,114,883
TOTAL LIABILITIES AND EQUITY		9,208,295	8,568,074	7,360,360	6,726,796
COMMITMENTS AND CONTINGENCIES	42	1,157,647	1,254,782	786,858	778,989

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

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020	Group	2020	Bank
		RM'000	2019	RM'000	2019
			RM'000	RM'000	RM'000
Interest income	28	223,163	233,819	179,838	177,851
Interest expense	29	(126,291)	(165,883)	(104,502)	(127,769)
Net interest income		96,872	67,936	75,336	50,082
Fee and commission income	30	942,809	704,415	452,347	266,228
Fee and commission expense	31	(310,037)	(231,986)	(58,529)	(9,911)
Other operating income	32	175,578	177,356	169,638	161,536
		905,222	717,721	638,792	467,935
Other operating expenses	33	(555,860)	(563,901)	(313,101)	(285,631)
Operating profit before allowances		349,362	153,820	325,691	182,304
Provision for restructuring costs		-	(9,769)	-	(49,458)
Allowance (made)/written back for expected credit losses	35	(20,130)	1,408	(2,627)	787
Impairment loss on other non-financial assets	36	(24,300)	-	(168,741)	(65,742)
		304,932	145,459	154,323	67,891
Share of results of associates		30	6,083	-	-
Share of results of joint ventures		-	(30)	-	-
Profit before taxation		304,962	151,512	154,323	67,891
Taxation	37	(78,914)	(79,397)	(64,875)	(63,249)
Profit from continuing operations		226,048	72,115	89,448	4,642
Profit/(Loss) from discontinued operation attributable to equity holder	49(c)	32,073	(47,007)	-	-
Profit for the financial year		258,121	25,108	89,448	4,642
Profit attributable to:					
- Equity holder of the Bank	38	257,014	23,949	89,448	4,642
- Non-controlling interests		1,107	1,159	-	-
		258,121	25,108	89,448	4,642
Basic earnings/(loss) per share (sen) attributable to equity holder of the Bank					
- Continuing operations	38	224.9	71.0	89.4	4.6
- Discontinued operation	38	32.1	(47.0)	-	-
		257.0	24.0	89.4	4.6

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

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	2020	Group	2020	Bank
		RM'000	2019	RM'000	2019
			RM'000		RM'000
Net profit for the financial year		258,121	25,108	89,448	4,642
Other comprehensive (loss)/income:					
(a) Items that will not be reclassified to income statements:					
(i) Actuarial gain/(loss) on defined benefit plan of subsidiaries		3,274	(2,166)	-	-
(ii) Financial assets at FVOCI, equity instruments:					
- Unrealised net gain on revaluation		2,001	1,844	2,223	1,891
- Net gain on disposal		-	5,370	-	5,370
(b) Items that will be reclassified subsequently to income statements:					
(i) Foreign currency translation reserves					
- Currency translation differences		(22,364)	22,204	-	-
- Disposal of a subsidiary	49(c)	(50,895)	(192)	-	-
- Net investment hedge		-	(306)	-	-
(ii) Financial assets at FVOCI, debt instruments:					
- Unrealised net gain on revaluation		8,236	12,405	8,236	12,405
- Net transfer to income statements on disposal		(4)	-	(4)	-
Income tax relating to components of other comprehensive (income)/loss	39	(2,368)	2,958	(1,976)	4,211
Other comprehensive (loss)/income, net of tax, for the financial year		(62,120)	42,117	8,479	23,877
Total comprehensive income for the financial year		196,001	67,225	97,927	28,519
Total comprehensive income attributable to:					
- Equity holder of the Bank		194,971	66,050	97,927	28,519
- Non-controlling interests		1,030	1,175	-	-
		196,001	67,225	97,927	28,519
Total comprehensive income attributable to equity holder of the Bank arises from:					
- Continuing operations		213,793	112,835	97,927	28,519
- Discontinued operation	49(c)	(18,822)	(46,785)	-	-
		194,971	66,050	97,927	28,519

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

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**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

Group	Note	Attributable to Equity Holder of the Bank						Total	Non-controlling interests	Total
		Share capital	Statutory reserves	FVOCI reserves	Translation reserves	Regulatory reserves	Retained profits			
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 January 2020		1,487,773	517	41,918	134,778	32,004	587,298	2,284,288	10,208	2,294,496
Net profit for the financial year		-	-	-	-	-	257,014	257,014	1,107	258,121
Foreign currency translation reserve:										
- Currency translation differences		-	-	(1)	(22,301)	-	-	(22,302)	(62)	(22,364)
- Recycled to income statements on disposal of a subsidiary	49(c)	-	-	-	(50,895)	-	-	(50,895)	-	(50,895)
Financial assets at FVOCI:										
- Equity instruments										
- Unrealised net gain/(loss) on revaluation		-	-	2,045	-	-	-	2,045	(44)	2,001
- Derecognition		-	-	162	-	-	(162)	-	-	-
- Debt instruments										
- Unrealised net gain on revaluation		-	-	8,236	-	-	-	8,236	-	8,236
- Net transfer to income statements on disposal		-	-	(4)	-	-	-	(4)	-	(4)
Actuarial gain on defined benefit plan of subsidiaries		-	-	-	-	-	3,241	3,241	33	3,274
Income tax relating to components of other comprehensive income	39	-	-	(1,976)	-	-	(388)	(2,364)	(4)	(2,368)
Other comprehensive income/(loss), net of tax, for the financial year		-	-	8,462	(73,196)	-	2,691	(62,043)	(77)	(62,120)
Total comprehensive income/(loss) for the financial year		-	-	8,462	(73,196)	-	259,705	194,971	1,030	196,001
Transfer from statutory reserves	26(a)	-	(2)	-	-	-	2	-	-	-
Transfer to regulatory reserves	26(d)	-	-	-	-	3,278	(3,278)	-	-	-
Dividends paid	40	-	-	-	-	-	(321,000)	(321,000)	-	(321,000)
Dividends to non-controlling interest	40	-	-	-	-	-	-	-	(1,000)	(1,000)
Total transactions with owner		-	(2)	-	-	3,278	(324,276)	(321,000)	(1,000)	(322,000)
Balance as at 31 December 2020		1,487,773	515	50,380	61,582	35,282	522,727	2,158,259	10,238	2,168,497

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

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**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

Group	Note	Attributable to Equity Holder of the Bank						Total	Non-controlling interests	Total
		Share capital	Statutory reserves	FVOCI reserves	Translation reserves	Regulatory reserves	Retained profits			
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 January 2019		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(a),(b)	-	-	-	(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 2020 (CONTINUED)**

	Note	Non-distributable		Distributable	Total RM'000	
		Share capital RM'000	FVOCI reserves RM'000	Regulatory reserves RM'000		Retained profits RM'000
Bank						
Balance as at 1 January 2020		1,487,773	39,360	20,557	567,193	2,114,883
Net profit for the financial year		-	-	-	89,448	89,448
Financial assets at FVOCI:						
- Equity instruments						
- Unrealised net gain on revaluation		-	2,223	-	-	2,223
- Debt instruments						
- Unrealised net gain on revaluation		-	8,236	-	-	8,236
- Net transfer to income statements on disposal		-	(4)	-	-	(4)
Income tax relating to components of other comprehensive income	39	-	(1,976)	-	-	(1,976)
Other comprehensive income, net of tax, for the financial year		-	8,479	-	-	8,479
Total comprehensive income for the financial year		-	8,479	-	89,448	97,927
Transfer to regulatory reserves	26(d)	-	-	4,380	(4,380)	-
Dividends paid	40	-	-	-	(321,000)	(321,000)
Total transactions with owner		-	-	4,380	(325,380)	(321,000)
Balance as at 31 December 2020		1,487,773	47,839	24,937	331,261	1,891,810

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

RHB INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
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**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

	Note	Non-distributable		Distributable	Total	
		Share capital	FVOCI reserves	Regulatory reserves		Retained profits
Bank		RM'000	RM'000	RM'000	RM'000	
Balance as at 1 January 2019		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.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	Group 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before taxation			
- Continuing operations		304,962	151,512
- Discontinued operation	49(c)	30,542	(46,679)
		335,504	104,833
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		20,751	2,520
Bad debts written off		52	3
Allowance made/(written back) for expected credit losses of other financial assets		367	(170)
Impairment losses made on investments in an associate	36	9,500	-
Impairment losses made on goodwill		14,800	17,505
Property, plant and equipment:			
- Depreciation	16	12,170	18,316
- Gain on disposal	32	(94)	(332)
- Written off	16	24	56
Other intangible assets:			
- Amortisation	17(b)	11,027	13,732
- Written off	17(b)	4,761	246
Interest income from financial assets at FVTPL, FVOCI and financial investments at amortised costs	28	(63,392)	(63,348)
Net gain from sale/redemption of financial assets at FVTPL and FVOCI		(131,700)	(15,084)
Net unrealised gain on revaluation of financial instruments at FVTPL and derivatives		(70,066)	(36,712)
Net loss/(gain) from sale of derivatives		122,971	(9,149)
Gross dividend income from financial assets at FVTPL and FVOCI	32	(9,189)	(32,785)
Share of results of associates		(30)	(6,083)
Share of results of joint ventures		-	30
Gain on remeasurement of previously held equity interest in a joint venture	32,49(e)	-	(258)
(Gain)/Loss on disposal of a subsidiary	32,49(c)	(30,309)	51
Gain arising from business transfer	49(c)	(17,046)	-
Gain on modification of right of use assets	32	(13)	(9)
Borrowings interest expense		19,819	37,246
Subordinated obligations interest expense	29	12,702	19,700
Lease interest		1,511	1,164
Unrealised foreign exchange (gain)/loss		(1,733)	806
Depreciation of right of use assets	15	15,227	19,845
Provision for restructuring costs		-	9,769
Operating profit before working capital changes		257,614	81,892
(Increase)/Decrease in operating assets:			
Deposits and placements with banks and other financial institutions		(12,985)	(116,192)
Financial assets at FVTPL		(35,061)	(61,081)
Loans and advances		(15,393)	(239,781)
Clients' and brokers' balances		(686,820)	50,574
Other assets		2,940	(47,719)
Derivative assets		2,058	(3,027)
Statutory deposits		49,254	(1,615)
		(696,007)	(418,841)

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 2020 (CONTINUED)

	Note	2020 RM'000	Group 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
(Decrease)/Increase in operating liabilities:			
Deposits from customers		(158,890)	380,370
Deposits and placements of banks and other financial institutions		758,555	179,818
Bills and acceptances payable		(31,276)	(8,701)
Clients' and brokers' balances		473,758	(9,657)
Derivative liabilities		(43,045)	4,629
Other liabilities		175,723	230,532
		1,174,825	776,991
Cash generated from operations		736,432	440,042
Lease interest		(1,511)	(1,164)
Net tax paid		(65,210)	(70,027)
Net cash generated from operating activities		669,711	368,851
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from/(purchases) of financial assets at FVOCI and financial investments at amortised costs		46,346	(31,128)
Net loss/(gain) on disposal of financial assets at FVOCI, equity instruments		(162)	5,370
Interest income received from financial assets at FVTPL, FVOCI and financial investments at amortised costs		58,537	62,533
Dividend income received from financial assets at FVTPL and FVOCI	32	9,189	32,785
Dividend income received from an associate		2,002	4,806
Property, plant and equipment:			
- Purchases	16	(11,782)	(20,718)
- Proceeds from disposal		101	598
Other intangible assets:			
- Purchases	17(b)	(7,760)	(14,369)
- Proceeds from disposal		-	12
Acquisition of a subsidiary, net of cash and cash equivalents acquired	49(e)	-	10,710
Proceeds from disposal of subsidiaries, net of cash and cash equivalents received		136,201	16,548
Contingent consideration received from disposal of a subsidiary		15,961	-
Net cash inflow from business transfer	49(c)	62,798	-
Net cash generated from investing activities		311,431	67,147

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 2020 (CONTINUED)

	Note	2020	Group
		RM'000	2019
			RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of subordinated obligations	24	(200,000)	-
Subordinated obligations interest paid		(14,817)	(19,700)
Net repayment of borrowings		(138,523)	(10,175)
Borrowings interest paid		(20,085)	(37,942)
Lease principal payment		(14,602)	(18,953)
Redemption of puttable financial instruments		-	(74,185)
Dividend paid to equity holder of the Bank	40	(321,000)	-
Dividend paid to non-controlling interests	40	(1,000)	-
Net cash used in financing activities		(710,027)	(160,955)
Net increase in cash and cash equivalents		271,115	275,043
Effects of exchange rate differences		4,874	12,107
Cash and cash equivalents:			
- At the beginning of the financial year		2,146,595	1,859,445
- At the end of the financial year		2,422,584	2,146,595
Cash and cash equivalents comprise the following:			
- Cash and short-term funds before expected credit losses	2	2,422,584	2,146,595
Cash flows of discontinued operation	49(c)	14,435	4,364

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**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

Changes in liabilities arising from financing activities as following:

Group	As at 01.01.2020	Cash Changes		Non-cash Changes			Interest Expense	As at 31.12.2020
		Net Cash Flows from Operating Activities	Net Cash Flows from Financing Activities	Foreign Exchange Movement	Addition	Reversal/ Charged Out		
2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Lease liabilities	29,567	(1,511)	(14,602)	(1,210)	12,831	(3,847)	1,511	22,739
Borrowings	882,036	-	(158,608)	(19,643)	-	(6,177)	19,819	717,427
Subordinated obligations	404,263	-	(214,817)	-	-	-	12,702	202,148
	1,315,866	(1,511)	(388,027)	(20,853)	12,831	(10,024)	34,032	942,314

Group	As at 01.01.2019	Cash Changes		Non-cash Changes			Interest Expense/ Other Income	As at 31.12.2019
		Net Cash Flows from Operating Activities	Net Cash Flows from Financing Activities	Foreign Exchange Movement	Addition	Reversal/ Charged Out		
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

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 2020 (CONTINUED)

	Note	2020 RM'000	Bank 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		154,323	67,891
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	2,990	266
Bad debts written off	35	-	3
Allowance written back for expected credit losses of other financial assets	35	(270)	(118)
Impairment losses made on investments in subsidiaries	36	168,741	65,742
Property, plant and equipment:			
- Depreciation	33	5,558	6,481
- Gain on disposal	32	-	(153)
- Written off	33	-	6
Amortisation of other intangible assets	33	5,955	5,972
Interest income from financial assets at FVTPL, FVOCI and financial investments at amortised costs	28	(63,116)	(63,111)
Net gain from sale/redemption of financial assets at FVTPL, FVOCI and financial investments at amortised costs	32	(181,657)	(1,767)
Net unrealised gain on revaluation of financial instruments at FVTPL and derivatives		(4,657)	(2,786)
Net loss/(gain) from sale of derivatives		166,921	(7,781)
Gross dividend income from financial assets at FVTPL and FVOCI	32	(3,301)	(1,456)
Gross dividend income from subsidiaries	32	(68,800)	(49,000)
Gross dividend income from an associate	32	(2,002)	(4,806)
Loss/(Gain) on disposal of a subsidiary	32,49(c),49(h)	7,685	(11,492)
Gain on modification of right of use assets	32	(2)	(9)
Subordinated obligations interest expense	29	12,702	19,700
Lease interest		318	392
Unrealised foreign exchange (gain)/loss		(1,555)	1,609
Depreciation of right of use assets	33	5,102	5,291
Loss on remeasurement of interest in a joint venture		-	95
Provision for restructuring costs		-	49,458
Operating profit before working capital changes		<u>204,935</u>	<u>80,427</u>
(Increase)/Decrease in operating assets:			
Financial assets at FVTPL		(45,764)	(1,494)
Loans and advances		(90,753)	(374,422)
Clients' and brokers' balances		(480,226)	58,930
Derivative assets		2,939	(2,991)
Other assets		2,257	(11,731)
Statutory deposits		49,000	(1,700)
		<u>(562,547)</u>	<u>(333,408)</u>

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 2020 (CONTINUED)

	Note	2020	Bank
		RM'000	2019
			RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
(Decrease)/Increase in operating liabilities:			
Deposits from customers		(158,890)	380,370
Deposits and placements of banks and other financial institutions		758,555	179,818
Clients' and brokers' balances		282,124	(74,352)
Derivative liabilities		(81,986)	8,787
Other liabilities		155,861	4,378
		955,664	499,001
Cash generated from operations		598,052	246,020
Lease interest		(318)	(392)
Net tax paid		(52,802)	(57,164)
Net cash generated from operating activities		544,932	188,464
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from/(purchases) of financial assets at FVOCI and financial investments at amortised costs		46,217	(31,124)
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		58,261	62,296
Dividend income received from financial assets at FVTPL and FVOCI	32	3,301	1,456
Dividend income received from subsidiaries		75,800	6,000
Dividend income received from an associate	32	2,002	4,806
Property, plant and equipment:			
- Purchases	16	(4,113)	(7,113)
- Proceeds from disposal		-	161
Purchases of other intangible assets	17(b)	(4,341)	(4,822)
Acquisition of additional equity interest from a joint venture		-	(21,400)
Additional investment in a subsidiary	49(a)	(80,775)	-
Subscription of redeemable preference shares issued by a subsidiary	49(b)	(20,000)	-
Proceeds from disposal of subsidiaries	49(c),49(h)	253,273	71,922
Contingent consideration received arising from disposal of a subsidiary		15,961	-
Net cash generated from investing activities		345,586	87,552

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 2020 (CONTINUED)

	<u>Note</u>	<u>2020</u> RM'000	<u>Bank</u> <u>2019</u> RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of subordinated obligations	24	(200,000)	-
Subordinated obligations interest paid		(14,817)	(19,700)
Dividends paid to equity holder of the Bank	40	(321,000)	-
Lease principal payment		(5,117)	(5,256)
Net cash used in financing activities		<u>(540,934)</u>	<u>(24,956)</u>
Net increase in cash and cash equivalents		349,584	251,060
Cash and cash equivalents:			
- At the beginning of the financial year		<u>1,443,799</u>	<u>1,192,739</u>
- At the end of the financial year		<u>1,793,383</u>	<u>1,443,799</u>
Cash and cash equivalents comprise the following:			
- Cash and short-term funds before expected credit losses	2	<u>1,793,383</u>	<u>1,443,799</u>

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

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**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

Changes in liabilities arising from financing activities as following:

	Cash Changes			Non-cash Changes			As at 31.12.2020 RM'000
	As at 01.01.2020 RM'000	Net Cash Flows from Operating Activities RM'000	Net Cash Flows from Financing Activities RM'000	Addition RM'000	Reversal/ Charged Out RM'000	Interest Expense RM'000	
Bank 2020							
Lease liabilities	7,203	(318)	(5,117)	4,886	(91)	318	6,881
Subordinated obligations	404,263	-	(214,817)	-	-	12,702	202,148
	411,466	(318)	(219,934)	4,886	(91)	13,020	209,029

	Cash Changes			Non-cash Changes			As at 31.12.2019 RM'000
	As at 01.01.2019 RM'000	Net Cash Flows from Operating Activities RM'000	Net Cash Flows from Financing Activities RM'000	Addition RM'000	Reversal/ Charged Out RM'000	Interest Expense RM'000	
Bank 2019							
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

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 2020

(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 2020 are as follows:

- (i) The Conceptual Framework for Financial Reporting (Revised 2018)

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

Key changes to the Framework are as follows:

- Objective of general purpose financial reporting - clarification that the objective of financial reporting is to provide useful information to the users of financial statements for resource allocation decisions and assessment of management's stewardship;
- Qualitative characteristics of useful financial information - reinstatement of the concepts of prudence when making judgement of uncertain conditions and 'substance over form' concept to ensure faithful representation of economic phenomenon;
- Clarification on reporting entity for financial reporting - introduction of new definition of a reporting entity, which might be a legal entity or a portion of a legal entity;
- Elements of financial statements - the definitions of an asset and a liability have been refined. Guidance in determining unit of account for assets and liabilities have been added, by considering the nature of executory contracts and substance of contracts;

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The relevant new accounting standards, annual improvements and amendments to published standards and interpretations to existing accounting standards that are effective for the Group's and the Bank's financial year beginning on or after 1 January 2020 are as follows: (continued)

- (i) The Conceptual Framework for Financial Reporting (Revised 2018) (continued)

Key changes to the Framework are as follows: (continued)

- Recognition and derecognition - the probability threshold for asset or liability recognition has been removed. New guidance on de-recognition of asset and liability have been added;
- Measurement - explanation of factors to consider when selecting a measurement basis have been provided; and
- Presentation and disclosure - clarification that income statements is the primary source of information about an entity's financial performance for a reporting period. In principle, recycling of income/expense included in other comprehensive income to income statements is required if this results in more relevant information or a more faithful representation of income statements.

Amendments to References to the Conceptual Framework in MFRS Standards

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

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

- (ii) Amendments to MFRS 101 and MFRS 108 'Definition of Material'

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; and
- 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The relevant new accounting standards, annual improvements and amendments to published standards and interpretations to existing accounting standards that are effective for the Group's and the Bank's financial year beginning on or after 1 January 2020 are as follows: (continued)

- (iii) Amendments to MFRS 3 'Definition of a Business'

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.

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

- (iv) Amendments to MFRS 7, MFRS 9 and MFRS 139 'Interest Rate Benchmark Reform'

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by inter-bank offered rate ('IBOR') reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the statements of comprehensive income. The reliefs will cease to apply when the uncertainty arising from interest rate benchmark reform is no longer present.

The adoption of the above accounting standards, annual improvements and amendments do not give rise to any material financial impact to the Group and the Bank.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(CONTINUED)**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(i) Amendments to MFRS 16 'COVID-19 related Rent Concessions' - effective for annual period on or after 1 June 2020

The amendments grant an optional exemption for lessees to account for rent concession related to COVID-19 in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs.

The exemption only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The amendment shall be applied retrospectively.

Lessees are not required to restate comparative information or to provide the disclosure under paragraph 28(f) of MFRS 108.

(ii) Amendments to MFRS 3 'Business Combinations': Reference to the Conceptual Framework - effective for annual period on or after 1 January 2022

The amendments replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(iii) Annual Improvements to MFRSs 2018 - 2020 - effective for annual period on or after 1 January 2022

- Amendments to MFRS 1 'First-time Adoption of MFRS': Subsidiary as First-time Adopter

Cumulative translation differences - a subsidiary that adopts MFRS later than its parent and elects to measure its assets and liabilities based on the carrying amounts that would be included in the parent's consolidated financial statements, based on the parent's date of transition to MFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary, may likewise elect to measure cumulative translation differences for all its foreign operations based on the carrying amounts that would be included in the parent's consolidated financial statements in the same manner.

Earlier application is permitted.

- Amendments to MFRS 9 'Financial Instruments'

When entities restructure their loans with existing lenders, they are required to quantitatively assess the significance of the difference in cash flows based on the old and new contractual terms (commonly known as the MFRS 9 '10% test').

Fees could be paid by the borrower to either third parties or the lender in a debt modification. This amendment to MFRS 9 clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the assessment. Fees paid to third parties (e.g. fee paid to lawyers) are not included in the 10% test.

The amendment need not be applied retrospectively and is applicable to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to illustrative Example 13 accompanying MFRS 16 'Leases': Lease Incentives

Removed the illustration on the reimbursement relating to leasehold improvements by the lessor to avoid potential confusion as the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in MFRS 16.

The amendments shall be applied retrospectively. Earlier application is permitted.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(CONTINUED)**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

- (iv) Amendments to MFRS 116 'Property, Plant and Equipment': Proceeds before Intended Use - effective for annual period on or after 1 January 2022

The amendments prohibit an entity from deducting from the cost of a property, plant and equipment ('PPE') the proceeds received from selling items produced by the PPE before it is ready for its intended use. The sales proceeds would have met the revenue definition and therefore should be recognised in income statements.

The amendments also clarify that 'testing' in MFRS 116 refers to assessing the technical and physical performance of the PPE rather than its financial performance.

The amendments shall be applied retrospectively to PPE that became available for use on or after the beginning of the earliest period presented in the financial statements when an entity first applies the amendments.

- (v) Amendments to MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets': 'Onerous Contracts - Cost of Fulfilling a Contract' - effective for annual period on or after 1 January 2022

The amendments clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

The amendments shall be applied retrospectively.

- (vi) Amendments to MFRS 101 'Classification of Liabilities as Current or Non-current' - effective for annual period on or after 1 January 2023

The MFRS 101 classification principle requires an assessment of whether an entity has the substantive right to defer settlement of a liability at the end of the reporting period.

The amendments clarify that when the right to defer settlement is subject to complying with specified conditions, the right only exists at the end of the reporting period if the entity complies with those conditions at that date. The entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

Also, classification is unaffected by the expectations of the entity or events after the reporting date (e.g. waiver obtained or breach of loan covenant).

In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), the conversion option does not affect the classification of the convertible bond if the option meets the definition of an equity instrument in accordance with MFRS 132 'Financial Instruments: Presentation'. Conversion option that is not an equity instrument should therefore be considered in the current or non-current classification of a convertible instrument.

These amendments should be applied retrospectively. Earlier application is permitted. If an entity applies those amendments for an earlier period, it should disclose that fact.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(c) Changes in regulatory requirements - additional measures issued by Bank Negara Malaysia ('BNM')

On 24 March 2020 and 24 July 2020, BNM announced that the following measures which are aimed to ensure that the financial intermediation function of the financial sector remains intact, access to financing continues to be available and banking institutions remain focused on supporting the economy during the COVID-19 pandemic:

(i) Drawdown of prudential buffers

Banking institutions are given the following relaxation of the prudential buffers, which will need to be restored to the minimum regulatory requirements by 30 September 2021:

- Drawdown of capital conservation buffer of 2.5%;
- Operate below the minimum liquidity coverage ratio ('LCR') of 100%; and
- Reduce the regulatory reserves held against expected credit losses to 0%.

(ii) The implementation of the Net Stable Funding Ratio ('NSFR') will proceed as scheduled on 1 July 2020. However, the minimum NSFR will be lowered to 80% and banking institutions will be required to comply with the requirement of 100% from 30 September 2021.

The adoption of the above additional measures gave rise to the following observations and financial impact:

(i) Forward-looking information used must be reasonable and supportable including reflecting the impact of COVID-19 pandemic and fully accounting for the mitigating effects of the economic and financial measures announced; and

(ii) The Group and the Bank have continued to maintain in aggregate the 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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

(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. 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(CONTINUED)**

(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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2) BASIS OF CONSOLIDATION (CONTINUED)

(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.

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(19) 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(CONTINUED)**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(b) Recognition and derecognition

(i) Recognition

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.

(ii) Derecognition

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

(b) Recognition and derecognition (continued)

(iii) Derecognition due to modification of terms and conditions

The Group and the Bank sometimes renegotiate or otherwise modify the contractual cash flows of loans to customers. When this happens, the Group and the Bank assess whether or not the new terms are substantially different to the original terms. The Group and the Bank do this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced, such as a profit share or equity-based return that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and
- Insertion of collaterals, other securities or credit enhancements that significantly affect the credit risk associated with the loan.

(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'.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(CONTINUED)**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

(c) Measurement (continued)

(i) Debt instruments (continued)

(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'.

(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 to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to income statements, including on disposal. Dividend, when representing a return on such investments, continue to be recognised in income statements as dividend income when the Group and the Bank's right to receive payments is established.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

(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.

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. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the income statements. Cash collateral held in relation to derivative transactions are carried at amortised cost.

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

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

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(CONTINUED)**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

(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.

For financial instruments measured at amortised cost, 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.

(b) Cash flow hedge

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

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

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

(c) Net investment hedge

Net investment hedge is a hedge against the exposure to exchange rate fluctuations on the net assets of the Group's foreign operations 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING
ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(CONTINUED)**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. 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(19) 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.

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(19) on impairment of non-financial assets.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7) INTANGIBLE ASSETS (CONTINUED)

(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

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	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(19) on impairment of non-financial assets.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

(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, lease liabilities and other 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(CONTINUED)**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Group and the Bank recognise leases as right of use ('ROU') asset, with a corresponding liability at the date on which the leased asset is available for use (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.

(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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10) LEASES – WHERE THE GROUP AND THE BANK ARE THE LESSEE (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 rate 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 equipment and vehicles. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(f) 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.

(g) 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(CONTINUED)**

(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 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) GOVERNMENT GRANTS

Financing under a government scheme is recognised and measured in accordance with MFRS 9 'Financial Instruments', with the benefit at a below market rate, which is measured as the difference between the initial carrying amount or fair value of the financing and the amount received.

Financial contribution under a government scheme is measured in accordance with the amount received. The benefit of a financing under a government scheme or a financial contribution under a government scheme that addresses identified costs or expenses incurred by the Group and the Bank is recognised in the income statements in the same financial period when the costs or expenses are recognised, when the required conditions are fulfilled in accordance with MFRS 120 'Accounting for Government Grants and Disclosure of Government Assistance'.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(CONTINUED)**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

Subsequent to the initial recognition, the Group 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'.

15) 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.

16) 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING
ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(CONTINUED)**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17) 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 based on fulfilment of the performance obligation.
- (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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(CONTINUED)**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

18) 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; and
- 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

18) 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(CONTINUED)**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

18) 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(CONTINUED)**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

19) 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. The Group also assesses goodwill, other intangible assets with indefinite useful life and other 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.

20) 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 Group's and the Bank's contributions to defined contribution plans are charged to income statements in the period to which they relate. Once the contributions have been paid, the Group and the Bank have no further legal or constructive obligations.

(c) Termination benefits

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

- (i) when the Group can no longer withdraw the offer of those benefits; and
- (ii) when the entity recognises costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(CONTINUED)**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21) 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(CONTINUED)**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22) 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING
ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(CONTINUED)**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22) 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.

23) 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.

24) 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(CONTINUED)**

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(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 is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

MFRS 9 introduces the use of macroeconomic factors and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(CONTINUED)**

(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;
- (iv) Establishing groups of similar financial assets for the purposes of measuring ECL; and
- (v) Identifying and calculating adjustments to model output (model overlay adjustments).

The impact of the COVID-19 pandemic remains uncertain and represents a material downside risk to the economy. While the methodologies and assumptions applied in the base ECL calculations remained unchanged, the Group and the Bank have incorporated the following estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic and the associated support packages in the measurement of ECL:

- Forward looking macro-economic information and assumptions relating to the COVID-19 pandemic have been considered, including potential impacts of the COVID-19 pandemic, recognising uncertainty still exists in relation to the duration of the COVID-19 pandemic-related restrictions, the anticipated impact of government stimulus and regulatory actions; and
- When determining whether the risk of default has increased significantly since initial recognition, both quantitative and qualitative information is considered, including expert credit assessment, forward looking information and analysis based on the Group's and the Bank's historical loss experience.

(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 2020**

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 23 February 2021.

2 CASH AND SHORT-TERM FUNDS

	Note	2020	Group	2020	Bank
		RM'000	2019	RM'000	2019
			RM'000		RM'000
Cash and balances with banks and other financial institutions	(a)	1,287,413	877,317	734,149	256,058
Money at call and deposit placements maturing within one month	(b)	1,135,171	1,269,278	1,059,234	1,187,741
		2,422,584	2,146,595	1,793,383	1,443,799
Less: Allowance for ECL		(519)	(207)	(15)	(13)
		2,422,065	2,146,388	1,793,368	1,443,786

(a) Included in the Group's cash and balances with banks and other financial institutions are monies amounting to RM265,986,000 (2019: RM290,316,000) held in trust for the purpose of the funds managed by the asset management subsidiaries; and

(b) Included in the Group's and the Bank's money at call and deposit placements are account held in trust for remisers amounting to RM92,060,000 (2019: RM64,861,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2020	Group 2019	2020	Bank 2019
	RM'000	RM'000	RM'000	RM'000
Licensed banks	190,774	199,591	-	-
Licensed Islamic banks	24,097	7,054	-	-
Other financial institutions	-	422	-	-
	214,871	207,067	-	-
Less: Allowance for ECL	(105)	(68)	-	-
	214,766	206,999	-	-

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

	2020	Group 2019	2020	Bank 2019
	RM'000	RM'000	RM'000	RM'000
At fair value				
<u>Quoted securities:</u>				
In Malaysia				
Shares and exchange traded funds	209,292	23,565	209,292	23,565
Unit trusts	58,077	56,514	8,218	8,863
Outside Malaysia				
Shares	205,677	247,184	12,958	-
Unit trusts	25,676	27,954	25,676	27,954
<u>Unquoted securities:</u>				
In Malaysia				
Prasarana bonds	25	-	25	-
Corporate bonds/Sukuk	1,412	-	1,412	-
Outside Malaysia				
Private equity funds	533,428	492,717	-	-
	1,033,587	847,934	257,581	60,382
Contingent consideration				
	1,256	-	1,256	-
	1,034,843	847,934	258,837	60,382

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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

	Note	2020 RM'000	Group 2019 RM'000	2020 RM'000	Bank 2019 RM'000
Debt instruments	(a)	580,534	711,239	580,534	711,239
Equity instruments	(b)	42,991	41,003	34,954	32,731
		623,525	752,242	615,488	743,970

(a) Debt instruments

At fair value

Money market instruments:

Malaysian Government Securities	138,165	133,309	138,165	133,309
Malaysian Government Investment Issues	21,072	40,878	21,072	40,878
Khazanah bonds	48,408	45,910	48,408	45,910
Sukuk Perumahan Kerajaan ('SPK')	73,100	71,596	73,100	71,596

Unquoted securities:

In Malaysia

Corporate bonds/Sukuk	273,620	393,629	273,620	393,629
Prasarana bonds	26,169	25,917	26,169	25,917
	580,534	711,239	580,534	711,239

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

Quoted securities:

Outside Malaysia

Shares	1,866	2,035	-	-
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Unquoted securities:

In Malaysia

Shares	40,823	38,653	34,954	32,731
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Outside Malaysia

Shares	302	315	-	-
	42,991	41,003	34,954	32,731

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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

(b) Equity instruments (continued)

The Group and the Bank designated certain 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	Dividend income recognised during the financial year	Fair value	Dividend income recognised during the financial year
	RM'000	RM'000	RM'000	RM'000
<u>Unquoted Securities:</u>				
2020				
Malaysian Rating Corporation Berhad	2,866	196	2,866	196
Cagamas Holdings Bhd	32,088	240	32,088	240
Bond Pricing Agency Malaysia Sdn Bhd	5,869	178	-	-
Others	2,168	81	-	-
	42,991	695	34,954	436
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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

6 FINANCIAL INVESTMENTS AT AMORTISED COSTS

	Group and Bank	
	2020	2019
At amortised cost	RM'000	RM'000
<u>Money market instruments:</u>		
Malaysian Government Securities	92,878	-
Malaysian Government Investment Issues	369,222	364,232
Khazanah Bonds	13,003	12,504
Wakala Global Sukuk	8,262	8,471
<u>Unquoted Securities:</u>		
<u>In Malaysia</u>		
Corporate bonds/Sukuk	507,075	507,387
Loan stocks	25,853	25,853
Prasarana bonds	70,800	70,838
	1,087,093	989,285
Allowance for ECL	(77,447)	(77,447)
	1,009,646	911,838

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

Balance as at the beginning of the financial year	77,447	78,064
Amount recovered	-	(617)
Balance as at the end of the financial year	77,447	77,447

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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 2020					
Balance as at the beginning/end of the financial year		-	-	77,447	77,447
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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

7 LOANS AND ADVANCES

	2020 RM'000	Group 2019 RM'000	2020 RM'000	Bank 2019 RM'000
(a) By type				
At amortised cost				
Term loans	2	20,113	2	2
Revolving credits	-	-	-	26,589
Share margin financing	1,826,512	1,855,055	1,496,171	1,378,780
Staff loans	311	322	311	322
Gross loans and advances	1,826,825	1,875,490	1,496,484	1,405,693
Less: Allowance for ECL	(8,951)	(19,617)	(1)	(1)
Net loans and advances	1,817,874	1,855,873	1,496,483	1,405,692
(b) By type of customer				
Domestic business enterprises:				
- Small and medium enterprises	190,074	193,205	190,074	193,205
- Others	201,109	200,659	201,109	200,659
Individuals	1,079,583	954,015	1,079,583	954,015
Foreign entities	356,059	527,611	25,718	57,814
	1,826,825	1,875,490	1,496,484	1,405,693
(c) By geographical distribution				
In Malaysia	1,496,484	1,379,104	1,496,484	1,379,104
Outside Malaysia:				
- Singapore operations	-	214,471	-	-
- Hong Kong operations	-	27,031	-	26,589
- Indonesia operations	188,983	88,690	-	-
- Thailand operations	141,358	166,194	-	-
	1,826,825	1,875,490	1,496,484	1,405,693

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

7 LOANS AND ADVANCES (CONTINUED)

	<u>2020</u>	<u>Group</u> <u>2019</u>	<u>2020</u>	<u>Bank</u> <u>2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
(d) By interest rate sensitivity				
Fixed rate:				
- Other fixed rate loans	1,685,465	1,682,262	1,496,482	1,379,102
Variable rate:				
- Cost plus	-	27,032	-	26,589
- Base lending rate plus	141,360	166,196	2	2
	<u>1,826,825</u>	<u>1,875,490</u>	<u>1,496,484</u>	<u>1,405,693</u>
(e) By purpose				
Purchase of securities	1,826,512	1,875,166	1,496,171	1,378,780
Purchase of landed property:				
- Residential	313	324	313	324
Working capital	-	-	-	26,589
	<u>1,826,825</u>	<u>1,875,490</u>	<u>1,496,484</u>	<u>1,405,693</u>
(f) By economic sector				
Agriculture, hunting, forestry and fishing	105	5,437	105	1,077
Mining and quarrying	91	7,039	91	103
Manufacturing	3,180	22,743	3,180	2,631
Construction	5,974	8,871	5,974	8,871
Wholesale and retail trade and restaurant and hotel	1,670	577	1,670	577
Transport, storage and communication	4,253	2,587	4,253	2,587
Finance, insurance, real estate and business services	387,219	426,240	378,667	409,054
Household sector	1,424,333	1,401,996	1,102,544	980,793
	<u>1,826,825</u>	<u>1,875,490</u>	<u>1,496,484</u>	<u>1,405,693</u>
(g) By remaining contractual maturities				
Maturity within one year	1,826,512	1,875,166	1,496,171	1,405,369
One year to three years	8	10	8	10
Three years to five years	21	-	21	-
Over five years	284	314	284	314
	<u>1,826,825</u>	<u>1,875,490</u>	<u>1,496,484</u>	<u>1,405,693</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

7 LOANS AND ADVANCES (CONTINUED)

(h) By stages

Group	Note	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
2020		RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of the financial year		1,852,148	29	23,313	1,875,490
Transfer to 12-month ECL (Stage 1)		86,370	(82,179)	(4,191)	-
Transfer to Lifetime ECL not credit impaired (Stage 2)		(91,243)	91,243	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)		(5,850)	-	5,850	-
Addition and origination		15,822,794	-	-	15,822,794
Derecognition		(15,779,111)	(7,970)	(4,632)	(15,791,713)
Amount written off		-	-	(8,381)	(8,381)
Disposal of a subsidiary	49(c)	(61,240)	-	(1,874)	(63,114)
Exchange differences		(7,833)	-	(418)	(8,251)
Balance as at the end of the financial year		1,816,035	1,123	9,667	1,826,825
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		9,091,535	-	-	9,091,535
Derecognition		(8,851,008)	(58)	(687)	(8,851,753)
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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

7 LOANS AND ADVANCES (CONTINUED)

(h) By stages (continued)

Bank	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
2020	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of the financial year	1,405,664	29	-	1,405,693
Transfer to 12-month ECL (Stage 1)	70,003	(69,301)	(702)	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	(77,853)	77,853	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	(896)	-	896	-
Addition and origination	6,807,780	-	-	6,807,780
Derecognition	(6,710,104)	(7,779)	(194)	(6,718,077)
Exchange differences	1,088	-	-	1,088
Balance as at the end of the financial year	1,495,682	802	-	1,496,484
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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

7 LOANS AND ADVANCES (CONTINUED)

(i) Impaired loans and advances

	2020	Group	2020	Bank
	RM'000	2019	RM'000	2019
		RM'000		RM'000
(i) By purpose				
Purchase of securities	9,667	23,313	-	-
(ii) By economic sector				
Mining and quarrying	-	6,936	-	-
Household sector	9,667	16,377	-	-
	9,667	23,313	-	-
(iii) By geographical distribution				
Outside Malaysia:				
- Singapore	-	13,892	-	-
- Hong Kong	-	97	-	-
- Indonesia	716	-	-	-
- Thailand	8,951	9,324	-	-
	9,667	23,313	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

7 LOANS AND ADVANCES (CONTINUED)

(i) Impaired loans and advances (continued)

(iv) Movement in allowance for ECL

Group	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 2020					
Balance as at the beginning of the financial year		1	-	19,616	19,617
Net allowance written back		-	-	(298)	(298)
Amount written off		-	-	(8,381)	(8,381)
Disposal of a subsidiary	49(c)	-	-	(1,560)	(1,560)
Exchange differences		-	-	(427)	(427)
Balance as at the end of the financial year		1	-	8,950	8,951
Group 2019					
Balance as at the beginning of the financial year		1	-	18,980	18,981
Net allowance made		-	-	461	461
Exchange differences		-	-	175	175
Balance as at the end of the financial year		1	-	19,616	19,617
Bank 2020					
Balance as at the beginning/end of the financial year		1	-	-	1
Bank 2019					
Balance as at the beginning/end of the financial year		1	-	-	1

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

8 CLIENTS' AND BROKERS' BALANCES

	2020	Group 2019	2020	Bank 2019
	RM'000	RM'000	RM'000	RM'000
Amounts owing by clients	1,084,974	696,427	743,519	325,231
Less: Allowance for ECL	(30,067)	(20,772)	(4,465)	(4,636)
	1,054,907	675,655	739,054	320,595
Amounts owing by brokers	151,220	75,556	150,831	69,740
Amounts owing by clearing houses and stock exchanges	133,441	142,237	56,795	75,950
	1,339,568	893,448	946,680	466,285

Movement in allowance for ECL

(a) Non-credit impaired

Balance as at the beginning of the financial year	107	253	1	-
Transferred to credit impaired	(340)	(386)	-	-
Allowance for credit loss	850	953	17	6
Derecognition	(445)	(714)	(16)	(5)
Disposal of a subsidiary	(169)	-	-	-
Exchange differences	-	1	-	-
Balance as at the end of the financial year	3	107	2	1

(b) Credit impaired

Balance as at the beginning of the financial year	20,665	19,309	4,635	6,156
Transferred from non-credit impaired	340	386	-	-
Allowance for credit loss	19,003	2,985	429	118
Derecognition	(2,228)	(1,666)	(600)	(664)
Amount written off	(4,058)	(975)	(1)	(975)
Disposal of a subsidiary	(3,335)	-	-	-
Exchange differences	(323)	626	-	-
Balance as at the end of the financial year	30,064	20,665	4,463	4,635

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

9 OTHER ASSETS

	Note	2020	Group 2019	2020	Bank 2019
		RM'000	RM'000	RM'000	RM'000
Other receivables	(a)	59,303	85,095	18,129	25,980
Unit trust fee receivables		25,147	25,804	-	-
Management fee receivables		3,237	2,976	-	-
Deposits		7,506	20,893	2,952	2,949
Prepayments		10,307	14,391	4,630	5,485
Amount receivable for release of units from funds		36,355	48,611	-	-
Transferable memberships		262	262	262	262
Amount due from holding company	(b)	1,557	1,463	-	-
Amount due from subsidiaries	(b)	-	-	38,937	44,938
Amount due from related companies	(b)	756	40	719	2
		144,430	199,535	65,629	79,616

(a) Other receivables of the Group and the Bank are stated at net of allowance for ECL of RM17,161,000 (2019: RM16,265,000) and RM15,833,000 (2019: RM13,671,000) respectively. During the financial year, there was write off against allowance for ECL of the Group and the Bank of RM2,332,000 (2019: RM2,841,000) and RM NIL (2019: RM 2,141,000) respectively.

(b) 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 RM2,983,000 (2019: RM2,048,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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.

	<u>2020</u>	<u>Group</u> <u>2019</u>	<u>2020</u>	<u>Bank</u> <u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Derivative assets				
- Trading derivatives	1,017	3,091	122	3,054
Derivative liabilities				
- Trading derivatives	(71,748)	(4,509)	(71,732)	(3,873)
	(70,731)	(1,418)	(71,610)	(819)

Group 2020	<u>Contract or</u> <u>underlying</u> <u>principal</u> <u>amount</u>	<u>Year-end</u> <u>positive</u> <u>fair value</u>	<u>Year-end</u> <u>negative</u> <u>fair value</u>
	RM'000	RM'000	RM'000
<u>Trading derivatives</u>			
Foreign exchange related contracts:			
- Swaps/Spot	44,538	46	45
Equity related contracts:			
- Options	7,082	76	-
Futures related contracts	200,537	895	-
Structured warrants	456,101	-	71,703
	708,258	1,017	71,748

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

10 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

Group	Contract or underlying principal amount	Year-end positive fair value	Year-end negative fair value
2019	RM'000	RM'000	RM'000
<u>Trading derivatives</u>			
Foreign exchange related contracts:			
- Forwards/Swaps/Spot	119,015	91	232
Structured warrants	43,817	-	4,277
Company warrants	12,250	3,000	-
	<u>175,082</u>	<u>3,091</u>	<u>4,509</u>
Bank			
2020			
<u>Trading derivatives</u>			
Foreign exchange related contracts:			
- Swaps/Spot	44,538	46	45
Equity related contracts:			
- Options	7,082	76	-
Structured warrants	455,966	-	71,687
	<u>507,586</u>	<u>122</u>	<u>71,732</u>
Bank			
2019			
<u>Trading derivatives</u>			
Foreign exchange related contracts:			
- Swaps/Spot	43,113	54	54
Structured warrants	26,699	-	3,819
Company warrants	12,250	3,000	-
	<u>82,062</u>	<u>3,054</u>	<u>3,873</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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.

(a) 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:

	<u>2020</u>	<u>Bank</u> <u>2019</u>
	<u>RM'000</u>	<u>RM'000</u>
Loss on hedging instruments *	(1,317)	(306)
Gain on the hedged items attributable to the hedged risk	1,317	306
	<u>-</u>	<u>-</u>

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

(b) 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. The hedging relationship was fully effective for the total hedging period and as of the reporting date.

The fair value hedge and net investment hedge accounting have been terminated during the financial year following the disposal of the hedged items. The details are disclosed in Note 49(c) to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

11 STATUTORY DEPOSITS

	Note	2020	Group	2020	Bank
		RM'000	2019	RM'000	2019
			RM'000		RM'000
Statutory deposits with BNM	(a)	13,000	62,000	13,000	62,000
Statutory deposits with National Bank of Cambodia ('NBC')	(b)	3,977	4,015	-	-
		16,977	66,015	13,000	62,000

(a) 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.

(b) 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:

	2020	Group	2020	Bank
	RM'000	2019	RM'000	2019
		RM'000		RM'000
Deferred tax assets	28,392	19,410	17,985	10,106
Deferred tax liabilities	-	(1,531)	-	-
	28,392	17,879	17,985	10,106
Deferred tax assets				
- Settled more than 12 months	9,210	8,322	657	710
- Settled within 12 months	34,437	23,027	27,280	16,862
Deferred tax liabilities				
- Settled more than 12 months	(6,205)	(7,594)	(5,147)	(5,893)
- Settled within 12 months	(9,050)	(5,876)	(4,805)	(1,573)
	28,392	17,879	17,985	10,106

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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
2020		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of the financial year		(4,474)	(2,376)	1,764	20,222	2,743	17,879
Transfer from income statements	37	972	-	75	10,441	1,610	13,098
Transfer to equity	39	-	(1,976)	-	-	(392)	(2,368)
Exchange differences		(55)	-	(89)	(98)	25	(217)
Balance as at the end of the financial year		(3,557)	(4,352)	1,750	30,565	3,986	28,392
Group							
2019							
Balance as at the beginning of the financial year		(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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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
2020		RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of the financial year		(3,403)	(2,373)	15,774	108	10,106
Transfer (to)/from income statements	37	(583)	-	10,467	(29)	9,855
Transfer to equity	39	-	(1,976)	-	-	(1,976)
Balance as at the end of the financial year		<u>(3,986)</u>	<u>(4,349)</u>	<u>26,241</u>	<u>79</u>	<u>17,985</u>
Bank						
2019						
Balance as at the beginning of the financial year		(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		<u>(3,403)</u>	<u>(2,373)</u>	<u>15,774</u>	<u>108</u>	<u>10,106</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

13 INVESTMENTS IN SUBSIDIARIES

	2020	Bank 2019
	RM'000	RM'000
Unquoted shares, at cost		
- In Malaysia	327,202	307,202
- Outside Malaysia	887,459	1,326,653
	1,214,661	1,633,855
Fair value changes arising from fair value hedge	-	47,118
	1,214,661	1,680,973
Accumulated impairment losses	(499,263)	(587,276)
	715,398	1,093,697

During the financial year, impairment losses of RM168,741,000 (2019: RM65,742,000) 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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		Effective equity interest held by the non-controlling interest		Principal activities
			2020 %	2019 %	2020 %	2019 %	
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 2020 (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		Effective equity interest held by the non-controlling interest		Principal activities
			2020 %	2019 %	2020 %	2019 %	
RHB Private Equity Holdings Sdn Bhd ⁷	Malaysia	130,000,002	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	USD69,329	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 ^{1,8}	Hong Kong	HKD450,000,000	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 ^{1,10}	Hong Kong	HKD1	100	100	-	-	Dormant
RHB Capital Hong Kong Limited ^{1,14}	Hong Kong	HKD10,000,000	100	100	-	-	Dormant

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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		Effective equity interest held by the non-controlling interest		Principal activities
			2020 %	2019 %	2020 %	2019 %	
RHB Asset Management Limited ^{1,14}	Hong Kong	HKD17,000,000	100	100	-	-	Dormant
RHB Wealth Management Hong Kong Limited ^{1,14}	Hong Kong	HKD5,000,000	100	100	-	-	Dormant
RHB (China) Investment Advisory Co Ltd ^{1,9}	People's Republic of China	-	-	100	-	-	Dissolved
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. ^{1,12}	Singapore	-	-	100	-	-	Provision of stock and share broking services and corporate finance advisory services
RHB Nominees Singapore Pte. Ltd. ^{1,11}	Singapore	-	-	100	-	-	Inactive
Summit Nominees Pte. Ltd. ^{1,11}	Singapore	-	-	100	-	-	Inactive
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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		Effective equity interest held by the non-controlling interest		Principal activities
			2020 %	2019 %	2020 %	2019 %	
RHB Securities (Cambodia) Plc. ¹ (formerly known as RHB Indochina Securities Plc.)	Cambodia	USD12,500,000	100	100	-	-	Securities underwriting, dealing, brokerage and investment advisory service
RHB Securities Vietnam Company Limited ^{1,6}	Vietnam	VND135,000 million	100	100	-	-	Securities brokerage, securities investment, consultancy and self-trading
RHB Trustees Berhad	Malaysia	6,000,000	80	80	20	20	Professional retail trustee services (will writing, estate planning and private trustees) and corporate trustees services (collective investment schemes)
Malaysian Trustees Berhad	Malaysia	550,000	80	80	20	20	Engage in the business of trustee agents, executors and administrators pursuant to the Trust Companies Act, 1949

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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		Effective equity interest held by the non-controlling interest		Principal activities
			2020 %	2019 %	2020 %	2019 %	
Dormant subsidiaries							
RHB Excel Sdn Bhd ⁴	Malaysia	200,000,000	100	100	-	-	Dormant
RHB Progressive Sdn Bhd ⁴	Malaysia	13,500,000	100	100	-	-	Dormant
RHB Marketing Services Sdn Bhd ³	Malaysia	100,000	100	100	-	-	Dormant
RHB Unit Trust Management Berhad ⁴	Malaysia	5,000,000	100	100	-	-	Dormant
RHB Futures and Options Sdn Bhd	Malaysia	10,000,000	100	100	-	-	Dormant
RHB Research Sdn Bhd ⁵	Malaysia	500,000	100	100	-	-	Dormant
RHB International Asset Management Sdn Bhd	Malaysia	7,000,000	100	100	-	-	Dormant
RHBIB Nominees (Tempatan) Sdn Bhd ⁵	Malaysia	3,670,000	100	100	-	-	Dormant
RHBIB Nominees (Asing) Sdn Bhd ⁵	Malaysia	2,670,000	100	100	-	-	Dormant
RHB Islamic Asset Management Sdn Bhd	Malaysia	4,000,000	100	100	-	-	Dormant
TCL Nominees (Tempatan) Sdn Bhd ⁵	Malaysia	644,000	100	100	-	-	Dormant
TCL Nominees (Asing) Sdn Bhd ⁵	Malaysia	4,000	100	100	-	-	Dormant

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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		Effective equity interest held by the non-controlling interest		Principal activities
			2020 %	2019 %	2020 %	2019 %	
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 ¹³	Malaysia	500,000	100	100	-	-	Dormant
RHB Research Institute Singapore Pte. Ltd. ^{1, 11}	Singapore	-	-	100	-	-	Inactive

Notes:

- Subsidiaries audited by a member firm of PricewaterhouseCoopers which is a separate and independent legal entity from PricewaterhouseCoopers PLT, Malaysia.
- Subsidiary not audited pursuant to Companies Law (2013 Revision), in Cayman Islands.
- The companies have commenced member's voluntary winding up on 16 February 2011.
- The companies have commenced member's voluntary winding up on 28 March 2012.
- The companies have commenced member's voluntary winding up on 30 June 2017.
- The Bank had acquired the remaining 51% equity interest in RHB Securities Vietnam Company Limited on 19 February 2019 for VND121,629,915,000 as disclosed in Note 49(e).
- The Bank had on 28 January 2020, subscribed for 10 million redeemable preference shares of RM2.00 each in RHB Private Equity Holdings Berhad amounting to RM20,000,000 for additional working capital purpose.
- The Bank had on 14 February 2020, subscribed for 150 million new ordinary shares in RHB Hong Kong Limited amounting to HKD150,000,000.
- The company has been dissolved upon its deregistration on 17 June 2020 pursuant to Article 180(ii) of the Company Law of the People's Republic of China.
- The company has commenced member's voluntary winding up on 21 August 2020.
- As set out in Note 49(c), the companies were acquired by RHB Bank Berhad on 31 August 2020.
- As set out in Note 49(c), the company was disposed of on 11 September 2020.
- The company has commenced member's voluntary winding up on 30 September 2020.
- The companies have commenced member's voluntary winding up on 22 December 2020.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	Note	2020 RM'000	Group 2019 RM'000	2020 RM'000	Bank 2019 RM'000
Share of net assets of associates	(a)	39,749	41,721	5,028	5,028
Less: Allowance for impairment losses		(35,150)	(25,650)	-	-
		4,599	16,071	5,028	5,028
Share of net assets of joint ventures	(b)	12	12	-	-
		4,611	16,083	5,028	5,028

There were impairment losses of RM9,500,000 (2019: NIL) 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 2020 %	2019 %	Principal activities
RHB Finexasia.Com Sdn Bhd ('Finexasia')	Malaysia	11,361,111	40.05	40.05	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 RM1,749,000 (2019: RM1,476,000) as at 31 December 2020 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 2020.

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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 statement of financial position

	Finexasia		Prostar		Satin Straits		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 [^] RM'000	2019 [^] RM'000	2020 RM'000	2019 RM'000
Assets								
Cash and cash equivalents	4,441	9,440	7	5	36	36	4,484	9,481
Other current assets	7,071	7,070	25	25	-	-	7,096	7,095
Non-current assets	-	43	121	120	32,581	32,581	32,702	32,744
Total assets	11,512	16,553	153	150	32,617	32,617	44,282	49,320
Liabilities								
Financial liabilities	-	(109)	(5,401)	(4,577)	(93)	(93)	(5,494)	(4,779)
Other current liabilities	(30)	(37)	-	-	(61)	(61)	(91)	(98)
Total liabilities	(30)	(146)	(5,401)	(4,577)	(154)	(154)	(5,585)	(4,877)
Net Assets/(Liabilities)	11,482	16,407	(5,248)	(4,427)	32,463	32,463	38,697	44,443

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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 statement of comprehensive income

	Finexasia		Prostar		Satin Straits		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 [^] RM'000	2019 [^] RM'000	2020 RM'000	2019 RM'000
Interest income	157	266	-	-	-	-	157	266
Other operating income	-	16,835	10,471	12,746	-	-	10,471	29,581
Net operating income	157	17,101	10,471	12,746	-	-	10,628	29,847
Other operating expenses	(44)	(1,715)	(11,365)	(16,194)	-	7	(11,409)	(17,902)
Including:								
Depreciation and amortisation	(16)	(44)	-	-	-	-	(16)	(44)
Profit/(Loss) before taxation	113	15,386	(894)	(3,448)	-	7	(781)	11,945
Taxation	(38)	(197)	-	(9)	-	-	(38)	(206)
Net profit/(loss) for the financial year	75	15,189	(894)	(3,457)	-	7	(819)	11,739

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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	
	2020	2019	2020	2019	2020 [^]	2019 [^]	2020	2019
	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	16,407	13,218	(4,427)	(1,038)	32,463	32,456	44,443	44,636
Net profit/(loss) for the financial year	75	15,189	(894)	(3,457)	-	7	(819)	11,739
Dividend paid	(5,000)	(12,000)	-	-	-	-	(5,000)	(12,000)
Translation reserves	-	-	73	68	-	-	73	68
Balance as at the end of the financial year	11,482	16,407	(5,248)	(4,427)	32,463	32,463	38,697	44,443
Equity interest attributable to net assets	4,599	6,571	- [*]	- [*]	32,500 [#]	32,500 [#]	37,099	39,071
Goodwill	2,650	2,650	-	-	-	-	2,650	2,650
Accumulated impairment losses	(2,650)	(2,650)	-	-	(32,500)	(23,000)	(35,150)	(25,650)
Carrying value	4,599	6,571	-	-	-	9,500	4,599	16,071

* 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 2020. The last financial information received from associates was for financial year ended 31 December 2019.

**NOTES TO THE FINANCIAL STATEMENTS
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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		Principal activities
			2020 %	2019 %	
RHB GC- Millennium Capital Pte. Ltd. (‘RHB GC’)	Singapore	SGD10,000	40	40	Investment activities

There are no capital commitments or contingent liabilities relating to the Group’s interest in the joint ventures as at 31 December 2020.

RHB Securities Vietnam Company Limited (‘RHBSV’) has become a wholly-owned subsidiary of the Bank effective 19 February 2019 following the acquisition of the remaining 51% equity interest as disclosed in Note 49(e). Prior to 19 February 2019, the Group’s effective equity interest in RHBSV was at 49% and the investment was accounted for as part of a joint venture.

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

(i) Summarised statements of financial position

	RHB GC	
	2020 RM’000	2019 RM’000
Asset		
Other current assets	169	134
Liabilities		
Financial liabilities	(117)	(82)
Other current liabilities	(22)	(22)
Total liabilities	(139)	(104)
Net Assets	30	30

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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	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Interest income	-	165	-	-
Other operating income	-	-	36	36
Net operating income	-	165	36	36
Other operating expenses	-	(226)	(36)	(36)
Including:				
Depreciation and amortisation	-	(3)	-	-
Net loss for the financial year	-	(61)	-	-

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

	RHBSV		RHB GC	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of the financial year	-	32,857	30	30
Net loss for the financial year	-	(61)	-	-
Translation reserves	-	(277)	-	-
Remeasurement of previously held equity interest in a joint venture	-	(32,519)	-	-
Balance as at the end of the financial year	-	-	30	30
Equity interest attributable to net assets	-	-	12	12

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15 RIGHT OF USE ASSETS

Group	Note	Properties	Equipment	Motor	Total
2020		RM'000	RM'000	vehicles	RM'000
				RM'000	
Balance as at the beginning of the financial year		29,169	574	219	29,962
Depreciation charge for the financial year		(14,862)	(234)	(131)	(15,227)
Additions		11,643	169	39	11,851
Modification		(430)	(5)	(51)	(486)
Business Transfer	49(c)	-	(55)	-	(55)
Disposal of a subsidiary	49(c)	(3,289)	(177)	-	(3,466)
Exchange differences		467	(5)	(7)	455
Balance as at the end of the financial year		22,698	267	69	23,034

Group
2019

Balance as at the beginning of the financial year		33,381	1,326	420	35,127
Depreciation charge for the financial year		(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
2020

Balance as at the beginning of the financial year		7,038	-	-	7,038
Depreciation charge for the financial year	33	(5,102)	-	-	(5,102)
Additions		4,886	-	-	4,886
Modification		(89)	-	-	(89)
Balance as at the end of the financial year		6,733	-	-	6,733

Bank
2019

Balance as at the beginning of the financial year		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

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16 PROPERTY, PLANT AND EQUIPMENT

Group	Note	Renovations	Office equipment and furniture	Computer equipment	Motor vehicles	Total
2020		RM'000	RM'000	RM'000	RM'000	RM'000
<u>Cost</u>						
Balance as at the beginning of the financial year		84,988	85,967	139,801	10,492	321,248
Additions		2,508	554	8,600	120	11,782
Disposals		-	(16)	(101)	(452)	(569)
Reclassification	17(b)	(103)	103	(404)	-	(404)
Written off		(538)	(4,147)	(15,340)	-	(20,025)
Business transfer	49(c)	-	(60)	(306)	(1,897)	(2,263)
Disposal of a subsidiary	49(c)	(5,856)	(10,404)	(19,906)	-	(36,166)
Exchange differences		(194)	(704)	(861)	(120)	(1,879)
Balance as at the end of the financial year		<u>80,805</u>	<u>71,293</u>	<u>111,483</u>	<u>8,143</u>	<u>271,724</u>
<u>Less: Accumulated depreciation</u>						
Balance as at the beginning of the financial year		60,599	81,497	127,197	9,354	278,647
Charge for the financial year		4,995	2,078	4,902	195	12,170
Disposals		-	(16)	(94)	(452)	(562)
Reclassification	17(b)	-	-	(298)	-	(298)
Written off		(520)	(4,141)	(15,340)	-	(20,001)
Business transfer	49(c)	-	(51)	(282)	(1,897)	(2,230)
Disposal of a subsidiary	49(c)	(4,320)	(10,084)	(18,485)	-	(32,889)
Exchange differences		(43)	(647)	(699)	(98)	(1,487)
Balance as at the end of the financial year		<u>60,711</u>	<u>68,636</u>	<u>96,901</u>	<u>7,102</u>	<u>233,350</u>
Net book value as at the end of the financial year		<u><u>20,094</u></u>	<u><u>2,657</u></u>	<u><u>14,582</u></u>	<u><u>1,041</u></u>	<u><u>38,374</u></u>

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16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Renovations	Office equipment and furniture	Computer equipment	Motor vehicles	Total
2019		RM'000	RM'000	RM'000	RM'000	RM'000
<u>Cost</u>						
Balance as at the beginning of the financial year		85,486	83,967	139,239	11,157	319,849
Acquisition of a subsidiary	49(e)	-	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		<u>84,988</u>	<u>85,967</u>	<u>139,801</u>	<u>10,492</u>	<u>321,248</u>
<u>Less: Accumulated depreciation</u>						
Balance as at the beginning of the financial year		63,351	78,168	127,702	10,584	279,805
Acquisition of a subsidiary	49(e)	-	155	1,022	196	1,373
Charge for the financial year		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		<u>60,599</u>	<u>81,497</u>	<u>127,197</u>	<u>9,354</u>	<u>278,647</u>
Net book value as at the end of the financial year		<u><u>24,389</u></u>	<u><u>4,470</u></u>	<u><u>12,604</u></u>	<u><u>1,138</u></u>	<u><u>42,601</u></u>

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16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank 2020	Note	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
<u>Cost</u>						
Balance as at the beginning of the financial year		68,390	52,980	82,657	2,935	206,962
Additions		920	341	2,732	120	4,113
Reclassification	17(b)	-	-	(7)	-	(7)
Written off		(123)	(3,091)	(14,880)	-	(18,094)
Balance as at the end of the financial year		69,187	50,230	70,502	3,055	192,974
<u>Less: Accumulated depreciation</u>						
Balance as at the beginning of the financial year		52,746	51,255	79,684	2,555	186,240
Charge for the financial year	33	3,128	599	1,737	94	5,558
Reclassification	17(b)	-	-	(2)	-	(2)
Written off		(123)	(3,091)	(14,880)	-	(18,094)
Balance as at the end of the financial year		55,751	48,763	66,539	2,649	173,702
Net book value as at the end of the financial year		13,436	1,467	3,963	406	19,272

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16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank 2019	Note	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
<u>Cost</u>						
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		<u>68,390</u>	<u>52,980</u>	<u>82,657</u>	<u>2,935</u>	<u>206,962</u>
<u>Less: Accumulated depreciation</u>						
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		<u>52,746</u>	<u>51,255</u>	<u>79,684</u>	<u>2,555</u>	<u>186,240</u>
Net book value as at the end of the financial year		<u><u>15,644</u></u>	<u><u>1,725</u></u>	<u><u>2,973</u></u>	<u><u>380</u></u>	<u><u>20,722</u></u>

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17 GOODWILL AND OTHER INTANGIBLE ASSETS

	Note	2020	Group	2020	Bank
		RM'000	2019	RM'000	2019
			RM'000	RM'000	RM'000
Goodwill on consolidation	(a)	449,978	511,221	372,395	372,395
<u>Other intangible assets</u>	(b)				
Customer relationship		1,039	6,329	1,037	1,603
Brand		-	1,399	-	-
Trading rights		1,223	1,274	-	-
Computer software license		35,152	39,330	23,259	24,302
		487,392	559,553	396,691	398,300

(a) Goodwill on consolidation

	Note	2020	Group	2020	Bank
		RM'000	2019	RM'000	2019
			RM'000	RM'000	RM'000
Balance as at the beginning of the financial year		511,221	523,911	372,395	372,395
Add: Addition during the year		-	4,815	-	-
Less: Business transfer	49(c)	(46,443)	-	-	-
Less: Allowance for impairment losses		(14,800)	(17,505)	-	-
Balance as at the end of the financial year		449,978	511,221	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	2020	Group	2020	Bank
		RM'000	2019	RM'000	2019
			RM'000	RM'000	RM'000
<u>CGUs</u>					
Investment Banking		242,591	242,591	229,028	229,028
Asset Management		143,367	143,367	143,367	143,367
Securities Singapore	49(c)	-	46,443	-	-
Securities Indonesia		59,205	74,005	-	-
Securities Vietnam		4,815	4,815	-	-
		449,978	511,221	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 (2019: four-years). Cash flows beyond the four-years (2019: 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 for PT RHB Sekuritas Indonesia uses the indicative Price to Book Value ('PBV') from the listed stockbroking companies, 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.

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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	
	2020	2019	2020	2019
	%	%	%	%
Investment Banking	7.6	8.2	4.3	4.3
Asset Management	7.6	8.2	4.3	4.3
Securities Singapore	-	5.4	-	1.5
Securities Indonesia	-	13.0	-	5.1
Securities Vietnam	5.5	8.0	6.2	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 comparable indicative PBV from the listed stockbroking companies and a control premium from selling the equity stakes with adjusted discount for lack of marketability ('DLOM'). In each case, the Group believes that a reasonably possible change in CAGR, indicative PBV and control premium would not cause the carrying amount to materially exceed its recoverable amount.

In prior financial year, the CAGR used in VIU calculation for impairment assessment for RHB Securities Singapore Pte Ltd ('RHBSS') was 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.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

17 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets

Group	Note	Customer relationship	Brand	Trading rights	Computer software license	Total
2020		RM'000	RM'000	RM'000	RM'000	RM'000
<u>Cost</u>						
Balance as at the beginning						
of the financial year		22,333	4,945	2,301	157,969	187,548
Additions		-	-	-	7,760	7,760
Disposals		-	-	-	(2)	(2)
Reclassification	16	-	-	-	404	404
Written off		(16,674)	(4,945)	-	(2,401)	(24,020)
Business transfer	49(c)	-	-	-	(4)	(4)
Disposal of a subsidiary	49(c)	-	-	-	(14,437)	(14,437)
Exchange differences		-	-	(92)	(536)	(628)
Balance as at the end						
of the financial year		5,659	-	2,209	148,753	156,621
<u>Less: Accumulated amortisation</u>						
Balance as at the beginning						
of the financial year		16,004	3,546	1,027	118,639	139,216
Charge for the financial year		1,678	330	-	9,019	11,027
Disposals		-	-	-	(2)	(2)
Reclassification	16	-	-	-	298	298
Written off		(13,062)	(3,876)	-	(2,321)	(19,259)
Business transfer	49(c)	-	-	-	(1)	(1)
Disposal of a subsidiary	49(c)	-	-	-	(11,654)	(11,654)
Exchange differences		-	-	(41)	(377)	(418)
Balance as at the end						
of the financial year		4,620	-	986	113,601	119,207
Net book value as at the end						
of the financial year		1,039	-	1,223	35,152	37,414

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

17 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets (continued)

Group	Customer	Brand	Trading	Computer	Total
2019	relationship	RM'000	rights	software	RM'000
	RM'000	RM'000	RM'000	license	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Cost</u>					
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
<u>Less: Accumulated amortisation</u>					
Balance as at the beginning of the financial year	13,771	3,051	1,333	109,107	127,262
Charge for the financial year	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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

17 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets (continued)

Bank 2020	Note	Customer relationship RM'000	Computer software license RM'000	Total RM'000
<u>Cost</u>				
Balance as at the beginning of the financial year		5,659	114,898	120,557
Additions		-	4,341	4,341
Reclassification	16	-	7	7
Written off		-	(2,321)	(2,321)
Balance as at the end of the financial year		<u>5,659</u>	<u>116,925</u>	<u>122,584</u>
<u>Less: Accumulated amortisation</u>				
Balance as at the beginning of the financial year		4,056	90,596	94,652
Charge for the financial year	33	566	5,389	5,955
Reclassification	16	-	2	2
Written off		-	(2,321)	(2,321)
Balance as at the end of the financial year		<u>4,622</u>	<u>93,666</u>	<u>98,288</u>
Net book value as at the end of the financial year		<u><u>1,037</u></u>	<u><u>23,259</u></u>	<u><u>24,296</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

17 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets (continued)

Bank 2019	Note	Customer relationship RM'000	Computer software license RM'000	Total RM'000
<u>Cost</u>				
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		<u>5,659</u>	<u>114,898</u>	<u>120,557</u>
<u>Less: Accumulated amortisation</u>				
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		<u>4,056</u>	<u>90,596</u>	<u>94,652</u>
Net book value as at the end of the financial year		<u><u>1,603</u></u>	<u><u>24,302</u></u>	<u><u>25,905</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

18 DEPOSITS FROM CUSTOMERS

	Group and Bank	
	2020	2019
	RM'000	RM'000
(a) By type of deposits		
Short-term deposits	1,252,094	1,410,984
(b) By type of customer		
Government and statutory bodies	215,262	100,080
Business enterprises	1,036,832	1,310,904
	1,252,094	1,410,984
(c) By maturity structure of the deposits		
Due within six months	1,252,094	1,410,984

19 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2020	2019
	RM'000	RM'000
Licensed banks	2,722,491	1,813,803
Licensed investment banks	50,702	200,835
	2,773,193	2,014,638

20 CLIENTS' AND BROKERS' BALANCES

	Group		Bank	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Amounts due to:				
- Clients	1,086,126	669,821	791,448	513,368
- Brokers	33,229	47,728	33,229	31,481
- Clearing houses and stock exchanges	52,575	106,617	-	-
	1,171,930	824,166	824,677	544,849

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

21 OTHER LIABILITIES

	Note	2020	Group	2020	Bank
		RM'000	2019	RM'000	2019
			RM'000		RM'000
Other creditors and accruals		262,092	145,867	166,551	62,736
Contract liabilities	(a)	5,691	7,409	1,981	3,274
Remisiers' trust deposits		92,060	64,861	92,060	64,861
Amount payable for creation of units due to funds		296,396	42,007	-	-
Amount payable for redemption units		58,430	312,101	-	-
Short-term employee benefits		69,357	68,122	49,468	39,083
Amount due to holding company	(b)	27,078	12,034	20,757	6,573
Amount due to subsidiaries	(b)	-	-	20	16
Amount due to related companies	(b)	529	149	342	102
Provision for restructuring costs		1,405	6,874	-	49,458
		813,038	659,424	331,179	226,103

(a) Contract liabilities were reduced by RM7,217,000 and RM3,119,000 (2019: RM7,401,000 and RM1,359,000) 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 RM12,378,000 and RM3,909,000 (2019: RM7,409,000 and RM3,274,000) respectively. Advances received and recognised as revenue for the Group and the Bank amounts to RM6,847,000 and RM2,083,000 (2019: RM6,894,000 and RM2,420,000) respectively.

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

22 LEASE LIABILITIES

	2020	Group	2020	Bank
	RM'000	2019	RM'000	2019
		RM'000		RM'000
Lease liabilities	22,739	29,567	6,881	7,203
Scheduled repayments of lease liabilities:				
- Within one year	8,917	15,223	4,142	4,351
- One year to three years	10,210	9,917	2,562	2,852
- More than three years	3,612	4,427	177	-
	22,739	29,567	6,881	7,203

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

23 BORROWINGS

	Note	2020	Group
		RM'000	2019
			RM'000
Unsecured			
Revolving credits:			
- United States Dollar ('USD')	(a)(i)	395,264	585,419
Promissory notes:			
- Indonesia Rupiah ('IDR')	(b)(i)	150,665	29,673
- Thai Baht ('THB')	(b)(ii)	171,498	190,871
Term loans:			
- Hong Kong Dollar ('HKD')	(c)(i)	-	3,101
- Singapore Dollar ('SGD')	(c)(ii)	-	72,972
		717,427	882,036

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 2.14% to 5.15% (2019: 3.15% to 5.20%) per annum.

(b) Promissory notes

(i) IDR promissory notes

The unsecured IDR promissory notes of the Group bears interest at rates ranging from 6.50% to 7.55% (2019: 7.50% to 8.80%) per annum and repayable on demand.

(ii) THB promissory notes

The unsecured THB promissory notes of the Group bears interest at rates ranging from 0.85% to 2.70% (2019: 1.85% to 3.27%) per annum and repayable on demand.

(c) 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.

(ii) SGD term loan

The unsecured SGD term loan of the Group bears interest at rates ranging from 1.07% to 2.85% per annum.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

24 SUBORDINATED OBLIGATIONS

	Note	Group and Bank
		2020
		2019
		RM'000
		RM'000
4.95% RM200 million Tier II Subordinated Notes 2015/2025	(a)	-
4.90% RM200 million Tier II Subordinated Notes 2017/2027	(b)	202,061
		202,148
		202,202
		202,148
		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	Maturity date	Interest rate	Interest payment
	RM'million			
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

The Bank had fully redeemed the RM200 million Tier II Subordinated Notes 2015/2025 on 16 April 2020.

(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	Maturity date	Interest rate	Interest payment
	RM'million			
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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

25 SHARE CAPITAL

	Group and Bank			
	2020		2019	
	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

	Note	Group		Bank	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Retained profits		522,727	587,298	331,261	567,193
Statutory reserves	(a)	515	517	-	-
FVOCI reserves	(b)	50,380	41,918	47,839	39,360
Translation reserves	(c)	61,582	134,778	-	-
Regulatory reserves	(d)	35,282	32,004	24,937	20,557
		670,486	796,515	404,037	627,110

(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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

27 NON-CONTROLLING INTERESTS ('NCI')

	2020	Group 2019
	RM'000	RM'000
Balance as at the beginning of the financial year	10,208	10,033
Share of the profit for the financial year	1,107	1,159
Share of other comprehensive (loss)/income for the financial year	(77)	16
Dividends to NCI	(1,000)	(1,000)
Balance as at the end of the financial year	10,238	10,208

28 INTEREST INCOME

	2020	Group 2019	2020	Bank 2019
	RM'000	RM'000	RM'000	RM'000
Loans and advances	86,271	93,606	66,378	63,226
Money at call and deposit placements with banks and other financial institutions	58,364	67,271	43,238	49,522
Financial assets at FVTPL	300	238	24	1
Financial assets at FVOCI, debt instruments	24,206	27,142	24,206	27,142
Financial investments at amortised costs	38,886	35,968	38,886	35,968
Others	15,136	9,594	7,106	1,992
	223,163	233,819	179,838	177,851
Of which:				
Interest income accrued on impaired financial assets	709	648	6	-

29 INTEREST EXPENSE

	2020	Group 2019	2020	Bank 2019
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of bank and other financial institutions	65,397	63,805	65,397	63,805
Deposits from customers	26,080	43,792	26,080	43,792
Subordinated obligations	12,702	19,700	12,702	19,700
Borrowings	19,155	34,899	-	-
Others	2,957	3,687	323	472
	126,291	165,883	104,502	127,769

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30 FEE AND COMMISSION INCOME

	2020	Group 2019	2020	Bank 2019
	RM'000	RM'000	RM'000	RM'000
(a) By type of fee income				
Brokerage income	450,836	214,333	380,540	155,572
Fund management fees	256,901	235,281	-	-
Unit trust fee income	127,694	110,128	-	-
Corporate advisory fees	19,019	37,360	16,514	32,147
Arrangement fees and underwriting	11,214	21,416	2,513	16,712
Placement fees	6,915	10,771	6,915	9,227
Rollover fees	4,978	4,796	4,978	4,796
Commission	3,524	2,888	1,260	1,276
Service charges and fees	1,400	2,490	916	616
Other fee income	60,328	64,952	38,711	45,882
	942,809	704,415	452,347	266,228
(b) By geographical market of fee income				
Malaysia	832,025	595,625	452,347	266,228
Singapore	15,463	20,588	-	-
Indonesia	38,118	38,738	-	-
Thailand	53,181	37,247	-	-
Hong Kong	3,368	11,923	-	-
Cambodia	646	279	-	-
Vietnam	8	15	-	-
	942,809	704,415	452,347	266,228
(c) By timing of fee income recognition				
At a point in time	671,883	453,119	448,959	263,349
Over time	270,926	251,296	3,388	2,879
	942,809	704,415	452,347	266,228

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

31 FEE AND COMMISSION EXPENSE

	2020	Group 2019	2020	Bank 2019
	RM'000	RM'000	RM'000	RM'000
Fund management fees	112,044	108,905	-	-
Unit trust fees	128,179	106,284	-	-
Commission and incentives	69,814	16,797	58,529	9,911
	310,037	231,986	58,529	9,911

32 OTHER OPERATING INCOME

	Note	2020	Group 2019	2020	Bank 2019
		RM'000	RM'000	RM'000	RM'000
Net gain arising from financial instruments at FVTPL					
- net gain on disposal		131,236	14,664	181,216	1,428
- unrealised gain/(loss) on revaluation		57,477	39,768	(12,419)	1,703
- gross dividend income		8,494	32,126	2,865	1,058
		197,207	86,558	171,662	4,189
Net (loss)/gain arising from derivatives		(110,382)	6,093	(149,845)	8,864
Net gain arising from financial assets at FVOCI, debts instruments					
- net gain on disposal		441	339	441	339

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

32 OTHER OPERATING INCOME (CONTINUED)

	Note	2020	Group	2020	Bank
		RM'000	2019	RM'000	2019
			RM'000		RM'000
Dividend income from financial assets at FVOCI, equity instruments	5(b)	695	659	436	398
Gross dividend income from subsidiaries in Malaysia		-	-	68,800	49,000
Gross dividend income from an associate in Malaysia		-	-	2,002	4,806
Other income					
Net foreign exchange gain		17,177	9,538	16,298	9,560
Net gain on disposal of property, plant and equipment		94	332	-	153
Gain on modification of right of use assets		13	9	2	9
Gain on remeasurement of previously held equity interest in a joint venture	49(e)	-	258	-	-
(Loss)/Gain on disposal of subsidiaries	49(c), 49(h)	-	(51)	(7,685)	11,492
Fair value changes to sales consideration		-	-	(938)	-
Other operating income	(a)	70,333	73,621	68,465	72,726
		87,617	83,707	76,142	93,940
		175,578	177,356	169,638	161,536

(a) Included in other operating income of the Group is wage support provided by the Singapore Government to employers amounting to RM1,065,000, in helping them to retain and protect the local employees during the period of economic uncertainty.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

33 OTHER OPERATING EXPENSES

	2020	Group 2019	2020	Bank 2019
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, bonus, wages and allowances	272,193	268,390	156,323	138,216
- Defined contribution plan	29,871	27,087	22,742	20,060
- Other staff related costs	26,034	34,288	10,303	15,101
	328,098	329,765	189,368	173,377
<u>Establishment costs</u>				
- Property, plant and equipment				
- Depreciation	11,192	16,073	5,558	6,481
- Written off	24	14	-	6
- Other intangible assets				
- Amortisation	8,777	10,025	5,955	5,972
- Written off	-	246	-	-
- Depreciation of right of use assets	11,426	14,160	5,102	5,291
- Information technology expenses	60,970	53,707	39,112	33,901
- Security and escorting charges	541	168	471	146
- Repair and maintenance	3,440	6,979	1,703	1,792
- Rental of premises	17,104	22,181	6,844	7,416
- Water and electricity	3,974	5,113	2,896	3,567
- Rental of equipment	17	329	57	-
- Insurance	4,449	4,290	2,793	3,167
- Others	15,659	6,018	15,656	6,020
	137,573	139,303	86,147	73,759
<u>Marketing expenses</u>				
- Advertisement and publicity	3,394	2,368	275	376
- Sales commission	2,765	3,450	694	696
- Others	14,396	14,753	6,024	4,782
	20,555	20,571	6,993	5,854
<u>Administration and general expenses</u>				
- Communication expenses	27,712	27,666	14,559	11,872
- Auditors' remuneration (Note (a))	2,092	2,238	948	419
- Legal and professional fee	14,881	12,358	4,393	4,064
- Others	24,949	32,000	10,693	16,286
	69,634	74,262	30,593	32,641
	555,860	563,901	313,101	285,631

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

33 OTHER OPERATING EXPENSES (CONTINUED)

	2020	Group	2020	Bank
	RM'000	2019	RM'000	2019
		RM'000		RM'000
(a) Auditors' remuneration *				
(i) Audit				
Statutory audit				
- Malaysia	674	573	482	377
- Overseas	952	1,620	-	-
Limited review	50	-	50	-
Other audit related	-	15	-	12
	1,676	2,208	532	389
(ii) Non-audit				
- Malaysia	416	30	416	30
	2,092	2,238	948	419

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

34 CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION

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

← Group and Bank →				
	Salary and other remuneration	Benefits-in-kind (based on an estimated monetary value)	Bonus	Total
2020	RM'000	RM'000	RM'000	RM'000
Robert Angelo Hendro Santoso Huray	2,339	7	1,200	3,546

In addition to the above, for the financial year ended 31 December 2020, the Chief Executive Officer who led the achievement of the Group's short and long term business objectives, was awarded a sum of RM154,000 as a Cash Deferred Scheme.

← Group and Bank →				
	Salary and other remuneration	Benefits-in-kind (based on an estimated monetary value)	Bonus	Total
2019	RM'000	RM'000	RM'000	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.

RHB INVESTMENT BANK BERHAD
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**NOTES TO THE FINANCIAL STATEMENTS
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34 CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION (CONTINUED)

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

	Group				Bank			
	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000
2020								
<u>Non-executive Directors</u>								
Tan Sri Azlan bin Mohd Zainol	195	-	22	217	170	-	20	190
Chin Yoong Kheong	358	-	169	527	135	-	125	260
Tan Sri Ong Leong Huat @ Wong Joo Hwa	135	-	62	197	135	-	62	197
Yap Chee Meng	343	-	92	435	135	-	21	156
Sharifatu Laila binti Syed Ali	192	-	115	307	135	-	94	229
Dato' Siow Kim Lun @ Siow Kim Lin	135	-	39	174	135	-	38	173
Datuk Seri Dr Govindan A/L Kunchambo (Appointed on 20 October 2020)	52	-	16	68	27	-	13	40
Dato' Darawati Hussain (Retired on 28 May 2020)	163	-	43	206	55	-	15	70
	1,573	-	558	2,131	927	-	388	1,315

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 RM216 million (2019: RM217 million) and RM200 million (2019: RM200 million) respectively. The total amount of premium paid for the Directors' Liability Insurance by the Group and the Bank was RM143,588 (2019: RM142,250) and RM75,062 (2019: RM74,412) respectively.

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**NOTES TO THE FINANCIAL STATEMENTS
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34 CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION (CONTINUED)

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

	Group				Bank			
	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000
2019								
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
	<u>1,597</u>	<u>-</u>	<u>458</u>	<u>2,055</u>	<u>890</u>	<u>-</u>	<u>302</u>	<u>1,192</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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

	Note	2020	Group	2020	Bank
		RM'000	2019	RM'000	2019
			RM'000		RM'000
Net allowance (written back)/made on loans and advances		(90)	81	-	-
Allowance made/(written back) for expected credit losses on other receivables and clients' and brokers' balances		19,948	(392)	2,990	266
Bad debts recovered		(93)	(321)	(93)	(321)
Bad debts written off		-	3	-	3
Financial investments at amortised costs	6(b)	-	(617)	-	(617)
Other financial assets		365	(162)	(270)	(118)
		20,130	(1,408)	2,627	(787)

36 IMPAIRMENT LOSS ON OTHER NON-FINANCIAL ASSETS

	Note	2020	Group	2020	Bank
		RM'000	2019	RM'000	2019
			RM'000		RM'000
Investments in subsidiaries	13	-	-	168,741	65,742
Investments in an associate	14	9,500	-	-	-
Goodwill		14,800	-	-	-
		24,300	-	168,741	65,742

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

37 TAXATION

	Note	2020	Group 2019	2020	Bank 2019
		RM'000	RM'000	RM'000	RM'000
Income tax based on profit for the financial year					
- Malaysian income tax		90,924	48,609	74,409	34,971
- Overseas tax		157	467	-	-
Deferred taxation	12	(13,098)	2,932	(9,855)	(30)
		77,983	52,008	64,554	34,941
(Over)/Under provision in respect of prior years					
- Income tax		(600)	27,717	321	28,308
Income tax expense		77,383	79,725	64,875	63,249
Income tax expense is attributable to:					
Profit from continuing operations		78,914	79,397	64,875	63,249
Profit from discontinued operation	49(c)	(1,531)	328	-	-
		77,383	79,725	64,875	63,249

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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:

	2020	Group	2020	Bank
	%	2019	%	2019
		%		%
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	(0.5)	(2.2)	-	-
- Income not subject to tax	(6.1)	(6.5)	(11.6)	(19.7)
- Expenses not deductible for tax purposes	5.3	18.2	29.4	47.2
- Utilisation of previously unrecognised tax losses	(0.6)	-	-	-
- Current year loss not recognised as deferred tax assets during the year	1.2	16.1	-	-
- (Over)/Under provision in respect of prior years	(0.2)	26.4	0.2	41.7
Effective tax rate	23.1	76.0	42.0	93.2

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:

	2020	Group	2020	Bank
	RM'000	2019	RM'000	2019
		RM'000		RM'000
Unabsorbed tax losses carried forward	267,333	434,560	-	-
Unabsorbed capital allowances carried forward	408	4,446	-	-

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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.

	Note	2020	Group 2019	2020	Bank 2019
Net profit/(loss) attributable to equity holder (RM'000)					
- Continuing operations		224,941	70,956	89,448	4,642
- Discontinued operation	49(c)	32,073	(47,007)	-	-
		257,014	23,949	89,448	4,642
Weighted average number of ordinary shares in issue ('000)		100,000	100,000	100,000	100,000
Basic earnings/(loss) per share (sen)					
- Continuing operations		224.9	71.0	89.4	4.6
- Discontinued operation		32.1	(47.0)	-	-
		257.0	24.0	89.4	4.6

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding as at 31 December 2020 and 31 December 2019. As a result, the diluted earnings per share equal to the basic earnings/(loss) per share.

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

Group 2020	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
Financial assets at FVOCI			
- Debt instruments			
- net fair value gain and amount transfer to other comprehensive income	8,236	(1,976)	6,260
Actuarial gain on defined benefit plan of subsidiaries			
- net fair value gain and amount transfer to other comprehensive income	3,274	(392)	2,882
	11,510	(2,368)	9,142

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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

Group	Before tax	Tax expense	Net of tax
2019	RM'000	RM'000	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 gain in prior year and amount transfer to other comprehensive income	1,479	(2,072)	(593)
	<u>10,239</u>	<u>2,958</u>	<u>13,197</u>
Bank			
2020			
Financial assets at FVOCI			
- Debt instruments			
- net fair value gain and amount transfer to other comprehensive income	<u>8,236</u>	<u>(1,976)</u>	<u>6,260</u>
Bank			
2019			
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
	<u>12,405</u>	<u>4,211</u>	<u>16,616</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

40 DIVIDENDS

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

	Group and Bank			
	2020		2019	
	Dividend per share sen	Total dividend RM'000	Dividend per share sen	Total dividend RM'000
<u>Ordinary shares</u>				
Interim dividend - 2019	143.00	143,000	-	-
Interim dividend - 2020	178.00	178,000	-	-

The Directors do not propose any final dividend for the financial year ended 31 December 2020.

Dividends payable by the Bank's subsidiaries to the non-controlling interest amounting to RM1,000,000 (2019: RM1,000,000) during the financial year ended 31 December 2020.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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: <ul style="list-style-type: none"> - 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Group 2020	Holding company	EPF and EPF Group of companies	Key management personnel	Other related companies
	RM'000	RM'000	RM'000	RM'000
<u>Income</u>				
Interest income on deposits	21,085	-	-	4,277
Fee income	9,242	12,152	664	5,579
Brokerage income	-	7,028	421	-
Other operating income	66,053	99	191	868
	96,380	19,279	1,276	10,724
<u>Expenses</u>				
Insurance premium	-	-	-	2,758
Interest expense on deposits and placements	57,582	-	-	-
Interest expense on deposits from customers	-	3,371	-	157
Interest expense on borrowings	612	-	-	12,972
Fee and commission expense	31,300	-	-	-
Rental of premises	7,984	-	-	-
Personnel costs	305	-	-	208
Establishment costs	18	-	-	1,587
Administration and general expenses	2,118	-	-	318
	99,919	3,371	-	18,000
<u>Amounts due from</u>				
Cash and short-term funds	1,114,566	-	-	39,811
Deposits and placements with banks and other financial institutions	141,519	-	-	41,463
Clients' and brokers' balances *	-	-	96	-
Derivative assets	122	-	-	-
Other assets	1,557	2,739	159	756
	1,257,764	2,739	255	82,030
<u>Amounts due to</u>				
Deposits from customers	-	100,132	-	4,328
Deposits and placements of banks and other financial institutions	2,722,491	-	-	-
Clients' and brokers' balances *	-	20,161	391	-
Derivative liabilities	45	-	-	-
Borrowings	26,384	-	-	395,264
Other liabilities	27,078	80	41	529
	2,775,998	120,373	432	400,121

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Group 2019	Holding company	EPF and EPF Group of companies	Key management personnel	Other related companies
	RM'000	RM'000	RM'000	RM'000
<u>Income</u>				
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	-
	<u>117,462</u>	<u>26,834</u>	<u>796</u>	<u>9,357</u>
<u>Expenses</u>				
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
	<u>72,399</u>	<u>7,557</u>	<u>-</u>	<u>30,519</u>
<u>Amounts due from</u>				
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	1,463	5,471	9	40
	<u>319,485</u>	<u>21,936</u>	<u>2,307</u>	<u>32,180</u>
<u>Amounts due to</u>				
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
	<u>1,381,072</u>	<u>267,617</u>	<u>608</u>	<u>594,572</u>

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

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41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank 2020	Holding company	EPF and EPF Group of companies	Subsidiaries	Key management personnel	Other related companies
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Income</u>					
Interest income on deposits	17,000	-	-	-	1,747
Interest on loans and advances	-	-	348	-	-
Fee income	8,452	2,213	4,368	443	5,460
Brokerage income	-	7,028	254	421	-
Rental income	-	-	143	-	-
Other operating income	65,844	99	68,213	191	868
	91,296	9,340	73,326	1,055	8,075
<u>Expenses</u>					
Insurance premium	-	-	-	-	1,567
Interest expense on deposits and placements	57,582	-	-	-	-
Interest expense on deposits from customers	-	3,371	-	-	157
Rental of premises	6,764	-	-	-	-
Personnel costs	292	-	-	-	150
Establishment costs	-	-	-	-	1,535
Administration and general expenses	475	-	384	-	221
	65,113	3,371	384	-	3,630

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41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank 2020	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
<u>Amounts due from</u>					
Cash and short-term funds	1,106,014	-	-	-	-
Clients' and brokers' balances	-	-	-	96	-
Derivative assets	122	-	-	-	-
Other assets	-	532	38,937	159	719
	1,106,136	532	38,937	255	719
<u>Amounts due to</u>					
Deposit from customers	-	100,132	-	-	-
Deposits and placements of banks and other financial institutions	2,722,491	-	-	-	-
Clients' and brokers' balances	-	20,161	-	391	-
Derivative liabilities	46	-	-	-	-
Other liabilities	20,757	-	20	-	342
	2,743,294	120,293	20	391	342

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41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank 2019	Holding company	EPF and EPF Group of companies	Subsidiaries	Key management personnel	Other related companies
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Income</u>					
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	-
	<u>99,372</u>	<u>14,801</u>	<u>52,903</u>	<u>488</u>	<u>8,042</u>
<u>Expenses</u>					
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
	<u>47,086</u>	<u>7,557</u>	<u>5,494</u>	<u>-</u>	<u>3,412</u>

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41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank 2019	Holding company	EPF and EPF Group of companies	Subsidiaries	Key management personnel	Other related companies
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Amounts due from</u>					
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
	<u>158,299</u>	<u>8,666</u>	<u>71,527</u>	<u>2,307</u>	<u>2</u>
<u>Amounts due to</u>					
Deposits 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
	<u>1,308,236</u>	<u>267,537</u>	<u>16</u>	<u>514</u>	<u>102</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Key management personnel

The remuneration of key management personnel are as follows:

	Note	2020	Group 2019	2020	Bank 2019
		RM'000	RM'000	RM'000	RM'000
Short-term employee benefits					
- Fees		1,573	1,597	927	890
- Salary and other remuneration	(i)	4,097	4,587	3,927	4,433
- Benefits-in-kind		7	7	7	7
		5,677	6,191	4,861	5,330

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

Notes:

- (i) In 2020, the Chief Executive Officer who led the achievement of the Group's short and long term business objectives, was awarded a sum of RM154,000 as a Cash Deferred Scheme.
- (ii) 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.

(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 2020	2019
Outstanding credit exposure with connected parties (RM'000)	213,766	372,176
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	3.47%	6.81%
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 2020 (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
2020	RM'000	RM'000	RM'000	RM'000
Malaysia	57,582	157	7,957	36,954
Singapore	-	-	27	1,644
Thailand	861	-	-	-
Hong Kong	585	-	-	-
United Kingdom	12,138	-	-	14
	71,166	157	7,984	38,612
Group				
2019				
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
Bank				
2020				
Malaysia	57,582	157	6,764	4,624
Bank				
2019				
Malaysia	39,196	266	7,033	9,497

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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:

	2020	Group 2019	2020	Bank 2019
Principal amount	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes #	-	-	16	152,467
Forward assets purchases	5,843	-	5,843	-
Irrevocable commitments to extend credit:				
- maturity not exceeding one year	1,100,162	1,129,454	729,357	583,387
- maturity exceeding one year	22	6,313	22	22
Equity related contracts: ^				
- less than one year	7,082	-	7,082	-
Foreign exchange related contracts: ^				
- less than one year	44,538	119,015	44,538	43,113
	1,157,647	1,254,782	786,858	778,989

Included in direct credit substitutes is financial guarantee contract of RM16,000 (2019: RM152,467,000) 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
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43 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

A summary of the lease commitments, net of sub-leases, which are scope-out of MFRS 16 is as follows:

	2020	Group 2019	2020	Bank 2019
	RM'000	RM'000	RM'000	RM'000
Within one year	3,671	5,088	7	13
Between one to five years	6,013	4,233	1	8
More than five years	194	-	-	-
	9,878	9,321	8	21

44 CAPITAL AND OTHER COMMITMENTS

	2020	Group 2019	2020	Bank 2019
	RM'000	RM'000	RM'000	RM'000
Authorised and contracted for				
- Property, plant and equipment	21,005	19,614	13,899	12,218
- Investment securities	13,266	5,796	-	-
	34,271	25,410	13,899	12,218

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

45 FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Objectives and Policies

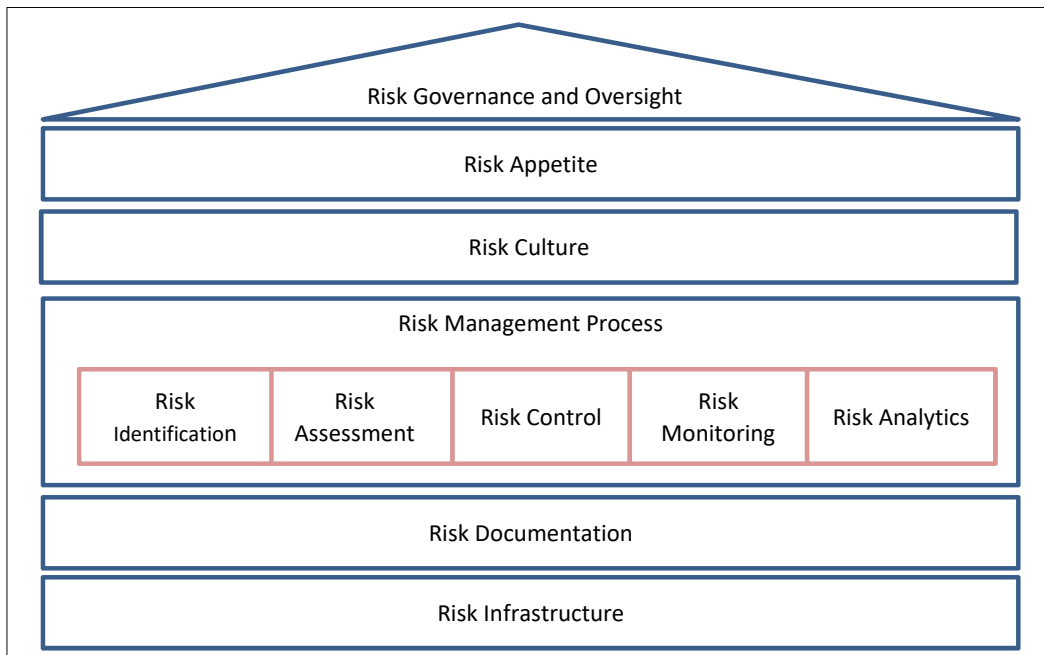
Risk is inherent in the Group's activities and is managed through a process of on-going identification, measurement and monitoring, subject to limits and other controls. Besides credit risk, the Group is exposed to a range of other risk types such as market, liquidity, operational, legal, strategic and 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:



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Key features of the framework are:

Risk Governance and Oversight

The Board of Directors sits at the apex of the risk governance structure and is ultimately responsible for the Group's/respective entities' risk management strategy, appetite, framework and oversight of risk management activities.

In order to manage the businesses and risks across all subsidiaries in an integrated basis, Group level committees are established to ensure consistency in practices. However, the Group maintains entity-specific committees to allow for greater flexibility and agility in managing specific regulatory and business requirements. Each Board Risk Committee which reports directly to the respective Boards provides oversight and assists the respective Boards to review the Group's overall risk management philosophy, frameworks, policies and models, and risk issues relevant and unique to its business.

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

The Group Chief Risk Officer ('GCRO') who reports directly to the Group Managing Director; is responsible for the risk management function. The main roles and responsibilities of GCRO are:

1. Facilitating the setting of the strategic direction and overall policy on management and control of risks of the Group;
2. Ensuring industry best practices in risk management are adopted across the Group, including the setting of risk management parameters and risk models;
3. Developing proactive, balanced and risk attuned culture within the Group; and
4. Advising senior management, management level committees, board level risk committees and Board of Directors of the Group's entities on risk issues and their possible impact on the Group in the achievement of its objectives and strategies.

GCRO is supported by the entities chief risk officers and various teams within risk management function:

1. The entities' chief risk officers main function is to assess and manage the enterprise risk and liaise with regulators in the respective country/entity under his/her purview. They are supported by their respective risk management teams with support from the risk management function from the Group.
2. The risk management function are teams who specialise in the respective risks and responsible for the active oversight of Group-wide functional risk management and support the respective entities/chief risk officers. Group Risk and Credit Management consist of Group Credit Risk Management, Group Market Risk Management, Group Asset and Liability Management, Group Operational Risk Management, Group Technology and Cyber Risk Management, Group Risk Operations, Group Credit Management, Regional Risk and IB Risk Management.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Key features of the framework are: (continued)

Risk Appetite

The Board of Directors sets the risk appetite and tolerance level that are consistent with the Group and each entity's overall business objectives and desired risk profile. It describes the types and level of risks the Group is prepared to accept in delivering its business strategies, and reported through various metrics that enable the Group to manage capital resources and shareholders' expectations.

The alignment of the Group's business strategy with its risk strategy, and vice-versa 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 Culture

The Group subscribes to the principle of 'Risk and Compliance is Everyone's Responsibility' and risk management is managed via a 'three lines of defence' model. Business/functional units of the respective operating entities in the Group are collectively responsible for identifying, managing and reporting risk.

The approach is based on the 'three lines of defence' model as depicted below:

FIRST LINE Business/Functional Level	<ul style="list-style-type: none"> Responsible for managing day-to-day risks and compliance issues Business Risk and Compliance Officer is to assist business/functional unit in day-to-day risks and compliance matters
SECOND LINE Group Risk and Credit Management and Group	<ul style="list-style-type: none"> Responsible for oversight, establishing governance and providing support to business/functional unit on risk and compliance matters
THIRD LINE Group Internal Audit	<ul style="list-style-type: none"> Provide independent assurance to the Board that risk and compliance management functions effectively as designed

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Key features of the framework are: (continued)

Risk Management Process

The risk management process identifies, assesses and measures, controls, monitors and reports/analyses risk. This ensures that risk exposures are adequately managed and that the expected return compensates for the risk taken.

- Identification: The identification and analysis of the existing and potential risks is a continuing process, in order to facilitate and proactive and timely identification of risk within the Group's business operations. This ensures that risks can be managed and controlled within the risk appetite of the Group and specific entity, where necessary.
- Assessment and 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: Risks identified during the risk identification process must be adequately managed and mitigated to control the risk of loss. This is also to ensure risk exposures are managed within the Group's or entity's risk appetite.
- Monitoring: Effective monitoring process ensures that the Group is aware of the condition of its exposures vis-à-vis its approved appetite and to facilitate early identification of potential problem on a timely basis by using continuous and on-going monitoring of risk exposures and risk control/mitigation measures.
- Analytics and Reporting: Risk analysis and reports are prepared at the respective entities and consolidated level as well as business level are regularly escalated to the senior management and relevant Boards of the Group's entities to ensure that the risks identified remain within the established appetite and to support an informed decision-making process.

In addition, risk management seeks to ensure that risk decisions are consistent with strategic business objectives and within the risk appetite.

Risk Documentation

The Group recognises that effective implementation of the risk management system and process must be supported by a robust set of documentation. 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.

Risk Infrastructure

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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/profit rates, credit spreads, equity prices, currency exchange rates and commodity prices. Under this definition, market risk will constitute:
 - the interest/profit rate and equity risks pertaining to financial instruments in the trading book; and
 - foreign exchange risk and commodities risk in the trading and banking books.
- (ii) Liquidity risk – the risk of the Group and the Bank being unable to maintain sufficient liquidity to meet its financial commitments and obligations when they fall due and transact at a reasonable cost. Liquidity risk also arises from the inability to manage unplanned decreases or changes in funding sources.
- (iii) Credit risk – the risk of loss arising from customers' or counterparties' failure to fulfil their financial and contractual obligations in accordance to the agreed terms. It stems primarily from the Group's and the Bank's lending/financing, trade finance and its placement, underwritings, investment, hedging and trading activities from both on- and off-balance sheet transactions. Credit risk does not happen in isolation as certain risk event (e.g. fluctuation of interest rate and FX) may give rise to both market and credit risks.
- (iv) Operational risk – the risk of loss resulting from inadequate or failed internal processes, people, systems and/or external events, which also includes IT, legal and Shariah non-compliance risk but excludes strategic and reputational risk.
- (v) Technology and Cyber risk – Technology risk is the business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an enterprise while Cyber risk refers to threats or vulnerabilities emanating from the connectivity of internal infrastructure to external networks such as the Internet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Market Risk

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

Liquidity Risk

- The Group ALCO plays a fundamental role in the asset and liability management of the Group and the Bank, and establishes strategies to assist in controlling and reducing any potential exposures to liquidity risk.
- The liquidity risk management process involves establishing liquidity risk management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.
- Minimum liquid assets buffer, capping on large depositor concentration and sufficient long term funding are available to meet obligations and aligned to Liquidity Coverage Ratio and Net Stable Funding Ratio to ensure adequate cover for withdrawals arising from unexpected levels of demand.
- Defined liquidity management ratios are maintained and monitored.
- The Group and the Bank have established a Liquidity Incident Management Procedure to manage any potential adverse liquidity incidences, and which can be implemented on a timely basis so that appropriate actions can be taken to mitigate against any unexpected market developments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Credit Risk

- The Group and the Bank abide to the 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.
- Regulatory requirement and Industry best practices are incorporated into the approved 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 by Group Credit Management prior to submission to the relevant committees for approval. With the exception of credit applications for consumer and approved products under program lending or 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 or escalated approval is required for all discretionary lending between business and independent credit underwriters, except for end-financing which can only be singly assessed by independent credit underwriter. Loans which are beyond the delegated lending authority limits will be escalated to the relevant committees for approval.
- Internal credit rating models are an integral part of the Group's and the Bank's credit risk management, decision-making process, and regulatory capital calculations.
- Clients' accounts are reviewed at regular intervals and weakening credits are transferred to Loan Recovery for more effective management.
- Counterparty, industry and product exposure limits/directions are set and risk reward relationships are mapped with the aim of maintaining a diverse credit profile and track the changing risk concentrations in response to market changes and external events.
- The Bank applies the standardised approach for credit risk.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Operational Risk

- The Group 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 Management and Loss Data Collection and Scenario Analysis.
- The Group's and the Bank's operational risk management system has integrated applications to support the operational risk management process (i.e. assessment, reporting, database/library).
- The Group and the Bank have Business Continuity Management ('BCM') programme for the major critical business operations and activities at the Head Office, data centre, and branches' locations. The BCM programme is subject to regular testing to ensure efficacy, reliability and functionality.
- There is continuous refinement of existing policies, procedures and internal control measures; and regular internal review, compliance monitoring, and audits are performed to prevent and/or minimise unexpected losses.
- Regular operational risk reporting is made to senior management, relevant committees and board to facilitate the identification of adverse operational lapses, taking of prompt corrective actions, and ensuring appropriate risk mitigation decision making and action plans.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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)

Technology and Cyber Risk

- The Group Technology & Cyber Risk function is responsible for the development of group-wide technology and cyber risk policies, framework and methodologies, and providing guidance and consultation to the business units on technology and cyber risk areas.
- There is a continuous enhancement of existing policies, procedures and internal control measures; with regular independent assessment on areas pertaining to technology and cyber risks to prevent and/or minimise unexpected losses.
- Development of policies and mitigating controls are made reference to industry standards such as ISO/IEC:27001:2013, COBIT 5 and the NIST Cyber Security Framework.
- Regular technology and cyber risk reporting is made to senior management, relevant senior management and board committees to facilitate a risk informed decision by proactively identifying emerging cyber threats, assessment on the effectiveness of the controls implemented and the recommendation of new appropriate controls.
- Subscription to threat intelligence service providers for the latest cyber threats, and modus operandi in compromising an organisation. The information shall be shared with business units in improving their controls.
- Continuous education and awareness on technology and cyber risks to Board, business units, new recruits and 3rd party service providers via Computer Based Training, classroom training and regular email broadcast communication.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category

Group 2020	At amortised costs RM'000	At FVTPL RM'000	At FVOCI RM'000	Total RM'000
<u>Financial assets</u>				
Cash and short-term funds	2,422,065	-	-	2,422,065
Deposits and placements with banks and other financial institutions	214,766	-	-	214,766
Financial assets at FVTPL	-	1,034,843	-	1,034,843
Financial assets at FVOCI				
- Debt instruments	-	-	580,534	580,534
- Equity instruments	-	-	42,991	42,991
Financial investments at amortised costs	1,009,646	-	-	1,009,646
Loans and advances	1,817,874	-	-	1,817,874
Clients' and brokers' balances	1,339,568	-	-	1,339,568
Other financial assets	134,123	-	-	134,123
Derivative assets	-	1,017	-	1,017
	6,938,042	1,035,860	623,525	8,597,427
<u>Financial liabilities</u>				
Deposits from customers	1,252,094	-	-	1,252,094
Deposits and placements of banks and other financial institutions	2,773,193	-	-	2,773,193
Clients' and brokers' balances	1,171,930	-	-	1,171,930
Other liabilities	813,038	-	-	813,038
Derivative liabilities	-	71,748	-	71,748
Lease liabilities	22,739	-	-	22,739
Borrowings	717,427	-	-	717,427
Subordinated obligations	202,148	-	-	202,148
	6,952,569	71,748	-	7,024,317

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Group 2019	At amortised costs RM'000	At FVTPL RM'000	At FVOCI RM'000	Total RM'000
<u>Financial assets</u>				
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
	<u>6,199,690</u>	<u>851,025</u>	<u>752,242</u>	<u>7,802,957</u>
<u>Financial liabilities</u>				
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 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
	<u>6,262,035</u>	<u>4,509</u>	<u>-</u>	<u>6,266,544</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Bank 2020	At amortised costs RM'000	At FVTPL RM'000	At FVOCI RM'000	Total RM'000
<u>Financial assets</u>				
Cash and short-term funds	1,793,368	-	-	1,793,368
Financial assets at FVTPL	-	258,837	-	258,837
Financial assets at FVOCI				
- Debt instruments	-	-	580,534	580,534
- Equity instruments	-	-	34,954	34,954
Financial investments at amortised costs	1,009,646	-	-	1,009,646
Loans and advances	1,496,483	-	-	1,496,483
Clients' and brokers' balances	946,680	-	-	946,680
Other financial assets	60,999	-	-	60,999
Derivative assets	-	122	-	122
	5,307,176	258,959	615,488	6,181,623
<u>Financial liabilities</u>				
Deposits from customers	1,252,094	-	-	1,252,094
Deposits and placements of banks and other financial institutions	2,773,193	-	-	2,773,193
Clients' and brokers' balances	824,677	-	-	824,677
Other liabilities	331,179	-	-	331,179
Derivative liabilities	-	71,732	-	71,732
Lease liabilities	6,881	-	-	6,881
Subordinated obligations	202,148	-	-	202,148
	5,390,172	71,732	-	5,461,904

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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
<u>Financial assets</u>				
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
<u>Financial liabilities</u>				
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 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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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 after tax and equity of financial assets and financial liabilities bearing floating interest rates and fixed rate financial assets and financial liabilities:

	Impact on profit after tax RM'000	Group Impact on equity RM'000	Impact on profit after tax RM'000	Bank Impact on equity RM'000
2020				
+100 bps	(11,536)	(7,727)	(10,284)	(7,727)
-100 bps	11,544	8,226	10,291	8,226
2019				
+100 bps	(14,082)	(12,380)	(10,794)	(12,380)
-100 bps	14,082	12,946	10,794	12,946

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

- (a) Impact on the profit after tax is the sum of valuation changes on fixed income instruments held in the trading portfolio and earnings movement for all short term interest 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 (2019: 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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
2020		
+10%	11,811	9,099
-10%	(11,811)	(9,099)
2019		
+10%	(5,341)	2,692
-10%	5,341	(2,692)

Impact on the profit 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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:

Group 2020	Non-trading book						Trading book	Total	
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-3 years	Over 3 years			Non-interest sensitive
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
ASSETS									
Cash and short-term funds	1,145,118	-	-	-	-	-	1,276,947	-	2,422,065
Deposits and placements with banks and other financial institutions	-	118,186	46,168	48,389	-	-	2,023	-	214,766
Financial assets at FVTPL	-	-	-	-	-	-	617,256	417,587	1,034,843
Financial assets at FVOCI	-	35,117	-	76,072	393,512	70,794	48,030	-	623,525
Financial investments at amortised costs	-	10,005	160,244	88,134	625,757	115,214	10,292	-	1,009,646
Loans and advances	1,816,846	-	-	-	8	304	716	-	1,817,874
Clients' and brokers' balances	32,316	-	-	-	-	-	1,307,252	-	1,339,568
Other assets	-	102	101	-	-	8,382	135,845	-	144,430
Derivative assets	-	-	-	-	-	-	-	1,017	1,017
Statutory deposits	-	-	-	-	-	-	16,977	-	16,977
Tax recoverable	-	-	-	-	-	-	1,781	-	1,781
Deferred tax assets	-	-	-	-	-	-	28,392	-	28,392
Investments in associates and joint ventures	-	-	-	-	-	-	4,611	-	4,611
Right of use assets	-	-	-	-	-	-	23,034	-	23,034
Property, plant and equipment	-	-	-	-	-	-	38,374	-	38,374
Goodwill and other intangible assets	-	-	-	-	-	-	487,392	-	487,392
TOTAL ASSETS	2,994,280	163,410	206,513	212,595	1,019,277	194,694	3,998,922	418,604	9,208,295

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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)

Group	Non-trading book						Trading book	Total	
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-3 years	Over 3 years			Non-interest sensitive
2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
LIABILITIES									
Deposits from customers	1,066,861	184,000	-	-	-	-	1,233	-	1,252,094
Deposits and placements of banks and other financial institutions	963,327	1,600,000	-	-	200,000	-	9,866	-	2,773,193
Clients' and brokers' balances	-	-	-	-	-	-	1,171,930	-	1,171,930
Other liabilities	-	-	-	-	-	-	813,038	-	813,038
Derivative liabilities	-	-	-	-	-	-	-	71,748	71,748
Tax liabilities	-	-	-	-	-	-	15,481	-	15,481
Lease liabilities	869	853	1,273	2,051	17,516	177	-	-	22,739
Borrowings	566,646	150,360	-	-	-	-	421	-	717,427
Subordinated obligations	-	-	-	-	200,000	-	2,148	-	202,148
TOTAL LIABILITIES	2,597,703	1,935,213	1,273	2,051	417,516	177	2,014,117	71,748	7,039,798
Shareholders' funds	-	-	-	-	-	-	2,158,259	-	2,158,259
Non-controlling interests	-	-	-	-	-	-	10,238	-	10,238
TOTAL LIABILITIES AND EQUITY	2,597,703	1,935,213	1,273	2,051	417,516	177	4,182,614	71,748	9,208,295
On-balance sheet interest sensitivity gap	396,577	(1,771,803)	205,240	210,544	601,761	194,517	-	-	-
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	-
TOTAL INTEREST SENSITIVITY GAP	396,577	(1,771,803)	205,240	210,544	601,761	194,517	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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)

Group	Non-trading book						Trading book	Total	
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-3 years	Over 3 years			Non-interest sensitive
2019	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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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)

Group 2019	Non-trading book						Trading book	Total	
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-3 years	Over 3 years			Non-interest sensitive
	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
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	1,170	2,956	3,973	7,124	14,344	-	-	-	29,567
Borrowings	852,097	29,470	-	-	-	-	469	-	882,036
Subordinated obligations	-	-	200,000	-	200,000	-	4,263	-	404,263
TOTAL LIABILITIES	2,104,206	2,074,352	363,973	7,124	214,344	-	1,505,070	4,509	6,273,578
Shareholders' funds	-	-	-	-	-	-	2,284,288	-	2,284,288
Non-controlling interests	-	-	-	-	-	-	10,208	-	10,208
TOTAL LIABILITIES AND EQUITY	2,104,206	2,074,352	363,973	7,124	214,344	-	3,799,566	4,509	8,568,074
On-balance sheet interest sensitivity gap	1,029,711	(1,912,127)	(233,642)	47,201	882,470	378,761	-	-	-
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	-
TOTAL INTEREST SENSITIVITY GAP	1,029,711	(1,912,127)	(233,642)	47,201	882,470	378,761	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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	Non-trading book						Trading book	Total	
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-3 years	Over 3 years			Non-interest sensitive
2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
ASSETS									
Cash and short-term funds	1,057,958	-	-	-	-	-	735,410	-	1,793,368
Financial assets at FVTPL	-	-	-	-	-	-	35,150	223,687	258,837
Financial assets at FVOCI	-	35,117	-	76,072	393,512	70,794	39,993	-	615,488
Financial investments at amortised costs	-	10,005	160,244	88,134	625,757	115,214	10,292	-	1,009,646
Loans and advances	1,496,171	-	-	-	8	304	-	-	1,496,483
Clients' and brokers' balances	32,316	-	-	-	-	-	914,364	-	946,680
Other assets	-	-	-	-	-	4,752	60,877	-	65,629
Derivative assets	-	-	-	-	-	-	-	122	122
Statutory deposits	-	-	-	-	-	-	13,000	-	13,000
Deferred tax assets	-	-	-	-	-	-	17,985	-	17,985
Investments in subsidiaries	-	-	-	-	-	-	715,398	-	715,398
Investments in associates and joint ventures	-	-	-	-	-	-	5,028	-	5,028
Right of use assets	-	-	-	-	-	-	6,733	-	6,733
Property, plant and equipment	-	-	-	-	-	-	19,272	-	19,272
Goodwill and other intangible assets	-	-	-	-	-	-	396,691	-	396,691
TOTAL ASSETS	2,586,445	45,122	160,244	164,206	1,019,277	191,064	2,970,193	223,809	7,360,360

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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)

Bank 2020	Non-trading book						Trading book	Total	
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-3 years	Over 3 years			Non-interest sensitive
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
LIABILITIES									
Deposits from customers	1,066,861	184,000	-	-	-	-	1,233	-	1,252,094
Deposits and placements of banks and other financial institutions	963,327	1,600,000	-	-	200,000	-	9,866	-	2,773,193
Clients' and brokers' balances	-	-	-	-	-	-	824,677	-	824,677
Other liabilities	-	-	-	-	-	-	331,179	-	331,179
Derivative liabilities	-	-	-	-	-	-	-	71,732	71,732
Tax liabilities	-	-	-	-	-	-	6,646	-	6,646
Lease liabilities	394	790	1,178	1,858	2,484	177	-	-	6,881
Subordinated obligations	-	-	-	-	200,000	-	2,148	-	202,148
TOTAL LIABILITIES	2,030,582	1,784,790	1,178	1,858	402,484	177	1,175,749	71,732	5,468,550
Total equity	-	-	-	-	-	-	1,891,810	-	1,891,810
TOTAL LIABILITIES AND EQUITY	2,030,582	1,784,790	1,178	1,858	402,484	177	3,067,559	71,732	7,360,360
On-balance sheet interest sensitivity gap	555,863	(1,739,668)	159,066	162,348	616,793	190,887	-	-	-
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	-
TOTAL INTEREST SENSITIVITY GAP	555,863	(1,739,668)	159,066	162,348	616,793	190,887	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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)

Bank	Non-trading book						Non-interest sensitive	Trading book	Total
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-3 years	Over 3 years			
2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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)

Bank	Non-trading book						Non-interest sensitive	Trading book	Total
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-3 years	Over 3 years			
2019	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	432	838	1,123	1,958	2,852	-	-	-	7,203
Subordinated obligations	-	-	200,000	-	200,000	-	4,263	-	404,263
TOTAL LIABILITIES	1,251,371	2,005,807	361,123	1,958	202,852	-	784,929	3,873	4,611,913
Total equity	-	-	-	-	-	-	2,114,883	-	2,114,883
TOTAL LIABILITIES AND EQUITY	1,251,371	2,005,807	361,123	1,958	202,852	-	2,899,812	3,873	6,726,796
On-balance sheet interest sensitivity gap	1,346,946	(2,005,807)	(250,682)	28,175	893,961	375,237	-	-	-
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	-
TOTAL INTEREST SENSITIVITY GAP	1,346,946	(2,005,807)	(250,682)	28,175	893,961	375,237	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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 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	Up to 1 week	1 week to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	No specific maturity	Total
2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	1,932,609	489,456	-	-	-	-	-	2,422,065
Deposits and placements with banks and other financial institutions	-	-	119,837	46,465	48,464	-	-	214,766
Financial assets at FVTPL	-	-	-	-	-	-	1,034,843	1,034,843
Financial assets at FVOCI	-	-	35,681	-	77,250	467,603	42,991	623,525
Financial investments at amortised costs	-	-	10,164	161,332	89,022	749,128	-	1,009,646
Loans and advances	1,816,846	3	7	10	20	272	716	1,817,874
Clients' and brokers' balances	1,241,966	83,935	-	-	-	-	13,667	1,339,568
Other assets	66,860	32,486	6,500	1,105	4,133	29,317	4,029	144,430
Derivative assets	1,017	-	-	-	-	-	-	1,017
Statutory deposits	-	-	-	-	-	-	16,977	16,977
Tax recoverable	-	-	-	-	-	-	1,781	1,781
Deferred tax assets	-	-	-	-	-	-	28,392	28,392
Investments in associates and joint ventures	-	-	-	-	-	-	4,611	4,611
Right of use assets	-	-	-	-	-	-	23,034	23,034
Property, plant and equipment	-	-	-	-	-	-	38,374	38,374
Goodwill and other intangible assets	-	-	-	-	-	-	487,392	487,392
TOTAL ASSETS	5,059,298	605,880	172,189	208,912	218,889	1,246,320	1,696,807	9,208,295

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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	Up to 1	1 week to	1 to 3	3 to 6	6 to 12	Over 1	No specific	Total
2020	week	1 month	months	months	months	year	maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES								
Deposits from customers	280,054	787,743	184,297	-	-	-	-	1,252,094
Deposits and placements of banks and other financial institutions	64,030	903,526	1,603,599	-	-	202,038	-	2,773,193
Clients' and brokers' balances	989,384	182,546	-	-	-	-	-	1,171,930
Other liabilities	445,146	295,181	71,544	936	183	48	-	813,038
Derivative liabilities	45	8,061	8,232	33,326	22,084	-	-	71,748
Tax liabilities	-	-	-	-	-	-	15,481	15,481
Lease liabilities	-	869	853	1,273	2,051	17,693	-	22,739
Borrowings	171,498	395,264	150,665	-	-	-	-	717,427
Subordinated obligations	-	-	-	2,148	-	200,000	-	202,148
TOTAL LIABILITIES	1,950,157	2,573,190	2,019,190	37,683	24,318	419,779	15,481	7,039,798
Total equity	-	-	-	-	-	-	2,168,497	2,168,497
TOTAL LIABILITIES AND EQUITY	1,950,157	2,573,190	2,019,190	37,683	24,318	419,779	2,183,978	9,208,295

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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	Up to 1	1 week to	1 to 3	3 to 6	6 to 12	Over 1	No specific	Total
2019	week	1 month	months	months	months	year	maturity	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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 2020 (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 2020	Up to 1 week	1 week to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	1,358,067	435,301	-	-	-	-	-	1,793,368
Financial assets at FVTPL	-	-	-	-	-	-	258,837	258,837
Financial assets at FVOCI	-	-	35,681	-	77,250	467,603	34,954	615,488
Financial investments at amortised costs	-	-	10,164	161,332	89,022	749,128	-	1,009,646
Loans and advances	1,496,171	3	7	10	20	272	-	1,496,483
Clients' and brokers' balances	922,030	10,983	-	-	-	-	13,667	946,680
Other assets	43,400	6,240	1,410	400	867	13,312	-	65,629
Derivative assets	122	-	-	-	-	-	-	122
Statutory deposits	-	-	-	-	-	-	13,000	13,000
Deferred tax assets	-	-	-	-	-	-	17,985	17,985
Investments in subsidiaries	-	-	-	-	-	-	715,398	715,398
Investments in associates and joint ventures	-	-	-	-	-	-	5,028	5,028
Right of use assets	-	-	-	-	-	-	6,733	6,733
Property, plant and equipment	-	-	-	-	-	-	19,272	19,272
Goodwill and other intangible assets	-	-	-	-	-	-	396,691	396,691
TOTAL ASSETS	3,819,790	452,527	47,262	161,742	167,159	1,230,315	1,481,565	7,360,360

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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 2020	Up to 1 week	1 week to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES								
Deposits from customers	280,054	787,743	184,297	-	-	-	-	1,252,094
Deposits and placements of banks and other financial institutions	64,030	903,526	1,603,599	-	-	202,038	-	2,773,193
Clients' and brokers' balances	707,685	116,992	-	-	-	-	-	824,677
Other liabilities	84,815	246,364	-	-	-	-	-	331,179
Derivative liabilities	45	8,061	8,216	33,326	22,084	-	-	71,732
Tax liabilities	-	-	-	-	-	-	6,646	6,646
Lease liabilities	-	394	790	1,178	1,858	2,661	-	6,881
Subordinated obligations	-	-	-	2,148	-	200,000	-	202,148
TOTAL LIABILITIES	1,136,629	2,063,080	1,796,902	36,652	23,942	404,699	6,646	5,468,550
Total equity	-	-	-	-	-	-	1,891,810	1,891,810
TOTAL LIABILITIES AND EQUITY	1,136,629	2,063,080	1,796,902	36,652	23,942	404,699	1,898,456	7,360,360

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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	1 week to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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 2020 (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	Up to 1	1 week to	1 to 3	3 to 6	6 to 12	Over 1	No specific	Total
2019	week	1 month	months	months	months	year	maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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	Up to	1 to 6	6 to 12	1 to 3	3 to 5	Over 5	Total
2020	1 month	months	months	years	years	years	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES							
Deposits from customers	1,068,836	184,732	-	-	-	-	1,253,568
Deposits and placements of banks and other financial institutions	968,469	1,608,473	-	207,233	-	-	2,784,175
Clients' and brokers' balances	1,171,930	-	-	-	-	-	1,171,930
Other financial liabilities	740,331	72,481	183	48	-	-	813,043
Derivative liabilities:							
- Gross settled derivatives							
- Inflow	(21,685)	-	-	-	-	-	(21,685)
- Outflow	21,731	-	-	-	-	-	21,731
- Net settled derivatives	8,061	41,557	22,084	-	-	-	71,702
Lease liabilities	476	576	2,263	16,969	2,748	184	23,216
Borrowings	566,762	150,665	-	-	-	-	717,427
Subordinated obligations	-	4,887	4,887	209,800	-	-	219,574
TOTAL FINANCIAL LIABILITIES	4,524,911	2,063,371	29,417	434,050	2,748	184	7,054,681

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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	Up to	1 to 6	6 to 12	1 to 3	3 to 5	Over 5	Total
2019	1 month	months	months	years	years	years	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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:

Bank	Up to	1 to 6	6 to 12	1 to 3	3 to 5	Over 5	Total
2020	1 month	months	months	years	years	years	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES							
Deposits from customers	1,068,836	184,732	-	-	-	-	1,253,568
Deposits and placements of banks and other financial institutions	968,469	1,608,473	-	207,233	-	-	2,784,175
Clients' and brokers' balances	824,677	-	-	-	-	-	824,677
Other financial liabilities	331,184	-	-	-	-	-	331,184
Derivative liabilities:							
- Gross settled derivatives							
- Inflow	(21,685)	-	-	-	-	-	(21,685)
- Outflow	21,730	-	-	-	-	-	21,730
- Net settled derivatives	8,061	41,542	22,084	-	-	-	71,687
Lease liabilities	-	418	2,070	1,937	2,748	184	7,357
Subordinated obligations	-	4,887	4,887	209,800	-	-	219,574
TOTAL FINANCIAL LIABILITIES	3,201,272	1,840,052	29,041	418,970	2,748	184	5,492,267

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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	Up to	1 to 6	6 to 12	1 to 3	3 to 5	Over 5	Total
2019	1 month	months	months	years	years	years	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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 2020 (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	Less than	Over	Total
2020	1 year	1 year	
	RM'000	RM'000	RM'000
Forward assets purchases	5,843	-	5,843
Irrevocable commitments to extend credit	1,100,162	22	1,100,184
TOTAL COMMITMENTS AND CONTINGENCIES	1,106,005	22	1,106,027
Group			
2019			
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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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	Less than	Over	Total
2020	1 year	1 year	Total
	RM'000	RM'000	RM'000
Direct credit substitutes	16	-	16
Forward assets purchases	5,843	-	5,843
Irrevocable commitments to extend credit	729,357	22	729,379
TOTAL COMMITMENTS AND CONTINGENCIES	735,216	22	735,238
Bank			
2019			
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

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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:

	2020	Group 2019
	RM'000	RM'000
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds (exclude cash in hand)	2,421,954	2,146,256
Deposits and placements with banks and other financial institutions	214,766	206,999
Financial assets and investments portfolios (exclude equity instruments):		
- FVOCI	580,534	711,239
- Amortised costs	1,009,646	911,838
Loans and advances	1,817,874	1,855,873
Clients' and brokers' balances	1,339,568	893,448
Other financial assets	130,095	179,398
	7,514,437	6,905,051
Credit risk exposure relating to off-balance sheet items:		
Commitments and contingencies	1,106,027	1,135,767
Total maximum credit risk exposure that are subject to impairment	8,620,464	8,040,818

The table below shows the financial instruments of the Group that are not subject to impairment:

Financial assets and investments portfolios:

FVTPL	1,034,843	847,934
FVOCI	42,991	41,003
Derivative assets	1,017	3,091
Other financial assets	4,028	5,746
	1,082,879	897,774

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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:

	2020	Bank
	RM'000	2019
		RM'000
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds (exclude cash in hand)	1,793,300	1,443,716
Financial assets and investments portfolios (exclude equity instruments):		
- FVOCI	580,534	711,239
- Amortised costs	1,009,646	911,838
Loans and advances	1,496,483	1,405,692
Clients' and brokers' balances	946,680	466,285
Other financial assets	59,285	72,542
	5,885,928	5,011,312
Credit risk exposure relating to off-balance sheet items:		
Commitments and contingencies	735,238	735,876
Total maximum credit risk exposure that are subject to impairment	6,621,166	5,747,188

The below shows the financial instruments of the Bank that are not subject to impairment:

Financial assets and investments portfolios:

FVTPL	258,837	60,382
FVOCI	34,954	32,731
Derivative assets	122	3,054
Other financial assets	1,714	1,589
	295,627	97,756

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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 2020 for the Group and the Bank are 100.0% (2019: 100.0%) and 100.0% (2019: 100.0%) respectively and clients' and brokers' balances as at 31 December 2020 for the Group and the Bank are 98.4% (2019: 99.3%) and 97.9% (2019: 98.9%) 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:

<u>Stages</u>	<u>Description</u>
- 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(18).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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:

<u>Credit Quality</u>	<u>Description</u>
- 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:

<u>Credit Quality</u>	<u>Ratings</u>
- 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 2020 (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 2020	Gross Carrying Amount					Provision for Credit Losses
	Good RM'000	Fair RM'000	No rating RM'000	Credit- Impaired RM'000	Total RM'000	RM'000
General Approach						
Cash and short-term funds	2,369,017	9,849	43,607	-	2,422,473	(519)
- Stage 1	2,369,017	9,849	43,607	-	2,422,473	(519)
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	214,050	-	821	-	214,871	(105)
- Stage 1	214,050	-	821	-	214,871	(105)
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Financial assets at FVOCI	-	-	580,534	-	580,534	-
- Stage 1	-	-	580,534	-	580,534	-
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Financial investments at amortised costs	8,262	-	1,001,384	77,447	1,087,093	(77,447)
- Stage 1	8,262	-	1,001,384	-	1,009,646	-
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	77,447	77,447	(77,447)
Loans and advances	1,495,680	-	321,478	9,667	1,826,825	(8,951)
- Stage 1	1,495,680	-	320,355	-	1,816,035	(1)
- Stage 2	-	-	1,123	-	1,123	-
- Stage 3	-	-	-	9,667	9,667	(8,950)
	4,087,009	9,849	1,947,824	87,114	6,131,796	(87,022)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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)

Group 2019	Gross Carrying Amount					Provision for Credit Losses RM'000
	Good RM'000	Fair RM'000	No rating RM'000	Credit- Impaired RM'000	Total 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	8,470	-	903,368	77,447	989,285	(77,447)
- Stage 1	8,470	-	903,368	-	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)
	<u>3,548,488</u>	<u>118,562</u>	<u>2,161,734</u>	<u>100,760</u>	<u>5,929,544</u>	<u>(97,339)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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 2020	Gross Carrying Amount					Provision for Credit Losses RM'000
	Good RM'000	Fair RM'000	No rating RM'000	Credit- Impaired RM'000	Total RM'000	
General Approach						
Cash and short-term funds	1,787,435	2	5,878	-	1,793,315	(15)
- Stage 1	1,787,435	2	5,878	-	1,793,315	(15)
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Financial assets at FVOCI	-	-	580,534	-	580,534	-
- Stage 1	-	-	580,534	-	580,534	-
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Financial investments at amortised costs	8,262	-	1,001,384	77,447	1,087,093	(77,447)
- Stage 1	8,262	-	1,001,384	-	1,009,646	-
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	77,447	77,447	(77,447)
Loans and advances	1,495,682	-	802	-	1,496,484	(1)
- Stage 1	1,495,682	-	-	-	1,495,682	(1)
- Stage 2	-	-	802	-	802	-
- Stage 3	-	-	-	-	-	-
	3,291,379	2	1,588,598	77,447	4,957,426	(77,463)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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					Provision for Credit Losses RM'000
	Good RM'000	Fair RM'000	No rating RM'000	Credit- Impaired RM'000	Total 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	8,470	-	903,368	77,447	989,285	(77,447)
- Stage 1	8,470	-	903,368	-	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	-	-	-	-	-	-
	<u>2,816,413</u>	<u>10,752</u>	<u>1,645,334</u>	<u>77,447</u>	<u>4,549,946</u>	<u>(77,461)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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, 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					
2020					
Gross carrying amount					
- Clients' and brokers' balances	1,325,901	13,828	29,906	1,369,635	(30,067)
- Other receivables	9,032	1,870	17,684	28,586	(17,086)
	<u>1,334,933</u>	<u>15,698</u>	<u>47,590</u>	<u>1,398,221</u>	<u>(47,153)</u>
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)
	<u>912,275</u>	<u>6,693</u>	<u>39,780</u>	<u>958,748</u>	<u>(36,960)</u>
Bank					
2020					
Gross carrying amount					
- Clients' and brokers' balances	934,970	11,870	4,305	951,145	(4,465)
- Other receivables	4,708	1,410	16,112	22,230	(15,833)
	<u>939,678</u>	<u>13,280</u>	<u>20,417</u>	<u>973,375</u>	<u>(20,298)</u>
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)
	<u>478,454</u>	<u>6,012</u>	<u>17,779</u>	<u>502,245</u>	<u>(18,307)</u>

Other assets for the Group and the Bank of RM118,595,000 (2019: RM151,058,000) and RM52,888,000 (2019: RM54,889,000) 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 RM2,983,000 (2019: RM2,048,000) is provided.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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	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
2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	-	15,429	-	105	-	-	1,198	16,732
Mining and quarrying	-	-	-	91	-	-	9	100
Manufacturing	-	-	-	3,180	-	229	2,849	6,258
Electricity, gas and water	-	5,100	45,362	-	-	430	1	50,893
Construction	-	-	-	5,974	-	1,528	17,650	25,152
Purchase of landed property	-	-	-	-	-	-	18	18
Wholesale & retail trade and restaurants & hotel	-	-	-	1,670	-	-	1,604	3,274
Transport, storage and communication	-	26,169	70,800	4,253	-	423	331	101,976
Finance, insurance, real estate and business services	2,637,344	218,984	291,370	387,219	-	7,039	108,471	3,650,427
Government and government agencies	-	314,852	593,852	-	-	-	-	908,704
Purchase of securities	-	-	-	1,415,383	1,339,571	-	973,896	3,728,850
Others	-	-	8,262	-	-	120,446	-	128,708
	2,637,344	580,534	1,009,646	1,817,875	1,339,571	130,095	1,106,027	8,621,092

[^] Excludes stage 1 expected credit losses amounting to RM624,000.

[#] Excludes stage 1 expected credit losses amounting to RM1,000.

^{*} Excludes stage 1 expected credit losses amounting to RM3,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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	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	-	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	70,837	2,587	-	318	2,439	102,098
Finance, insurance, real estate and business services	2,353,530	246,020	290,961	426,240	-	10,357	200,063	3,527,171
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	-	-	167,223	-	175,694
	2,353,530	711,239	911,838	1,855,874	893,555	179,398	1,135,767	8,041,201

[^] Excludes stage 1 expected credit losses amounting to RM275,000.

[#] Excludes stage 1 expected credit losses amounting to RM1,000.

^{*} Excludes stage 1 expected credit losses amounting to RM107,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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 2020	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	-	15,429	-	105	-	-	1,198	16,732
Mining and quarrying	-	-	-	91	-	-	9	100
Manufacturing	-	-	-	3,180	-	229	2,849	6,258
Electricity, gas and water	-	5,100	45,362	-	-	430	1	50,893
Construction	-	-	-	5,974	-	1,528	350	7,852
Purchase of landed property	-	-	-	-	-	-	18	18
Wholesale & retail trade and restaurants & hotel	-	-	-	1,670	-	-	1,604	3,274
Transport, storage and communication	-	26,169	70,800	4,253	-	423	331	101,976
Finance, insurance, real estate and business services	1,793,315	218,984	291,370	378,667	-	7,039	108,446	2,797,821
Government and government agencies	-	314,852	593,852	-	-	-	-	908,704
Purchase of securities	-	-	-	1,102,544	946,682	-	620,432	2,669,658
Others	-	-	8,262	-	-	49,636	-	57,898
	1,793,315	580,534	1,009,646	1,496,484	946,682	59,285	735,238	6,621,184

[^] Excludes stage 1 expected credit losses amounting to RM15,000.

[#] Excludes stage 1 expected credit losses amounting to RM1,000.

^{*} Excludes stage 1 expected credit losses amounting to RM2,000.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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 2019	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
	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	70,837	2,587	-	317	2,440	102,098
Finance, insurance, real estate and business services	1,443,729	246,020	290,961	409,054	-	10,357	284,079	2,684,200
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	-	-	60,368	-	68,839
	1,443,729	711,239	911,838	1,405,693	466,286	72,542	735,876	5,747,203

[^] Excludes stage 1 expected credit losses amounting to RM13,000.

[#] Excludes stage 1 expected credit losses amounting to RM1,000.

^{*} Excludes stage 1 expected credit losses amounting to RM1,000.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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 Group's financial assets, including commitments and contingencies, are set out below:

Group 2020	Short-term funds and deposits 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	2,364,966	580,534	1,009,646	1,496,483	946,681	77,134	1,106,027	7,581,471
- Singapore	10,729	-	-	-	-	10,668	-	21,397
- Thailand	38,678	-	-	132,409	149,365	30,108	-	350,560
- Indonesia	123,583	-	-	188,983	243,173	7,137	-	562,876
- Cambodia	38,550	-	-	-	-	144	-	38,694
- Vietnam	30,215	-	-	-	-	513	-	30,728
East Asia	27,773	-	-	-	352	3,410	-	31,535
Middle East	-	-	-	-	-	981	-	981
Europe	2,590	-	-	-	-	-	-	2,590
North America	260	-	-	-	-	-	-	260
	2,637,344	580,534	1,009,646	1,817,875	1,339,571	130,095	1,106,027	8,621,092

[^] Excludes stage 1 expected credit losses amounting to RM624,000.

[#] Excludes stage 1 expected credit losses amounting to RM1,000.

^{*} Excludes stage 1 expected credit losses amounting to RM3,000.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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 Group's financial assets, including commitments and contingencies, are set out below: (continued)

Group	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
South East Asia								
- Malaysia	1,972,515	711,239	911,838	1,385,545	479,186	97,843	1,135,767	6,693,933
- 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
	<u>2,353,530</u>	<u>711,239</u>	<u>911,838</u>	<u>1,855,874</u>	<u>893,555</u>	<u>179,398</u>	<u>1,135,767</u>	<u>8,041,201</u>

^ Excludes stage 1 expected credit losses amounting to RM275,000.

Excludes stage 1 expected credit losses amounting to RM1,000.

* Excludes stage 1 expected credit losses amounting to RM107,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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	Short-term funds and deposits 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
2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
South East Asia								
- Malaysia	1,768,655	580,534	1,009,646	1,496,484	946,682	50,901	735,238	6,588,140
- Singapore	3,677	-	-	-	-	5,962	-	9,639
- Thailand	1,944	-	-	-	-	-	-	1,944
- Indonesia	2	-	-	-	-	-	-	2
- Vietnam	2	-	-	-	-	-	-	2
East Asia	16,185	-	-	-	-	1,441	-	17,626
Middle East	-	-	-	-	-	981	-	981
Europe	2,590	-	-	-	-	-	-	2,590
North America	260	-	-	-	-	-	-	260
	<u>1,793,315</u>	<u>580,534</u>	<u>1,009,646</u>	<u>1,496,484</u>	<u>946,682</u>	<u>59,285</u>	<u>735,238</u>	<u>6,621,184</u>

^ Excludes stage 1 expected credit losses amounting to RM15,000.

Excludes stage 1 expected credit losses amounting to RM1,000.

* Excludes stage 1 expected credit losses amounting to RM2,000.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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 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
South East Asia								
- Malaysia	1,433,425	711,239	911,838	1,379,104	466,286	72,542	735,876	5,710,310
- 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
	<u>1,443,729</u>	<u>711,239</u>	<u>911,838</u>	<u>1,405,693</u>	<u>466,286</u>	<u>72,542</u>	<u>735,876</u>	<u>5,747,203</u>

^ Excludes stage 1 expected credit losses amounting to RM13,000.

Excludes stage 1 expected credit losses amounting to RM1,000.

* Excludes stage 1 expected credit losses amounting to RM1,000.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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 2020, and are still subject to enforcement activities was RM NIL (2019: RM NIL) 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.

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45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Offsetting financial assets and financial liabilities

The Group and the Bank report financial assets and financial liabilities on a net basis on the balance sheet only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The following table shows the impact of netting arrangement on:

- i. all financial assets and liabilities that are reported on the statements of financial position; and
- ii. all derivative financial instruments (offsetting arrangement and financial collateral) but do not qualify for netting.

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Effects of offsetting on the statements of financial position		Related amounts not offset		
	Gross amounts	Net amounts reported on statements of financial position	Financial instruments	Financial collateral	Net amount
Group 2020	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Derivative assets	1,017	1,017	(45)	-	972
Financial liabilities					
Derivative liabilities	71,748	71,748	(45)	-	71,703

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

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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		Net amount RM'000
	Gross amounts RM'000	Net amounts reported on statements of financial position RM'000	Financial instruments RM'000	Financial collateral RM'000	
Bank 2020					
Financial assets					
Derivative assets	122	122	(45)	-	77
Financial liabilities					
Derivative liabilities	71,732	71,732	(45)	-	71,687

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

**NOTES TO THE FINANCIAL STATEMENTS
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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 2020	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at FVTPL	498,722	1,437	534,684	1,034,843
- quoted securities	498,722	-	-	498,722
- unquoted securities	-	1,437	533,428	534,865
- contingent consideration	-	-	1,256	1,256
Financial assets at FVOCI	1,866	580,534	41,125	623,525
- money market instruments	-	280,745	-	280,745
- quoted securities	1,866	-	-	1,866
- unquoted securities	-	299,789	41,125	340,914
Derivative assets	-	1,017	-	1,017
	500,588	582,988	575,809	1,659,385
Financial liabilities				
Derivative liabilities	71,703	45	-	71,748

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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	Level 1	Level 2	Level 3	Total
2019	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
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
<u>Financial liabilities</u>				
Derivative liabilities	4,277	232	-	4,509
	4,277	232	-	4,509
Bank				
2020	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
Financial assets at FVTPL	256,144	1,437	1,256	258,837
- quoted securities	256,144	-	-	256,144
- unquoted securities	-	1,437	-	1,437
- contingent consideration	-	-	1,256	1,256
Financial assets at FVOCI	-	580,534	34,954	615,488
- money market instruments	-	280,745	-	280,745
- unquoted securities	-	299,789	34,954	334,743
Derivative assets	-	122	-	122
	256,144	582,093	36,210	874,447
<u>Financial liabilities</u>				
Derivative liabilities	71,687	45	-	71,732
	71,687	45	-	71,732

**NOTES TO THE FINANCIAL STATEMENTS
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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 2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Financial assets</u>				
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
	<u>63,382</u>	<u>711,293</u>	<u>32,731</u>	<u>807,406</u>
<u>Financial liabilities</u>				
Derivative liabilities	3,819	54	-	3,873

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.

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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:

	2020	Group	2020	Bank
	RM'000	2019	RM'000	2019
		RM'000		RM'000
<u>Financial assets at FVTPL</u>				
Balance as at the beginning of the financial year	492,717	437,275	-	-
Total gains/(losses) recognised in income statements				
- Other operating income/(loss)	55,877	33,817	(938)	-
Additions	24,006	27,484	17,217	-
Settlements	(27,272)	(792)	(15,023)	-
Exchange differences	(10,644)	(5,067)	-	-
Balance as at the end of the financial year	534,684	492,717	1,256	-
<u>Financial assets at FVOCI</u>				
Balance as at the beginning of the financial year	38,968	37,056	32,731	30,840
Total gains recognised in other comprehensive income	2,170	1,891	2,223	1,891
Exchange differences	(13)	21	-	-
Balance as at the end of the financial year	41,125	38,968	34,954	32,731

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 RM533,428,000 (2019: RM492,717,000) is based on multiple of 11.9x to 13.9x (2019: 11.8x to 16.8x). A possible shift of 5% in the multiple will change the valuation by RM60,936,000 (2019: RM62,700,000).

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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
2020	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial investments at amortised costs	1,009,646	1,039,896	1,009,646	1,039,896
Loans and advances	1,817,874	1,817,874	1,496,483	1,496,483
	2,827,520	2,857,770	2,506,129	2,536,379
Financial liabilities				
Deposits from customers	1,252,094	1,252,094	1,252,094	1,252,094
Deposits and placements of banks and other financial institutions	2,773,193	2,773,109	2,773,193	2,773,109
Subordinated obligations	202,148	206,614	202,148	206,614
	4,227,435	4,231,817	4,227,435	4,231,817
2019				
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
Subordinated obligations	404,263	405,932	404,263	405,932
	3,829,885	3,831,554	3,829,885	3,831,554

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46 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The following table analyses within the fair value hierarchy the Group's and the Bank's assets and liabilities not measured at fair value at 31 December 2020 but for which fair value is disclosed:

Group	Level 1	Level 2	Level 3	Total
2020	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
Financial investments at amortised costs	-	1,039,896	-	1,039,896
Loans and advances	-	1,817,874	-	1,817,874
	-	2,857,770	-	2,857,770
<u>Financial liabilities</u>				
Deposits from customers	-	1,252,094	-	1,252,094
Deposits and placements of banks and other financial institutions	-	2,773,109	-	2,773,109
Subordinated obligations	-	206,614	-	206,614
	-	4,231,817	-	4,231,817
2019				
<u>Financial assets</u>				
Financial investments at amortised costs	-	927,969	-	927,969
Loans and advances	-	1,855,873	-	1,855,873
	-	2,783,842	-	2,783,842
<u>Financial liabilities</u>				
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

**NOTES TO THE FINANCIAL STATEMENTS
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46 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The following table analyses within the fair value hierarchy the Group's and the Bank's assets and liabilities not measured at fair value at 31 December 2020 but for which fair value is disclosed: (continued)

Bank 2020	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Financial assets</u>				
Financial investments at amortised costs	-	1,039,896	-	1,039,896
Loans and advances	-	1,496,483	-	1,496,483
	-	2,536,379	-	2,536,379
<u>Financial liabilities</u>				
Deposits from customers	-	1,252,094	-	1,252,094
Deposits and placements of banks and other financial institutions	-	2,773,109	-	2,773,109
Subordinated obligations	-	206,614	-	206,614
	-	4,231,817	-	4,231,817
2019				
<u>Financial assets</u>				
Financial investments at amortised costs	-	927,969	-	927,969
Loans and advances	-	1,405,692	-	1,405,692
	-	2,333,661	-	2,333,661
<u>Financial liabilities</u>				
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

**NOTES TO THE FINANCIAL STATEMENTS
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46 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The fair values are based on the following methodologies and assumptions:

(i) Cash and short-term funds and deposits and placements with financial institutions

For cash and short-term funds, 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.

**NOTES TO THE FINANCIAL STATEMENTS
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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.

**NOTES TO THE FINANCIAL STATEMENTS
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47 CAPITAL ADEQUACY RATIO

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

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

	2020	Group 2019	2020	Bank 2019
	RM'000	RM'000	RM'000	RM'000
<u>Common Equity Tier I ('CET I')/Tier I Capital</u>				
Share capital	1,487,773	1,487,773	1,487,773	1,487,773
Retained profits	522,727	587,298	331,261	567,193
Other reserves	62,097	135,295	-	-
FVOCI reserves	50,380	41,918	47,839	39,360
	2,122,977	2,252,284	1,866,873	2,094,326
Less:				
- Goodwill	(449,978)	(511,221)	(372,395)	(372,395)
- Investments in subsidiaries	-	-	(715,398)	(1,093,697)
- Investments in associates and joint ventures	(4,611)	(16,083)	(5,028)	(5,028)
- Other intangible assets	(37,414)	(48,332)	(24,296)	(25,905)
- 55% of cumulative gains arising from change in value of FVOCI financial instruments	(27,709)	(23,055)	(26,311)	(21,648)
- Deferred tax assets	(28,392)	(19,410)	(17,985)	(10,106)
Total CET I Capital	1,574,873	1,634,183	705,460	565,547
Qualifying non-controlling interests recognised as Tier I Capital	2,060	2,121	-	-
Total Tier I Capital	1,576,933	1,636,304	705,460	565,547
<u>Tier II Capital</u>				
Subordinated obligations meeting all relevant criteria	200,000	400,000	200,000	400,000
Qualifying non-controlling interests recognised as Tier II Capital	231	226	-	-
General provision ^	26,003	24,564	9,921	9,932
Total Tier II Capital	226,234	424,790	209,921	409,932
Total Capital	1,803,167	2,061,094	915,381	975,479

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47 CAPITAL ADEQUACY RATIO (CONTINUED)

	2020	Group 2019	2020	Bank 2019
<u>Capital ratios</u>				
Before proposed dividends:				
CET I Capital Ratio	38.246%	43.964%	36.116%	33.144%
Tier I Capital Ratio	38.296%	44.021%	36.116%	33.144%
Total Capital Ratio	43.790%	55.449%	46.862%	57.169%
After proposed dividends:				
CET I Capital Ratio	38.246%	40.117%	36.116%	24.764%
Tier I Capital Ratio	38.296%	40.174%	36.116%	24.764%
Total Capital Ratio	43.790%	51.602%	46.862%	48.788%

^ 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 RM25,377,000 (2019: RM24,184,000) and RM9,903,000 (2019: RM9,917,000) respectively.

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

	2020	Group 2019	2020	Bank 2019
	RM'000	RM'000	RM'000	RM'000
Credit risk	2,080,268	1,965,132	793,669	794,533
Market risk	457,113	258,450	300,706	127,778
Operational risk	1,580,409	1,493,492	858,966	784,006
Total risk-weighted assets	4,117,790	3,717,074	1,953,341	1,706,317

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

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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, Cambodia and Vietnam.

Stockbroking business in Singapore was disposed on 11 September 2020. The details are disclosed in Note 49(c).

(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 and 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.

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48 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis

Group 2020	Continuing Operations				Total RM'000	Discontinued Operation	
	Investment Banking RM'000	Treasury RM'000	Asset Management RM'000	Others and Elimination RM'000		Investment Banking RM'000	Total RM'000
External revenue	632,655	104,967	167,600	-	905,222	94,264	999,486
Inter-segment revenue	2,468	-	(1,457)	(1,011)	-	-	-
Segment revenue	635,123	104,967	166,143	(1,011)	905,222	94,264	999,486
Other operating expenses:	(432,890)	(17,375)	(106,606)	1,011	(555,860)	(62,785)	(618,645)
Including:							
Depreciation of property, plant and equipment	(10,061)	(65)	(1,066)	-	(11,192)	(978)	(12,170)
Depreciation of right of use assets	(10,494)	(83)	(849)	-	(11,426)	(3,801)	(15,227)
Amortisation of other intangible assets	(7,294)	(219)	(1,264)	-	(8,777)	(2,250)	(11,027)
Allowance made for credit losses	(19,943)	(66)	(121)	-	(20,130)	(937)	(21,067)
Impairment losses on other non-financial assets	(24,300)	-	-	-	(24,300)	-	(24,300)
	157,990	87,526	59,416	-	304,932	30,542	335,474
Share of results of associates					30	-	30
Profit before taxation					304,962	30,542	335,504
Taxation					(78,914)	1,531	(77,383)
Net profit for the financial year					226,048	32,073	258,121

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

48 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

Group 2020	Continuing Operations				Total RM'000
	Investment Banking	Treasury	Asset Management	Others and Elimination	
	RM'000	RM'000	RM'000	RM'000	
Segment assets	4,452,854	4,224,514	771,520	(725,355)	8,723,533
Goodwill	306,611	-	143,367	-	449,978
Investments in associates and joint ventures					4,611
Tax recoverable					1,781
Deferred tax assets					28,392
Total assets					<u>9,208,295</u>
Segment liabilities	1,655,816	4,026,200	458,398	(35,672)	6,104,742
Tax liabilities					15,481
Borrowings					717,427
Subordinated obligations					202,148
Total liabilities					<u>7,039,798</u>
<u>Other segment items</u>					
Capital expenditure	29,439	-	1,370	-	30,809

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

48 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

Group 2019	Continuing Operations				Total RM'000	Discontinued Operation	
	Investment Banking RM'000	Treasury RM'000	Asset Management RM'000	Others and Elimination RM'000		Investment Banking RM'000	Total RM'000
External revenue	456,117	103,857	157,747	-	717,721	60,413	778,134
Inter-segment revenue	2,840	-	(1,408)	(1,432)	-	-	-
Segment revenue	458,957	103,857	156,339	(1,432)	717,721	60,413	778,134
Other operating expenses:	(445,407)	(18,243)	(101,683)	1,432	(563,901)	(86,869)	(650,770)
Including:							
Depreciation of property, plant and equipment	(14,586)	-	(1,487)	-	(16,073)	(2,243)	(18,316)
Depreciation of right of use assets	(13,122)	-	(1,038)	-	(14,160)	(5,685)	(19,845)
Amortisation of other intangible assets	(8,652)	(358)	(1,015)	-	(10,025)	(3,707)	(13,732)
Provision for restructuring costs	(9,769)	-	-	-	(9,769)	-	(9,769)
Allowance written back/(made) for credit losses	1,341	124	(57)	-	1,408	(2,718)	(1,310)
Impairment losses on other non-financial assets	-	-	-	-	-	(17,505)	(17,505)
	5,122	85,738	54,599	-	145,459	(46,679)	98,780
Share of results of associates					6,083	-	6,083
Share of results of joint ventures					(30)	-	(30)
Profit/(Loss) before taxation					151,512	(46,679)	104,833
Taxation					(79,397)	(328)	(79,725)
Net profit/(loss) for the financial year					72,115	(47,007)	25,108

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

48 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

Group 2019	Continuing Operations				Total RM'000	Discontinued Operation	
	Investment Banking RM'000	Treasury RM'000	Asset Management RM'000	Others and Elimination RM'000		Investment Banking RM'000	Total RM'000
Segment assets	3,814,707	4,242,522	740,164	(1,181,103)	7,616,290	387,968	8,004,258
Goodwill	321,411	-	143,367	-	464,778	46,443	511,221
Investments in associates and joint ventures					16,083	-	16,083
Tax recoverable					17,102	-	17,102
Deferred tax assets					19,410	-	19,410
Total assets					8,133,663	434,411	8,568,074
Segment liabilities	1,100,648	3,425,999	500,047	(139,648)	4,887,046	93,199	4,980,245
Tax liabilities					5,489	14	5,503
Deferred tax liabilities					-	1,531	1,531
Borrowings					805,963	76,073	882,036
Subordinated obligations					404,263	-	404,263
Total liabilities					6,102,761	170,817	6,273,578
<u>Other segment items</u>							
Capital expenditure	38,790	-	9,182	-	47,972	1,899	49,871

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

48 SEGMENT REPORTING (CONTINUED)

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

Group	Revenue	Segment	Capital
2020	RM'000	assets	expenditure
	RM'000	RM'000	RM'000
<u>Continuing operations</u>			
Attributed to the country of domicile:			
- Malaysia	769,587	7,951,947	15,897
Attributed to foreign countries:			
- Singapore	16,030	12,564	66
- Thailand	63,833	560,668	9,662
- Indonesia	47,830	591,889	3,556
- Hong Kong	3,218	14,262	-
- Cambodia	2,527	44,657	653
- Vietnam	2,197	32,308	975
	905,222	9,208,295	30,809
Group			
2019			
<u>Continuing operations</u>			
Attributed to the country of domicile:			
- Malaysia	569,697	6,896,600	20,900
Attributed to foreign countries:			
- Singapore	17,623	12,002	66
- 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
	717,721	8,133,663	47,972
<u>Discontinued operation</u>			
Attributed to the country of domicile:			
- Malaysia	-	46,443	-
Attributed to foreign country:			
- Singapore	60,413	387,968	1,899
	60,413	434,411	1,899

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

49 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRECEDING FINANCIAL YEAR

Current Year

(a) 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 to cease their business operations ('Cessation').

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 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 Cessation, RHB Hong Kong Group has discontinued offering financial services to its existing and potential clients. The Bank being the shareholder of RHB Hong Kong Group has provided the requisite support to ensure an orderly winding down of their business operations.

As part of the Cessation of Business Operations:

- (i) The Bank has on 14 February 2020 subscribed for 150 million new ordinary shares in RHB Hong Kong amounting to HKD150,000,000 (equivalent to RM80,775,000). The issued and paid-up share capital of RHB Hong Kong increased from HKD300,000,000 to HKD450,000,000.
- (ii) On 31 March 2020, RHB (China) Investment Advisory Co Ltd ('RHBCIA'), an indirect wholly-owned subsidiary of the Bank, commenced the application for dissolution pursuant to Article 180(ii) of the Company Law of the People's Republic of China. An application for dissolution has been submitted to Shanghai Tax Bureau and Shanghai Municipal Administration of Industry and Commerce accordingly.

RHBCIA had on 17 June 2020 received a final notice of deregistration as a legal entity from Shanghai Municipal Administration of Industry and Commerce.

- (iii) The following indirect wholly-owned subsidiary of the Bank have commenced the application for Member's Voluntary Winding Up pursuant to The Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong as summarised below:

On 21 August 2020

- 1) RHB Finance Hong Kong Limited

On 22 December 2020

- 1) RHB Asset Management Limited;
- 2) RHB Capital Hong Kong Limited; and
- 3) RHB Wealth Management Hong Kong Limited

The dissolution and commencement of Member's Voluntary Winding Up do not have any material effect on the earnings and net assets of the Group for the financial year.

(b) 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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

Current Year (continued)

(c) Disposal of RHB Securities Singapore Pte Ltd ('RHBSS')

On 29 June 2020, the Bank has entered into a conditional share purchase agreement with Phillip Securities Pte. Ltd. ('Purchaser') in respect of the disposal of its entire equity interest in RHBSS, a wholly owned subsidiary of the Bank ('Disposal').

Prior to the completion of the Disposal, RHBSS undertook a corporate exercise to transfer the following business and assets to RHB Bank Berhad ('Business Transfer'):

- (i) entire equity interests of RHBSS's wholly-owned subsidiaries, which comprise of RHB Nominees Singapore Pte Ltd, Summit Nominees Singapore Pte Ltd and RHB Research Institute Singapore Pte Ltd; and
- (ii) the client coverage team, research and advisory services in relation to corporate finance, mergers and acquisitions, equity capital markets and institutional equities sales (collectively referred to as the ('Capital Market Services Business'); and
- (iii) other assets and liabilities in respect of item (i) above.

The Disposal is conditional upon the completion of the Business Transfer but not vice versa.

With the Disposal, the Bank will be in a position to better serve its wholesale clients in Singapore with the transfer of the Capital Market Services Business to RHB Bank Singapore. The increasingly competitive broking environment has made it no longer viable for RHBSS to continue its stock broking business.

The Business Transfer and the Disposal were completed on 31 August 2020 and 11 September 2020 respectively, following approvals from the relevant regulatory authorities in Malaysia and Singapore.

(i) Effects of Business Transfer

The Business Transfer which was based on the respective carrying value of the identified business, assets and liabilities of SGD20,572,000 (equivalent to RM62,798,000).

The cash flows and net assets in relation to the Business Transfer are as below:

	<u>Note</u>	<u>RM'000</u>
Other assets		709
Right of use assets	15	55
Property, plant and equipment	16	33
Other intangible assets	17(b)	3
Other liabilities		(1,320)
Lease liabilities		(56)
Goodwill	17(a)	46,443
Total net liabilities derecognised		45,867
Gain arising from business transfer		17,046
Exchange differences		(115)
Cash inflow from Business Transfer		62,798

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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

Current Year (continued)

(c) Disposal of RHB Securities Singapore Pte Ltd ('RHBSS') (continued)

(ii) Effect of Disposal

The Disposal consideration which was based on the net tangible assets of RHBSS preceding the completion date and adjustments mutually agreed between the Bank and the Purchaser, was settled partially via cash and a set-off against intercompany balances owing by the Bank to RHBSS arising from the Business Transfer.

Following the completion of disposal of the entire equity interest in RHBSS, the Bank recorded a loss on disposal of RM7,685,000 as disclosed in Note 32.

The Group had accounted for the Disposal of RHBSS as a discontinued operation in accordance with MFRS 5 'Non current Assets Held for Sale and Discontinued Operations'. Financial information relating to the discontinued operation is as follows:

(a) Cash flows and net assets of RHBSS on completion date

	Note	RM'000
Cash and short-term funds		37,327
Loans and advances	7(h)	61,554
Net clients' and brokers' balances		82,344
Other assets		115,436
Derivative assets		23
Right of use assets	15	3,466
Property, plant and equipment	16	3,277
Other intangible assets	17(b)	2,783
Other liabilities		(9,585)
Lease liabilities		(3,598)
Borrowings		(6,177)
Total net assets derecognised		<u>286,850</u>
Less: Realisation of foreign exchange reserve and net investment hedge		(50,895)
Gain on disposal of a subsidiary		30,309
Sales consideration		266,264
Less: Contingent consideration		(17,228)
Less: Non cash consideration		(12,991)
Less: Deed of Set-Off on proceeds from Business Transfer		(62,798)
Sales consideration received in cash		173,247
Less: Cash and short term fund of the subsidiary disposed		(37,327)
Exchange differences		281
Cash inflow on disposal of a subsidiary		<u>136,201</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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

Current Year (continued)

(c) Disposal of RHB Securities Singapore Pte Ltd ('RHBSS') (continued)

(ii) Effect of Disposal (continued)

The Group had accounted for the Disposal of RHBSS as a discontinued operation in accordance with MFRS5 'Non current Assets Held for Sale and Discontinued Operations'. Financial information relating to the discontinued operation is as follows: (continued)

(b) Income Statements of discontinued operation

	Note	2020	2019
		RM'000	RM'000
Interest income		4,348	9,526
Interest expense		(709)	(2,440)
Net interest income		3,639	7,086
Fee and commission income		35,938	51,572
Fee and commission expense		(937)	(1,158)
Other operating income		25,315	2,913
		63,955	60,413
Other operating expenses		(62,785)	(86,869)
Operating profit/(loss) before allowances		1,170	(26,456)
Allowance made for expected credit losses		(937)	(2,718)
Impairment loss on other non-financial assets		-	(17,505)
Profit/(Loss) before taxation of discontinued operation		233	(46,679)
Taxation	37	1,531	(328)
Gain on disposal of a subsidiary		30,309	-
Profit/(Loss) after tax from discontinued operation		32,073	(47,007)

(c) Statements of Comprehensive Income

	2020	2019
	RM'000	RM'000
Profit/(Loss) from discontinued operation	32,073	(47,007)
Other comprehensive (loss)/income in respect of:		
Items that will be reclassified subsequently to income statement		
- Realisation of foreign exchange reserve and net investment hedge from discontinued operation	(50,895)	222
Other comprehensive (loss)/income, net of tax for the financial year	(50,895)	222
Total comprehensive loss for discontinued operation for the financial year	(18,822)	(46,785)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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

Current Year (continued)

(c) Disposal of RHB Securities Singapore Pte Ltd ('RHBSS') (continued)

(ii) Effect of Disposal (continued)

The Group had accounted for the Disposal of RHBSS as a discontinued operation in accordance with MFRS5 'Non current Assets Held for Sale and Discontinued Operations'. Financial information relating to the discontinued operation is as follows: (continued)

(d) Statements of Cash Flows

	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Net cash inflow from operating activities	27,134	28,999
Net cash inflow/(outflow) from investing activities	62,213	(1,899)
Net cash outflow from financing activities	(74,912)	(22,736)
Net increase in cash generated	<u>14,435</u>	<u>4,364</u>

(d) The World Health Organization declared the outbreak of Coronavirus disease (COVID-19) as a global pandemic in March 2020. The direct and indirect effects of the COVID-19 outbreak have impacted the global economy, markets and the Group's counterparties and clients. During the year and up to the date of the report, there is no material impact arising from the COVID-19 on the carrying amounts of the Group and the Bank's assets and liabilities. The Group continues to monitor the development and impact to its operations, if any.

Prior Year

(e) 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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

Prior Year (continued)

- (e) 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:

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

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

	<u>Note</u>	<u>RM'000</u>
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	16	30
Other liabilities		<u>(18)</u>
Total identifiable net assets		32,519
Less: Fair value of previously held equity interest		(15,934)
Goodwill arising from acquisition		4,815
Cash consideration		<u><u>21,400</u></u>

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

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

- (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.

- (f) 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 Ordinance.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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

Prior Year (continued)

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

The Bank undertook 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 was absorbed by its immediate holding company, RHB 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 included 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.

On 30 September 2020, RHBRI commenced the application for Member's Voluntary Winding Up pursuant to Section 439(1)(b) of the Companies Act 2016. The Member's Voluntary Winding Up do not have any material effect on the earnings and net assets of the Group for the financial year.

- (h) 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.

50 CONTINGENT LIABILITIES

During the financial year, the Group has contingent liabilities amounting to approximately RM76,968,000 (2019: RM50,258,000) in respect of litigation. As the cases are still preliminary and cannot estimate the reliable exposure, no provision is recognised in the financial statements at this juncture.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

51 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

(a) A special resolution has been passed on 12 January 2021 for the Bank to reduce its issued and paid up ordinary share capital ('Proposed Capital Repayment') pursuant to Section 117 of Companies Act 2016 ('CA 2016'), by way of:-

- (i) cancellation of 20,000,000 ordinary shares in the Bank which are held by RHB Bank Berhad resulting in the total number of issued ordinary shares in the Bank being reduced from 100,000,000 ordinary shares to 80,000,000 ordinary shares; and
- (ii) reduction of the Bank's share capital from RM1,487,773,000 to RM1,220,000,000 by repaying the surplus capital of the amount of RM267,773,000 to RHB Bank Berhad.

Upon the elapsed time as required under CA 2016, the Bank shall make the necessary lodgments with the Companies Commission of Malaysia ('CCM') for the Proposed Capital Repayment.

The reduction of the share capital shall take effect upon CCM issuing a confirmation notice.

(b) On 13 January 2021, the Government of Malaysia reintroduced the movement control order to curb the soaring number of Covid-19 cases. The lock down may have a negative impact on the Group's and Bank's results of operation, similar to the areas highlighted in Note 49(d). The Group and the Bank are not able to predict the potential future direct or indirect effects resulted from the movement control order. However, the Group and the Bank are taking actions to mitigate the impacts, and will continue to closely monitor the impact and the related risks as they evolve.

52 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 RM3,129,512,000 and RM2,765,490,000 (2019: RM1,901,389,000 and RM1,394,913,000) respectively, are not recognised in the financial statements as the Group and the Bank held them in a fiduciary capacity.

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**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 7 to 214 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 2020 and financial performance of the Group and of the Bank for the financial year ended 31 December 2020 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 23 February 2021.



TAN SRI AZLAN BIN MOHD ZAINOL
CHAIRMAN



CHIN YOONG KHEONG
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Kuala Lumpur
23 February 2021

**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 7 to 214 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 23 February 2021.

COMMISSIONER FOR OATHS
Kuala Lumpur
23 February 2021



No. 86, Jalan Putra
50350 Kuala Lumpur 215



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 2020, 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 2020 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 7 to 214.

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’ International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, 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.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF RHB INVESTMENT BANK BERHAD (CONTINUED)
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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.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF RHB INVESTMENT BANK BERHAD (CONTINUED)
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 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
LLP0014401-LCA & AF 1146
Chartered Accountants

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

Kuala Lumpur
23 February 2021