



RHB Bank Berhad (6171 - M)

Level 10, Tower One, RHB Centre, Jalan Tun Razak,

50400 Kuala Lumpur, Malaysia

TEL +603 9285 2233 FAX +603 2142 7568

**RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	Note	4th Quarter Ended		Twelve Months Ended	
		31 December	31 December	31 December	31 December
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Group					
Interest income	A8	2,075,220	1,926,824	8,015,172	7,705,830
Interest expense	A9	(1,177,604)	(1,034,630)	(4,359,938)	(4,184,023)
Net interest income		897,616	892,194	3,655,234	3,521,807
Other operating income	A10	448,264	519,700	1,722,052	1,783,691
Income from Islamic Banking business	A31(b)	386,712	255,227	1,428,327	1,078,877
Net income		1,732,592	1,667,121	6,805,613	6,384,375
Other operating expenses	A11	(870,377)	(846,883)	(3,357,655)	(3,184,181)
Operating profit before allowances		862,215	820,238	3,447,958	3,200,194
Allowance for credit losses on financial assets	A12	(64,154)	(218,785)	(306,002)	(642,789)
Impairment losses (made)/written back on other non-financial assets		(23,000)	336	(23,000)	336
		775,061	601,789	3,118,956	2,557,741
Share of results of joint ventures		35	90	99	391
Profit before taxation		775,096	601,879	3,119,055	2,558,132
Taxation	B5	(207,541)	(139,775)	(810,143)	(602,092)
Net profit for the financial period/year		567,555	462,104	2,308,912	1,956,040
Attributable to:					
- Equity holders of the Bank		565,425	460,077	2,305,196	1,950,145
- Non-controlling interests		2,130	2,027	3,716	5,895
		567,555	462,104	2,308,912	1,956,040
Earnings per share (sen)					
- Basic	B12	14.1	11.5	57.5	48.6
- Diluted	B12	14.1	11.5	57.5	48.6

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



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	4th Quarter Ended		Twelve Months Ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Group				
Net profit for the financial period/year	567,555	462,104	2,308,912	1,956,040
Other comprehensive income/(loss) in respect of:				
(i) Items that will not be reclassified to profit or loss:				
(a) Actuarial gain on defined benefit plan of subsidiaries	7,219	481	8,193	891
(b) Equity instruments designated at fair value through other comprehensive income ('FVOCI')				
- Net loss on disposal	-	-	(1,440)	-
- Unrealised net gain/(loss) on revaluation	(70)	-	33,720	-
(ii) Items that will be reclassified subsequently to profit or loss:				
(a) Foreign currency translation reserves				
- Currency translation differences	(8,381)	(142,539)	56,809	(273,138)
- Net investment hedge	(3,813)	8,869	(1,620)	12,773
(b) Financial investments available-for-sale ('AFS')				
- Unrealised net gain/(loss) on revaluation	-	(10,279)	-	168,711
- Net transfer to income statements on disposal or impairment	-	(2,439)	-	86,567
(c) Debt instruments measured at FVOCI				
- Unrealised net gain/(loss)	(1,387)	-	74,910	-
- Net transfer to income statements on disposal	(2,225)	-	(72,067)	-
- Changes in expected credit losses and exchange differences	(2,639)	-	(2,639)	-
Income tax relating to components of other comprehensive (income)/loss	463	3,491	(8,358)	(60,078)
Other comprehensive income/(loss), net of tax, for the financial period/year	(10,833)	(142,416)	87,508	(64,274)
Total comprehensive income for the financial period/year	556,722	319,688	2,396,420	1,891,766
Total comprehensive income attributable to:				
- Equity holders of the Bank	554,456	317,768	2,392,716	1,886,129
- Non-controlling interests	2,266	1,920	3,704	5,637
	556,722	319,688	2,396,420	1,891,766

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



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	4th Quarter Ended		Twelve Months Ended	
		31 December	31 December	31 December	31 December
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Bank					
Interest income	A8	2,055,439	1,910,289	7,954,609	7,592,080
Interest expense	A9	(1,137,176)	(1,011,137)	(4,213,342)	(4,079,559)
Net interest income		918,263	899,152	3,741,267	3,512,521
Other operating income	A10	266,061	345,972	872,745	884,471
Income from Islamic Banking business	A31(b)	443	(6)	556	(6)
Net income		1,184,767	1,245,118	4,614,568	4,396,986
Other operating expenses	A11	(581,182)	(571,970)	(2,206,020)	(2,075,667)
Operating profit before allowances		603,585	673,148	2,408,548	2,321,319
Allowance for credit losses	A12	(50,381)	(188,486)	(172,831)	(472,076)
Profit before taxation		553,204	484,662	2,235,717	1,849,243
Taxation	B5	(146,181)	(95,381)	(601,474)	(414,674)
Net profit for the financial period/year		407,023	389,281	1,634,243	1,434,569

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



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	4th Quarter Ended		Twelve Months Ended	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Bank				
Net profit for the financial period/year	407,023	389,281	1,634,243	1,434,569
Other comprehensive income/(loss) in respect of:				
(i) Items that will not be reclassified to profit or loss:				
(a) Equity instruments designated at fair value through other comprehensive income ('FVOCI')				
- Net loss on disposal	-	-	(1,442)	-
- Unrealised net gain/(loss) on revaluation	(50)	-	30,631	-
(ii) Items that will be reclassified subsequently to profit or loss:				
(a) Foreign currency translation reserves				
- Currency translation differences	(8,999)	(42,318)	28,117	(56,726)
(b) Financial investments available-for-sale ('AFS')				
- Unrealised net gain/(loss) on revaluation	-	(919)	-	117,565
- Net transfer to income statements on disposal or impairment	-	865	-	86,719
(c) Debt instruments measured at FVOCI				
- Unrealised net gain/(loss)	(3,325)	-	52,139	-
- Net transfer to income statements on disposal	(1,767)	-	(66,690)	-
- Changes in expected credit losses and exchange differences	(2,887)	-	(2,887)	-
Income tax relating to components of other comprehensive (income)/loss	1,234	(2,104)	(3,719)	(51,603)
Other comprehensive income/(loss), net of tax, for the financial period/year	(15,794)	(44,476)	36,149	95,955
Total comprehensive income for the financial period/year	391,229	344,805	1,670,392	1,530,524

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



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	Group		Bank	
		As at	As at	As at	As at
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds		12,553,188	9,951,878	8,855,326	7,614,663
Deposits and placements with banks and other financial institutions		898,120	1,161,601	10,990,797	11,275,105
Financial assets at fair value through profit or loss ('FVTPL')	A13	3,800,649	2,564,269	1,891,771	828,006
Financial investments available-for-sale ('AFS')	A14	-	25,816,616	-	21,427,655
Financial investments held-to-maturity ('HTM')	A15	-	19,045,943	-	14,496,205
Financial assets at fair value through other comprehensive income ('FVOCI')	A16	32,577,833	-	27,584,376	-
Financial investments at amortised cost	A17	14,090,275	-	10,228,651	-
Loans, advances and financing	A18	165,629,774	158,301,463	108,216,146	109,530,317
Clients' and brokers' balances		943,056	1,599,594	-	-
Reinsurance assets		511,236	482,760	-	-
Other assets	A19	1,489,839	1,106,048	921,813	906,895
Derivative assets	B8	1,131,057	1,826,667	1,147,494	1,834,676
Statutory deposits		4,795,230	4,001,002	2,978,677	2,538,107
Tax recoverable		389,172	115,874	351,451	58,871
Deferred tax assets		79,191	36,072	32,490	-
Investments in subsidiaries		-	-	4,911,660	4,495,837
Investments in associates and joint ventures		25,352	48,253	-	-
Property, plant and equipment		999,962	1,013,710	753,531	756,434
Goodwill		2,649,307	2,649,307	1,651,542	1,651,542
Intangible assets		602,438	488,869	527,562	415,690
TOTAL ASSETS		243,165,679	230,209,926	181,043,287	177,830,003
LIABILITIES					
Deposits from customers	A20/B7(a)	178,856,330	166,865,031	127,145,222	121,237,748
Deposits and placements of banks and other financial institutions	A21/B7(a)	18,290,894	21,079,737	17,526,185	22,031,408
Obligations on securities sold under repurchase agreements		2,194,324	604,163	3,120,449	1,587,979
Bills and acceptances payable		301,603	302,152	247,552	286,751
Clients' and brokers' balances		841,782	1,369,395	-	-
General insurance contract liabilities		1,094,114	998,310	-	-
Other liabilities	A22	2,922,556	2,715,111	2,082,123	1,573,546
Derivative liabilities	B8	1,116,701	2,551,504	1,120,287	2,513,980
Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')		5,266,116	1,729,606	2,995,877	1,729,606
Tax liabilities		24,578	33,531	-	-
Deferred tax liabilities		2,308	19,698	-	14,467
Borrowings	B7(b)	1,182,885	1,153,719	981,849	978,068
Senior debt securities	B7(c)	3,323,664	3,252,581	3,323,664	3,252,581
Hybrid Tier-1 Capital Securities	B7(d)	603,221	602,666	608,235	607,678
Subordinated obligations	B7(e)	3,748,655	3,748,294	2,589,066	2,588,638
TOTAL LIABILITIES		219,769,731	207,025,498	161,740,509	158,402,450

Note:

Comparatives have not been restated as provided in the transitional provision of MFRS 9.

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



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2018

		Group		Bank	
		As at	As at	As at	As at
	Note	31 December	31 December	31 December	31 December
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
EQUITY					
Share capital		6,994,103	6,994,103	6,994,103	6,994,103
Reserves		16,363,884	16,155,611	12,308,675	12,433,450
Equity attributable to holders of the Bank		23,357,987	23,149,714	19,302,778	19,427,553
Non-controlling interests ('NCI')		37,961	34,714	-	-
TOTAL EQUITY		23,395,948	23,184,428	19,302,778	19,427,553
TOTAL LIABILITIES AND EQUITY		243,165,679	230,209,926	181,043,287	177,830,003
COMMITMENTS AND CONTINGENCIES	A27(a)	172,941,427	172,225,623	167,318,657	165,378,488
NET ASSETS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK (RM)		5.82	5.77		

Note:

Comparatives have not been restated as provided in the transitional provision of MFRS 9.

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



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	Note	Attributable to equity holders of the Bank							Non-controlling Interests	Total Equity
		Share Capital	Statutory Reserves	Regulatory Reserves	FVOCI Reserves	Translation Reserves	Other Reserves	Retained Profits		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2018										
- As previously reported	B10	6,994,103	513	1,797,903	275,937	628,753	23,331	13,429,174	23,149,714	23,184,428
- Effect of adoption of MFRS 9		-	-	(998,409)	74,850	258	-	(559,384)	(1,482,685)	(1,483,142)
- As restated		6,994,103	513	799,494	350,787	629,011	23,331	12,869,790	21,667,029	21,701,286
Net profit for the financial year		-	-	-	-	-	-	2,305,196	2,305,196	2,308,912
Foreign currency translation reserves:										
- Currency translation differences		-	-	-	(1)	56,884	-	-	56,883	56,809
- Net investment hedge		-	-	-	-	(1,620)	-	-	(1,620)	(1,620)
Financial assets measured at FVOCI:										
- Equity instruments										
- Unrealised net gain on revaluation		-	-	-	33,720	-	-	-	33,720	33,720
- Net loss on disposal		-	-	-	(608)	-	-	(832)	(1,440)	(1,440)
- Debt instruments										
- Unrealised net gain on revaluation		-	-	-	74,910	-	-	-	74,910	74,910
- Net transfer to income statements on disposal		-	-	-	(72,067)	-	-	-	(72,067)	(72,067)
- Changes in expected credit losses and exchange differences		-	-	-	(2,639)	-	-	-	(2,639)	(2,639)
Actuarial gain on defined benefit plan of subsidiaries		-	-	-	-	-	-	8,141	8,141	8,193
Income tax relating to components of other comprehensive (income)/loss		-	-	-	(7,994)	-	-	(374)	(8,368)	(8,358)
Other comprehensive income/(loss), net of tax, for the financial year		-	-	-	25,321	55,264	-	6,935	87,520	87,508
Total comprehensive income for the financial year		-	-	-	25,321	55,264	-	2,312,131	2,392,716	2,396,420
Dividends paid		-	-	-	-	-	-	(701,758)	(701,758)	(701,758)
Transfer from regulatory reserves		-	-	(549,807)	-	-	-	549,807	-	-
Balance as at 31 December 2018		6,994,103	513	249,687	376,108	684,275	23,331	15,029,970	23,357,987	23,395,948

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



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	Note	Attributable to equity holders of the Bank										
		Share Capital	Share Premium	Statutory Reserves	Regulatory Reserves	AFS Reserves	Translation Reserves	Other Reserves	Retained Profits	Total Shareholders' Equity	Non-controlling Interests	Total Equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2017		4,010,045	2,984,058	4,931,227	669,501	80,567	888,864	23,331	8,157,185	21,744,778	29,089	21,773,867
Net profit for the financial year		-	-	-	-	-	-	-	1,950,145	1,950,145	5,895	1,956,040
Foreign currency translation reserves:												
- Currency translation differences		-	-	-	-	-	(272,884)	-	-	(272,884)	(254)	(273,138)
- Net investment hedge		-	-	-	-	-	12,773	-	-	12,773	-	12,773
Financial investments AFS:												
- Unrealised net gain/(loss) on revaluation		-	-	-	-	168,722	-	-	-	168,722	(11)	168,711
- Net transfer to income statements on disposal or impairment		-	-	-	-	86,567	-	-	-	86,567	-	86,567
Actuarial gain on defined benefit plan of subsidiaries		-	-	-	-	-	-	-	882	882	9	891
Income tax relating to components of other comprehensive income		-	-	-	-	(59,919)	-	-	(157)	(60,076)	(2)	(60,078)
Other comprehensive income/(loss), net of tax, for the financial year		-	-	-	-	195,370	(260,111)	-	725	(64,016)	(258)	(64,274)
Total comprehensive income/(loss) for the financial year		-	-	-	-	195,370	(260,111)	-	1,950,870	1,886,129	5,637	1,891,766
Dividends paid		-	-	-	-	-	-	-	(481,205)	(481,205)	-	(481,205)
Transfer to share capital		2,984,058	(2,984,058)	-	-	-	-	-	-	-	-	-
Transfer from statutory reserves		-	-	(4,930,714)	-	-	-	-	4,930,714	-	-	-
Transfer to regulatory reserves		-	-	-	1,128,402	-	-	-	(1,128,402)	-	-	-
Accretion of interest in a subsidiary		-	-	-	-	-	-	-	12	12	(12)	-
Balance as at 31 December 2017		6,994,103	-	513	1,797,903	275,937	628,753	23,331	13,429,174	23,149,714	34,714	23,184,428

Note:

Comparatives have not been restated as provided in the transitional provision of MFRS 9.

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



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Bank	Note	Non-Distributable				Distributable	Total Equity
		Share Capital	Regulatory Reserves	FVOCI Reserves	Translation Reserves	Retained Profits	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2018							
- As previously reported		6,994,103	1,484,902	271,524	343,563	10,333,461	19,427,553
- Effect of adoption of MFRS 9	B10	-	(762,323)	68,933	-	(400,019)	(1,093,409)
- As restated		6,994,103	722,579	340,457	343,563	9,933,442	18,334,144
Net profit for the financial year		-	-	-	-	1,634,243	1,634,243
Foreign currency translation reserves:							
- Currency translation differences		-	-	-	28,117	-	28,117
Financial assets measured at FVOCI:							
- Equity instruments							
- Unrealised net gain on revaluation		-	-	30,631	-	-	30,631
- Net loss on disposal		-	-	(584)	-	(858)	(1,442)
- Debt instruments							
- Unrealised net gain on revaluation		-	-	52,139	-	-	52,139
- Net transfer to income statements on disposal		-	-	(66,690)	-	-	(66,690)
- Changes in expected credit losses and exchange differences		-	-	(2,887)	-	-	(2,887)
Income tax relating to components of other comprehensive income		-	-	(3,719)	-	-	(3,719)
Other comprehensive income/(loss), net of tax, for the financial year		-	-	8,890	28,117	(858)	36,149
Total comprehensive income for the financial year		-	-	8,890	28,117	1,633,385	1,670,392
Dividends paid		-	-	-	-	(701,758)	(701,758)
Transfer from regulatory reserves		-	(596,349)	-	-	596,349	-
Balance as at 31 December 2018		6,994,103	126,230	349,347	371,680	11,461,418	19,302,778

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



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Bank	Non-Distributable				Distributable		Total Equity RM'000	
	Share Capital RM'000	Share Premium RM'000	Statutory Reserves RM'000	Regulatory Reserves RM'000	AFS Reserves RM'000	Translation Reserves RM'000		Retained Profits RM'000
Balance as at 1 January 2017	4,010,045	2,984,058	3,784,558	461,870	118,843	400,289	6,618,571	18,378,234
Net profit for the financial year	-	-	-	-	-	-	1,434,569	1,434,569
Foreign currency translation reserves:								
- Currency translation differences	-	-	-	-	-	(56,726)	-	(56,726)
Financial investments AFS:								
- Unrealised net gain on revaluation	-	-	-	-	117,565	-	-	117,565
- Net transfer to income statements on disposal or impairment	-	-	-	-	86,719	-	-	86,719
Income tax relating to components of other comprehensive income	-	-	-	-	(51,603)	-	-	(51,603)
Other comprehensive income/(loss), net of tax, for the financial year	-	-	-	-	152,681	(56,726)	-	95,955
Total comprehensive income/(loss) for the financial year	-	-	-	-	152,681	(56,726)	1,434,569	1,530,524
Dividends paid	-	-	-	-	-	-	(481,205)	(481,205)
Transfer to share capital	2,984,058	(2,984,058)	-	-	-	-	-	-
Transfer from statutory reserves	-	-	(3,784,558)	-	-	-	3,784,558	-
Transfer to regulatory reserves	-	-	-	1,023,032	-	-	(1,023,032)	-
Balance as at 31 December 2017	6,994,103	-	-	1,484,902	271,524	343,563	10,333,461	19,427,553

Note:

Comparatives have not been restated as provided in the transitional provision of MFRS 9.

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



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Twelve Months Ended	
	31 December 2018	31 December 2017
	RM'000	RM'000
Group		
Cash flows from operating activities		
Profit before taxation	3,119,055	2,558,132
Adjustments for:		
Allowance for credit losses on loans, advances and financing	593,720	686,838
Allowance for credit losses on other financial assets	(3,975)	9,390
Property, plant and equipment:		
- Depreciation	119,721	119,342
- Loss/(Gain) on disposal	17	(50)
- Written off	763	727
Intangible assets:		
- Amortisation	100,714	81,009
- Written off	28	239
- Impairment losses written back	-	(336)
Impairment losses on investment in an associate	23,000	-
Net allowance (written back)/made on financial assets at FVOCI and financial investments at amortised cost/financial investments AFS and HTM	(12,444)	216,006
Share of results of joint ventures	(99)	(391)
Net gain on financial instruments	(181,910)	(149,345)
Dividend income	(48,315)	(53,923)
Interest expense on borrowings, senior debt securities, Hybrid Tier-1 Capital Securities and subordinated obligations	356,896	440,457
Other non-cash items	(1,841,414)	(1,765,244)
Operating profit before working capital changes	2,225,757	2,142,851
(Increase)/Decrease in operating assets:		
Securities purchased under resale agreements	-	1,270,272
Deposits and placements with banks and other financial institutions	271,195	146,280
Financial assets FVTPL	(203,238)	(140,564)
Loans, advances and financing	(9,697,218)	(7,137,119)
Clients' and brokers' balances	545,481	491,189
Other assets	365,107	1,720,579
Statutory deposits	(790,956)	209,050
	(9,509,629)	(3,440,313)
Increase/(Decrease) in operating liabilities:		
Deposits from customers	13,077,118	1,127,853
Deposits and placements of banks and other financial institutions	(3,497,147)	(861,868)
Obligations on securities sold under repurchase agreements	1,590,161	243,050
Bills and acceptances payable	1,155	(173,237)
Clients' and brokers' balances	(527,613)	(373,847)
Other liabilities	(835,292)	820,835
Recourse obligation on loans sold to Cagamas	3,536,510	(1,824,447)
	13,344,892	(1,041,661)
Cash generated from/(used in) operations	6,061,020	(2,339,123)
Interest paid	(346,899)	(449,329)
Net tax paid	(756,037)	(472,895)
Net cash generated from/(used in) operating activities	4,958,084	(3,261,347)

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



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Twelve Months Ended	
	31 December 2018	31 December 2017
	RM'000	RM'000
Group		
Cash flows from investing activities		
Net (purchase)/proceeds from disposal of financial assets at FVOCI and financial investments at amortised costs/financial investments AFS and HTM	(3,003,223)	1,520,951
Property, plant and equipment:		
- Purchase	(113,765)	(105,103)
- Proceeds from disposal	195	143
Intangible assets:		
- Purchase	(207,015)	(176,490)
Financial assets at FVOCI and financial investments at amortised costs/financial investments AFS and HTM:		
- Interest received	1,394,727	1,382,256
- Investment income received	254,931	261,034
Dividend income received from financial assets FVTPL and financial assets at FVOCI/financial investments AFS	48,315	53,923
Net cash (used in)/generated from investing activities	(1,625,835)	2,936,714
Cash flows from financing activities		
Drawdown of borrowings	4,178,437	2,475,972
Repayment of borrowings	(4,179,812)	(2,227,672)
Proceeds from issuance of subordinated notes	-	1,200,000
Redemption of subordinated notes	-	(2,995,000)
Redemption of senior debt securities	-	(2,173,766)
Dividends paid to equity holders of the Bank	(701,758)	(481,205)
Net cash used in financing activities	(703,133)	(4,201,671)
Net increase/(decrease) in cash and cash equivalents	2,629,116	(4,526,304)
Effects of exchange rate differences	12,926	(204,761)
Cash and cash equivalents:		
- at the beginning of the financial year	9,911,146	14,682,943
- at the end of the financial year	12,553,188	9,951,878
Cash and cash equivalents comprise the following:		
- Cash and short term funds	12,553,188	9,951,878

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



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Twelve Months Ended	
	31 December 2018	31 December 2017
	RM'000	RM'000
Bank		
Cash flows from operating activities		
Profit before taxation	2,235,717	1,849,243
Adjustments for:		
Allowance for credit losses on loans, advances and financing	441,823	514,421
Allowance for credit losses on other financial assets	935	-
Property, plant and equipment:		
- Depreciation	91,556	84,729
- Gain on disposal	(71)	(18)
- Written off	10	114
Intangible assets:		
- Amortisation	81,998	62,664
- Written off	-	239
Net allowance (written back)/made on financial assets at FVOCI and financial investments at amortised cost/financial investments AFS and HTM	(14,487)	214,219
Net gain on financial instruments	(115,035)	(62,153)
Dividend income	(11,915)	(103,590)
Interest expense on borrowings, senior debt securities, Hybrid Tier-1 Capital Securities and subordinated obligations	292,520	377,418
Other non-cash items	(1,328,027)	(1,406,592)
Operating profit before working capital changes	1,675,024	1,530,694
Decrease/(Increase) in operating assets:		
Securities purchased under resale agreements	-	1,257,914
Deposits and placements with banks and other financial institutions	284,460	(1,636,510)
Financial assets FVTPL	(75,256)	313,702
Loans, advances and financing	(287,358)	1,586,098
Other assets	605,011	2,362,562
Statutory deposits	(440,431)	286,669
	86,426	4,170,435
Increase/(Decrease) Increase in operating liabilities:		
Deposits from customers	6,376,021	(6,377,437)
Deposits and placements of banks and other financial institutions	(5,024,427)	(143,922)
Obligations on securities sold under repurchase agreements	1,532,470	(1,127,084)
Bills and acceptances payable	(39,281)	1,345
Other liabilities	(924,525)	(1,154,750)
Recourse obligation on loans sold to Cagamas	1,266,271	(1,009,205)
	3,186,529	(9,811,053)
Cash generated from/(used in) operations	4,947,979	(4,109,924)
Interest paid	(282,453)	(390,164)
Net tax paid	(581,093)	(273,408)
Net cash generated from/(used in) operating activities	4,084,433	(4,773,496)

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



RHB BANK BERHAD (6171-M)
INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Twelve Months Ended	
	31 December 2018	31 December 2017
	RM'000	RM'000
Bank		
Cash flows from investing activities		
Net (purchase)/proceeds from disposal of financial assets at FVOCI and financial investments at amortised costs/financial investments AFS and HTM	(2,861,030)	2,484,657
Property, plant and equipment:		
- Purchase	(93,302)	(80,881)
- Proceeds from disposal	99	104
Intangible assets:		
- Purchase	(189,577)	(148,414)
Interest received from financial assets at FVOCI and financial investments at amortised costs/financial investments AFS and HTM	1,340,677	1,307,474
Dividend income received from subsidiaries	97,959	2,375
Dividend income received from financial assets at FVOCI/financial investments AFS	2,656	6,515
Capital reduction in a subsidiary	-	862,523
Additional investments in subsidiaries	(415,823)	(17,701)
Net cash (used in)/generated from investing activities	(2,118,341)	4,416,652
Cash flows from financing activities		
Drawdown of borrowings	206,617	606,983
Repayment of borrowings	(217,462)	(277,195)
Proceeds from issuance of subordinated notes	-	750,000
Redemption of subordinated notes	-	(2,750,000)
Redemption of senior debt securities	-	(2,173,766)
Dividends paid to equity holders of the Bank	(701,758)	(481,205)
Net cash used in financing activities	(712,603)	(4,325,183)
Net increase/(decrease) in cash and cash equivalents	1,253,489	(4,682,027)
Effects of exchange rate differences	31,630	(133,580)
Cash and cash equivalents:		
- at the beginning of the financial year	7,570,207	12,430,270
- at the end of the financial year	8,855,326	7,614,663
Cash and cash equivalents comprise the following:		
- Cash and short term funds	8,855,326	7,614,663

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



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A1. Basis Of Preparation

The interim financial statements are audited and has been prepared in compliance with Malaysian Financial Reporting Standard ('MFRS') 134, 'Interim Financial Reporting' issued by Malaysian Accounting Standards Board ('MASB') and should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2017.

The accounting policies and presentation adopted by the Group and the Bank for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2017, except for the adoption of the following:

(a) Accounting standards, annual improvements and amendments to MFRS which are effective for annual periods beginning on or after 1 January 2018:

- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers'
- Annual Improvements to MFRS 2014-2016 Cycle:
 - Amendment to MFRS 128 'Investments in Associates and Joint Ventures'
 - Amendment to MFRS 4 'Insurance Contracts'
 - IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

The adoption of the above accounting standards, annual improvements and amendments do not give rise to any material financial impact to the Group and the Bank other than the effects and change in accounting policy arising from the adoption of MFRS 9 as disclosed in Note B10.

(b) Changes in regulatory requirements - Financial Reporting and Financial Reporting for Islamic Banking Institutions

On 2 February 2018, Bank Negara Malaysia ('BNM') issued the revised policy document on Financial Reporting and Financial Reporting for Islamic Banking Institutions which prescribes the regulatory reserves to be maintained by banking institutions.

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

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

The effect of this change is as disclosed in Note B10.

A2. Auditors' Report

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

A3. Seasonal Or Cyclical Factors

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

A4. Exceptional Or Unusual Items

There were no exceptional or unusual items for the financial year ended 31 December 2018.



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A5. Changes In Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect for the financial year ended 31 December 2018.

A6. Changes In Debt and Equity Securities

There were no issuances and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the financial year ended 31 December 2018.

A7. Dividends Paid

During the financial year ended 31 December 2018, the Bank paid the following dividends:

- (a) a final single-tier dividend of 10.0 sen per share in respect of the financial year ended 31 December 2017, amounting to RM401,005,000, on 19 June 2018; and
- (b) an interim single-tier dividend of 7.5 sen per share in respect of the financial year ended 31 December 2018, amounting to RM300,753,000, on 3 October 2018.

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the current financial year of 13.0 sen per share amounting to RM521,306,000 will be proposed for shareholders' approval.



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A8. Interest Income

Group	4th Quarter Ended		Twelve Months Ended	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Loans and advances	1,602,307	1,542,611	6,307,919	6,072,485
Money at call and deposits and placements with banks and other financial institutions	63,425	43,032	203,801	204,461
Securities purchased under resale agreements	-	-	-	1,572
Financial assets FVTPL	22,740	8,652	76,599	34,031
Financial investments AFS	-	183,427	-	756,523
Financial investments HTM	-	144,923	-	608,086
Financial assets at FVOCI - debt instruments	254,059	-	903,620	-
Financial investments at amortised cost	126,013	-	507,198	-
Others	6,676	4,179	16,035	28,672
	<u>2,075,220</u>	<u>1,926,824</u>	<u>8,015,172</u>	<u>7,705,830</u>
Of which:				
Interest income accrued on impaired financial assets	<u>47,973</u>	<u>33,877</u>	<u>124,809</u>	<u>152,064</u>
Bank				
Loans and advances	1,508,624	1,444,866	5,947,154	5,682,915
Money at call and deposits and placements with banks and other financial institutions	161,667	140,585	584,783	561,100
Securities purchased under resale agreements	-	-	281	1,305
Financial assets FVTPL	22,527	8,715	75,583	33,903
Financial investments AFS	-	174,375	-	703,273
Financial investments HTM	-	138,753	-	588,636
Financial assets at FVOCI - debt instruments	245,336	-	867,508	-
Financial investments at amortised cost	113,983	-	466,955	-
Others	3,302	2,995	12,345	20,948
	<u>2,055,439</u>	<u>1,910,289</u>	<u>7,954,609</u>	<u>7,592,080</u>
Of which:				
Interest income accrued on impaired financial assets	<u>29,757</u>	<u>29,832</u>	<u>105,785</u>	<u>133,037</u>



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A9. Interest Expense

Group	4th Quarter Ended		Twelve Months Ended	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	134,426	117,292	579,047	440,346
Deposits from customers	913,579	793,489	3,299,980	3,190,544
Obligations on securities sold under repurchase agreements	5,654	528	6,730	2,347
Recourse obligation on loans sold to Cagamas	33,727	20,179	123,205	104,828
Subordinated obligations	36,938	54,543	146,544	220,856
Senior debt securities	23,253	22,999	90,064	120,906
Hybrid Tier-1 Capital Securities	11,402	11,392	45,220	45,186
Borrowings	11,250	5,186	38,118	20,436
Others	7,375	9,022	31,030	38,574
	1,177,604	1,034,630	4,359,938	4,184,023
Bank				
Deposits and placements of banks and other financial institutions	136,533	134,607	590,403	511,682
Deposits from customers	873,905	749,479	3,154,346	2,996,731
Obligations on securities sold under repurchase agreements	13,863	12,674	24,624	53,060
Recourse obligation on loans sold to Cagamas	33,727	20,179	123,205	104,828
Subordinated obligations	31,973	47,749	126,844	198,595
Senior debt securities	23,253	22,998	90,064	120,906
Hybrid Tier-1 Capital Securities	11,488	11,479	45,558	45,525
Borrowings	7,997	3,649	30,054	12,392
Others	4,437	8,323	28,244	35,840
	1,137,176	1,011,137	4,213,342	4,079,559



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A10. Other Operating Income

Group	4th Quarter Ended		Twelve Months Ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Fee income				
- Service charges and fees	52,119	44,852	174,422	171,431
- Commission	43,667	40,810	163,773	155,174
- Guarantee fees	7,344	9,791	37,282	48,318
- Commitment fees	11,664	11,124	47,835	47,898
- Net brokerage income	60,030	74,479	272,395	319,211
- Fund management fees	52,727	59,268	221,021	235,097
- Unit trust fee income	9,045	16,859	52,951	108,509
- Corporate advisory fees	10,464	13,091	46,178	48,359
- Underwriting and arrangement fees	1,551	13,744	7,214	38,921
- Other fee income	16,841	16,012	69,872	62,897
	265,452	300,030	1,092,943	1,235,815
- Fee and commission expenses	(28,241)	(41,608)	(133,371)	(196,094)
	237,211	258,422	959,572	1,039,721
Net gain/(loss) arising from financial assets FVTPL				
- Net (loss)/gain on disposal	(9,323)	24,553	(13,965)	27,599
- Unrealised net (loss)/gain on revaluation	(33,743)	(10,323)	(31,824)	35,575
- Dividend income	11,450	2,335	44,938	14,848
	(31,616)	16,565	(851)	78,022
Net gain on revaluation of derivatives	17,829	30,404	121,431	77,542
Net gain on fair values hedges	13	398	56	115
Net gain arising from financial investments AFS				
- Net gain on disposal	-	27,374	-	51,494
- Dividend income	-	12,780	-	39,075
	-	40,154	-	90,569
Net gain arising from financial investments HTM				
- Net gain on early redemption	-	180	-	13,866
Net gain arising from derecognition of financial investments at amortised cost	-	-	275	-
Net gain arising from financial assets at FVOCI				
- Net gain on debt instruments on disposal	12,646	-	98,798	-
- Dividend on equity instruments	713	-	3,377	-
	13,359	-	102,175	-



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A10. Other Operating Income (continued)

	4th Quarter Ended		Twelve Months Ended	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
Group (continued)	RM'000	RM'000	RM'000	RM'000
Other income				
Net foreign exchange gain	136,083	113,143	315,203	236,464
Insurance underwriting surplus before management expenses	61,078	45,662	165,294	190,497
(Loss)/Gain on disposal of property, plant and equipment	(135)	-	(17)	50
Rental income	92	1,029	2,006	3,618
Other operating income	11,283	11,749	50,945	42,671
Other non-operating income	3,067	1,994	5,963	10,556
	<u>211,468</u>	<u>173,577</u>	<u>539,394</u>	<u>483,856</u>
	<u>448,264</u>	<u>519,700</u>	<u>1,722,052</u>	<u>1,783,691</u>
	4th Quarter Ended		Twelve Months Ended	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
Bank	RM'000	RM'000	RM'000	RM'000
Fee income				
- Service charges and fees	45,750	38,810	153,730	148,311
- Commission	46,189	45,554	181,643	173,944
- Guarantee fees	7,074	9,755	34,659	46,372
- Commitment fees	10,730	10,331	42,754	44,986
- Other fee income	5,580	5,571	21,580	21,128
	<u>115,323</u>	<u>110,021</u>	<u>434,366</u>	<u>434,741</u>
Net gain/(loss) arising from financial assets FVTPL				
- Net gain/(loss) on disposal	(73)	(3,076)	5,533	(27,491)
- Unrealised net (loss)/gain on revaluation	(2,413)	(14,458)	(12,615)	24,890
	<u>(2,486)</u>	<u>(17,534)</u>	<u>(7,082)</u>	<u>(2,601)</u>
Net gain/(loss) on revaluation of derivatives	(10,281)	3,090	44,285	893
Net gain/(loss) on fair values hedges	13	(4)	56	115
Net gain arising from financial investments AFS				
- Net gain on disposal	-	27,372	-	49,880
- Dividend income	-	4,445	-	6,515
	<u>-</u>	<u>31,817</u>	<u>-</u>	<u>56,395</u>
Net gain arising from financial investments HTM				
- Net gain on early redemption	-	180	-	13,866



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A10. Other Operating Income (continued)

	4th Quarter Ended		Twelve Months Ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Bank (continued)	RM'000	RM'000	RM'000	RM'000
Net gain arising from derecognition of financial investments at amortised cost	-	-	247	-
Net gain arising from financial assets at FVOCI				
- Net gain on debt instruments on disposal	12,603	-	77,529	-
- Dividend income	586	-	2,656	-
	<u>13,189</u>	<u>-</u>	<u>80,185</u>	<u>-</u>
Dividend income from subsidiaries	-	97,075	9,259	97,075
Other income				
Net foreign exchange gain	136,182	107,082	249,128	231,877
Gain on disposal of property, plant and equipment	9	-	71	18
Rental income	3,082	3,112	12,211	11,915
Other operating income	10,212	10,557	46,871	38,359
Other non-operating income	818	576	3,148	1,818
	<u>150,303</u>	<u>121,327</u>	<u>311,429</u>	<u>283,987</u>
	<u>266,061</u>	<u>345,972</u>	<u>872,745</u>	<u>884,471</u>



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A11. Other Operating Expenses

Group	4th Quarter Ended		Twelve Months Ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, allowances and bonuses	395,744	386,332	1,588,204	1,493,490
- Defined contribution plan	55,131	53,525	221,348	209,817
- Other staff related costs	58,094	51,032	195,774	163,503
	<u>508,969</u>	<u>490,889</u>	<u>2,005,326</u>	<u>1,866,810</u>
Establishment costs				
- Property, plant and equipment:				
- Depreciation	30,298	30,744	119,721	119,342
- Written off	752	69	763	727
- Intangible assets:				
- Amortisation	27,674	23,172	100,714	81,009
- Written off	-	-	28	239
- Rental of premises	24,945	26,769	105,585	105,416
- Rental of equipment	3,723	3,644	13,475	13,335
- Insurance	8,200	6,804	32,291	30,792
- Water and electricity	8,572	8,031	31,454	30,301
- Repair and maintenance	9,131	9,682	31,610	32,333
- Security and escorting expenses	11,148	10,189	43,072	41,063
- Information technology expenses	63,226	62,550	253,815	230,648
- Others	2,053	2,759	8,514	13,959
	<u>189,722</u>	<u>184,413</u>	<u>741,042</u>	<u>699,164</u>
Marketing expenses				
- Sales commission	26,726	21,119	90,473	75,335
- Advertisement and publicity	28,987	21,860	64,868	67,112
- Others	21,712	28,868	89,285	107,331
	<u>77,425</u>	<u>71,847</u>	<u>244,626</u>	<u>249,778</u>
Administration and general expenses				
- Communication expenses	42,493	38,393	162,260	163,842
- Legal and professional fee	12,488	20,527	52,434	48,947
- Others	39,280	40,814	151,967	155,640
	<u>94,261</u>	<u>99,734</u>	<u>366,661</u>	<u>368,429</u>
	<u>870,377</u>	<u>846,883</u>	<u>3,357,655</u>	<u>3,184,181</u>



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A11. Other Operating Expenses (continued)

	4th Quarter Ended		Twelve Months Ended	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Bank				
Personnel costs				
- Salaries, allowances and bonuses	250,575	251,134	990,652	939,003
- Defined contribution plan	38,226	37,261	146,673	144,500
- Other staff related costs	40,604	35,476	108,415	96,310
	<u>329,405</u>	<u>323,871</u>	<u>1,245,740</u>	<u>1,179,813</u>
Establishment costs				
- Property, plant and equipment:				
- Depreciation	23,743	21,907	91,556	84,729
- Written off	-	-	10	114
- Intangible assets:				
- Amortisation	22,773	18,273	81,998	62,664
- Written off	-	-	-	239
- Rental of premises	14,388	14,515	57,762	59,040
- Rental of equipment	3,370	3,483	12,475	12,657
- Insurance	8,949	7,817	32,458	30,748
- Water and electricity	5,136	5,030	19,087	18,709
- Repair and maintenance	6,145	6,382	23,480	23,017
- Security and escorting expenses	11,288	9,989	42,564	40,080
- Information technology expenses	38,121	34,001	153,271	133,276
	<u>133,913</u>	<u>121,397</u>	<u>514,661</u>	<u>465,273</u>
Marketing expenses				
- Sales commission	16,838	17,011	59,107	59,471
- Advertisement and publicity	27,811	21,118	48,823	48,171
- Others	10,015	12,107	37,190	35,999
	<u>54,664</u>	<u>50,236</u>	<u>145,120</u>	<u>143,641</u>
Administration and general expenses				
- Communication expenses	25,253	24,068	96,575	95,873
- Legal and professional fee	12,221	29,762	113,615	103,029
- Others	25,726	22,636	90,309	88,038
	<u>63,200</u>	<u>76,466</u>	<u>300,499</u>	<u>286,940</u>
	<u>581,182</u>	<u>571,970</u>	<u>2,206,020</u>	<u>2,075,667</u>



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A12. Allowance for Credit Losses on Financial Assets

Group	4th Quarter Ended		Twelve Months Ended	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>Charge/(Writeback)</u>				
Loans, advances and financing:				
- Net charge	86,645	139,142	425,425	535,539
- Bad debts recovered	(69,996)	(68,511)	(271,299)	(269,445)
- Bad debts written off	60,069	44,140	168,295	151,299
	76,718	114,771	322,421	417,393
Financial assets at FVOCI	5,326	105,856	(1,165)	218,674
Financial investments at amortised cost	(11,911)	(1,256)	(11,279)	(2,668)
Other financial assets	(5,979)	(586)	(3,975)	9,390
	64,154	218,785	306,002	642,789
Bank				
<u>Charge/(Writeback)</u>				
Loans, advances and financing:				
- Net charge	73,129	108,949	295,255	376,853
- Bad debts recovered	(64,862)	(65,447)	(255,440)	(256,564)
- Bad debts written off	49,144	39,351	146,568	137,568
	57,411	82,853	186,383	257,857
Financial assets at FVOCI	4,612	105,856	(1,400)	215,014
Financial investments at amortised cost	(10,879)	(223)	(13,087)	(795)
Other financial assets	(763)	-	935	-
	50,381	188,486	172,831	472,076



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A13. Financial Assets at Fair Value Through Profit or Loss ('FVTPL')

	Group		Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
	RM'000	RM'000	RM'000	RM'000
Mandatory measured at fair value				
<u>Money market instruments:</u>				
Malaysian Government Securities	745,056	263,769	745,056	263,769
Malaysian Government Treasury Bills	24,411	16,559	24,411	16,559
Malaysian Government Investment Issues	813,898	548,495	539,672	375,959
Bank Negara Malaysia Monetary Notes	24,873	-	24,873	-
Cagamas bonds	-	20,198	-	20,198
<u>Quoted securities:</u>				
<u>In Malaysia</u>				
Shares, exchange traded funds and warrants	111,544	257,230	-	-
Unit trusts	67,553	81,772	-	-
Corporate bond/sukuk	13,704	3,235	3,179	3,235
<u>Outside Malaysia</u>				
Shares, exchange traded funds and warrants	227,837	255,172	5,294	-
<u>Unquoted securities:</u>				
<u>In Malaysia</u>				
Corporate bond/sukuk	277,460	5,028	277,460	5,006
Unit trusts	785,212	609,672	-	-
<u>Outside Malaysia</u>				
Corporate bond/sukuk	271,826	143,280	271,826	143,280
Private equity funds	437,275	359,859	-	-
	3,800,649	2,564,269	1,891,771	828,006



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A14. Financial Investments Available-For-Sale ('AFS')

	Group As at 31 December 2017 RM'000	Bank As at 31 December 2017 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Securities	1,377,296	1,238,204
Malaysian Government Investment Issues	3,310,678	2,521,291
Cagamas bonds	238,437	207,952
Khazanah bonds	50,785	-
Wakala Global Sukuk	94,532	94,532
Negotiable instruments of deposits	121,436	121,436
Singapore Government Treasury Bills	935,009	935,009
Singapore Government Securities	1,348,580	1,348,580
Thailand Government bonds	734,094	734,094
Sukuk Perumahan Kerajaan	147,857	78,382
Malaysia Sovereign Sukuk	51,977	51,977
<u>Quoted securities:</u>		
In Malaysia		
Shares	3,506	-
Unit trusts	14,934	-
Outside Malaysia		
Shares	7,568	4,072
Unit trusts	41,530	-
<u>Unquoted securities:</u>		
In Malaysia		
Corporate bond/sukuk	13,319,105	10,323,291
Shares	658,245	623,253
Corporate loan stocks	19,689	19,689
Prasarana bonds	1,051,682	1,026,294
Perpetual notes/sukuk	388,059	187,440
Outside Malaysia		
Corporate bond/sukuk	2,408,955	2,408,955
Shares	390	-
	<u>26,324,344</u>	<u>21,924,451</u>
Accumulated impairment losses	<u>(507,728)</u>	<u>(496,796)</u>
	<u>25,816,616</u>	<u>21,427,655</u>



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A15. Financial Investments Held-To-Maturity ('HTM')

	Group As at 31 December 2017 RM'000	Bank As at 31 December 2017 RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Securities	1,303,583	1,303,583
Malaysian Government Investment Issues	5,296,360	4,503,836
Cagamas bonds	350,601	350,601
Khazanah bonds	105,673	72,312
Negotiable instruments of deposits	3,697,694	1,859,604
Wakala Global Sukuk	30,182	21,348
Sukuk Perumahan Kerajaan	111,098	101,113
Singapore Government Securities	61,086	61,086
Thailand Government Securities	13,166	13,166
Sukuk (Brunei) Incorporation	37,862	37,862
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate bond/sukuk	7,859,344	5,989,837
Corporate loan stocks	56,857	30,144
Prasarana bonds	283,708	233,579
<u>Outside Malaysia</u>		
Corporate bond/sukuk	20,603	20,603
	<u>19,227,817</u>	<u>14,598,674</u>
Accumulated impairment losses	(181,874)	(102,469)
	<u><u>19,045,943</u></u>	<u><u>14,496,205</u></u>

Included in financial investments HTM of the Group and the Bank as at 31 December 2017 were corporate bond/sukuk, which were pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM615,000,000 and RM1,600,000,000 respectively.



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A16. Financial Assets at FVOCI

	Group As at 31 December 2018 RM'000	Bank As at 31 December 2018 RM'000
At fair value		
(a) Debt instruments	31,900,621	26,946,919
(b) Equity instruments	677,212	637,457
	<u>32,577,833</u>	<u>27,584,376</u>
(a) Debt instruments		
<u>Money market instruments:</u>		
Malaysian Government Securities	3,043,129	2,914,403
Malaysian Government Investment Issues	4,317,009	3,235,390
Cagamas bonds	317,761	307,617
Khazanah bonds	52,942	-
Negotiable instruments of deposits	1,102,277	903,443
Other foreign government investment issues	20,633	20,633
Sukuk Perumahan Kerajaan	119,853	49,939
Singapore Government Securities	1,199,663	1,199,663
Thailand Government Securities	810,958	810,958
Singapore Government Treasury Bills	935,933	935,933
Singapore Housing Development Board	610,132	610,132
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate bond/sukuk	14,276,552	10,915,972
Perpetual notes/sukuk	102,750	102,750
Prasarana bonds	1,189,007	1,163,546
<u>Outside Malaysia</u>		
Corporate bond/sukuk	<u>3,802,022</u>	<u>3,776,540</u>
	<u>31,900,621</u>	<u>26,946,919</u>
(b) Equity instruments		
<u>Quoted securities:</u>		
<u>In Malaysia</u>		
Shares	514	-
<u>Outside Malaysia</u>		
Shares	2,082	-
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Shares	674,218	637,456
<u>Outside Malaysia</u>		
Shares	<u>398</u>	<u>1</u>
	<u>677,212</u>	<u>637,457</u>



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A16. Financial Assets at FVOCI (continued)

(a) Movement in credit impaired financial assets at FVOCI

	Group As at 31 December 2018 RM'000	Bank As at 31 December 2018 RM'000
Balance as at the beginning of the financial year		
- As previously reported	-	-
- Effect of adoption of MFRS 9	8,520	8,520
- As restated	8,520	8,520
Derecognition	(2,003)	(2,003)
Changes in market value/accrued interest	(2,336)	(2,336)
Exchange differences	1,071	1,071
Balance as at the end of the financial year	<u>5,252</u>	<u>5,252</u>

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

31 December 2018	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				
Balance as at the beginning of the financial year				
- As previously reported	-	-	-	-
- Effect of adoption of MFRS 9	58,128	794	-	58,922
- As restated	58,128	794	-	58,922
Transfer to 12-month ECL (Stage 1)	802	(802)	-	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	(238)	238	-	-
Allowance (written back)/made during the financial year	(11,908)	870	-	(11,038)
Purchases and origination	47,630	-	-	47,630
Derecognition and disposal	(36,964)	(793)	-	(37,757)
Exchange differences	(1,473)	(1)	-	(1,474)
Balance as at the end of the financial year	<u>55,977</u>	<u>306</u>	<u>-</u>	<u>56,283</u>

Bank

Balance as at the beginning of the financial year				
- As previously reported	-	-	-	-
- Effect of adoption of MFRS 9	52,371	794	-	53,165
- As restated	52,371	794	-	53,165
Allowance written back during the financial year	(10,753)	-	-	(10,753)
Purchases and origination	45,869	-	-	45,869
Derecognition and disposal	(35,723)	(793)	-	(36,516)
Exchange differences	(1,486)	(1)	-	(1,487)
Balance as at the end of the financial year	<u>50,278</u>	<u>-</u>	<u>-</u>	<u>50,278</u>



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A17. Financial Investments at Amortised Cost

	Group As at 31 December 2018 RM'000	Bank As at 31 December 2018 RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Securities	100,602	100,602
Malaysian Government Investment Issues	3,727,517	3,164,199
Cagamas bonds	1,152,842	934,517
Khazanah bonds	110,467	75,672
Wakala Global Sukuk	8,626	-
Sukuk Perumahan Kerajaan	111,065	101,066
Singapore Government Treasury bills	121,160	121,160
Singapore Government Securities	91,476	91,476
Sukuk (Brunei) Incorporation	39,425	39,425
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate bond/sukuk	8,667,354	5,647,529
Corporate loan stocks	27,023	860
Prasarana bonds	274,065	208,371
	<u>14,431,622</u>	<u>10,484,877</u>
Allowance for credit losses	<u>(341,347)</u>	<u>(256,226)</u>
	<u>14,090,275</u>	<u>10,228,651</u>

Included in financial investments at amortised cost of the Group and the Bank in 2018 are corporate bond/sukuk, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM2,040,000,000 and RM2,970,000,000 respectively.



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A17. Financial Investments at Amortised Costs (continued)

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

	Group As at 31 December 2018 RM'000	Bank As at 31 December 2018 RM'000
Balance as at the beginning of the financial year		
- As previously reported	-	-
- Effect of adoption of MFRS 9	144,100	64,695
- As restated	144,100	64,695
Derecognition	(2,771)	(1,430)
Changes in market value/accrued interest	(102)	(102)
Exchange differences	178	178
Balance as at the end of the financial year	<u>141,405</u>	<u>63,341</u>

(b) Movement in allowance for credit losses

31 December 2018	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				
Balance as at the beginning of the financial year				
- As previously reported	-	-	-	-
- Effect of adoption of MFRS 9	23,276	185,629	143,539	352,444
- As restated	23,276	185,629	143,539	352,444
Allowance (written back)/made during the financial year	17	(7,592)	(1,518)	(9,093)
Purchases and origination	14,981	-	-	14,981
Derecognition	(14,473)	(1,354)	(1,340)	(17,167)
Exchange differences	19	-	163	182
Balance as at the end of the financial year	<u>23,820</u>	<u>176,683</u>	<u>140,844</u>	<u>341,347</u>

Bank

Balance as at the beginning of the financial year				
- As previously reported	-	-	-	-
- Effect of adoption of MFRS 9	20,705	184,311	64,134	269,150
- As restated	20,705	184,311	64,134	269,150
Allowance written back during the financial year	(166)	(8,527)	(1,518)	(10,211)
Purchases and origination	10,929	-	-	10,929
Derecognition	(12,451)	(1,354)	-	(13,805)
Exchange differences	-	-	163	163
Balance as at the end of the financial year	<u>19,017</u>	<u>174,430</u>	<u>62,779</u>	<u>256,226</u>



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A18. Loans, Advances and Financing

(a) By type

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Overdrafts	6,786,330	6,471,039	5,770,136	5,610,819
Term loans/financing				
- Housing loans/financing	56,096,417	49,566,956	40,489,870	37,523,253
- Syndicated term loans/financing	6,475,098	6,409,437	2,993,804	3,171,702
- Hire purchase receivables/financing	9,441,182	9,316,262	2,195,103	3,130,528
- Lease receivables	715	3,455	-	-
- Other term loans/financing	68,123,168	67,121,063	45,025,256	47,294,834
Bills receivables	3,429,081	3,447,838	2,388,667	2,402,728
Trust receipts	587,595	560,934	564,973	541,284
Claims on customers under acceptance credits	3,293,614	3,464,404	3,293,614	3,464,404
Staff loans/financing	116,296	146,789	113,618	127,447
Credit/charge card receivables	2,149,984	2,094,608	1,865,814	1,827,031
Revolving credits/financing	12,379,047	11,521,125	5,970,550	5,733,738
Gross loans, advances and financing	168,878,527	160,123,910	110,671,405	110,827,768
Fair value changes arising from fair value hedges	2,840	3,531	1,873	2,735
	168,881,367	160,127,441	110,673,278	110,830,503
Less:				
- Allowance for credit losses	(3,251,593)	-	(2,457,132)	-
- Individual impairment allowance	-	(761,692)	-	(493,112)
- Collective impairment allowance	-	(1,064,286)	-	(807,074)
Net loans, advances and financing	165,629,774	158,301,463	108,216,146	109,530,317

Included in loans, advances and financing are housing loans, hire purchase receivables and other term loans/financing sold to Cagamas with recourse to the Group and the Bank amounting to RM4,926,536,000 (2017: RM1,593,068,000) and RM2,723,536,000 (2017: RM1,593,068,000) respectively.

(b) By type of customer

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions:				
- Others	4,002,667	3,222,619	544,223	538,467
Domestic business enterprises:				
- Small medium enterprises	27,215,078	27,333,435	22,858,685	24,048,771
- Others	27,079,712	28,770,957	14,813,073	15,863,860
Government and statutory bodies	6,966,868	5,952,097	1,941,949	1,947,074
Individuals	84,651,922	76,401,814	55,763,504	54,403,698
Other domestic entities	144,079	118,489	14,087	18,312
Foreign entities	18,818,201	18,324,499	14,735,884	14,007,586
	168,878,527	160,123,910	110,671,405	110,827,768



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A18. Loans, Advances and Financing (continued)

(c) By geographical distribution

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Malaysia	150,434,800	141,991,108	97,353,043	98,067,587
Labuan Offshore	2,483,266	2,813,607	-	-
Singapore	11,894,363	11,456,127	11,696,999	11,309,482
Thailand	1,628,349	1,566,795	1,453,771	1,297,959
Brunei	167,592	152,740	167,592	152,740
Indonesia	128,070	111,148	-	-
Hong Kong	88,022	170,649	-	-
Cambodia	1,822,861	1,650,403	-	-
Lao	231,204	211,333	-	-
	168,878,527	160,123,910	110,671,405	110,827,768

(d) By interest/profit rate sensitivity

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Housing loans/financing	534,779	585,855	101,320	113,242
- Hire purchase receivables/financing	5,464,754	7,583,002	2,195,103	3,130,528
- Other fixed rate loans/financing	18,188,907	17,887,103	9,559,918	8,036,358
Variable rate				
- Base lending/financing rate plus	102,592,662	94,279,009	67,621,594	66,264,428
- Cost-plus	30,492,993	30,805,844	25,317,549	27,987,482
- Other variable rates	11,604,432	8,983,097	5,875,921	5,295,730
	168,878,527	160,123,910	110,671,405	110,827,768



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A18. Loans, Advances and Financing (continued)

(e) By economic sector

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	3,739,027	4,636,416	2,461,618	2,907,175
Mining and quarrying	1,186,963	1,154,489	326,975	272,349
Manufacturing	8,453,566	8,589,318	6,613,596	6,810,028
Electricity, gas and water	2,191,232	2,304,182	1,795,537	1,908,591
Construction	12,155,342	11,039,039	7,801,936	7,826,427
Wholesale and retail trade and restaurant and hotel	12,852,649	11,521,445	10,596,310	9,554,468
Transport, storage and communication	7,886,642	8,375,796	3,026,887	3,231,028
Real estate	4,592,967	3,781,156	3,364,082	2,421,062
Finance, insurance and business services	15,123,493	16,026,747	10,265,837	11,777,761
Government and government agencies	5,456,807	4,301,239	1,941,949	1,947,074
Education, health and others	5,196,479	6,029,951	2,547,949	3,362,044
Household sector	88,914,861	81,028,604	59,260,651	58,083,176
Others	1,128,499	1,335,528	668,078	726,585
	168,878,527	160,123,910	110,671,405	110,827,768

(f) By purpose

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Purchase of securities	11,049,203	12,052,907	6,538,214	8,442,043
Purchase of transport vehicles	8,860,127	8,727,290	1,558,419	2,366,712
Purchase of landed property:				
- Residential	54,684,923	48,547,367	39,841,953	36,968,845
- Non-residential	18,035,783	17,120,395	14,001,746	13,513,090
Purchase of property, plant and equipment other than land and building	2,763,968	3,138,179	2,050,330	2,252,525
Personal use	10,329,313	9,023,193	6,696,533	6,224,880
Credit card	2,149,984	2,094,608	1,865,814	1,827,031
Purchase of consumer durables	15,956	20,439	15,956	20,238
Construction	7,276,962	7,007,002	5,376,007	5,270,528
Working capital	37,840,088	36,976,750	23,987,333	25,425,147
Merger and acquisition	2,858,468	3,037,916	1,429,580	1,545,552
Other purposes	13,013,752	12,377,864	7,309,520	6,971,177
	168,878,527	160,123,910	110,671,405	110,827,768



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A18. Loans, Advances and Financing (continued)

(g) By remaining contractual maturities

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	42,198,881	44,794,269	32,450,920	33,861,312
One year to three years	11,255,456	13,972,130	6,811,286	7,574,660
Three years to five years	13,171,605	10,789,675	6,731,774	6,699,923
Over five years	102,252,585	90,567,836	64,677,425	62,691,873
	168,878,527	160,123,910	110,671,405	110,827,768

(h) Impaired loans, advances and financing

(i) Movement in impaired loans, advances and financing

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of the financial year	-	3,749,949	-	2,719,127
- As previously reported	4,044,770	-	3,140,438	-
- Effect of adoption of MFRS 9	4,044,770	3,749,949	3,140,438	2,719,127
- As restated	(304,304)	-	(236,391)	-
Transfer to 12-month ECL (Stage 1)	(235,168)	-	(199,628)	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	951,593	-	700,325	-
Transfer to Lifetime ECL credit impaired (Stage 3)	-	4,121,726	-	3,471,543
Classified as impaired	-	(2,504,932)	-	(1,971,469)
Reclassified as non-impaired	599,037	-	511,037	-
Purchases and origination	(850,707)	-	(772,789)	-
Derecognition	-	(787,464)	-	(528,042)
Amount recovered	(727,464)	(946,957)	(584,161)	(887,533)
Amount written off	5,797	(64,534)	(3,625)	(19,156)
Exchange differences	3,483,554	3,567,788	2,555,206	2,784,470
Balance as at the end of the financial year				



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A18. Loans, Advances and Financing (continued)

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

(ii) By economic sector

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	67,839	67,014	42,726	41,095
Mining and quarrying	202,393	183,277	1,467	1,581
Manufacturing	478,806	474,311	337,886	357,347
Electricity, gas and water	89,747	61,788	32,175	31,524
Construction	305,692	673,448	221,789	632,724
Wholesale and retail trade and restaurant and hotel	359,494	436,655	268,985	329,192
Transport, storage and communication	455,837	311,404	445,785	300,151
Real estate	283,473	237,365	272,860	231,885
Finance, insurance and business services	78,583	125,747	58,247	74,827
Education, health and others	17,924	12,343	6,143	8,522
Household sector	1,109,278	982,253	862,454	775,224
Others	34,488	2,183	4,689	398
	3,483,554	3,567,788	2,555,206	2,784,470

(iii) By geographical distribution

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Malaysia	2,195,609	1,839,499	1,686,163	1,494,742
Labuan Offshore	285,737	275,857	-	-
Singapore	838,978	1,268,365	827,655	1,253,371
Thailand	33,682	37,295	25,031	28,865
Brunei	16,357	7,492	16,357	7,492
Cambodia	88,715	63,103	-	-
Hong Kong	16	69,800	-	-
Lao	24,460	6,377	-	-
	3,483,554	3,567,788	2,555,206	2,784,470



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

A18. Loans, Advances and Financing (continued)

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

(iv) Movement in allowance for credit losses

31 December 2018	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				
Balance as at the beginning of the financial year				
- As previously reported	-	-	-	-
- Effect of adoption of MFRS 9	513,570	925,900	1,803,107	3,242,577
- As restated	513,570	925,900	1,803,107	3,242,577
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to 12-month ECL (Stage 1)	210,496	(131,950)	(78,546)	-
- Transferred to Lifetime ECL not credit impaired (Stage 2)	(42,112)	87,737	(45,625)	-
- Transferred to Lifetime ECL credit impaired (Stage 3)	(12,056)	(45,327)	57,383	-
	156,328	(89,540)	(66,788)	-
Allowance made/(written back) during the financial year	(31,805)	250,854	724,343	943,392
Bad debts written off	-	-	(561,971)	(561,971)
Derecognition	(46,617)	(95,675)	(375,675)	(517,967)
Reclassification from financial assets at FVOCI	-	-	135,716	135,716
Exchange differences	435	3,065	6,346	9,846
Balance as at the end of the financial year	591,911	994,604	1,665,078	3,251,593



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

A18. Loans, Advances and Financing (continued)

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

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

31 December 2018	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
Bank				
Balance as at the beginning of the financial year				
- As previously reported	-	-	-	-
- Effect of adoption of MFRS 9	430,239	720,125	1,302,193	2,452,557
- As restated	430,239	720,125	1,302,193	2,452,557
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to 12-month ECL (Stage 1)	174,619	(108,172)	(66,447)	-
- Transferred to Lifetime ECL not credit impaired (Stage 2)	(27,641)	65,614	(37,973)	-
- Transferred to Lifetime ECL credit impaired (Stage 3)	(11,202)	(38,131)	49,333	-
	135,776	(80,689)	(55,087)	-
Allowance made/(written back) during the financial year	(43,162)	214,994	577,807	749,639
Bad debts written off	-	-	(427,029)	(427,029)
Derecognition	(33,154)	(80,650)	(340,580)	(454,384)
Reclassification from financial assets at FVOCI	-	-	135,716	135,716
Exchange differences	(291)	811	113	633
Balance as at the end of the financial year	489,408	774,591	1,193,133	2,457,132



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A18. Loans, Advances and Financing (continued)

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

(v) Movement in allowance for impaired loans, advances

	Group As at 31 December 2017 RM'000	Bank As at 31 December 2017 RM'000
Individual impairment allowance		
Balance as at the beginning of the financial year	999,328	827,505
Net allowance made	309,870	190,532
Amount written off	(517,524)	(514,721)
Exchange differences	(29,982)	(10,204)
Balance as at the end of the financial year	<u>761,692</u>	<u>493,112</u>
Collective impairment allowance		
Balance as at the beginning of the financial year	1,132,836	866,430
Net allowance made	225,669	186,321
Amount written off	(288,436)	(244,386)
Exchange differences	(5,783)	(1,291)
Balance as at the end of the financial year	<u>1,064,286</u>	<u>807,074</u>

A19. Other Assets

	Group As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	Bank As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Other receivables	1,091,121	663,468	343,376	239,555
Cash collateral in relation to derivative transactions	239,348	271,320	239,348	268,434
Deposits	53,400	71,620	30,495	31,773
Prepayments	105,970	99,640	61,840	53,931
Amounts due from subsidiaries	-	-	246,754	313,202
	<u>1,489,839</u>	<u>1,106,048</u>	<u>921,813</u>	<u>906,895</u>



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A20. Deposits from Customers

(a) By type of deposits

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Demand deposits	36,284,375	40,599,769	30,229,454	33,819,798
Savings deposits	10,107,052	9,861,321	8,404,126	8,302,388
Fixed/investment deposits	131,278,948	115,826,111	87,325,687	78,537,835
Negotiable instruments of deposits	1,185,955	577,830	1,185,955	577,727
	178,856,330	166,865,031	127,145,222	121,237,748

(b) By type of customer

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	11,817,181	8,947,445	4,631,954	4,634,166
Business enterprises	105,062,527	98,815,607	73,724,271	68,443,007
Individuals	56,325,426	53,968,119	43,595,983	43,546,269
Others	5,651,196	5,133,860	5,193,014	4,614,306
	178,856,330	166,865,031	127,145,222	121,237,748

(c) By maturity structure of fixed/investment deposits and negotiable instruments of deposits

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Due within six months	96,317,780	95,043,566	63,439,942	66,160,033
Six months to one year	33,947,548	20,406,629	23,149,265	12,010,770
One year to three years	1,299,374	435,387	1,113,157	428,470
Three years to five years	900,201	518,359	809,278	516,289
	132,464,903	116,403,941	88,511,642	79,115,562



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A21. Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Licensed banks	16,057,418	17,268,724	16,846,493	20,926,529
Licensed Islamic banks	1,598,865	2,945,973	3,256	5,912
Licensed investment banks	191,678	348,905	298,982	618,214
Bank Negara Malaysia	415,127	500,867	374,670	480,178
Other financial institutions	27,806	15,268	2,784	575
	18,290,894	21,079,737	17,526,185	22,031,408

A22. Other Liabilities

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Other creditors and accruals	1,612,110	1,123,886	1,214,257	514,606
Amount payable for redemption units	13,955	40,745	-	-
Contract liabilities	61,418	97,913	42,000	63,000
Short term employee benefits	383,495	368,423	288,683	257,227
Accrual for operational expenses	236,914	196,659	147,185	126,696
Prepaid instalments	47,328	55,079	47,189	54,609
Cash collateral pledged for derivative transactions	321,125	530,465	321,125	530,465
Remisiers' trust deposits	62,917	62,902	-	-
Amount due to trust funds	112,679	160,214	-	-
Amounts due to subsidiaries	-	-	21,684	26,943
Puttable instruments	70,615	78,825	-	-
	2,922,556	2,715,111	2,082,123	1,573,546



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A23. Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined its Management Committee as its chief operating decision-maker.

Pursuant to the Group's internal management reporting framework, the operations of RHB Insurance Berhad ("RHB Insurance") is now grouped under "Support Center and Others". RHB Insurance was previously categorised under "Group Retail Banking". Accordingly, the Group has restated the related corresponding segment information.

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

(a) Group Retail Banking

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

(b) Group Business Banking

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

(c) Group Wholesale Banking

(i) Group Corporate Banking and Group Investment Banking

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

Group Investment Banking provides services for advisory, fund raising in the structuring and issuance of debt securities and capital market instruments, corporate and debt restructuring, mergers and acquisitions, private placements, underwriting and structuring of bilateral lending, project financing, loans syndication, infrastructure financing, initial public offerings of equity related instruments, private placements and underwriting. This segment also covers facilities for equity share trading in local and foreign markets, share margin financing, futures broking products and services, custodian and nominee services, investment cash management and unit trust funds.

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

(ii) Group Treasury and Global Markets

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



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A23. Segmental Reporting (continued)

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

(d) Group International Business

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

(e) Support Center and Others

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

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



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A23. Segmental Reporting (continued)

Twelve months ended 31 December 2018

	<div> <div>←</div> <div>GWB</div> <div>→</div> </div>							
	Group Retail Banking	Group Business Banking	Group CBIB	Group Treasury and Global Markets	Group International Business	Support Center and Others	Inter- Segment Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	2,405,341	1,084,119	1,574,483	1,359,720	536,002	(154,052)	-	6,805,613
Inter-segment revenue	18,556	-	34,019	(10,289)	6,419	8,878	(57,583)	-
Segment revenue	2,423,897	1,084,119	1,608,502	1,349,431	542,421	(145,174)	(57,583)	6,805,613
Other operating expenses	(1,208,370)	(597,736)	(897,287)	(152,262)	(416,318)	(143,265)	57,583	(3,357,655)
Including:								
- Depreciation of property, plant and equipment	(57,804)	(17,534)	(22,262)	(2,615)	(16,610)	(2,896)	-	(119,721)
- Amortisation of intangible assets	(41,098)	(23,631)	(18,186)	(4,563)	(10,135)	(3,101)	-	(100,714)
Allowance for credit losses on financial assets	(212,848)	(88,678)	(94,463)	(8,364)	88,691	9,660	-	(306,002)
Impairment losses made on other non-financial assets	-	-	(22,912)	(88)	-	-	-	(23,000)
Segment profit/(loss)	1,002,679	397,705	593,840	1,188,717	214,794	(278,779)	-	3,118,956
Share of results of joint ventures								99
Profit before taxation								3,119,055
Taxation								(810,143)
Net profit for the financial year								2,308,912



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A23. Segmental Reporting (continued)

As at 31 December 2018

	←— GWB —→						
	Group Retail Banking	Group Business Banking	Group CBIB	Group Treasury and Global Markets	Group International Business	Support Center and Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	85,399,122	25,354,862	52,926,258	50,642,438	25,049,775	2,409,184	241,781,639
Investments in associates and joint ventures							25,352
Tax recoverable							389,172
Deferred tax assets							79,191
Unallocated assets							890,325
Total assets							<u>243,165,679</u>
Segment liabilities	52,510,894	25,901,243	54,095,596	56,427,360	20,089,033	1,313,292	210,337,418
Tax liabilities							24,578
Deferred tax liabilities							2,308
Borrowings							1,182,885
Senior debt securities							3,323,664
Hybrid Tier-1 Capital Securities							603,221
Subordinated obligations							3,748,655
Unallocated liabilities							547,002
Total liabilities							<u>219,769,731</u>



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A23. Segmental Reporting (continued)

Twelve months ended 31 December 2017

	<div>← GWB →</div>							
	Group Retail Banking	Group Business Banking	Group CBIB	Group Treasury and Global Markets	Group International Business	Support Center and Others	Inter- Segment Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	2,182,928	1,016,584	1,488,823	1,327,854	537,879	(169,693)	-	6,384,375
Inter-segment revenue	20,610	-	65,851	(52,102)	6,317	11,499	(52,175)	-
Segment revenue	2,203,538	1,016,584	1,554,674	1,275,752	544,196	(158,194)	(52,175)	6,384,375
Other operating expenses	(1,165,677)	(533,376)	(904,949)	(125,301)	(382,884)	(124,169)	52,175	(3,184,181)
Including:								
- Depreciation of property, plant and equipment	(60,240)	(12,864)	(26,115)	(1,964)	(15,379)	(2,780)	-	(119,342)
- Amortisation of intangible assets	(33,930)	(15,921)	(17,128)	(3,933)	(7,844)	(2,253)	-	(81,009)
Allowance for credit losses on financial assets	(77,876)	(90,718)	(79,410)	14,819	(410,751)	1,147	-	(642,789)
Impairment losses written back on other non-financial assets	-	-	-	-	-	336	-	336
Segment profit/(loss)	959,985	392,490	570,315	1,165,270	(249,439)	(280,880)	-	2,557,741
Share of results of joint ventures								391
Profit before taxation								2,558,132
Taxation								(602,092)
Net profit for the financial year								1,956,040



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A23. Segmental Reporting (continued)

As at 31 December 2017

	←— GWB —→						
	Group Retail Banking	Group Business Banking	Group CBIB	Group Treasury and Global Markets	Group International Business	Support Center and Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	77,185,915	24,134,440	59,842,186	40,599,762	25,643,884	2,183,279	229,589,466
Investments in associates and joint ventures							48,253
Tax recoverable							115,874
Deferred tax assets							36,072
Unallocated assets							420,261
Total assets							<u>230,209,926</u>
Segment liabilities	47,566,692	22,809,848	62,109,781	43,540,492	20,869,184	1,224,431	198,120,428
Tax liabilities							33,531
Deferred tax liabilities							19,698
Borrowings							1,153,719
Senior debt securities							3,252,581
Hybrid Tier-1 Capital Securities							602,666
Subordinated obligations							3,748,294
Unallocated liabilities							94,581
Total liabilities							<u>207,025,498</u>



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A24. Valuation of Property, Plant and Equipment

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

A25. Events Subsequent to Balance Sheet Date

There were no significant events subsequent to the balance sheet date that have not been reflected in the financial statements other than as disclosed below and Note B(6)(a):

(a) Proposed reorganisation of the equity, economic and fixed income and currencies research operations of RHB Research Institute Sdn Bhd ('RHBRI') into RHB Investment Bank and the Bank

RHB Investment Bank is proposing to undertake a reorganisation of its equity and economic research operations, currently housed under RHBRI, into a division within RHB Investment Bank, while their fixed income and currencies research function is to be absorbed by the Bank, subject to all applicable approvals ('Proposed Reorganisation'). RHBRI is currently a wholly-owned subsidiary of RHB Investment Bank.

The Proposed Reorganisation is intended to streamline the research operations under RHB Investment Bank and the Bank, and to rationalise the costs of maintaining a separate licensed entity for research.

The Proposed Reorganisation is subject to the approval of Securities Commission Malaysia and conditional upon the successful application for a variation in RHB Investment Bank's Capital Market Services Licence ('CMSL') to include the regulated activity of Investment Advice.

The Proposed Reorganisation will be effected via an Asset Purchase Agreement ('APA') to be entered into between RHB Investment Bank and RHBRI and will include a novation of contracts entered into by RHBRI and a transfer of employees. Similarly, the Bank and RHBRI propose to enter into an APA in relation to the transfer of assets.

Upon completion of the Proposed Reorganisation, the equity and economic research operations under RHBRI will become a division of RHB Investment Bank, whereas the fixed income and currencies research function will be absorbed by the Bank. RHBRI will thereafter surrender its CMSL and be wound up.

The Proposed Reorganisation will not have any effect on the issued capital and substantial shareholders' shareholdings of the Bank, and it is not expected to have any material effect on the earnings and net assets of the Bank and its subsidiaries for the financial year ending 31 December 2019.

(b) Issuance of USD300 million senior unsecured notes in nominal value ('Senior Notes') under the USD5 billion (or its equivalent in other currencies) Euro Medium Term Note Programme ('EMTN Programme') by the Bank

On 19 February 2019, the Bank completed its third issuance of USD300 million Senior Notes under the USD5 billion EMTN Programme which was established on 23 September 2014.

The Senior Notes rated A3 by Moody's Investors Service Inc and listed on the Singapore Exchange Securities Trading Limited and Labuan International Financial Exchange Inc, were priced at 5-year US Treasury +128 bps or a yield of 3.766% and will pay a coupon of 3.766% per annum. The Senior Notes have a tenure of 5 years from the issuance date and will mature on 19 February 2024.

The net proceeds from the issuance of the Senior Notes will be utilised by the Bank for general working capital purposes.



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A26. Changes in the Composition of the Group

There were no significant changes in the composition of the Group for the financial year ended 31 December 2018 other than the following:

- (a) The Bank has on 29 January 2018 injected additional capital of USD4,000,000 (equivalent to RM15,823,000) into its wholly-owned subsidiary, RHB Indochina Bank Limited ('RHB Indochina Bank'). As a result, the issued share capital of RHB Indochina Bank increased from USD71,000,000 to USD75,000,000.
- (b) The Bank has on 8 March 2018 injected additional capital of RM400,000,000 into its wholly-owned subsidiary, RHB Islamic Bank Berhad ('RHB Islamic Bank'). As a result, the paid up share capital of RHB Islamic Bank increased from RM1,273,424,002 to RM1,673,424,002.

- (c) On 5 October 2018, KYB Sdn Bhd, an indirect wholly-owned subsidiary of the Bank, has been dissolved.

The dissolution of KYB Sdn Bhd did not have any material effect on the earnings and net tangible assets of the Group for the financial year ended 31 December 2018.

- (d) RHB Trade Services Limited ('RHBTS'), a wholly-owned subsidiary of the Bank had on 12 October 2018, commenced the application for deregistration pursuant to Section 750 of the Hong Kong Companies Ordinance (Chapter 622). An application for deregistration will be submitted to the Hong Kong Companies Registry accordingly.

The deregistration of RHBTS will not have any material effect on the earnings and net assets of the Group for the financial year ended 31 December 2018.

- (e) RHB Fundamental Capital Hong Kong Limited, an indirect wholly-owned subsidiary of the Bank had on 5 December 2018, commenced the application for deregistration pursuant to Section 750 of the Hong Kong Companies Ordinance (Chapter 622). An application for deregistration will be submitted to the Hong Kong Companies Registry accordingly.

The deregistration of RHB Fundamental Capital Hong Kong Limited will not have any material effect on the earnings and net assets of the Group for the financial year ended 31 December 2018.



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A27. Changes In Contingent Liabilities Since The Last Annual Statements Of Financial Position

(a) Commitments and Contingencies

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

The commitments and contingencies comprise the following:

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	1,586,463	1,713,757	1,565,728	1,691,694
Transaction-related contingent items	5,189,623	5,241,528	4,861,283	4,997,587
Short term self-liquidating trade-related contingencies	1,096,962	1,062,958	1,055,709	975,179
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions, and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions	3,300,032	629,085	3,300,032	1,657,649
Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns	20,361	-	20,361	-
Irrevocable commitments to extend credit				
- Maturity less than one year	1,903,660	2,215,137	516,646	548,057
- Maturity more than one year	27,844,792	28,020,104	20,302,395	20,464,906
Foreign exchange related contracts [^]				
- Less than one year	75,290,044	72,013,970	77,918,858	73,557,981
- One year to less than five years	3,024,523	5,284,174	3,865,873	6,262,028
- More than five years	1,238,167	2,613,222	1,238,167	2,721,200
Equity related contracts [^]				
- Less than one year	-	7,262	-	-
Interest rate related contracts [^]				
- Less than one year	10,520,565	10,804,368	11,785,566	11,724,368
- One year to less than five years	17,225,565	15,171,523	17,815,564	15,596,523
- More than five years	9,642,534	11,825,636	10,327,534	11,825,636
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	15,058,136	15,622,899	12,744,941	13,355,680
	172,941,427	172,225,623	167,318,657	165,378,488

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



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A27. Changes In Contingent Liabilities Since The Last Annual Statements Of Financial Position (continued)

(b) Guarantees Issued by the Group and the Bank

	Group	
	As at	As at
	31 December	31 December
	2018	2017
	RM'000	RM'000
Corporate guarantee issued in favour of Monetary Authority of Singapore in relation to undertaking of subsidiaries	151,647	151,450
Corporate guarantee issued in favour of the Stock Exchange of Thailand in relation to a derivative warrant programme of a subsidiary	359	133
	152,006	151,583

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

A28. Capital Commitments

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Authorised and contracted for:				
- Property, plant and equipment	163,698	433,157	139,123	399,518
- Investment securities	8,845	40,905	-	-
	172,543	474,062	139,123	399,518



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A29. Capital Adequacy Ratio

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

With effect from 30 September 2018, RHB Islamic Bank migrates from Standardised Approach ('SA') to Internal Rating Based ('IRB') Approach for Credit Risk for its regulatory capital reporting. The comparative information on RHB Islamic Bank is not restated.

RHB Indochina Bank is subject to National Bank of Cambodia's capital adequacy requirements.

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

	Group		Bank[@]	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Common Equity Tier I ('CET I')/Tier I Capital				
Share capital	6,994,103	6,994,103	6,994,103	6,994,103
Retained profits	14,791,837	13,249,895	12,116,174	11,019,987
Other reserves	722,541	667,019	499,913	450,926
FVOCI/AFS reserves	319,844	275,224	299,322	272,449
	22,828,325	21,186,241	19,909,512	18,737,465
Less:				
Goodwill	(2,633,383)	(2,633,383)	(1,651,542)	(1,651,542)
Intangible assets (include associated deferred tax liabilities)	(563,693)	(447,837)	(504,752)	(390,769)
Deferred tax assets	(100,192)	(44,629)	(55,305)	(10,542)
55% of cumulative gains arising from change in value of FVOCI/AFS instruments	(175,914)	(151,373)	(164,627)	(149,847)
Investments in subsidiaries*	(127,779)	(120,542)	(4,711,343)	(3,436,416)
Other deductions [†]	(39,524)	(35,272)	(34,675)	(30,965)
Total CET I Capital	19,187,840	17,753,205	12,787,268	13,067,384
Hybrid Tier-1 Capital Securities**	240,000	300,000	240,000	300,000
Qualifying non-controlling interests recognised as Tier I Capital	10,606	20,207	-	-
Total Tier I Capital	19,438,446	18,073,412	13,027,268	13,367,384
Tier II Capital				
Subordinated obligations subject to gradual phase out treatment***	300,000	300,000	300,000	300,000
Subordinated obligations meeting all relevant criteria	2,249,272	2,249,028	2,249,272	2,249,028
Qualifying capital instruments of a subsidiary issued to third parties ⁺	501,504	385,523	-	-
Surplus eligible provisions over expected losses	473,875	457,989	379,954	376,282
Collective impairment allowance [^] and regulatory reserves [~]	-	399,560	-	284,839
General provisions [^] and regulatory reserves [~]	192,590	-	144,014	-
	3,717,241	3,792,100	3,073,240	3,210,149
Less:				
Investments in subsidiaries*	-	(30,135)	-	(859,104)
Total Tier II Capital	3,717,241	3,761,965	3,073,240	2,351,045
Total Capital	23,155,687	21,835,377	16,100,508	15,718,429



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A29. Capital Adequacy Ratio (continued)

	Group		Bank[@]	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
<u>Capital ratios</u>				
Before proposed dividends:				
CET I Capital Ratio	15.920%	14.228%	13.818%	13.523%
Tier I Capital Ratio	16.128%	14.485%	14.077%	13.833%
Total Capital Ratio	19.213%	17.500%	17.398%	16.266%
After proposed dividends:				
CET I Capital Ratio	15.488%	13.907%	13.254%	13.108%
Tier I Capital Ratio	15.696%	14.164%	13.514%	13.418%
Total Capital Ratio	18.780%	17.179%	16.835%	15.851%

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

^{*} Investments in subsidiaries are subject to gradual deduction using the corresponding deduction approach under CET I Capital effective from 1 January 2014 as prescribed under paragraph 37.11 of the BNM's Guideline on Capital Adequacy Framework (Capital Components).

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

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

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

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

[^] Excludes collective impairment allowance attributable to loans, advances, and financing classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on Classification and Impairment Provisions for Loans/Financing.

[∇] Pursuant to BNM's policy document on Financial Reporting and Financial Reporting for Islamic Banking Institutions, general provision refers to loss allowance measured at an amount equal to 12-month and lifetime expected credit losses as defined under MFRS 9 'Financial Instruments'.

[~] Includes the qualifying regulatory reserves ascribed to non-credit-impaired exposures, determined under standardised approach for credit risk of the Group and the Bank of RM61,723,000 (2017: RM268,407,000) and RM27,796,000 (2017: RM202,172,000) respectively.



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A29. Capital Adequacy Ratio (continued)

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

	RHB Islamic Bank		RHB Investment Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
CET I/Tier I Capital				
Share capital	1,673,424	1,273,424	1,487,773	1,487,773
Retained profits	2,013,893	1,787,323	558,690	883,218
FVOCI/AFS reserves	(3,499)	(15,929)	20,853	26,120
	3,683,818	3,044,818	2,067,316	2,397,111
Less:				
Goodwill	-	-	(372,395)	(372,395)
Investments in subsidiaries, associates and joint ventures*	-	-	(1,203,286)	(1,199,358)
Intangible assets (include associated deferred tax liabilities)	(4,271)	(4,412)	(27,055)	(27,700)
Deferred tax assets	(23,499)	(17,140)	(5,832)	(1,180)
55% of cumulative gains arising from change in value of FVOCI/AFS instruments	-	-	(11,469)	(14,366)
Other deductions [#]	(4,849)	(4,296)	-	(12)
Total CET I Capital/Tier I Capital	3,651,199	3,018,970	447,279	782,100
Tier II Capital				
Subordinated sukuk	750,000	750,000	-	-
Subordinated obligations meeting all relevant criteria	-	-	400,000	400,000
Surplus eligible provisions over expected losses	94,333	-	-	-
Collective impairment allowance [^] and regulatory reserves [~]	-	343,212	-	8,987
General provisions [^] and regulatory reserves [~]	54,330	-	7,657	-
	898,663	1,093,212	407,657	408,987
Less:				
Investments in subsidiaries, associates and joint ventures*	-	-	-	(299,839)
Total Tier II Capital	898,663	1,093,212	407,657	109,148
Total Capital	4,549,862	4,112,182	854,936	891,248
Capital ratios				
Before proposed dividends:				
CET I Capital Ratio	13.222%	10.376%	21.323%	34.995%
Tier I Capital Ratio	13.222%	10.376%	21.323%	34.995%
Total Capital Ratio	16.476%	14.134%	40.757%	39.878%
After proposed dividends:				
CET I Capital Ratio	13.222%	10.376%	21.323%	34.995%
Tier I Capital Ratio	13.222%	10.376%	21.323%	34.995%
Total Capital Ratio	16.476%	14.134%	40.757%	39.878%



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A29. Capital Adequacy Ratio (continued)

- * Investments in subsidiaries are subject to the gradual deduction in the calculation under CET I Capital effective from 1 January 2014 as prescribed under paragraph 37.11 of the BNM's Capital Adequacy Framework (Capital Components).
- # Pursuant to Basel II Market Risk para 5.19 & 5.20 - Valuation Adjustments, the Capital Adequacy Framework (Basel II - RWA) calculation shall account for the ageing, liquidity and holding back adjustments on its trading portfolio.
- ^ Excludes collective impairment allowance attributable to loans, advances, and financing classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on Classification and Impairment Provisions for Loans/Financing.
- ∨ Pursuant to BNM's policy document on Financial Reporting and Financial Reporting for Islamic Banking Institutions, general provision refers to loss allowance measured at an amount equal to 12-month and lifetime expected credit losses as defined under MFRS9 'Financial Instruments'.
- ~ Includes the qualifying regulatory reserves ascribed to non-credit-impaired exposures, determined under standardised approach for credit risk of RHB Islamic Bank and RHB Investment Bank of RM42,756,000 (2017: RM204,312,000) and RM7,501,000 (2017: RM8,987,000) respectively.

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

			RHB Islamic Bank	RHB Investment Bank
	Group	Bank[@]	Bank	Bank
	RM'000	RM'000	RM'000	RM'000
31 December 2018				
Credit risk	104,908,738	81,202,389	20,068,530	612,585
Market risk	3,852,444	2,945,831	268,130	678,014
Operational risk	11,762,542	8,394,333	1,679,551	807,022
Additional risk-weighted assets due to capital floor	-	-	5,599,323	-
Total risk-weighted assets	120,523,724	92,542,553	27,615,534	2,097,621
	Group	Bank[@]	RHB Islamic Bank	RHB Investment Bank
	RM'000	RM'000	RM'000	RM'000
31 December 2017				
Credit risk	108,296,294	85,500,785	27,456,953	718,961
Market risk	4,960,017	2,872,562	240,688	610,542
Operational risk	11,516,719	8,260,751	1,397,487	905,417
Total risk-weighted assets	124,773,030	96,634,098	29,095,128	2,234,920

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



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A29. Capital Adequacy Ratio (continued)

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

With effect from 30 September 2018, the total risk-weighted assets of RHB Islamic Bank are computed based on BNM's Capital Adequacy Framework for Islamic Banks ('CAFIB'): Internal Ratings Based Approach for Credit and Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk (Basel II). Prior to this, the total risk-weighted assets of RHB Islamic Bank are computed based on BNM's Capital Adequacy Framework for Islamic Banks ('CAFIB'): Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk (Basel II).

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

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

	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Before proposed dividends:		
Solvency ratio	19.438%	18.686%
After proposed dividends:		
Solvency ratio	19.438%	18.686%

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



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A30. Credit Exposures Arising from Transactions with Connected Parties

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Outstanding credit exposures with connected parties (RM'000)	13,214,043	11,154,524	11,807,408	10,933,966
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	6.41	5.76	8.43	7.90
Percentage of outstanding credit exposures to connected parties which is impaired or in default (%)	0.09	0.001	0.0002	0.001

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



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A31. Operations of Islamic Banking

(a) Statement of Financial Position as at 31 December 2018

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Cash and short-term funds	3,461,246	2,019,457	-	-
Deposits and placements with banks and other financial institutions	-	432,597	-	-
Financial assets FVTPL/held-for-trading	274,226	172,536	-	-
Financial investments AFS	-	3,394,493	-	-
Financial investments HTM	-	3,820,734	-	-
Financial assets at FVOCI	4,150,325	-	-	-
Financial investments at amortised cost	2,856,789	-	-	-
Financing and advances	52,242,459	42,717,377	411,350	14,352
Other assets	488,423	99,511	10,888	8,577
Derivative assets	90,384	6,370	-	-
Statutory deposits	1,420,450	1,116,200	-	-
Deferred tax assets	23,241	16,513	-	-
Property, plant and equipment	4,251	6,193	-	-
Intangible assets	4,529	5,039	-	-
Total assets	65,016,323	53,807,020	422,238	22,929
LIABILITIES				
Deposits from customers	45,732,352	37,850,205	-	-
Deposits and placements of banks and other financial institutions	2,819,397	4,183,323	393,699	14,641
Obligations on securities sold under repurchase agreements	-	604,163	-	-
Bills and acceptances payable	9,515	9,216	-	-
Recourse obligation on financing sold to Cagamas	2,270,239	-	-	-
Other liabilities	75,747	177,169	35,382	8,319
Derivative liabilities	106,382	313,134	-	-
Tax liabilities and zakat	8,376	15,623	-	-
Subordinated obligations	755,326	755,393	-	-
Total liabilities	51,777,334	43,908,226	429,081	22,960
Islamic Banking Funds	13,238,989	9,898,794	(6,867)	(10)
Total liabilities and Islamic Banking Funds	65,016,323	53,807,020	422,214	22,950
Commitments and contingencies	13,825,247	16,678,885	12,811	3,029



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A31. Operations of Islamic Banking (continued)

(b) Income Statement for the Financial Year Ended 31 December 2018

	4th Quarter Ended		Twelve Months Ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Group				
Income derived from investment of depositors' funds	633,118	524,629	2,349,655	1,906,333
Income derived from investment account funds	101,957	99,121	410,557	375,939
Income derived from investment of shareholders' funds	53,004	4,035	196,554	98,002
Allowance for credit losses	(28,077)	(15,320)	(122,890)	(66,755)
Impairment losses written back on other non-financial assets	-	336	-	336
Total distributable income	760,002	612,801	2,833,876	2,313,855
Income attributable to depositors	(401,367)	(372,558)	(1,528,439)	(1,301,397)
	358,635	240,243	1,305,437	1,012,458
Personnel expenses	(7,274)	(7,071)	(30,679)	(27,082)
Other overheads and expenditures	(92,287)	(79,036)	(352,610)	(295,603)
Profit before taxation and zakat	259,074	154,136	922,148	689,773
Taxation and zakat	(43,307)	(30,542)	(144,333)	(112,458)
Net profit for the financial period/year	215,767	123,594	777,815	577,315

Statement of Comprehensive Income for the Financial Year Ended 31 December 2018

	4th Quarter Ended		Twelve Months Ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Group				
Net profit for the financial period/year	215,767	123,594	777,815	577,315
Other comprehensive income/(loss) in respect of:				
Items that will be reclassified subsequently to profit or loss				
(a) Financial investments available-for-sale ('AFS')				
- Unrealised net gain/(loss) on revaluation	-	(9,880)	-	23,601
- Net transfer to income statement on disposal or impairment	-	(139)	-	(2,529)
(b) Debt instruments measured at FVOCI				
- Unrealised net gain	1,925	-	21,738	-
- Net transfer to income statement on disposal	(463)	-	(5,382)	-
- Changes in expected credit losses	218	-	218	-
Income tax relating to components of other comprehensive (income)/loss	(351)	2,405	(3,926)	(5,057)
Other comprehensive income/(loss), net of tax, for the financial period/year	1,329	(7,614)	12,648	16,015
Total comprehensive income for the financial period/year	217,096	115,980	790,463	593,330



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A31. Operations of Islamic Banking (continued)

(b) Income Statement for the Financial Year Ended 31 December 2018

	4th Quarter Ended		Twelve Months Ended	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Bank				
Income derived from investment of depositors' funds	2,292	8	4,338	8
Allowance for credit losses	(6,403)	(21)	(7,370)	(21)
Total distributable income	(4,111)	(13)	(3,032)	(13)
Income attributable to depositors	(1,849)	(14)	(3,782)	(14)
	(5,960)	(27)	(6,814)	(27)
Other overheads and expenditures	-	(4)	-	(4)
Loss before taxation	(5,960)	(31)	(6,814)	(31)
Taxation	-	-	-	-
Net loss for the financial period/year	(5,960)	(31)	(6,814)	(31)

Statement of Comprehensive Income for the Financial Year Ended 31 December 2018

	4th Quarter Ended		Twelve Months Ended	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Bank				
Net loss for the financial period/year	(5,960)	(31)	(6,814)	(31)
Total comprehensive loss for the financial period/year	(5,960)	(31)	(6,814)	(31)



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A31. Operations of Islamic Banking (continued)

(d) Financing and Advances

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Cashline	688,933	535,776	-	-
Term financing				
- Housing financing	15,347,041	11,847,106	-	-
- Syndicated term financing	2,130,199	1,808,947	-	-
- Hire purchase receivables	7,246,079	6,185,724	-	-
- Other term financing	21,854,185	18,177,084	418,736	14,373
Bills receivables	1,040,414	1,045,110	-	-
Trust receipts	22,622	15,558	-	-
Staff financing	2,291	2,592	-	-
Credit/charge card receivables	284,170	267,577	-	-
Revolving financing	4,056,999	3,104,581	-	-
Gross financing and advances	52,672,933	42,990,055	418,736	14,373
Less:				
- Allowance for credit losses	(430,474)	-	(7,386)	-
- Individual impairment allowance	-	(42,612)	-	-
- Collective impairment allowance	-	(230,066)	-	(21)
Net financing and advances	52,242,459	42,717,377	411,350	14,352

(i) Movements in impaired financing and advances

Balance as at the beginning of the financial year

- As previously reported	-	393,096	-	-
- Effect of adoption of MFRS 9	464,974	-	-	-
- As restated	464,974	393,096	-	-
Transfer to 12-month ECL (Stage 1)	(53,484)	-	-	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	(35,399)	-	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	204,163	-	-	-
Classified as impaired	-	472,890	-	-
Reclassified as non-impaired	-	(385,958)	-	-
Purchases and origination	54,516	-	-	-
Derecognition	(57,374)	-	-	-
Amount recovered	-	(77,000)	-	-
Amount written off	(68,213)	(59,067)	-	-
Balance as at the end of the financial year	509,183	343,961	-	-



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A31. Operations of Islamic Banking (continued)

(d) Financing and Advances (continued)

(ii) Movement in allowance for credit losses

31 December 2018	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				
Balance as at the beginning of the financial year				
- As previously reported	-	-	-	-
- Effect of adoption of MFRS 9	53,268	105,450	217,603	376,321
- As restated	53,268	105,450	217,603	376,321
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to 12-month ECL (Stage 1)	34,882	(22,784)	(12,098)	-
- Transferred to Lifetime ECL not credit impaired (Stage 2)	(13,222)	20,844	(7,622)	-
- Transferred to Lifetime ECL credit impaired (Stage 3)	(679)	(5,966)	6,645	-
	20,981	(7,906)	(13,075)	-
Allowance made during the financial year	17,883	31,760	122,537	172,180
Bad debts written off	-	-	(59,852)	(59,852)
Derecognised during the financial year	(11,104)	(13,050)	(33,994)	(58,148)
Exchange differences	(27)	-	-	(27)
Balance as at the end of the financial year	<u>27,733</u>	<u>10,804</u>	<u>15,616</u>	<u>430,474</u>
Bank				
Balance as at the beginning of the financial year				
- As previously reported	-	-	-	-
- Effect of adoption of MFRS 9	43	-	-	43
- As restated	43	-	-	43
Allowance made during the financial year	7,370	-	-	7,370
Exchange differences	(27)	-	-	(27)
Balance as at the end of the financial year	<u>7,386</u>	<u>-</u>	<u>-</u>	<u>7,386</u>



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A31. Operations of Islamic Banking (continued)

(d) Financing and Advances (continued)

(ii) Movements in allowance for impaired financing and advances

	Group As at 31 December 2017 RM'000	Bank As at 31 December 2017 RM'000
Individual impairment allowance		
Balance as at the beginning of the financial year	15,864	-
Net allowance made	29,204	-
Amount written off	(2,456)	-
Balance as at the end of the financial year	<u>42,612</u>	<u>-</u>
Collective impairment allowance		
Balance as at the beginning of the financial year	236,525	-
Net allowance made	37,583	21
Amount written off	(44,042)	-
Balance as at the end of the financial year	<u>230,066</u>	<u>21</u>

	Group As at 31 December 2018 RM'000	Group As at 31 December 2017 RM'000	Bank As at 31 December 2018 RM'000	Bank As at 31 December 2017 RM'000
(e) Other Assets				
Prepayments	23,288	15,998	-	-
Deposits	1,591	1,732	-	-
Other receivables	463,544	81,781	10,888	8,577
	<u>488,423</u>	<u>99,511</u>	<u>10,888</u>	<u>8,577</u>

	Group As at 31 December 2018 RM'000	Group As at 31 December 2017 RM'000
(f) Deposits from Customers		
Saving Deposits		
- Wadiah	1,451,012	1,353,675
Demand Deposits		
- Wadiah	5,161,736	6,392,228
- Commodity Murabahah	231,130	55,952
Term Deposits		
- Commodity Murabahah	29,045,477	24,813,727
Specific Investment Account		
- Murabahah	9,730,411	5,098,668
General Investment Account		
- Mudharabah	112,586	135,955
	<u>45,732,352</u>	<u>37,850,205</u>



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B1. Review of Group Results

(a) Current Financial Year vs Previous Financial Year

The Group recorded a significant increase of 18.2% year-on-year in net profit to RM2.3 billion. The improved performance was largely driven by higher net fund based and non-fund based income and lower allowances for credit losses on loans and other assets, partially offset by higher overheads.

Net fund based income increased by 8.5% to RM4.9 billion from a year ago. Gross fund based income increased by 7.8% on the back of a 5.5% increase in gross loans and financing, whilst funding and interest expense rose 7.3% year-on-year.

Non-fund based income recorded a 1.8% growth to RM1.9 billion, contributed largely by higher net foreign exchange gain and trading and investment income, partially offset by lower insurance underwriting surplus, brokerage income and capital-market related fee income.

Operating expenses rose by 5.4% to RM3.4 billion from a year ago driven by a rise in personnel costs and IT-related expenses as the Group continued to invest in technology infrastructure and Digital capabilities. Cost-to-income ratio improved to 49.3% from 49.9% recorded a year ago.

Allowances for credit losses on loans was at RM322.4 million, 22.8% lower than the previous year. This was primarily due to certain recoveries recorded in current year, coupled with substantial impairment provided for oil and gas related companies in the previous year. Full year credit charge ratio stood at 0.19% compared with 0.26% a year ago.

Allowances for credit losses on other financial and non-financial assets was significantly lower by RM241.8 million mainly due to improved ratings of investment portfolio and the absence of impairment provided on an oil and gas related bond in Singapore in the previous year.

Total assets for the Group increased by 5.6% from December 2017 to RM243.2 billion as at 31 December 2018, primarily due to increase in loans, securities portfolio and cash and short-term funds. Shareholders' equity stood at RM23.4 billion, with net assets per share at RM5.82.

As at 31 December 2018, the Group's gross loans and financing stood recorded a 5.5% increase year-on-year to RM168.9 billion. Domestic loans and financing grew 5.6% year-on-year, contributed mainly by resilient growth in mortgages and SME, though negated by corporate repayments. The Group's domestic loan market share stood at 9.1% as at end December 2018.

Customer deposits increased by 7.2% year-on-year to RM178.9 billion. As at 31 December 2018, total current and savings account ("CASA") composition stood at 25.9%.

Gross impaired loans ratio improved to 2.06% from 2.23% a year ago with gross impaired loans at RM3.5 billion as at 31 December 2018. Loan loss coverage for the Group, including regulatory reserves was at 103.0%.



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

(c) Performance by Operating Segment

(i) Group Retail Banking

Group Retail Banking reported a pre-tax profit of RM1,002.7 million, 4.4% higher than the previous year. This was mainly due to higher net fund based income and non-fund based income, partially offset by higher allowances for credit losses on loans and higher operating expenses.

Retail loans and financing rose 11.1% to RM84.6 billion as at 31 December 2018, primarily driven by growth in mortgages and personal financing. Mortgage loans grew at a strong rate of 14.0% from December 2017.

Retail deposits increased by 10.4% to RM52.5 billion, mainly contributed by 18.3% growth in fixed deposits, partially offset by decline in current account balances.

(ii) Group Business Banking

Group Business Banking recorded a 1.3% increase in pre-tax profit to RM397.7 million, mainly due to higher net fund based income, partly offset by higher operating expenses.

Gross loans and financing registered a 5.7% growth to RM25.3 billion driven mainly by the Retail SME portfolio. Strong fixed deposits and current account growth contributed to the overall deposits growth of 15.8% from December 2017 to RM25.7 billion.

(iii) GWB

Group Wholesale Banking recorded a pre-tax profit of RM1,782.6 million, a 2.7% increase from the previous year.

- (a) Group Corporate and Investment Banking registered a 4.1% increase in pre-tax profit to RM593.8 million on the back of higher non-fund based income and net fund based income, partly offset by higher allowances for credit losses on loans and higher impairment losses on other non-financial assets.

Gross loans and financing declined by 3.8% to RM43.6 billion due to several large corporate repayments, whilst deposits decreased by 11.6% to RM50.6 billion primarily due to decrease in fixed deposits.

- (b) Group Treasury & Global Markets recorded a 2.0% growth in pre-tax profit to RM1,188.7 million mainly due to higher net fund based income and higher net foreign exchange gain, partially offset by lower trading/investment income.

Total deposits increased by a robust 51.3% to RM32.7 billion in line with the Group's funding needs.



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B1. Review of Group Results (continued)

(b) Performance by Operating Segment (continued)

(iv) Group International Business

RHB Bank Singapore recorded a pre-tax profit of SGD42.0 million compared with a pre-tax loss of SGD102.3 million in the previous corresponding year. This was mainly attributed to lower expected credit losses as substantial losses were provided for corporate bonds and loans in the oil and gas industry last year, partially offset by higher operating expenses.

Singapore loans and advances increased by 3.3% to SGD3.9 billion, while customer deposits decreased by 11.7% to SGD4.4 billion as the Group continued its strategy to rebalance its Singapore funding strategy.

Group International Business excluding Singapore registered a pre-tax profit of RM89.6 million or 47.9% higher than a year ago, mainly due to improved profitability in Thailand and Cambodia.

B2. Current Quarter vs Previous Quarter

Net profit for the current quarter was at RM565.4 million, a decrease of 2.3% from RM578.7 million recorded in the preceding quarter ended 30 September 2018. This was due to higher operating expenses and higher allowances for credit losses on loans and other assets, offset by higher net fund based income and non-fund based income

B3. Prospects for Financial Year 2019

Malaysia's GDP is expected to grow by 4.6% in 2019 compared to 4.7% growth recorded in 2018. Private sector activity will continue to be the primary driver of growth while a recovery in the commodity output is anticipated to support export growth. However, a challenging external environment amidst intensifying trade protection will continue to present downside risks.

For the banking sector, loans growth is expected to grow between 5.0% and 5.5%, supported both by the consumer and business segments. With the challenging backdrop, the Group remains cautious in its business approach, with a view to continue to invest resources in relevant areas for long term growth opportunities.

The Group has reaped benefits from the first year implementation of its five-year strategy FIT22. It will continue to focus on the execution of this strategy which is anchored on three priorities namely strengthening Malaysia as the core, targeting key segments to win in and building a winning operating model through the AGILE way of working, digitalisation and customer journeys.

B4. Variance of Actual Profit from Forecast Profit and Profit Guarantee

There were no profit forecast or profit guarantee issued by the Group and the Bank.



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B5. Taxation

	4th Quarter Ended		Twelve Months Ended	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Group				
Income tax based on profit for the financial period/year				
- Malaysian income tax	284,652	158,682	821,006	590,860
- Overseas tax	4,089	352	12,253	13,172
Deferred tax	(86,226)	(16,727)	(66,975)	18,844
	202,515	142,307	766,284	622,876
Under/(Over) provision in respect of prior financial years	5,026	(2,532)	43,859	(20,784)
	207,541	139,775	810,143	602,092

The effective tax rate of the Group for the fourth quarter and financial year ended 31 December 2018 was higher than the statutory tax rate mainly due to non-deductibility of certain expenses for tax purposes.

	4th Quarter Ended		Twelve Months Ended	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Bank				
Income tax based on profit for the financial period/year				
- Malaysian income tax	215,707	114,098	617,633	413,689
- Overseas tax	(961)	(48)	(582)	2,131
Deferred tax	(73,834)	(18,764)	(53,697)	19,349
	140,912	95,286	563,354	435,169
Under/(Over) provision in respect of prior financial years	5,269	95	38,120	(20,495)
	146,181	95,381	601,474	414,674

The effective tax rate of the Bank for the fourth quarter and financial year ended 31 December 2018 was higher than the statutory tax rate mainly due to non-deductibility of certain expenses for tax purposes.



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B6. Status of Corporate Proposals

(a) Proposed acquisition by RHB Investment Bank of the remaining 51% equity interest in Vietnam Securities Corporation ('VSEC') ('Proposed Acquisition')

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

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

Vietnam SSC and BNM had on 17 October 2018 and 12 December 2018 respectively, granted their approval to VSEC for the Proposed Acquisition.

RHB Investment Bank, Chu Thi Phuong Dung, Truong Lan Anh and Viet Quoc Insurance Broker Joint Stock Company had on 27 December 2018, by way of an exchange of letter, mutually agreed to extend the period to satisfy or waive the conditions precedent of the CSPA to 28 February 2019.

On 29 January 2019, Vietnam SCC had granted its approval for the Conversion and the issuance of an amended license as a single-member limited liability company. VSEC has since become a wholly-owned subsidiary of RHB Investment Bank effective 19 February 2019.



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B7. Deposits from Customers and Placements of Banks and Other Financial Institutions, Borrowings, Senior Debt Securities, Hybrid Tier-1 Capital Securities and Subordinated Obligations

(a) Deposits from customers and placements of banks and other financial institutions

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- One year or less	176,656,755	165,911,285	125,222,787	120,292,989
- More than one year	2,199,575	953,746	1,922,435	944,759
	<u>178,856,330</u>	<u>166,865,031</u>	<u>127,145,222</u>	<u>121,237,748</u>
Deposits and placements of banks and other financial institutions				
- One year or less	17,986,818	20,678,938	17,262,566	21,651,298
- More than one year	304,076	400,799	263,619	380,110
	<u>18,290,894</u>	<u>21,079,737</u>	<u>17,526,185</u>	<u>22,031,408</u>

(b) Borrowings

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Unsecured				
Revolving credits:				
- Hong Kong Dollar	39,584	16,576	-	-
Term loans:				
- United States Dollar	981,849	978,068	981,849	978,068
- Thai Baht	-	62,180	-	-
- Singapore Dollar	90,999	-	-	-
Promissory note:				
- Indonesia Rupiah	57,706	-	-	-
- Thai Baht	12,747	96,895	-	-
	<u>1,182,885</u>	<u>1,153,719</u>	<u>981,849</u>	<u>978,068</u>
Scheduled repayment of borrowings:				
- Within one year	335,756	333,119	134,720	157,468
- One year to three years	847,129	820,600	847,129	820,600
	<u>1,182,885</u>	<u>1,153,719</u>	<u>981,849</u>	<u>978,068</u>



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B7. Deposits from Customers and Placements of Banks and Other Financial Institutions, Borrowings, Senior Debt Securities, Hybrid Tier-1 Capital Securities and Subordinated Obligations (continued)

(c) Senior debt securities

	Group and Bank	
	As at	As at
	31 December 2018	31 December 2017
	RM'000	RM'000
USD300 million 3.088% senior debt securities due in 2019	1,248,208	1,221,292
USD500 million 2.503% senior debt securities due in 2021	2,075,456	2,031,289
	3,323,664	3,252,581

(d) Hybrid Tier-1 Capital Securities

	Group		Bank	
	As at	As at	As at	As at
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
RM370 million 8.00% Hybrid Tier-I Capital Securities due in 2039, callable with step-up coupon rate at 9.00% in 2019	377,597	377,083	377,597	377,083
RM230 million 6.75% Hybrid Tier-I Capital Securities due in 2039, callable with step-up coupon rate at 7.75% in 2019	225,624	225,583	230,638	230,595
	603,221	602,666	608,235	607,678

(e) Subordinated obligations

	Group		Bank	
	As at	As at	As at	As at
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
5.60% RM300 million Tier II Subordinated Notes 2010/2025	302,946	302,900	302,946	302,900
4.95% RM500 million Tier II Subordinated Sukuk Murabahah 2014/2024	503,187	503,187	-	-
4.99% RM1 billion Tier II Subordinated Notes 2014/2024	1,023,925	1,023,788	1,023,925	1,023,788
4.95% RM200 million Tier II Subordinated Notes 2015/2025	202,061	202,061	-	-
4.75% RM500 million Tier II Subordinated Notes 2015/2025	503,363	503,256	503,363	503,256
4.88% RM250 million Tier II Subordinated Sukuk Murabahah 2017/2027	252,139	252,206	-	-
4.82% RM750 million Tier II Subordinated Notes 2017/2027	758,832	758,694	758,832	758,694
4.90% RM200 million Tier II Subordinated Notes 2017/2027	202,202	202,202	-	-
	3,748,655	3,748,294	2,589,066	2,588,638

The subordinated obligations comprise unsecured liabilities of the Bank and its investment and Islamic bank subsidiaries and are subordinated to the senior indebtedness in accordance with their respective terms and conditions of issuance and qualify as Tier II capital (as disclosed in Note A29) for the purpose of determining the capital adequacy ratios of the respective subsidiaries.



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B8. Derivative Financial Instruments

Details of derivative financial instruments outstanding are as follows:

(a) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts

Group	As at 31 December 2018			As at 31 December 2017		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
	RM'000	Assets RM'000	Liabilities RM'000	RM'000	Assets RM'000	Liabilities RM'000
By type						
<u>Trading Derivatives:</u>						
Foreign exchange related contracts						
- Forwards/swaps	72,781,350	408,504	488,934	69,831,012	1,067,756	1,696,944
- Options	583,492	8,504	8,255	1,102,069	6,054	4,276
- Cross-currency interest rate swaps	6,190,687	503,616	455,016	8,982,468	617,212	695,320
	<u>79,555,529</u>	<u>920,624</u>	<u>952,205</u>	<u>79,915,549</u>	<u>1,691,022</u>	<u>2,396,540</u>
Interest rate related contracts						
- Swaps	36,833,664	210,433	156,483	35,451,527	135,645	104,467
	<u>36,833,664</u>	<u>210,433</u>	<u>156,483</u>	<u>35,451,527</u>	<u>135,645</u>	<u>104,467</u>
Equity related contracts						
- Options	-	-	-	7,262	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,262</u>	<u>-</u>	<u>-</u>
Structured warrants	89,405	-	4,246	233,286	-	45,947
	<u>89,405</u>	<u>-</u>	<u>4,246</u>	<u>233,286</u>	<u>-</u>	<u>45,947</u>
<u>Fair Value Hedging Derivatives:</u>						
Interest rate related contracts						
- Swaps	555,000	-	3,767	2,350,000	-	4,550
	<u>555,000</u>	<u>-</u>	<u>3,767</u>	<u>2,350,000</u>	<u>-</u>	<u>4,550</u>
Total	<u>117,033,598</u>	<u>1,131,057</u>	<u>1,116,701</u>	<u>117,957,624</u>	<u>1,826,667</u>	<u>2,551,504</u>



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B8. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding are as follows: (continued)

(a) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts (continued)

Bank	As at 31 December 2018			As at 31 December 2017		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
	RM'000	Assets RM'000	Liabilities RM'000	RM'000	Assets RM'000	Liabilities RM'000
By type						
<u>Trading Derivatives:</u>						
Foreign exchange related contracts						
- Forwards/swaps	74,972,799	420,881	496,622	72,253,738	1,072,083	1,704,894
- Options	583,492	8,504	8,255	1,102,069	6,054	4,276
- Cross-currency interest rate swaps	7,466,607	502,989	455,154	9,185,402	616,499	695,706
	<u>83,022,898</u>	<u>932,374</u>	<u>960,031</u>	<u>82,541,209</u>	<u>1,694,636</u>	<u>2,404,876</u>
Interest rate related contracts						
- Swaps	39,373,664	215,120	156,489	36,796,527	140,040	104,554
	<u>39,373,664</u>	<u>215,120</u>	<u>156,489</u>	<u>36,796,527</u>	<u>140,040</u>	<u>104,554</u>
<u>Fair Value Hedging Derivatives:</u>						
Interest rate related contracts						
- Swaps	555,000	-	3,767	2,350,000	-	4,550
	<u>555,000</u>	<u>-</u>	<u>3,767</u>	<u>2,350,000</u>	<u>-</u>	<u>4,550</u>
Total	<u>122,951,562</u>	<u>1,147,494</u>	<u>1,120,287</u>	<u>121,687,736</u>	<u>1,834,676</u>	<u>2,513,980</u>



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B8. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding are as follows: (continued)

(a) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts (continued)

Group	As at 31 December 2018			As at 31 December 2017		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
	RM'000	Assets RM'000	Liabilities RM'000	RM'000	Assets RM'000	Liabilities RM'000
By remaining period to maturity/next re-pricing date						
<u>Trading Derivatives:</u>						
Foreign exchange related contracts						
- Less than one year	75,292,838	719,117	725,516	72,018,153	1,220,583	1,959,001
- One year to three years	1,588,167	85,318	93,988	4,936,719	352,106	321,744
- More than three years	2,674,524	116,189	132,701	2,960,677	118,333	115,795
	79,555,529	920,624	952,205	79,915,549	1,691,022	2,396,540
Interest rate related contracts						
- Less than one year	10,220,565	16,327	32,060	8,754,368	10,130	6,159
- One year to three years	11,133,059	51,552	18,974	13,968,727	44,921	33,386
- More than three years	15,480,040	142,554	105,449	12,728,432	80,594	64,922
	36,833,664	210,433	156,483	35,451,527	135,645	104,467
Equity related contracts						
- Less than one year	-	-	-	7,262	-	-
	-	-	-	7,262	-	-
Structured warrants						
- Less than one year	89,405	-	4,246	233,278	-	45,946
- One year to three years	-	-	-	8	-	1
	89,405	-	4,246	233,286	-	45,947
<u>Fair Value Hedging Derivatives:</u>						
Interest rate related contracts						
- Less than one year	300,000	-	621	2,050,000	-	3,056
- One year to three years	-	-	-	300,000	-	1,494
- More than three years	255,000	-	3,146	-	-	-
	555,000	-	3,767	2,350,000	-	4,550
Total	117,033,598	1,131,057	1,116,701	117,957,624	1,826,667	2,551,504

RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B8. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding are as follows: (continued)

(a) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts (continued)

Bank	As at 31 December 2018			As at 31 December 2017		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
By remaining period to maturity/next re-pricing date						
<u>Trading Derivatives:</u>						
Foreign exchange related contracts						
- Less than one year	77,918,858	731,207	732,951	73,557,980	1,224,910	1,965,722
- One year to three years	2,326,208	84,978	94,021	5,914,575	351,680	323,032
- More than three years	2,777,832	116,189	133,059	3,068,654	118,046	116,122
	83,022,898	932,374	960,031	82,541,209	1,694,636	2,404,876
Interest rate related contracts						
- Less than one year	11,485,566	16,542	32,060	9,674,368	13,356	6,238
- One year to three years	11,223,057	51,823	18,980	14,393,728	46,137	33,386
- More than three years	16,665,041	146,755	105,449	12,728,431	80,547	64,930
	39,373,664	215,120	156,489	36,796,527	140,040	104,554
<u>Fair Value Hedging Derivatives:</u>						
Interest rate related contracts						
- Less than one year	300,000	-	621	2,050,000	-	3,056
- One year to three years	-	-	-	300,000	-	1,494
- More than 3 years	255,000	-	3,146	-	-	-
	555,000	-	3,767	2,350,000	-	4,550
Total	122,951,562	1,147,494	1,120,287	121,687,736	1,834,676	2,513,980

RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B8. Derivative Financial Instruments (continued)

(b) Related accounting policies

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. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated 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) net investment hedge. Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

(i) Fair value

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

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

(ii) 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 and 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.

(iii) Net investment hedge

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

(iv) 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.

RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B9. Fair Value of Financial Instruments

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

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

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

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

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

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2018				
<u>Financial assets</u>				
Financial assets FVTPL:	415,344	2,932,295	453,010	3,800,649
- Money market instruments	-	1,608,238	-	1,608,238
- Quoted securities	415,344	1,704	3,590	420,638
- Unquoted securities	-	1,322,353	449,420	1,771,773
Financial assets at FVOCI:	2,596	31,807,311	767,926	32,577,833
- Money market instruments	-	12,530,290	-	12,530,290
- Quoted securities	2,596	-	-	2,596
- Unquoted securities	-	19,277,021	767,926	20,044,947
Derivative assets	-	1,131,057	-	1,131,057
	<u>417,940</u>	<u>35,870,663</u>	<u>1,220,936</u>	<u>37,509,539</u>
<u>Financial liabilities</u>				
Derivative liabilities	4,246	1,112,455	-	1,116,701
31 December 2017				
<u>Financial assets</u>				
Financial assets FVTPL:	597,409	1,607,001	359,859	2,564,269
- Money market instruments	-	849,021	-	849,021
- Quoted securities	597,409	-	-	597,409
- Unquoted securities	-	757,980	359,859	1,117,839
Financial investments AFS:	59,995	24,617,611	1,139,010	25,816,616
- Money market instruments	-	8,410,681	-	8,410,681
- Quoted securities	59,995	-	4,072	64,067
- Unquoted securities	-	16,206,930	1,134,938	17,341,868
Derivative assets	-	1,826,667	-	1,826,667
	<u>657,404</u>	<u>28,051,279</u>	<u>1,498,869</u>	<u>30,207,552</u>
<u>Financial liabilities</u>				
Derivative liabilities	45,947	2,505,557	-	2,551,504

RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B9. 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	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2018				
<u>Financial assets</u>				
Financial assets FVTPL:	3,179	1,872,857	15,735	1,891,771
- Money market instruments	-	1,334,012	-	1,334,012
- Quoted securities	3,179	1,704	3,590	8,473
- Unquoted securities	-	537,141	12,145	549,286
Financial assets at FVOCI:	-	26,945,899	638,477	27,584,376
- Money market instruments	-	10,988,111	-	10,988,111
- Unquoted securities	-	15,957,788	638,477	16,596,265
Derivative assets	-	1,147,494	-	1,147,494
	<u>3,179</u>	<u>29,966,250</u>	<u>654,212</u>	<u>30,623,641</u>
<u>Financial liabilities</u>				
Derivative liabilities	-	1,120,287	-	1,120,287
31 December 2017				
<u>Financial assets</u>				
Financial assets FVTPL:	3,235	824,771	-	828,006
- Money market instruments	-	676,485	-	676,485
- Quoted securities	3,235	-	-	3,235
- Unquoted securities	-	148,286	-	148,286
Financial investments AFS:	-	20,612,705	814,950	21,427,655
- Money market instruments	-	7,331,457	-	7,331,457
- Quoted securities	-	-	4,072	4,072
- Unquoted securities	-	13,281,248	810,878	14,092,126
Derivative assets	-	1,834,676	-	1,834,676
	<u>3,235</u>	<u>23,272,152</u>	<u>814,950</u>	<u>24,090,337</u>
<u>Financial liabilities</u>				
Derivative liabilities	-	2,513,980	-	2,513,980

RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B9. Fair Value of Financial Instruments (continued)

(i) Valuation techniques

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is 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, non-transferable and non-traded perpetual notes/sukuk, impaired securities and unquoted corporate loan stocks. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. For unquoted corporate loan stocks, discounted cash flow analysis have been performed to determine the recoverability of the instruments.

(ii) Reconciliation of fair value movements in Level 3

The following represents the changes in Level 3 instruments for the Group and the Bank:

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Financial assets FVTPL				
Balance as at the beginning of the financial year				
- As previously reported	359,859	167,901	-	16,390
- Effect of adoption of MFRS 9	15,525	-	15,525	-
- As restated	375,384	167,901	15,525	16,390
Total gain/(loss) recognised in income statements	32,393	(27,067)	(1,654)	(16,390)
Purchases	46,359	243,928	1,851	-
Settlements	(10,660)	(10,685)	-	-
Exchange differences	9,534	(14,218)	13	-
Balance as at the end of the financial year	453,010	359,859	15,735	-

	Group	Bank
	As at	As at
	31 December	31 December
	2018	2018
	RM'000	RM'000
Financial assets at FVOCI		
Balance as at the beginning of the financial year		
- As previously reported	-	-
- Effect of adoption of MFRS 9	1,123,485	799,425
- As restated	1,123,485	799,425
Total loss recognised in other comprehensive income	(42,161)	(55,589)
Transfer to level 2	(102,750)	(102,750)
Purchases	5,839	(236)
Settlements/disposal	(218,407)	(2,373)
Exchange differences	1,920	-
Balance as at the end of the financial year	767,926	638,477



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B9. Fair Value of Financial Instruments (continued)

(ii) Reconciliation of fair value movements in Level 3 (continued)

The following represents the changes in Level 3 instruments for the Group and the Bank (continued):

	Group	Bank
	As at	As at
	31 December	31 December
	2017	2017
	RM'000	RM'000
Financial investments AFS		
Balance as at the beginning of financial year	1,138,800	806,979
Total gain recognised in other comprehensive income	13,906	61
Purchases	16,001	10,793
Settlements	(17,087)	(67)
Impairment losses	(2,551)	(2,551)
Exchange differences	(10,059)	(265)
Balance as at the end of the financial year	<u>1,139,010</u>	<u>814,950</u>



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B10. Change in Accounting Policies

(1) Adoption of MFRS 9 'Financial Instruments'

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

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

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

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

(a) Classification and measurement of financial assets

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

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

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

The classification and subsequent measurement of financial assets depend on:

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

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

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

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

The majority of the Group's and Bank's debt instruments that were classified as HTM and measured at amortised cost meet the condition for classification as amortised cost under MFRS 9, except for:

- the reclassification of certain debt instruments to FVOCI arising from changes in the Group and Bank's business model from 'hold to collect the contractual cash flows' to 'hold to collect the contractual cash flows and sell', amounted to RM2,108,721,000 for the Group and the Bank. The difference between the fair value and the amortised cost, net of tax effects, of RM20,023,000 (net gains) for the Group and the Bank was recognised to FVOCI reserve on 1 January 2018.
- the reclassification of debt instrument, which contain a contingent provision which may reduce the amount of principal payable if certain key performance indicators are met by the issuer, and due to this proviso, failed to meet the SPPI's requirements for amortised cost classification under MFRS 9, to FVTPL, amounted to RM15,484,000 and RM5,104,000 for the Group and the Bank respectively. The difference between the fair value and the amortised cost, net of tax effects, of RM264,000 (net gains) and RM30,000 (net loss) for the Group and the Bank respectively, was recognised to retained profits on 1 January 2018.



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B10. Change in Accounting Policies (continued)

(1) Adoption of MFRS 9 'Financial Instruments' (continued)

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

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

Financial assets that are held for collection for contractual cash flows and for selling the financial assets, where those cash flows represent SPPI, are measured at FVOCI. Changes in the fair value of these assets are recognised in OCI, except for recognition of interest, dividend, foreign exchange gains or losses and expected credit losses which are recognised in income statements.

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

The majority of the Group's and Bank's debts and equity instruments that were classified as financial instruments AFS satisfy the conditions for classification as FVOCI and hence there will be no change to the accounting for these assets.

However, the Group and Bank hold a portfolio of debt instruments in AFS, which contain contractual clauses on non-viability and loss absorption in the event of default, and due to these clauses, failed to meet the SPPI requirements for FVOCI classification under MFRS 9. As a result, these instruments, which amounted to RM971,996,000 for the Group and RM915,533,000 for the Bank, were classified as FVTPL and its cumulative gains arising from changes in fair value, net of tax of RM4,095,000 (net gains) and RM4,255,000 (net gains) for the Group and the Bank respectively, have been transferred from equity to retained profits on 1 January 2018.

(b) Classification and measurement of financial liabilities

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

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

(c) Hedge accounting

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

(d) Impairment of financial assets

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

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

RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B10. Change in Accounting Policies (continued)

(1) Adoption of MFRS 9 'Financial Instruments' (continued)

(d) Impairment of financial assets (continued)

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.

(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.

The changes in ECL between two-periods will be recognised in income statements.

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

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

As a result of the changes in basis of determining the level of allowances for credit losses mentioned above, the total ECL allowances computed under MFRS 9 is higher by RM1,472,481,000 (net of tax) and RM1,106,140,000 (net of tax) for the Group and the Bank respectively, than the total allowance for impairment on financial assets under MFRS 139.

(2) BNM's Revised Policy Documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions

On 2 February 2018, BNM issued the revised policy documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions which prescribe the regulatory reserves to be maintained by banking institutions.

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

The financial effects of the adoption of the revised policy are presented in Note B10(3).



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B10. Change in Accounting Policies (continued)

(3) Financial effects

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

Group	MFRS 139 measurement category RM'000	MFRS 9 measurement category RM'000	MFRS 139 carrying amount as at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	Carrying amount post classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount as at 1 January 2018 RM'000
ASSETS								
Cash and short-term funds	Loans and receivables	Amortised cost	9,951,878	-	-	9,951,878	(40,732)	9,911,146
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised cost	1,161,601	-	-	1,161,601	(25)	1,161,576
Financial assets at FVTPL	FVTPL	FVTPL	2,564,269	987,480	436	3,552,185	-	3,552,185
Financial investments AFS	Financial investments AFS	NA	25,816,616	(25,816,616)	-	-	-	-
Financial investments HTM	Financial investments HTM	NA	19,045,943	(19,045,943)	-	-	-	-
Financial assets at FVOCI:								
- Debt instruments	NA	FVOCI	-	26,308,353	26,345	26,334,698	-	26,334,698
- Equity instruments	NA	FVOCI	-	644,988	-	644,988	-	644,988
Financial investments at amortised cost	NA	Amortised cost	-	16,921,738	-	16,921,738	(208,904)	16,712,834
Loans, advances and financing	Loans and receivables	Amortised cost	158,301,463	-	(98,310)	158,203,153	(1,416,599)	156,786,554
Clients' and brokers' balances	Loans and receivables	Amortised cost	1,599,594	-	-	1,599,594	(111,057)	1,488,537
Reinsurance assets	NA	NA	482,760	-	-	482,760	-	482,760
Other assets	Loans and receivables	Amortised cost	1,106,048	-	-	1,106,048	(15,099)	1,090,949
Derivative assets	FVTPL	FVTPL	1,826,667	-	(22,553)	1,804,114	-	1,804,114
Statutory deposits	Loans and receivables	Amortised cost	4,001,002	-	-	4,001,002	-	4,001,002
Tax recoverable	NA	NA	115,874	(1,344)	29,224	143,754	360,130	503,884
Deferred tax assets	NA	NA	36,072	-	1,978	38,050	-	38,050
Investments in associates and joint ventures	NA	NA	48,253	-	-	48,253	-	48,253
Property, plant and equipment	NA	NA	1,013,710	-	-	1,013,710	-	1,013,710
Goodwill	NA	NA	2,649,307	-	-	2,649,307	-	2,649,307
Intangible assets	NA	NA	488,869	-	-	488,869	-	488,869
TOTAL ASSETS			230,209,926	(1,344)	(62,880)	230,145,702	(1,432,286)	228,713,416



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B10. Change in Accounting Policies (continued)

(3) Financial effects (continued)

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

Group	MFRS 139 measurement category RM'000	MFRS 9 measurement category RM'000	MFRS 139 carrying amount as at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	Carrying amount post classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount as at 1 January 2018 RM'000
LIABILITIES								
Deposits from customers	Amortised cost	Amortised cost	166,865,031	-	-	166,865,031	-	166,865,031
Deposits and placements of banks and other financial institutions	Amortised cost	Amortised cost	21,079,737	-	-	21,079,737	-	21,079,737
Obligations on securities sold under repurchase agreements	Amortised cost	Amortised cost	604,163	-	-	604,163	-	604,163
Bills and acceptances payable	Amortised cost	Amortised cost	302,152	-	-	302,152	-	302,152
Clients' and brokers' balances	Amortised cost	Amortised cost	1,369,395	-	-	1,369,395	-	1,369,395
General insurance contract liabilities	NA	NA	998,310	-	-	998,310	-	998,310
Other liabilities and provisions	Amortised cost	Amortised cost	2,715,111	-	-	2,715,111	-	2,715,111
Derivative liabilities	FVTPL	FVTPL	2,551,504	-	-	2,551,504	-	2,551,504
Recourse obligation on loans sold to Cagamas	Amortised cost	Amortised cost	1,729,606	-	-	1,729,606	-	1,729,606
Tax liabilities	NA	NA	33,531	-	-	33,531	(15,623)	17,908
Deferred tax liabilities	NA	NA	19,698	(1,344)	6,475	24,829	(2,876)	21,953
Borrowings	Amortised cost	Amortised cost	1,153,719	-	-	1,153,719	-	1,153,719
Senior debt securities	Amortised cost	Amortised cost	3,252,581	-	-	3,252,581	-	3,252,581
Hybrid Tier-1 Capital Securities	Amortised cost	Amortised cost	602,666	-	-	602,666	-	602,666
Subordinated obligations	Amortised cost	Amortised cost	3,748,294	-	-	3,748,294	-	3,748,294
TOTAL LIABILITIES			207,025,498	(1,344)	6,475	207,030,629	(18,499)	207,012,130
EQUITY								
Share capital			6,994,103	-	-	6,994,103		6,994,103
Reserves			16,155,611	-	(69,381)	16,086,230	(1,413,304)	14,672,926
Equity attributable to holders of the Bank			23,149,714	-	(69,381)	23,080,333	(1,413,304)	21,667,029
NCI			34,714	-	26	34,740	(483)	34,257
TOTAL EQUITY			23,184,428	-	(69,355)	23,115,073	(1,413,787)	21,701,286
TOTAL LIABILITIES AND EQUITY			230,209,926	(1,344)	(62,880)	230,145,702	(1,432,286)	228,713,416



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B10. Change in Accounting Policies (continued)

(3) Financial effects (continued)

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

Bank	MFRS 139 measurement category RM'000	MFRS 9 measurement category RM'000	MFRS 139 carrying amount as at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	Carrying amount post classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount as at 1 January 2018 RM'000
ASSETS								
Cash and short-term funds	Loans and receivables	Amortised cost	7,614,663	-	-	7,614,663	(44,456)	7,570,207
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised cost	11,275,105	-	-	11,275,105	-	11,275,105
Financial assets at FVTPL	FVTPL	FVTPL	828,006	920,636	(39)	1,748,603	-	1,748,603
Financial investments AFS	Financial investments AFS	NA	21,427,655	(21,427,655)	-	-	-	-
Financial investments HTM	Financial investments HTM	NA	14,496,205	(14,496,205)	-	-	-	-
Financial assets at FVOCI:								
- Debt instruments	NA	FVOCI	-	22,011,278	26,344	22,037,622		22,037,622
- Equity instruments	NA	FVOCI	-	609,566	-	609,566		609,566
Financial investments at amortised cost	NA	Amortised cost	-	12,382,380	-	12,382,380	(205,015)	12,177,365
Loans, advances and financing	Loans and receivables	Amortised cost	109,530,317	-	(56,094)	109,474,223	(1,152,371)	108,321,852
Other assets	Loans and receivables	Amortised cost	906,895	-	-	906,895	-	906,895
Derivative assets	FVTPL	FVTPL	1,834,676	-	(23,416)	1,811,260	-	1,811,260
Statutory deposits	Loans and receivables	Amortised cost	2,538,107	-	-	2,538,107	-	2,538,107
Tax recoverable	NA	NA	58,871	(1,344)	19,092	76,619	348,867	425,486
Investments in subsidiaries	NA	NA	4,495,837	-	-	4,495,837	-	4,495,837
Property, plant and equipment	NA	NA	756,434	-	-	756,434	-	756,434
Goodwill	NA	NA	1,651,542	-	-	1,651,542	-	1,651,542
Intangible assets	NA	NA	415,690	-	-	415,690	-	415,690
TOTAL ASSETS			177,830,003	(1,344)	(34,113)	177,794,546	(1,052,975)	176,741,571

RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B10. Change in Accounting Policies (continued)

(3) Financial effects (continued)

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

Bank	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount as at 31 December 2017	Reclassification	Remeasurement	Carrying amount post classification and measurement	Expected credit losses	MFRS 9 carrying amount as at 1 January 2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES								
Deposits from customers	Amortised cost	Amortised cost	121,237,748	-	-	121,237,748	-	121,237,748
Deposits and placements of banks and other financial institutions	Amortised cost	Amortised cost	22,031,408	-	-	22,031,408	-	22,031,408
Obligations on securities sold under repurchase agreements	Amortised cost	Amortised cost	1,587,979	-	-	1,587,979	-	1,587,979
Bills and acceptances payable	Amortised cost	Amortised cost	286,751	-	-	286,751	-	286,751
Other liabilities and provisions	Amortised cost	Amortised cost	1,573,546	-	-	1,573,546	-	1,573,546
Derivative liabilities	FVTPL	FVTPL	2,513,980	-	-	2,513,980	-	2,513,980
Recourse obligation on loans sold to Cagamas	Amortised cost	Amortised cost	1,729,606	-	-	1,729,606	-	1,729,606
Deferred tax liabilities	NA	NA	14,467	(1,344)	6,321	19,444	-	19,444
Borrowings	Amortised cost	Amortised cost	978,068	-	-	978,068	-	978,068
Senior debt securities	Amortised cost	Amortised cost	3,252,581	-	-	3,252,581	-	3,252,581
Hybrid Tier-1 Capital Securities	Amortised cost	Amortised cost	607,678	-	-	607,678	-	607,678
Subordinated obligations	Amortised cost	Amortised cost	2,588,638	-	-	2,588,638	-	2,588,638
TOTAL LIABILITIES			158,402,450	(1,344)	6,321	158,407,427	-	158,407,427
EQUITY								
Share capital			6,994,103	-	-	6,994,103		6,994,103
Reserves			12,433,450	-	(40,434)	12,393,016	(1,052,975)	11,340,041
TOTAL EQUITY			19,427,553	-	(40,434)	19,387,119	(1,052,975)	18,334,144
TOTAL LIABILITIES AND EQUITY			177,830,003	(1,344)	(34,113)	177,794,546	(1,052,975)	176,741,571



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B10. Change in Accounting Policies (Continued)

(3) Financial effects (continued)

The following table shows the effects on FVOCI/AFS reserves, regulatory reserves and retained profits as at 31 December 2017 and 1 January 2018:

	Group RM'000	Bank RM'000
AFS/FVOCI reserves		
Closing balance under MFRS 139 as at 31 December 2017	275,937	271,524
Reclassification of investment securities (debt) from HTM to FVOCI	20,023	20,023
Reclassification of investment securities (debt and equity) from AFS to FVTPL	(4,095)	(4,255)
Recognition of expected credit losses	58,922	53,165
	74,850	68,933
Opening balance under MFRS 9 as at 1 January 2018	350,787	340,457
	Group RM'000	Bank RM'000
Regulatory reserves		
Closing balance under MFRS 139 as at 31 December 2017	1,797,903	1,484,902
Transfer to retained profits	(998,409)	(762,323)
Opening balance under MFRS 9 as at 1 January 2018	799,494	722,579
	Group RM'000	Bank RM'000
Retained profits		
Closing balance under MFRS 139 as at 31 December 2017	13,429,174	10,333,461
Effect of reclassification and remeasurement of financial assets, net of tax	(85,312)	(56,202)
Effect of ECL adjustments, net of tax	(1,472,481)	(1,106,140)
Transfer from regulatory reserves	998,409	762,323
	(559,384)	(400,019)
Opening balance under MFRS 9 as at 1 January 2018	12,869,790	9,933,442

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

Group	MFRS 139 Allowance as at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 Allowance as at 1 January 2018 RM'000
Cash and short-term funds	-	-	40,732	40,732
Deposits and placements with banks and other financial institutions	-	-	25	25
Financial assets at FVOCI/FVOCI reserves	-	-	58,922	58,922
Financial investments HTM/financial investments at amortised cost	181,874	(38,334)	208,904	352,444
Loans, advances and financing	1,825,978	-	1,416,599	3,242,577
Clients' and brokers' balances	31,882	-	111,057	142,939
Other assets	23,709	-	15,099	38,808
	2,063,443	(38,334)	1,851,338	3,876,447



RHB BANK BERHAD (6171-M)
NOTES TO AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B10. Change in Accounting Policies (Continued)

(3) Financial effects (continued)

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

Bank	MFRS 139			MFRS 9
	Allowance as at 31 December 2017	Reclassification	Remeasurement	Allowance as at 1 January 2018
	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	-	-	44,456	44,456
Financial assets at FVOCI/FVOCI reserves	-	-	53,165	53,165
Financial investments HTM/financial investments at amortised cost	102,469	(38,334)	205,015	269,150
Loans, advances and financing	1,300,186	-	1,152,371	2,452,557
	<u>1,402,655</u>	<u>(38,334)</u>	<u>1,455,007</u>	<u>2,819,328</u>



RHB BANK BERHAD (6171-M)
NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

B11. Dividends

- (a) The Directors have proposed a final single-tier dividend of 13.00 sen per share, amounting to RM521,306,000 in respect of the financial year ended 31 December 2018.
 - (i) Amount per share: single-tier dividend of 13.00 sen
 - (ii) Entitlement date: To be determined and announced later
 - (iii) Payment date: To be determined and announced later
- (b) Total dividend per share for the current financial year:
 - (i) Single-tier interim dividend of 7.50 sen per share, paid on 3 October 2018
 - (ii) Proposed single-tier final dividend of 13.00 sen per share
- (c) Total dividend paid for the previous financial year ended 31 December 2017:
 - (i) Single-tier interim dividend of 5.00 sen per share
 - (ii) Single-tier final dividend of 10.00 sen per share

B12. Earnings per Share

	4th Quarter Ended		Twelve Months Ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Basic earnings per share				
Profit attributable to equity holders of the Bank (RM'000)	<u>565,425</u>	<u>460,077</u>	<u>2,305,196</u>	<u>1,950,145</u>
Weighted average number of ordinary shares in issue ('000)	<u>4,010,045</u>	<u>4,010,045</u>	<u>4,010,045</u>	<u>4,010,045</u>
Earnings per share (sen)				
- Basic	<u>14.1</u>	<u>11.5</u>	<u>57.5</u>	<u>48.6</u>
- Diluted	<u>14.1</u>	<u>11.5</u>	<u>57.5</u>	<u>48.6</u>

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

BY ORDER OF THE BOARD

AZMAN SHAH MD YAMAN
 (License No. LS0006901)

Company Secretary
 27 February 2019