RHB INVESTMENT BANK BERHAD

(Incorporated in Malaysia)

Company No. 19663-P

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Azlan bin Mohd Zainol
Chin Yoong Kheong
Tan Sri Ong Leong Huat @ Wong Joo Hwa
Yap Chee Meng
Tan Sri Dr Rebecca Fatima Sta Maria
Dato' Darawati Hussain

SECRETARY

Azman Shah Md Yaman

REGISTERED OFFICE

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

AUDITORS

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

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

STATUTORY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

CONTENTS	**PAGES**

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

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

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

FINANCIAL RESULTS

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

DIVIDENDS

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

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

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT (CONTINUED)

ISSUE OF SHARES

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

BAD AND DOUBTFUL DEBTS AND FINANCING

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

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

CURRENT ASSETS

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

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

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

DIRECTORS' REPORT (CONTINUED)

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in Note 51(B) to the financial statements.

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

Subsequent events after the financial year is disclosed in Note 50 to the financial statements.

DIRECTORS

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

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

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

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SECURITIES

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

	Number of ordinary shares			
Ultimate Holding Company **RHB Bank Berhad**	**As at 01.01.2018**	**Bought**	**Sold**	**As at 31.12.2018**
Tan Sri Ong Leong Huat @ Wong Joo Hwa				
- Indirect*	31,431	-	-	**31,431**
- Indirect#	406,171,518	-	-	**406,171,518**

Notes:

* The interest is held through family members.

\# Deemed interest in RHB Bank pursuant to Section 8 of the Companies Act 2016 by virtue of shares held through OSK Holdings Berhad.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than Directors' remuneration and benefits-in-kind as disclosed in Note 34 to the financial statements) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

DIRECTORS' REPORT (CONTINUED)

IMMEDIATE AND ULTIMATE HOLDING COMPANY

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

SUBSIDIARIES

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

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 33 to the financial statements.

AUDITORS

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

This report was approved by the Board of Directors on 26 February 2019. Signed on behalf of the Board of Directors.

TAN SRI AZLAN BIN MOHD ZAINOL
CHAIRMAN

CHIN YOONG KHEONG
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Kuala Lumpur
27 February 2019

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

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

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

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018 (CONTINUED)

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

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

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018 (CONTINUED)

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

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

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018 (CONTINUED)

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

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

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

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

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

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

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

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

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Change in liabilities arising from financing activities as following:

Group 31.12.2018	As at 01.01.2018 RM'000	Net Cash Flows RM'000	Non-cash Changes Foreign Exchange Movement RM'000	Non-cash Changes Interest Expense RM'000	As at 31.12.2018 RM'000
Borrowings	**712,379**	**122,098**	**15,916**	**32,576**	**882,969**
Subordinated obligations	**404,263**	**(19,700)**	**-**	**19,700**	**404,263**
Total liabilities from financing activities	**1,116,642**	**102,398**	**15,916**	**52,276**	**1,287,232**

Group 31.12.2017	As at 01.01.2017 RM'000	Net Cash Flows RM'000	Non-cash Changes Foreign Exchange Movement RM'000	Non-cash Changes Interest Expense RM'000	As at 31.12.2017 RM'000
Borrowings	552,720	157,513	(19,000)	21,146	712,379
Subordinated obligations	447,595	(65,594)	-	22,262	404,263
Total liabilities from financing activities	1,000,315	91,919	(19,000)	43,408	1,116,642

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

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

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

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	31.12.2018	Bank Restated 31.12.2017
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
Increase/(Decrease) in operating liabilities:			
Deposits from customers		**378,394**	(45,561)
Deposits and placements of banks and other financial institutions		**(1,198,908)**	1,923,195
Clients' and brokers' balances		**(291,976)**	168,695
Derivative liabilities		**2,370**	17,956
Other liabilities		**622**	1,859
		(1,109,498)	2,066,144
Cash (used in)/generated from operations		**(531,364)**	2,323,697
Net tax paid		**(2,182)**	(14,896)
Net cash (used in)/generated from operating activities		**(533,546)**	2,308,801
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchase of financial assets FVOCI and financial investments at amortised costs, AFS and HTM		**(127,353)**	(126,780)
Interest income received from financial assets at FVTPL, FVOCI and financial investments at amortised costs, AFS and HTM		**71,980**	50,249
Dividend income received from financial assets at FVTPL, FVOCI and financial investments AFS		**1,243**	2,632
Property, plant and equipment:			
- Purchase		**(2,782)**	(6,461)
Purchase of software license		**(4,996)**	(8,016)
Dividend income received from subsidiaries		**11,400**	-
Dividend income received from an associate		**1,041**	-
Additional investment in a subsidiary		**-**	(12)
Net cash used in investing activities		**(49,467)**	(88,388)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital repayment to shareholder	**49(c)(ii)**	**-**	(846,023)
Proceeds from issuance of subordinated obligations	**24**	**-**	200,000
Redemption of subordinated obligations		**-**	(245,000)
Subordinated obligations interest paid		**(19,700)**	(20,594)
Net cash used in financing activities		**(19,700)**	(911,617)
Net (decrease)/increase in cash and cash equivalents		**(602,713)**	1,308,796
Effects of exchange rate differences		**-**	773
Cash and cash equivalents:			
- At the beginning of the financial year		**1,795,452**	485,883
- At the end of the financial year		**1,192,739**	1,795,452
Cash and cash equivalents comprise the following:			
- Cash and short-term funds before expected credit losses	**2**	**1,192,739**	1,795,452

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Change in liabilities arising from financing activities as following:

			Non-cash Changes		
Bank	**As at 01.01.2018**	**Net Cash Flows**	**Foreign Exchange Movement**	**Interest Expense**	**As at 31.12.2018**
31.12.2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Subordinated obligations	**404,263**	**(19,700)**	**-**	**19,700**	**404,263**

			Non-cash Changes		
Bank	**As at 01.01.2017**	**Net Cash Flows**	**Foreign Exchange Movement**	**Interest Expense**	**As at 31.12.2017**
31.12.2017	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Subordinated obligations	447,595	(65,594)	-	22,262	404,263

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

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

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

The relevant new accounting standards, annual improvements and amendments to published standards and interpretations to existing accounting standards that are effective for the Group's and the Bank's financial year beginning on or after 1 January 2018 are as follows:

(i) Annual Improvements to MFRS 2014-2016 Cycle

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

  The amendments allow:

  - venture capital organisations, mutual funds, unit trusts and similar entities to elect, on an individual basis, measuring their investments in associates and joint ventures at fair value through profit or loss.

  - an entity that is not an investment entity to retain the fair value measurement applied by its associates or joint ventures (that are investment entities) when applying equity method.

The adoption of the Annual Improvements to MFRS 2014-2016 Cycle did not have any material financial impact on the financial statements of the Group and of the Bank.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The relevant new accounting standards, annual improvements and amendments to published standards and interpretations to existing accounting standards that are effective for the Group's and the Bank's financial year beginning on or after 1 January 2018 are as follows: (continued)

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

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

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

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

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

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

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

(iii) MFRS 9 'Financial Instruments'

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The relevant new accounting standards, annual improvements and amendments to published standards and interpretations to existing accounting standards that are effective for the Group's and the Bank's financial year beginning on or after 1 January 2018 are as follows: (continued)

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

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

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

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

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

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

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

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The relevant new accounting standards, annual improvements and amendments to published standards and interpretations to existing accounting standards that are effective for the Group's and the Bank's financial year beginning on or after 1 January 2018 are as follows: (continued)

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

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

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

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

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

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

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

- Amendments to MFRS 3 'Business Combinations' clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly, it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

- Amendments to MFRS 11 'Joint Arrangements' clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.

- Amendments to MFRS 112 'Income Taxes' clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in income statements, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in income statements when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

- Amendments to MFRS 123 'Borrowing Costs' clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

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

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

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

The amendments shall be applied retrospectively.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(iii) MFRS 16 ‘Leases’ - effective for annual periods on or after 1 January 2019

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

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

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

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

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

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

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

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

IC Interpretation 23 will be applied retrospectively.

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(i) MFRS 16 - The Group and the Bank will apply this standard from its mandatory adoption date of 1 January 2019. The Group and the Bank intend to apply the simplified transitional approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

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

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

(c) Changes in regulatory requirements

(i) Capital Adequacy Frameworks

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

The updates focused mainly on the following changes:

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(c) Changes in regulatory requirements (continued)

(ii) Financial Reporting

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

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

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

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

2) BASIS OF CONSOLIDATION

(a) Subsidiaries

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

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

(i) Acquisition accounting

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

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

Acquisition-related costs are expensed as incurred.

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2) BASIS OF CONSOLIDATION (CONTINUED)

(a) Subsidiaries (continued)

(i) Acquisition accounting (continued)

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

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the gain is recognised in income statements. Refer to accounting policy Section A(6) on goodwill.

(ii) Predecessor accounting

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

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

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

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2) BASIS OF CONSOLIDATION (CONTINUED)

(c) Disposal of subsidiaries

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

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

(d) Joint ventures

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

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

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2) BASIS OF CONSOLIDATION (CONTINUED)

(e) Associates

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

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

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

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

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

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

(f) Puttable financial instrument

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3) INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

In the Bank's separate financial statements, investment in subsidiaries, associates and joint ventures are stated at cost less accumulated impairment losses. At the end of each reporting period, the Group and the Bank assess whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy Section A(17) on impairment of non-financial assets.

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

4) FINANCIAL ASSETS

(a) Classification and measurement of financial assets

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

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

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

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

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

(i) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

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

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

(i) Debt instruments (continued)

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

(1) Financial assets at amortised cost

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

(2) Financial assets at FVOCI

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

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

(3) Financial assets at FVTPL

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

(ii) Equity instruments

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

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

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

(ii) Equity instruments (continued)

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

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

(b) Reclassification policy

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

However, it will be inappropriate to reclassify financial assets that have been designated at fair value through profit or loss, or equity instruments that have been designated as at fair value through other comprehensive income even when there is a change in business model. Such designations are irrevocable.

(c) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date, the date on which the Group and the Bank committed to purchase or sell the assets. Fixed income and interbank placements are recognised at settlement date. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Bank have transferred substantially all the risks and rewards of ownership.

(d) Impairment

MFRS 9 introduces a new impairment model that requires the recognition of expected credit loss ('ECL'), replacing the incurred loss methodology model under MFRS 139, for all financial assets, except for financial assets classified or designated as FVTPL and equity securities classified under FVOCI, which are not subject to impairment assessment. Off-balance sheet items that are subject to ECL include financial guarantees and undrawn loan commitments.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

(d) Impairment (continued)

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

(1) General approach

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

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

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

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

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

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

(iii) Stage 3: Lifetime ECL – credit impaired

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

Generally, all financial assets that are 90 days past due or more are classified under Stage 3.

The Group and the Bank consider the following as constituting an event of default:

(1) Quantitative criteria

- The borrower is past due more than 90 days on any material credit obligation to the Group and the Bank.

(2) Qualitative criteria

- Legal action has been initiated by the Group and the Bank for recovery purposes;
- Borrower is a bankrupt;
- Borrower has been assigned to external collection agency; and
- When there is modification referring to any changes in the contractual cash flow of loan due to credit deterioration reasons.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

(d) Impairment (continued)

(1) General approach (continued)

Significant increase in credit risk:

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

(ii) Among the indicators incorporated in ascertaining SICR are:

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

(d) Impairment (continued)

(1) General approach (continued)

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

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

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

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

(2) Simplified approach

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

(e) Accounting policies prior to 1 January 2018

(i) Classification

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

(1) Financial assets at FVTPL

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

(2) Loans and receivables

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

(3) Financial investments AFS

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

(4) Financial investments HTM

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

(ii) Recognition and initial measurement

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

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

(iii) Subsequent measurement – gains and losses

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

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

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

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

(iv) Impairment

(1) Assets carried at amortised cost

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

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

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

  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

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

(iv) Impairment (continued)

(1) Assets carried at amortised cost (continued)

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

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

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

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

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

(i) Individual impairment allowance

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

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

(iv) Impairment (continued)

(1) Assets carried at amortised cost (continued)

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

(ii) Collective impairment allowance

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

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

(iii) Regulatory reserve

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

(2) Assets classified as AFS

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) FINANCIAL ASSETS (CONTINUED)

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

(iv) Impairment (continued)

(2) Assets classified as AFS (continued)

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

(v) De-recognition

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

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

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

(vi) Offsetting financial instruments

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

Derivatives are initially recognised at fair value on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative. Cash collateral held in relation to derivative transactions are carried at amortised cost.

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

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

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

(a) Fair value hedge

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

(b) Cash flow hedge

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

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

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

(c) Net investment hedge

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

(d) Derivatives that do not qualify for hedge accounting

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

6) GOODWILL

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

Goodwill is stated at cost less accumulated impairment loss and is tested at least annually for impairment. Impairment loss on goodwill (inclusive of impairment losses recognised in a previous interim period) is not reversed. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold. Refer to accounting policy Section A(17) on impairment of non-financial assets.

Goodwill is allocated to Cash-Generating-Units (‘CGUs’) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose, identified according to operating segment.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7) INTANGIBLE ASSETS

Intangible assets comprise separately identifiable intangible items arising from business combinations, computer software licences and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life. Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Group and the Bank have a definite useful life. At each date of the consolidated statement of financial positions, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Intangible assets with indefinite useful life are annually tested for impairment and whenever there is an indication that the asset may be impaired. Refer to accounting policy Section A(17) on impairment of non-financial assets.

(a) Computer software licences

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

(b) Other intangible assets

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

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

Customer relationship	10 years
Brand	3-10 years

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

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

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

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

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

At the end of the reporting period, the Group and the Bank assess whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is written down to its recoverable amount. Refer to accounting policy Section A(17) on impairment of non-financial assets.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9) FINANCIAL LIABILITIES

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

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

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

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

(b) Other financial liabilities measured at amortised cost

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

Other financial liabilities measured at amortised cost are deposits from customers, deposits and placements of banks and other financial institutions, bills and acceptances payable, clients' and brokers' balances and other financial liabilities.

(c) Borrowings measured at amortised cost

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

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

Borrowings measured at amortised cost are long term and short term borrowings from financial institutions and subordinated obligations.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10) LEASES – WHERE THE GROUP IS LESSEE

(a) Operating lease

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

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

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

(b) Finance lease

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

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

11) PROVISIONS

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

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12) FINANCIAL GUARANTEE CONTRACTS

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

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

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

Accounting policy from 1 January 2018

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 'Financial Instruments' (refer Section A (4)(c)) and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers', where appropriate.

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

Accounting policy prior to 1 January 2018

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

13) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13) CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

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

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

14) SHARE CAPITAL

(a) Classification

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

(b) Share issue cost

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

(c) Dividend distribution

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

15) CASH AND CASH EQUIVALENTS

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16) REVENUE RECOGNITION

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

(b) Loan arrangement fees, commissions and placement fees are recognised as income when all conditions precedent are fulfilled.

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

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

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

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

From 1 January 2018 onwards, dividend that clearly represents a recovery of part of the cost of an investment is recognised in other comprehensive income if it relates to an investment in equity investments measured at fair value through other comprehensive income.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

18) EMPLOYEE BENEFITS

(a) Short-term employee benefits

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

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

(b) Defined contribution plans

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

(c) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

19) CURRENT AND DEFERRED INCOME TAXES

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

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

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

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

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20) CURRENCY CONVERSION AND TRANSLATION

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments under FVOCI (2017: AFS) are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in income statements, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in income statements as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as FVOCI (2017: AFS), are included in other comprehensive income.

(c) Group companies

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

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20) CURRENCY CONVERSION AND TRANSLATION (CONTINUED)

(c) Group companies (continued)

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

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

21) SEGMENT REPORTING

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

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(a) Fair value measurement

A significant portion of financial instruments are carried on the statements of financial position at fair value.

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

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

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

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

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

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

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

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

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

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

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

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

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

(c) Goodwill impairment

Goodwill is tested at least annually for impairment. Impairment is measured by comparing the carrying amount of the investments with its recoverable amount. The recoverable amount is determined based on higher of value in use ('VIU') and fair value less cost of disposal ('FVLCD'). Testing of goodwill for impairment involves a significant amount of estimation. This includes the identification of independent CGUs and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. Estimating the value in use require the Group and the Bank to make an estimate of the expected future cash flow from the CGUs. Determining both the expected pre-tax cash flows and the risk adjusted discount rate appropriate to the CGUs also require the exercise of judgement. The variables are subject to fluctuations in external market rates and economic conditions beyond management control and are subject to uncertainty and require the exercise of significant judgement. The detailed disclosures on the assessment of impairment of goodwill are disclosed in Note 18 to the financial statements.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1 GENERAL INFORMATION

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

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

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

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

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

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 26 February 2019.

2 CASH AND SHORT-TERM FUNDS

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

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

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

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

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

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

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

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

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

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

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

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

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

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

Movement in allowance for impairment losses:

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

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

	Note	Group and Bank 31.12.2017 RM'000
At amortised cost		
Money market instruments:		
Malaysian Government Investment Issues		457,199
Khazanah bonds		11,562
Wakala Global Sukuk		8,834
Unquoted Securities:		
In Malaysia		
Corporate bonds/Sukuk		108,199
Loan stocks		26,714
Prasarana bonds		50,129
		662,637
Accumulated impairment losses		(79,405)
		583,232

Movement in allowance for impairment losses:

	Note	Group and Bank 31.12.2017 RM'000
Balance as at the beginning of the financial year		108,816
Amount written back	**35**	(1,872)
Amount written off		(23,099)
Business transferred to holding company		(4,440)
Balance as at the end of the financial year		79,405

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

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

(a) Debt instruments

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

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

(b) Equity instruments

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

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

(b) Equity instruments (continued)

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

List of these investments are as follows:

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

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

8 FINANCIAL INVESTMENTS AT AMORTISED COSTS

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

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

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

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

Group and Bank 31.12.2018	Note	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
Balance as at the beginning of the financial year					
- As previously reported		-	-	-	-
- Effect of adoption of MFRS 9		-	-	79,405	79,405
- As restated		-	-	79,405	79,405
Net allowance written back	35	-	-	(1,341)	(1,341)
Balance as at the end of the financial year		-	-	78,064	78,064

9 LOANS AND ADVANCES

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

9 LOANS AND ADVANCES (CONTINUED)

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

9 LOANS AND ADVANCES (CONTINUED)

viii) By stages

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
Group				
31.12.2018				
Balance as at the beginning of the financial year				
- As previously reported	**-**	**-**	**-**	**-**
- Effect of adoption of MFRS 9	**1,736,491**	**10,666**	**93,677**	**1,840,834**
- As restated	**1,736,491**	**10,666**	**93,677**	**1,840,834**
Transfer in to 12-month ECL (Stage 1)	**67,115**	**(52,704)**	**(14,411)**	**-**
Transfer in to Lifetime ECL not credit impaired (Stage 2)	**(52,805)**	**52,824**	**(19)**	**-**
Transfer in to Lifetime ECL credit impaired (Stage 3)	**(14,585)**	**-**	**14,585**	**-**
Addition and origination	**1,580,946**	**-**	**-**	**1,580,946**
Derecognition	**(1,725,616)**	**(7,877)**	**(321)**	**(1,733,814)**
Amount written off	**-**	**-**	**(75,090)**	**(75,090)**
Exchange differences	**4,751**	**108**	**1,569**	**6,428**
Balance as at the end of the financial year	**1,596,297**	**3,017**	**19,990**	**1,619,304**

	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				
31.12.2018				
Balance as at the beginning of the financial year				
- As previously reported	**-**	**-**	**-**	**-**
- Effect of adoption of MFRS 9	**1,138,775**	**4,328**	**454**	**1,143,557**
- As restated	**1,138,775**	**4,328**	**454**	**1,143,557**
Transfer in to 12-month ECL (Stage 1)	**54,035**	**(42,065)**	**(11,970)**	**-**
Transfer in to Lifetime ECL not credit impaired (Stage 2)	**(38,536)**	**38,536**	**-**	**-**
Transfer in to Lifetime ECL credit impaired (Stage 3)	**(11,517)**	**-**	**11,517**	**-**
Addition and origination	**846,231**	**-**	**-**	**846,231**
Derecognition	**(957,717)**	**(799)**	**(1)**	**(958,517)**
Balance as at the end of the financial year	**1,031,271**	**-**	**-**	**1,031,271**

9 LOANS AND ADVANCES (CONTINUED)

ix) Impaired loans and advances

a) Movement in impaired loans and advances

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

b) By economic sector

	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000	Bank 31.12.2018 RM'000	Bank 31.12.2017 RM'000
Mining and quarrying	**7,445**	7,609	**-**	-
Manufacturing	**-**	2,191	**-**	-
Wholesale and retail trade and restaurant and hotel	**-**	34,979	**-**	-
Finance, insurance and business services	**-**	26,241	**-**	-
Household sector	**12,545**	22,657	**-**	454
	19,990	93,677	**-**	454

c) By geographical distribution

	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000	Bank 31.12.2018 RM'000	Bank 31.12.2017 RM'000
In Malaysia	**-**	454	**-**	454
Outside Malaysia:				
- Singapore	**11,323**	14,994	**-**	-
- Hong Kong	**16**	69,799	**-**	-
- Thailand	**8,651**	8,430	**-**	-
	19,990	93,677	**-**	454

9 LOANS AND ADVANCES (CONTINUED)

ix) Impaired loans and advances (continued)

d) Movement in allowance for expected credit losses

	Note	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
Group					
31.12.2018					
Balance as at the beginning of the financial year					
- As previously reported		-	-	-	-
- Effect of adoption of MFRS 9		1	-	86,905	86,906
- As restated		1	-	86,905	86,906
Net allowance made	35	-	-	5,479	5,479
Amount written off		-	-	(75,090)	(75,090)
Exchange differences		-	-	1,686	1,686
Balance as at the end of the financial year		1	-	18,980	18,981
Bank					
31.12.2018					
Balance as at the beginning of the financial year					
- As previously reported		-	-	-	-
- Effect of adoption of MFRS 9		1	-	5	6
- As restated		1	-	5	6
Net allowance written back	35	-	-	(5)	(5)
Balance as at the end of the financial year		1	-	-	1

9 LOANS AND ADVANCES (CONTINUED)

ix) Impaired loans and advances (continued)

e) Movement in allowance for impaired loans and advances

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

10 CLIENTS' AND BROKERS' BALANCES

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

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

10 CLIENTS' AND BROKERS' BALANCES (CONTINUED)

Movement in allowance for expected credit losses

	Group 31.12.2018 RM'000	Bank 31.12.2018 RM'000
a) Non-credit impaired		
Balance as at the beginning of the financial year		
- As previously reported	**-**	**-**
- Effect of adoption of MFRS 9	**642**	**-**
- As restated	**642**	**-**
Allowance for credit loss	**254**	**1**
Derecognition	**(643)**	**(1)**
Balance as at the end of the financial year	**253**	**-**

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

10 CLIENTS' AND BROKERS' BALANCES (CONTINUED)

Movement in allowance for expected credit losses (continued)

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

11 OTHER ASSETS

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

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

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

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

12 DERIVATIVE ASSETS/(LIABILITIES)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

12 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

Bank **31.12.2018**	**Contract or underlying principal amount** **RM'000**	**Year-end positive fair value** **RM'000**	**Year-end negative fair value** **RM'000**
Trading derivatives			
Foreign exchange related contracts:			
- Swaps/Spot	**28,174**	**74**	**54**
Structured warrants	**81,928**	**-**	**3,887**
	110,102	**74**	**3,941**

Group **31.12.2017**	**Contract or underlying principal amount** **RM'000**	**Year-end positive fair value** **RM'000**	**Year-end negative fair value** **RM'000**
Trading derivatives			
Foreign exchange related contracts:			
- Swaps/Spot	41,145	88	43
Equity related contracts:			
- Options	7,262	-	-
Interest rate related contracts:			
- Swaps	90,000	256	23
Structured warrants	233,286	-	45,947
	371,693	344	46,013

12 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

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

(i) Fair value hedge

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

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

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

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

12 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

(ii) Net investment hedge

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

13 STATUTORY DEPOSITS

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

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

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

14 DEFERRED TAX ASSETS/(LIABILITIES)

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

14 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

14 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

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

15 INVESTMENTS IN SUBSIDIARIES

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

During the financial year, impairment losses of RM 295,585,000 (31.12.2017: RM20,000,000) arising from investments were made in certain subsidiaries as the recoverable amount of the investments was less than the carrying value of the investments. The recoverable amount of the investments are based on higher of VIU and FVLCD.

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

- growth rate used in VIU calculation had been 39 basis points lower than management estimates at 31 December 2018 (i.e. 4.735% instead of 5.125%); or

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

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2018 %	Effective equity interest held by the Group 2017 %	Effective equity interest held by the non-controlling interest 2018 %	Effective equity interest held by the non-controlling interest 2017 %	Principal activities
RHB Merchant Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	**100**	100	**-**	-	Nominee services for Malaysian beneficial shareholders
RHB Merchant Nominees (Asing) Sdn Bhd	Malaysia	10,000	**100**	100	**-**	-	Nominee services for foreign beneficial shareholders
RHB Nominees Sdn Bhd	Malaysia	25,000	**100**	100	**-**	-	Nominee and custodian services
RHB Nominees (Asing) Sdn Bhd	Malaysia	25,000	**100**	100	**-**	-	Nominee and custodian services for foreign beneficial shareholders
RHB Nominees (Tempatan) Sdn Bhd	Malaysia	25,000	**100**	100	**-**	-	Nominee and custodian services for Malaysian beneficial shareholders
RHB Asset Management Sdn Bhd	Malaysia	10,000,000	**100**	100	**-**	-	Rendering of investment management services, management of unit trust funds and private retirement schemes and provision of investment advisory services
RHB Islamic International Asset Management Berhad	Malaysia	13,000,000	**100**	100	**-**	-	Rendering of Islamic fund management services and management of Islamic unit trust funds
RHB Research Institute Sdn Bhd	Malaysia	500,000	**100**	100	**-**	-	Providing research services relating to corporate and maintaining data pertaining to public quoted institutions, equities, bonds and all other forms of financial instruments

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2018 %	Effective equity interest held by the Group 2017 %	Effective equity interest held by the non-controlling interest 2018 %	Effective equity interest held by the non-controlling interest 2017 %	Principal activities
RHB Private Equity Holdings Sdn Bhd	Malaysia	110,000,002	**100**	100	**-**	-	Investment holding
RHB Private Equity Management Ltd	Malaysia	USD1	**100**	100	**-**	-	Investment holding, investment management and other ancillary services for private equity business
RHB Private Equity Fund Ltd [2]	Cayman Islands	USD10,001	**100**	100	**-**	-	Investment company
RHB International Investments Pte Ltd [1]	Singapore	SGD12,000,000	**100**	100	**-**	-	Investment holding
RHB Asset Management Pte Ltd [1]	Singapore	SGD12,100,000	**100**	100	**-**	-	Fund management
RHB Hong Kong Limited [1]	Hong Kong	HKD300,000,000	**100**	100	**-**	-	Investment holding
RHB Securities Hong Kong Limited [1]	Hong Kong	HKD340,000,000	**100**	100	**-**	-	Securities dealing and provision of securities margin financing and advising on securities
RHB Futures Hong Kong Limited [1]	Hong Kong	HKD35,000,000	**100**	100	**-**	-	Dealing in futures and options contracts
RHB Finance Hong Kong Limited [1]	Hong Kong	HKD1	**100**	100	**-**	-	Money lending
RHB Capital Hong Kong Limited [1]	Hong Kong	HKD10,000,000	**100**	100	**-**	-	Provision of corporate finance advisory services and to engage in securities dealing activities incidental to its corporate finance advisory activities

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2018 %	Effective equity interest held by the Group 2017 %	Effective equity interest held by the non-controlling interest 2018 %	Effective equity interest held by the non-controlling interest 2017 %	Principal activities
RHB Fundamental Capital Hong Kong Limited [1,6]	Hong Kong	HKD10,000,000	**100**	100	**-**	-	Dormant
RHB Asset Management Limited [1]	Hong Kong	HKD17,000,000	**100**	100	**-**	-	Dealing in securities, advising on securities and provision of asset management services
RHB Wealth Management Hong Kong Limited [1]	Hong Kong	HKD5,000,000	**100**	100	**-**	-	Negotiating or arranging contracts of insurance in or from Hong Kong as the agent of the policy holder or potential policy holder or advising on matters related to insurance
RHB (China) Investment Advisory Co Ltd [1]	People's Republic of China	USD2,000,000	**100**	100	**-**	-	Consulting for investment, business advisory and related services
PT RHB Sekuritas Indonesia [1]	Indonesia	IDR204,082 million	**99**	99	**1**	1	Securities brokerage and underwriting
PT RHB Asset Management Indonesia [1]	Indonesia	IDR50,000 million	**98.62**	98.62	**1.38**	1.38	Investment manager
RHB Securities Singapore Pte. Ltd. [1]	Singapore	SGD75,000,000	**100**	100	**-**	-	Provision of stock and share broking services and corporate finance advisory services
RHB Nominees Singapore Pte. Ltd. [1]	Singapore	SGD2	**100**	100	**-**	-	Inactive
Summit Nominees Pte. Ltd. [1]	Singapore	SGD2,000	**100**	100	**-**	-	Inactive

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2018 %	2017 %	Effective equity interest held by the non-controlling interest 2018 %	2017 %	Principal activities
RHB Research Institute Singapore Pte. Ltd. [1]	Singapore	SGD175,000	**100**	100	**-**	-	Financial advisory services
RHB Securities (Thailand) Public Company Limited [1]	Thailand	THB819,171,600	**99.95**	99.95	**0.05**	0.05	Provision of stock and derivatives broking services
RHB Indochina Securities Plc. [1]	Cambodia	USD12,500,000	**100**	100	**-**	-	Securities underwriting, dealing, brokerage and investment advisory service
RHB Entrepreneur Fund [1, ^]	Singapore	-	**49.78**	49.54	**50.22**	50.46	Invest in securities of companies that possess entrepreneurial characteristics as determined by the Manager
RHB Trustees Berhad	Malaysia	6,000,000	**80**	80	**20**	20	Professional retail trustee services (will writing, estate planning and private trustees) and corporate trustees services (collective investment schemes)
Malaysian Trustees Berhad	Malaysia	550,000	**80**	80	**20**	20	Engage in the business of trustee agents, executors and administrators pursuant to the Trust Companies Act, 1949

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2018 %	Effective equity interest held by the Group 2017 %	Effective equity interest held by the non-controlling interest 2018 %	Effective equity interest held by the non-controlling interest 2017 %	Principal activities
Dormant subsidiaries							
RHB Excel Sdn Bhd [4]	Malaysia	200,000,000	**100**	100	**-**	-	Dormant
RHB Progressive Sdn Bhd [4]	Malaysia	13,500,000	**100**	100	**-**	-	Dormant
RHB Marketing Services Sdn Bhd [3]	Malaysia	100,000	**100**	100	**-**	-	Dormant
RHB Unit Trust Management Berhad [4]	Malaysia	5,000,000	**100**	100	**-**	-	Dormant
RHB Futures and Options Sdn Bhd	Malaysia	10,000,000	**100**	100	**-**	-	Dormant
RHB Research Sdn Bhd [5]	Malaysia	500,000	**100**	100	**-**	-	Dormant
RHB International Asset Management Sdn Bhd	Malaysia	7,000,000	**100**	100	**-**	-	Dormant
RHBIB Nominees (Tempatan) Sdn Bhd [5]	Malaysia	3,670,000	**100**	100	**-**	-	Dormant
RHBIB Nominees (Asing) Sdn Bhd [5]	Malaysia	2,670,000	**100**	100	**-**	-	Dormant
RHB Islamic Asset Management Sdn Bhd	Malaysia	4,000,000	**100**	100	**-**	-	Dormant

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2018 %	2017 %	Effective equity interest held by the non-controlling interest 2018 %	2017 %	Principal activities
Dormant subsidiaries (continued)							
TCL Nominees (Tempatan) Sdn Bhd [5]	Malaysia	644,000	**100**	100	**-**	-	Dormant
TCL Nominees (Asing) Sdn Bhd [5]	Malaysia	4,000	**100**	100	**-**	-	Dormant
KE-ZAN Nominees (Tempatan) Sdn Bhd [5]	Malaysia	650,000	**100**	100	**-**	-	Dormant
KE-ZAN Nominees (Asing) Sdn Bhd [5]	Malaysia	10,000	**100**	100	**-**	-	Dormant
RHBIM Berhad	Malaysia	10,000,000	**100**	100	**-**	-	Dormant

Notes:

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

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

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

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

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

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

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

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

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

(a) Share of net assets of associates

The details of the associates are as follows:

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest 2018 %	Effective equity interest 2017 %	Principal activities
RHB Finexasia.Com Sdn Bhd ('Finexasia')	Malaysia	11,361,111	**40.05**	40.05	Investment holding, development of products and provision of services related to IT
Prostar Capital (Asia-Pacific) Ltd. [1] ('Prostar')	Cayman Islands	USD60	**33.33**	33.33	Investment holding with subsidiaries involved in investment advisory and management of private equity funds
Satin Straits Sdn Bhd [2] ('Satin Straits')	Malaysia	5,000,000	**-**	-	Investment holding

Notes:

1 Held through RHB Private Equity Management Ltd, a subsidiary of RHB Private Equity Holdings Sdn Bhd

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

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

(i) Summarised statements of financial position

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

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

(ii) Summarised statements of comprehensive income

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

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

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

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

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

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

(b) Share of net assets of joint ventures

The details of the joint ventures are as follows:

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest 2018 %	Effective equity interest 2017 %	Principal activities
RHB Securities Vietnam Company Limited ('RHBSV') *(formerly known as Vietnam Securities Corporation)*	Vietnam	VND135 billion	**49**	49	Securities brokerage, securities investment, consultancy and self-trading
RHB GC-Millennium Capital Pte. Ltd. ('RHB GC')	Singapore	SGD10,000	**40**	40	Investment activities

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

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

(i) Summarised statements of financial position

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

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

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

(ii) Summarised statements of comprehensive income

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

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

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

17 PROPERTY, PLANT AND EQUIPMENT

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

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group **31.12.2017**	**Note**	**Renovations** **RM'000**	**Office equipment and furniture** **RM'000**	**Computer equipment** **RM'000**	**Motor vehicles** **RM'000**	**Total** **RM'000**
Cost						
Balance as at the beginning of the financial year		98,487	84,466	144,462	11,504	338,919
Additions		3,775	1,874	8,242	100	13,991
Disposals		-	(8)	(351)	(35)	(394)
Written off		(781)	(565)	(1,987)	-	(3,333)
Exchange differences		(1,642)	(745)	(3,054)	(379)	(5,820)
Balance as at the end of the financial year		99,839	85,022	147,312	11,190	343,363
Less: Accumulated depreciation						
Balance as at the beginning of the financial year		67,911	73,973	127,014	9,619	278,517
Charge for the financial year	33	5,550	4,694	11,150	914	22,308
Disposals		-	(8)	(351)	(35)	(394)
Written off		(512)	(559)	(1,655)	-	(2,726)
Exchange differences		(991)	(600)	(2,711)	(333)	(4,635)
Balance as at the end of the financial year		71,958	77,500	133,447	10,165	293,070
Net book value as at the end of the financial year		27,881	7,522	13,865	1,025	50,293

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank 31.12.2018	Note	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost						
Balance as at the beginning of the financial year		74,937	55,047	84,291	3,915	218,190
Additions		526	185	2,071	-	2,782
Written off		(9,129)	(3,007)	(5,505)	-	(17,641)
Balance as at the end of the financial year		66,334	52,225	80,857	3,915	203,331
Less: Accumulated depreciation						
Balance as at the beginning of the financial year		56,143	53,253	80,093	3,813	193,302
Charge for the financial year	33	3,335	659	3,463	102	7,559
Written off		(9,125)	(3,004)	(5,505)	-	(17,634)
Balance as at the end of the financial year		50,353	50,908	78,051	3,915	183,227
Net book value as at the end of the financial year		15,981	1,317	2,806	-	20,104

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

18 GOODWILL AND OTHER INTANGIBLE ASSETS

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

(a) Goodwill on consolidation

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

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

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

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

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

18 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill on consolidation (continued)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

18 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets

Group 31.12.2018	Note	Customer relationship RM'000	Brand RM'000	Trading rights and memberships RM'000	Computer software license RM'000	Total RM'000
Cost						
Balance as at the beginning of the financial year		22,333	25,098	2,694	127,866	177,991
Additions		-	-	-	9,915	9,915
Written off		-	(20,153)	-	(1,020)	(21,173)
Reclassification from property, plant and equipment	17	-	-	-	8,004	8,004
Exchange differences		-	-	66	69	135
Balance as at the end of the financial year		22,333	4,945	2,760	144,834	174,872
Less: Accumulated amortisation						
Balance as at the beginning of the financial year		11,538	22,709	1,302	93,749	129,298
Charge for the financial year	33	2,233	495	-	9,261	11,989
Written off		-	(20,153)	-	(992)	(21,145)
Reclassification from property, plant and equipment	17	-	-	-	6,684	6,684
Exchange differences		-	-	31	405	436
Balance as at the end of the financial year		13,771	3,051	1,333	109,107	127,262
Net book value as at the end of the financial year		8,562	1,894	1,427	35,727	47,610

18 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets (continued)

Group 31.12.2017	Note	Customer relationship RM'000	Brand RM'000	Trading rights and memberships RM'000	Computer software license RM'000	Total RM'000
Cost						
Balance as at the beginning of the financial year		22,333	25,098	2,783	121,269	171,483
Additions		-	-	-	10,971	10,971
Written off		-	-	-	(3,678)	(3,678)
Exchange differences		-	-	(89)	(696)	(785)
Balance as at the end of the financial year		22,333	25,098	2,694	127,866	177,991
Less: Accumulated amortisation						
Balance as at the beginning of the financial year		9,305	22,214	1,353	84,728	117,600
Charge for the financial year	33	2,233	495	-	10,160	12,888
Written off		-	-	-	(753)	(753)
Exchange differences		-	-	(51)	(386)	(437)
Balance as at the end of the financial year		11,538	22,709	1,302	93,749	129,298
Less: Accumulated impairment losses						
Balance as at the beginning of the financial year		-	-	-	2,925	2,925
Written off		-	-	-	(2,925)	(2,925)
Balance as at the end of the financial year		-	-	-	-	-
Net book value as at the end of the financial year		10,795	2,389	1,392	34,117	48,693

18 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets (continued)

Bank **31.12.2018**	**Note**	**Customer relationship** **RM'000**	**Brand** **RM'000**	**Computer software license** **RM'000**	**Total** **RM'000**
Cost					
Balance as at the beginning of the financial year		5,659	20,153	105,843	131,655
Additions		-	-	4,996	4,996
Written off		-	(20,153)	(623)	(20,776)
Balance as at the end of the financial year		5,659	-	110,216	115,875
Less: Accumulated amortisation					
Balance as at the beginning of the financial year		2,924	20,153	80,878	103,955
Charge for the financial year	33	566	-	5,075	5,641
Written off		-	(20,153)	(623)	(20,776)
Balance as at the end of the financial year		3,490	-	85,330	88,820
Net book value as at the end of the financial year		**2,169**	**-**	**24,886**	**27,055**

18 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets (continued)

Bank **31.12.2017**	**Note**	**Customer relationship** **RM'000**	**Brand** **RM'000**	**Computer software license** **RM'000**	**Total** **RM'000**
Cost					
Balance as at the beginning of the financial year		5,659	20,153	101,505	127,317
Additions		-	-	8,016	8,016
Written off		-	-	(3,678)	(3,678)
Balance as at the end of the financial year		5,659	20,153	105,843	131,655
Less: Accumulated amortisation					
Balance as at the beginning of the financial year		2,358	20,153	74,795	97,306
Charge for the financial year	33	566	-	6,836	7,402
Written off		-	-	(753)	(753)
Balance as at the end of the financial year		2,924	20,153	80,878	103,955
Less: Accumulated impairment losses					
Balance as at the beginning of the financial year		-	-	2,925	2,925
Written off		-	-	(2,925)	(2,925)
Balance as at the end of the financial year		-	-	-	-
Net book value as at the end of the financial year		2,735	-	24,965	27,700

19 DEPOSITS FROM CUSTOMERS

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

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

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

21 CLIENTS' AND BROKERS' BALANCES

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

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

22 OTHER LIABILITIES

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

22 OTHER LIABILITIES (CONTINUED)

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

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

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

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

23 BORROWINGS

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

The borrowings of the Group are as follows:

(a) Revolving credits

(i) HKD revolving credits

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

(ii) USD revolving credits

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

(b) Term loans

(i) SGD term loan

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

(ii) THB term loans

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

(c) Promissory notes

(i) IDR promissory notes

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

(ii) THB promissory notes

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

24 SUBORDINATED OBLIGATIONS

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

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

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

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

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

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

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

25 SHARE CAPITAL

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

26 RESERVES

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

26 RESERVES (CONTINUED)

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

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

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

(d) Regulatory reserves represent the Group's and the Bank's compliance with BNM's Revised Policy Documents on Financial Reporting with effect from 1 January 2018, whereby the Bank and its domestic banking subsidiaries must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

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

27 NON-CONTROLLING INTERESTS ('NCI')

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

28 INTEREST INCOME

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

29 INTEREST EXPENSE

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

30 FEE AND COMMISSION INCOME

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

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

31 FEE AND COMMISSION EXPENSE

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

32 OTHER OPERATING INCOME

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

32 OTHER OPERATING INCOME (CONTINUED)

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

33 OTHER OPERATING EXPENSES

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

33 OTHER OPERATING EXPENSES (CONTINUED)

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

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

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

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

34 CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION

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

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

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

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

34 CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION (CONTINUED)

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

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

During the financial year, Directors of the Group and the Bank are covered under the Directors' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors of the Group and the Bank subject to the term of the policy. The total amount of Directors' Liability Insurance effected for the Group and the Bank was RM208 million (31.12.2017: RM208 million) and RM200 million (31.12.2017: RM200 million) respectively. The total amount of premium paid for the Directors' Liability Insurance by the Group and the Bank was RM118,948 (31.12.2017: RM124,138) and RM74,190 (31.12.2017: RM76,788) respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

34 CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION (CONTINUED)

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

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

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

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

36 IMPAIRMENT LOSSES ON OTHER NON-FINANCIAL ASSETS

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

37 TAXATION

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

37 TAXATION (CONTINUED)

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

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

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

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

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

38 (LOSS)/EARNINGS PER SHARE

(a) Basic earnings per share

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

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

(b) Diluted earnings per share

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

39 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

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

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

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

40 ORDINARY DIVIDENDS

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

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

41 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationships

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

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

(b) Significant related party balances and transactions

In addition to related party disclosures mentioned in Notes 11 and 22, set out below are other significant related party transactions and balances.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

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

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

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank **31.12.2018**	**Holding company** **RM'000**	**EPF and EPF Group of companies** **RM'000**	**Subsidiaries** **RM'000**	**Key management personnel** **RM'000**	**Other related companies** **RM'000**
Income					
Interest income on deposits	7,618	-	-	-	389
Interest income on financial assets FVTPL	1	9	-	-	-
Fee income	348	2,283	3,171	655	200
Brokerage income	-	11,739	573	176	-
Rental income	-	-	146	-	-
Other operating income	102,729	73	11,400	90	-
	110,696	14,104	15,290	921	589
Expenses					
Insurance premium	-	-	-	-	178
Interest expense on deposits and placements	43,419	-	-	-	-
Interest expense on deposits from customers	-	5,017	450	-	243
Rental of premises	7,318	-	-	508	-
Personnel costs	436	-	-	-	617
Establishment costs	-	-	-	-	4,400
Marketing expenses	-	-	683	-	-
Administration and general expenses	50	-	15,295	-	286
	51,223	5,017	16,428	508	5,724

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank 31.12.2018	Holding company RM'000	EPF and EPF Group of companies RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
Amounts due from					
Cash and short-term funds	554,027	-	-	-	-
Clients' and brokers' balances	-	1,383	-	-	-
Derivative assets	46	-	-	-	-
Other assets	-	7	1,397	-	22
	554,073	1,390	1,397	-	22
Amounts due to					
Deposit from customers	-	247,071	-	-	-
Deposits and placements of banks and other financial institutions	1,025,700	-	-	-	-
Clients' and brokers' balances	-	-	-	69	-
Derivative liabilities	54	-	-	-	-
Other liabilities	8,975	-	1,409	-	273
	1,034,729	247,071	1,409	69	273

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank 31.12.2017	Holding company RM'000	EPF and EPF Group of companies RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
Income					
Interest income on deposits	8,686	-	-	-	653
Interest on loans and advances	-	-	526	-	-
Interest income on financial investments AFS	-	1,129	-	-	-
Interest income on financial assets FVTPL	6	-	-	-	-
Fee income	990	8,171	3,966	100	150
Brokerage income	-	10,405	738	67	-
Rental income	-	-	150	-	-
Other operating income	79,319	137	10,000	1	-
	89,001	19,842	15,380	168	803
Expenses					
Insurance premium	-	-	-	-	401
Interest expense on deposits and placements	38,285	-	-	-	-
Interest expense on deposits from customers	-	2,782	1,713	36	392
Rental of premises	7,479	-	-	920	-
Personnel costs	194	-	-	-	386
Establishment costs	-	-	-	-	4,189
Marketing expenses	-	-	2,175	-	-
Administration and general expenses	50	-	15,014	-	290
	46,008	2,782	18,902	956	5,658

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank **31.12.2017**	**Holding company** **RM'000**	**EPF and EPF Group of companies** **RM'000**	**Subsidiaries** **RM'000**	**Key management personnel** **RM'000**	**Other related companies** **RM'000**
Amounts due from					
Cash and short-term funds	782,863	-	-	-	-
Clients' and brokers' balances	-	90,131	-	101	-
Derivative assets	74	-	-	-	-
Other assets	-	4,913	12,257	107	25
	782,937	95,044	12,257	208	25
Amounts due to					
Deposits from customers	-	32,284	28,638	-	14,090
Deposits and placements of banks and other financial institutions	2,553,449	-	-	-	-
Clients' and brokers' balances	-	16,535	-	-	-
Derivative liabilities	61	-	-	-	-
Other liabilities	9,971	-	2,693	-	513
	2,563,481	48,819	31,331	-	14,603

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

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

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Key management personnel

The remuneration of key management personnel are as follows:

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

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

Note:

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

(d) Credit exposures arising from transactions with connected parties

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

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

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

42 COMMITMENTS AND CONTINGENCIES

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

The commitments and contingencies comprise the following:

		Group
	31.12.2018	**31.12.2017**
Principal amount	**RM'000**	**RM'000**
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	**1,338,876**	1,516,982
- maturity exceeding one year	**4,243**	4,164
Foreign exchange related contracts: ^		
- less than one year	**129,753**	36,962
Interest rate related contracts: ^		
- less than one year	**-**	90,000
Equity related contracts: ^		
- less than one year	**-**	7,262
	1,472,872	1,655,370

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

42 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The commitments and contingencies comprise the following: (continued)

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

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

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

43 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

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

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

44 CAPITAL AND OTHER COMMITMENTS

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

45 FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Objectives and Policies

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

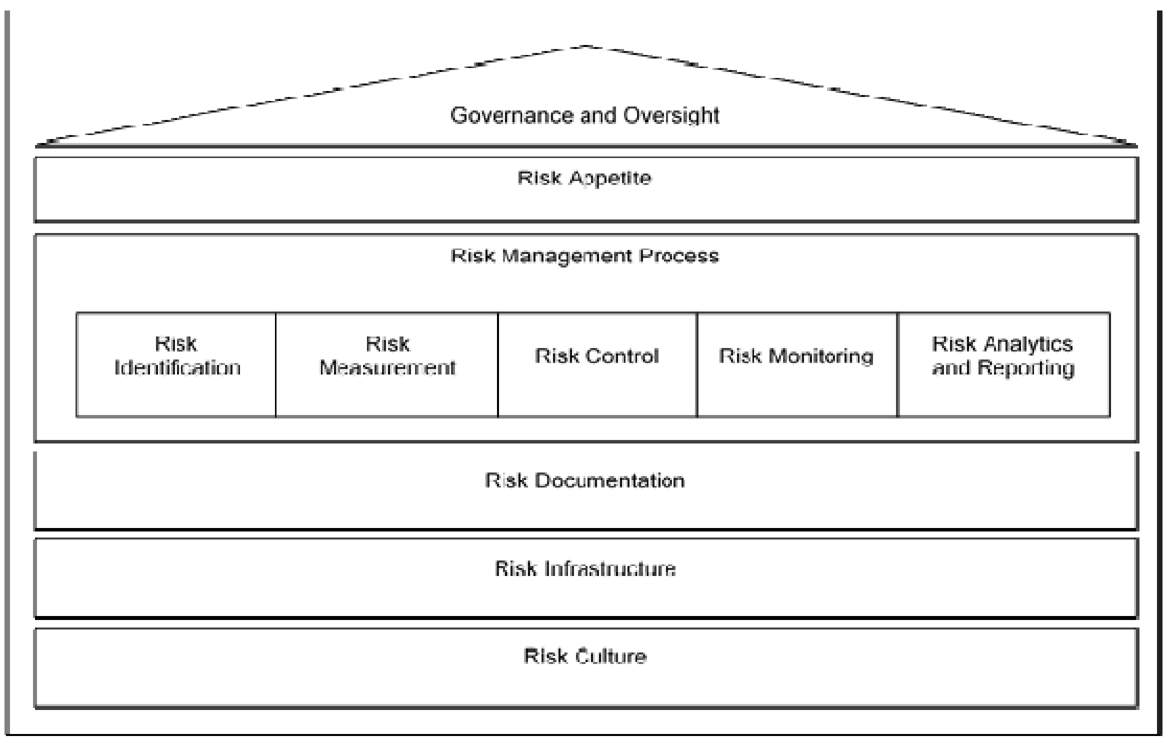
Effective risk management is fundamental to drive sustainable growth and shareholders' value, while maintaining competitive advantage, and is thus a central part of the proactive risk management of the Group's operating environment.

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

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

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

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



45 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

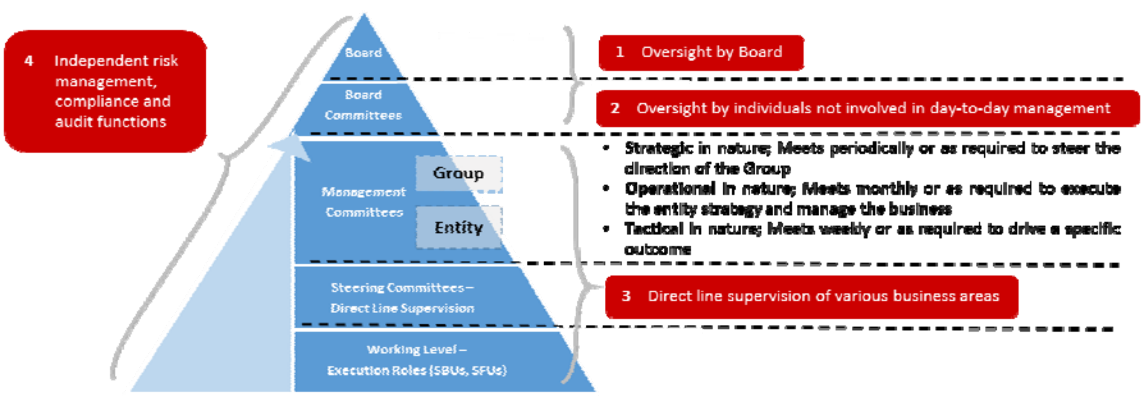
1. Risk Governance from the Boards of Directors of Various Operating Entities within the Group

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

   <u>Risk Governance and Organisation</u>

   The Board of Directors ('Board'), through the Board Risk Committee ('BRC'), Group Capital and Risk Committee ('GCRC') and the Group Risk and Credit Management function, establishes the risk appetite and risk principles for the Group and relevant entities. The BRC is the principal Board Committee that provides oversight over risk management activities for the Group to ensure that the Group's risk management process is in place and functional. The BRC assists the Board to review the overall risk management philosophy, frameworks, policies and models.

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



45 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Risk Culture

2. Clear Understanding of Risk Management Ownership

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

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

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Risk Environment and Infrastructure

3. Institutionalisation of a Risk-focused Organisation

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

Group Risk and Credit Management is independent of the business function to ensure that the necessary balance in risk and return decisions is not compromised by short-term pressures to generate revenues. The said function is headed by the Group Chief Risk Officer. The roles and responsibilities of the Group Chief Risk Officer include:

- Facilitating the setting of the strategic direction and overall policy on management and control of risk of the Group;
- Ensuring industry best practices in risk management are adopted across the Group, including the setting of risk management parameters and risk models;
- Developing a pro-active, balanced and risk-attuned culture within the Group; and
- Advising senior management and the Board on risk issues and their possible impact on the Group in the achievement of its objectives and strategies.

Group Risk and Credit Management consisting of Group Risk Management, Group Credit Management and Group Risk Operations provides independent oversight on business activities and implements the Group Risk Management Framework in order to protect and safeguard the Group's assets, and to prevent and mitigate financial and reputational losses to the Group. Key areas for which Group Risk Management is responsible for include the Group's risk policy and framework, day-to-day risk measurement and monitoring, providing timely risk analysis to management, and ensuring compliance to regulatory risk reporting requirements.

Group Credit Management oversees the Group-wide credit evaluation and assessment, approval and credit monitoring functions by providing credit risk assessment assurance on credit proposals, highlighting key risks and potential problematic accounts, and improving credit process efficiency.

Group Risk Operations is responsible for strategising and implementing a comprehensive enterprise-wide risk governance framework, and managing the development of robust risk management infrastructure and tools, aligned with the Group's strategy for growth and keeping pace with the market requirements and competitive business environment. Group Risk Operations drives the operationalisation of the Group's risk transformation initiatives in establishing risk management as a valuable business partner.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Risk Environment and Infrastructure (continued)

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

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

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

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

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

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

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

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

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

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Risk Appetite

4. Alignment of Risk Management to Business Strategies

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

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

5. Optimisation of Risk-adjusted Return

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

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

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

Major Areas of Risk

As a banking institution with key activities covering advisory, fund raising in the structuring and issuance of debt securities and capital market instruments, mergers and acquisitions, private placements, underwriting, initial public offerings of equity related instruments, private placements and underwriting, the Group and the Bank is subject to business risks which are inherent in the financial services industry. Generally, these business risks can be broadly classified as follows:

(i) Market risk - the risk of losses arising from adverse movements in market indicators, such as interest rates, credit spreads, equity prices, currency exchange rates and commodity prices.

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

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

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Market Risk

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

Liquidity Risk

- The Group ALCO supports the BRC by performing the critical role in management of liquidity risk, and is responsible for establishing strategies that assist in controlling and reducing any potential exposures to liquidity risk.
- The liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.
- The Group and the Bank have adopted the BNM's liquidity standards on Liquidity Coverage Ratio, to ensure maintenance of adequate stock of unencumbered high-quality liquid assets to survive the liquidity needs for 30 calendar days under liquidity stress condition.
- Defined liquidity management ratios are maintained and monitored.
- The Group and the Bank establish a Group Liquidity Incident Management Procedure to manage liquidity crisis, identifying early warning signs of a possible liquidity event and the need for heightened liquidity risk monitoring and reduced liquidity risk exposure.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Credit Risk

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

- Industry best practices are incorporated into this policy.

- Group Credit Committee ('GCC') is responsible for ensuring adherence to the Board approved credit risk appetite as well as the effectiveness of credit risk management. GCC is the senior management committee empowered to approve or reject all financial investments, counterparty credit, lending and financing up to the defined threshold.

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

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

- The Group Credit Management has the functional responsibility to ensure that internal processes and credit underwriting standards are adhered to before financing proposals are approved. All financing proposals are firstly assessed for its credit worthiness by the originating business units before being evaluated by an independent credit manager and decided upon by the delegated lending or financing authority and relevant committees. With the exception of credit applications for consumer and approved products under program lending and financing which can be approved by business units' supervisors, all other credit facilities are subject to independent assessment by a team of dedicated and experienced credit evaluators in Head Office. For proper checks and controls, joint approval is required for all discretionary lending between business and independent credit underwriters. Loans and financing which are beyond the delegated lending authority limits will be escalated to the relevant committees for approval.

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

- Clients' accounts are mitigated through the establishment of appropriate approving authority structure or matrix for the extension of trading or credit limits. Within clearly defined guidelines approved by the Board and in line with applicable laws and regulations, credit risk management also encompasses the systematic credit assessment, close monitoring of limits, exposures and concentration risk to counterparties or issuers, through timely management reporting procedures.

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Operational Risk

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

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

- The Group and the Bank have Business Continuity Planning ('BCP') programmes for the major critical business operations and activities at the Head Office, data centre, and branch locations. The BCP programmes are subject to regular testing to ensure efficacy, reliability and functionality.

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

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

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

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

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

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

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

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates and foreign currency rates, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group and the Bank as at 31 December 2018.

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

(i) Interest rate sensitivity analysis

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

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

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

Impact on the profit/(loss) after tax is the sum of valuation changes on fixed income instruments held in the trading portfolio and movement for all short-term interest rate sensitive assets and liabilities (with maturity or re-pricing tenure of up to one year) that is not held in the trading portfolio. Earnings movement for the short-term interest rate sensitive assets and liabilities uses a set of risk weights with its respective time band to simulate the 100 bps (31.12.2017: 100 bps) interest rate change impact. For assets and liabilities with non fixed maturity, certain assumptions are made to reflect the actual sensitivity behaviour of these interest bearing assets and liabilities.

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Foreign currency sensitivity analysis

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

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

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

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk

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

Group 31.12.2018	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS									
Cash and short-term funds	885,297	-	-	-	-	-	973,727	-	1,859,024
Deposits and placements with banks and other financial institutions	-	90,123	-	-	-	-	326	-	90,449
Financial assets at FVTPL	-	-	-	-	-	-	650,255	92,966	743,221
Financial assets at FVOCI	-	-	4,999	8,455	251,141	440,950	44,680	-	750,225
Financial investments at amortised costs	-	-	-	10,002	260,306	588,599	8,400	-	867,307
Loans and advances	1,598,926	-	22	14	-	352	1,009	-	1,600,323
Clients' and brokers' balances	24,041	-	-	-	-	-	919,016	-	943,057
Other assets	-	-	-	-	-	3,329	150,992	-	154,321
Derivative assets	-	-	-	-	-	-	-	74	74
Statutory deposits	-	-	-	-	-	-	64,414	-	64,414
Tax recoverable	-	-	-	-	-	-	24,654	-	24,654
Deferred tax assets	-	-	-	-	-	-	19,610	-	19,610
Investments in associates and joint ventures	-	-	-	-	-	-	30,646	-	30,646
Property, plant and equipment	-	-	-	-	-	-	40,044	-	40,044
Goodwill and other intangible assets	-	-	-	-	-	-	571,521	-	571,521
TOTAL ASSETS	2,508,264	90,123	5,021	18,471	511,447	1,033,230	3,499,294	93,040	7,758,890

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Group's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates: (continued)

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Group's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates: (continued)

Group Restated 31.12.2017	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS									
Cash and short-term funds	1,639,189	-	-	-	-	-	832,389	-	2,471,578
Deposits and placements with banks and other financial institutions	-	14,288	-	7,783	-	-	35	-	22,106
Financial assets at FVTPL	-	-	-	-	-	-	-	823,421	823,421
Financial investments AFS	-	10,015	-	90,865	153,888	549,239	98,242	-	902,249
Financial investments HTM	-	-	35,050	80,349	10,002	453,312	4,519	-	583,232
Loans and advances									
- performing	1,746,635	-	-	1	117	404	-	-	1,747,157
- impaired	-	-	-	-	-	-	6,771 *	-	6,771
Clients' and brokers' balances	220,222	-	-	-	-	-	1,388,509	-	1,608,731
Other assets	-	100	100	-	-	3,411	182,298	-	185,909
Derivative assets	-	-	-	-	-	-	-	344	344
Statutory deposits	-	-	-	-	-	-	55,660	-	55,660
Tax recoverable	-	-	-	-	-	-	49,225	-	49,225
Deferred tax assets	-	-	-	-	-	-	14,839	-	14,839
Investments in associates and joint ventures	-	-	-	-	-	-	54,174	-	54,174
Property, plant and equipment	-	-	-	-	-	-	50,293	-	50,293
Goodwill and other intangible assets	-	-	-	-	-	-	572,604	-	572,604
TOTAL ASSETS	3,606,046	24,403	35,150	178,998	164,007	1,006,366	3,309,558	823,765	9,148,293

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Group's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates: (continued)

Group Restated 31.12.2017	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
LIABILITIES									
Deposits from customers	578,252	40,382	2,411	-	-	-	2,536	-	623,581
Deposits and placements of banks and other financial institutions	1,022,915	1,601,201	400,000	-	-	-	11,037	-	3,035,153
Bills and acceptances payable	-	6,185	-	-	-	-	-	-	6,185
Clients' and brokers' balances	102,121	-	-	-	-	-	1,400,261	-	1,502,382
Other liabilities	-	-	-	-	-	-	503,293	-	503,293
Derivative liabilities	-	-	-	-	-	-	-	46,013	46,013
Puttable financial instruments	-	-	-	-	-	-	78,825	-	78,825
Tax liabilities	-	-	-	-	-	-	6,136	-	6,136
Deferred tax liabilities	-	-	-	-	-	-	2,612	-	2,612
Borrowings	712,075	-	-	-	-	-	304	-	712,379
Subordinated obligations	-	-	-	-	200,000	200,000	4,263	-	404,263
TOTAL LIABILITIES	2,415,363	1,647,768	402,411	-	200,000	200,000	2,009,267	46,013	6,920,822
Shareholders' funds	-	-	-	-	-	-	2,218,276	-	2,218,276
Non-controlling interests	-	-	-	-	-	-	9,195	-	9,195
TOTAL LIABILITIES AND EQUITY	2,415,363	1,647,768	402,411	-	200,000	200,000	4,236,738	46,013	9,148,293
On-balance sheet interest sensitivity gap	1,190,683	(1,623,365)	(367,261)	178,998	(35,993)	806,366			
Off-balance sheet interest sensitivity gap	-	-	60,000	-	-	-			
TOTAL INTEREST SENSITIVITY GAP	1,190,683	(1,623,365)	(307,261)	178,998	(35,993)	806,366			

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Group's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates: (continued)

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

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Group's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates: (continued)

Group Restated 01.01.2017	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
LIABILITIES									
Deposits from customers	547,414	99,599	28,372	4,690	-	-	1,960	-	682,035
Deposits and placements of banks and other financial institutions	1,895,020	785,584	100	9,000	-	-	3,914	-	2,693,618
Bills and acceptances payable	68,789	87,359	24,783	-	-	-	-	-	180,931
Clients' and brokers' balances	-	-	-	-	-	-	1,800,971	-	1,800,971
Other liabilities	1,132	150	-	8,489	-	-	463,977	-	473,748
Derivative liabilities	-	-	-	-	-	-	-	37,197	37,197
Puttable financial instruments	-	-	-	-	-	-	68,706	-	68,706
Tax liabilities	-	-	-	-	-	-	11,583	-	11,583
Deferred tax liabilities	-	-	-	-	-	-	3,189	-	3,189
Borrowings	552,626	-	-	-	-	-	94	-	552,720
Subordinated obligations	-	-	-	245,000	-	200,000	2,595	-	447,595
TOTAL LIABILITIES	3,064,981	972,692	53,255	267,179	-	200,000	2,356,989	37,197	6,952,293
Shareholders' funds	-	-	-	-	-	-	3,066,619	-	3,066,619
Non-controlling interests	-	-	-	-	-	-	8,202	-	8,202
TOTAL LIABILITIES AND EQUITY	3,064,981	972,692	53,255	267,179	-	200,000	5,431,810	37,197	10,027,114
On-balance sheet interest sensitivity gap	(435,762)	(579,803)	(30,514)	(28,284)	651,276	990,882			
Off-balance sheet interest sensitivity gap	-	-	(40,000)	-	60,000	-			
TOTAL INTEREST SENSITIVITY GAP	(435,762)	(579,803)	(70,514)	(28,284)	711,276	990,882			

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates.

Bank 31.12.2018	Non-trading book: Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS									
Cash and short-term funds	770,845	-	-	-	-	-	421,739	-	1,192,584
Financial assets at FVTPL	-	-	-	-	-	-	36,342	19,300	55,642
Financial assets at FVOCI	-	-	4,999	8,455	251,141	440,950	36,382	-	741,927
Financial investments at amortised costs	-	-	-	10,002	260,306	588,599	8,400	-	867,307
Loans and advances	1,030,882	-	22	14	-	352	-	-	1,031,270
Clients' and brokers' balances	9,681	-	-	-	-	-	517,076	-	526,757
Other assets	-	-	-	-	-	3,329	22,293	-	25,622
Derivative assets	-	-	-	-	-	-	-	74	74
Statutory deposits	-	-	-	-	-	-	60,300	-	60,300
Tax recoverable	-	-	-	-	-	-	21,397	-	21,397
Deferred tax assets	-	-	-	-	-	-	5,832	-	5,832
Investments in subsidiaries	-	-	-	-	-	-	1,182,229	-	1,182,229
Investments in associates and joint ventures	-	-	-	-	-	-	21,057	-	21,057
Property, plant and equipment	-	-	-	-	-	-	20,104	-	20,104
Goodwill and other intangible assets	-	-	-	-	-	-	399,450	-	399,450
TOTAL ASSETS	1,811,408	-	5,021	18,471	511,447	1,033,230	2,752,601	19,374	6,151,552

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates: (continued)

	Non-trading book								
Bank	**Up to 1 month**	**>1-3 months**	**>3-6 months**	**>6-12 months**	**>1-3 years**	**Over 3 years**	**Non-interest sensitive**	**Trading book**	**Total**
31.12.2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
LIABILITIES									
Deposits from customers	933,881	94,407	-	-	-	-	2,326	-	1,030,614
Deposits and placements of banks and other financial institutions	328,642	1,496,723	-	-	-	-	9,455	-	1,834,820
Clients' and brokers' balances	-	-	-	-	-	-	619,201	-	619,201
Other liabilities	-	-	-	-	-	-	172,243	-	172,243
Derivative liabilities	-	-	-	-	-	-	-	3,941	3,941
Subordinated obligations	-	-	-	-	200,000	200,000	4,263	-	404,263
TOTAL LIABILITIES	1,262,523	1,591,130	-	-	200,000	200,000	807,488	3,941	4,065,082
Total equity	-	-	-	-	-	-	2,086,470	-	2,086,470
TOTAL LIABILITIES AND EQUITY	1,262,523	1,591,130	-	-	200,000	200,000	2,893,958	3,941	6,151,552
On-balance sheet interest sensitivity gap	548,885	(1,591,130)	5,021	18,471	311,447	833,230			
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-			
TOTAL INTEREST SENSITIVITY GAP	548,885	(1,591,130)	5,021	18,471	311,447	833,230			

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates: (continued)

	Non-trading book								
Bank Restated 31.12.2017	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-6 months RM'000**	**>6-12 months RM'000**	**>1-3 years RM'000**	**Over 3 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
ASSETS									
Cash and short-term funds	1,441,906	-	-	-	-	-	353,546	-	1,795,452
Financial assets at FVTPL	-	-	-	-	-	-	-	149,139	149,139
Financial investments AFS	-	10,015	-	90,865	153,853	549,238	78,182	-	882,153
Financial investments HTM	-	-	35,050	80,349	10,002	453,312	4,519	-	583,232
Loans and advances									
- performing	1,142,582	-	-	1	116	404	-	-	1,143,103
- impaired	-	-	-	-	-	-	448 *	-	448
Clients' and brokers' balances	9,925	-	-	-	-	-	901,130	-	911,055
Other assets	-	-	-	-	-	3,411	48,529	-	51,940
Derivative assets	-	-	-	-	-	-	-	343	343
Statutory deposits	-	-	-	-	-	-	51,650	-	51,650
Tax recoverable	-	-	-	-	-	-	45,470	-	45,470
Deferred tax assets	-	-	-	-	-	-	1,180	-	1,180
Investments in subsidiaries	-	-	-	-	-	-	1,478,140	-	1,478,140
Investments in associates and joint ventures	-	-	-	-	-	-	21,057	-	21,057
Property, plant and equipment	-	-	-	-	-	-	24,888	-	24,888
Goodwill and other intangible assets	-	-	-	-	-	-	400,095	-	400,095
TOTAL ASSETS	2,594,413	10,015	35,050	171,215	163,971	1,006,365	3,408,834	149,482	7,539,345

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates: (continued)

	Non-trading book								
Bank Restated 31.12.2017	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-6 months RM'000**	**>6-12 months RM'000**	**>1-3 years RM'000**	**Over 3 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
LIABILITIES									
Deposits from customers	606,858	40,382	2,411	-	-	-	2,569	-	652,220
Deposits and placements of banks and other financial institutions	1,022,915	1,601,201	400,000	-	-	-	11,037	-	3,035,153
Clients' and brokers' balances	-	-	-	-	-	-	911,177	-	911,177
Other liabilities	-	-	-	-	-	-	171,371	-	171,371
Derivative liabilities	-	-	-	-	-	-	-	45,873	45,873
Subordinated obligations	-	-	-	-	200,000	200,000	4,263	-	404,263
TOTAL LIABILITIES	1,629,773	1,641,583	402,411	-	200,000	200,000	1,100,417	45,873	5,220,057
Total equity	-	-	-	-	-	-	2,319,288	-	2,319,288
TOTAL LIABILITIES AND EQUITY	1,629,773	1,641,583	402,411	-	200,000	200,000	3,419,705	45,873	7,539,345
On-balance sheet interest sensitivity gap	964,640	(1,631,568)	(367,361)	171,215	(36,029)	806,365			
Off-balance sheet interest sensitivity gap	-	-	60,000	-	-	-			
TOTAL INTEREST SENSITIVITY GAP	964,640	(1,631,568)	(307,361)	171,215	(36,029)	806,365			

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates: (continued)

Bank Restated 01.01.2017	**Non-trading book: Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-6 months RM'000**	**>6-12 months RM'000**	**>1-3 years RM'000**	**Over 3 years RM'000**	**Non-interest sensitive RM'000**		**Trading book RM'000**	**Total RM'000**
ASSETS										
Cash and short-term funds	225,283	-	-	-	-	-	260,600		-	485,883
Deposits and placements with banks and other financial institutions	-	350,000	-	-	-	-	65		-	350,065
Financial assets at FVTPL	-	-	-	-	-	-	-		54,854	54,854
Financial investments AFS	1,085	12,327	22,641	207,219	509,865	983,280	97,101		-	1,833,518
Financial investments HTM	-	30,000	-	20,055	141,130	203,899	3,480		-	398,564
Loans and advances										
- performing	1,071,877	-	-	3,138	281	443	39		-	1,075,778
- impaired	-	-	-	-	-	-	45,385	*	-	45,385
Clients' and brokers' balances	10,723	-	-	-	-	-	746,492		-	757,215
Other assets	-	-	-	-	-	3,260	64,955		-	68,215
Derivative assets	-	-	-	-	-	-	-		7,202	7,202
Statutory deposits	-	-	-	-	-	-	80,700		-	80,700
Tax recoverable	-	-	-	-	-	-	58,393		-	58,393
Deferred tax assets	-	-	-	-	-	-	7,919		-	7,919
Investments in subsidiaries	-	-	-	-	-	-	1,504,725		-	1,504,725
Investments in associates and joint ventures	-	-	-	-	-	-	21,057		-	21,057
Property, plant and equipment	-	-	-	-	-	-	27,802		-	27,802
Goodwill and other intangible assets	-	-	-	-	-	-	1,145,504		-	1,145,504
TOTAL ASSETS	1,308,968	392,327	22,641	230,412	651,276	1,190,882	4,064,217		62,056	7,922,779

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates: (continued)

Bank Restated 01.01.2017	Non-trading book: Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
LIABILITIES									
Deposits from customers	563,171	99,599	28,372	4,690	-	-	1,970	-	697,802
Deposits and placements of banks and other financial institutions	1,966,161	785,584	100	9,000	-	-	3,942	-	2,764,787
Clients' and brokers' balances	-	-	-	-	-	-	742,481	-	742,481
Other liabilities	1,132	150	-	8,489	-	-	159,890	-	169,661
Derivative liabilities	-	-	-	-	-	-	-	36,425	36,425
Subordinated obligations	-	-	-	245,000	-	200,000	2,595	-	447,595
TOTAL LIABILITIES	2,530,464	885,333	28,472	267,179	-	200,000	910,878	36,425	4,858,751
Total equity	-	-	-	-	-	-	3,064,028	-	3,064,028
TOTAL LIABILITIES AND EQUITY	2,530,464	885,333	28,472	267,179	-	200,000	3,974,906	36,425	7,922,779
On-balance sheet interest sensitivity gap	(1,221,496)	(493,006)	(5,831)	(36,767)	651,276	990,882			
Off-balance sheet interest sensitivity gap	-	-	(40,000)	-	60,000	-			
TOTAL INTEREST SENSITIVITY GAP	(1,221,496)	(493,006)	(45,831)	(36,767)	711,276	990,882			

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk

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

The Group has adopted the BNM's liquidity standard on Liquidity Coverage Ratio, to ensure maintenance of adequate stock of unencumbered high-quality liquid assets to survive the liquidity needs for 30 calendar day under liquidity stress condition. The Group continues to report Net Stable Funding Ratio under the Basel lll observation reporting to BNM.

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

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

Group 31.12.2018	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short-term funds	1,404,792	454,232	-	-	-	-	-	1,859,024
Deposits and placements with banks and other financial institutions	-	-	90,449	-	-	-	-	90,449
Financial assets at FVTPL	-	-	-	-	-	-	743,221	743,221
Financial assets at FVOCI	-	-	-	5,009	8,562	697,516	39,138	750,225
Financial investments at amortised costs	-	-	-	-	10,151	857,156	-	867,307
Loans and advances	1,599,935	10	21	20	26	311	-	1,600,323
Clients' and brokers' balances	937,942	2,096	-	-	-	-	3,019	943,057
Other assets	96,633	22,439	5,057	3,023	11,053	10,220	5,896	154,321
Derivative assets	74	-	-	-	-	-	-	74
Statutory deposits	-	-	-	-	-	-	64,414	64,414
Tax recoverable	-	-	-	-	-	-	24,654	24,654
Deferred tax assets	-	-	-	-	-	-	19,610	19,610
Investments in associates and joint ventures	-	-	-	-	-	-	30,646	30,646
Property, plant and equipment	-	-	-	-	-	-	40,044	40,044
Goodwill and other intangible assets	-	-	-	-	-	-	571,521	571,521
TOTAL ASSETS	4,039,376	478,777	95,527	8,052	29,792	1,565,203	1,542,163	7,758,890

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Group 31.12.2018	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
LIABILITIES								
Deposits from customers	61,506	874,342	94,766	-	-	-	-	1,030,614
Deposits and placements of banks and other financial institutions	87,200	245,154	1,502,466	-	-	-	-	1,834,820
Bills and acceptances payable	12,747	-	31,789	-	-	-	-	44,536
Clients' and brokers' balances	582,512	249,648	-	-	-	-	-	832,160
Other liabilities	153,443	213,595	28,213	7,874	10,965	1,171	-	415,261
Derivative liabilities	2,029	1	1,005	2,723	159	-	-	5,917
Puttable financial instruments	70,615	-	-	-	-	-	-	70,615
Tax liabilities	-	-	-	-	-	-	6,288	6,288
Deferred tax liabilities	-	-	-	-	-	-	2,072	2,072
Borrowings	190,565	122,998	569,406	-	-	-	-	882,969
Subordinated obligations	-	-	-	4,263	-	400,000	-	404,263
TOTAL LIABILITIES	1,160,617	1,705,738	2,227,645	14,860	11,124	401,171	8,360	5,529,515
Total equity	-	-	-	-	-	-	2,229,375	2,229,375
TOTAL LIABILITIES AND EQUITY	1,160,617	1,705,738	2,227,645	14,860	11,124	401,171	2,237,735	7,758,890

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Group Restated 31.12.2017	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short-term funds	2,370,044	101,534	-	-	-	-	-	2,471,578
Deposits and placements with banks and other financial institutions	-	-	14,318	-	7,788	-	-	22,106
Financial assets at FVTPL	-	17,231	-	23	-	-	806,167	823,421
Financial investments AFS	-	735	13,588	2,064	90,865	703,092	91,905	902,249
Financial investments HTM	-	183	931	38,433	80,349	463,336	-	583,232
Loans and advances	1,642,259	111,161	25	38	62	383	-	1,753,928
Clients' and brokers' balances	1,126,112	482,619	-	-	-	-	-	1,608,731
Other assets	109,691	22,342	12,037	3,082	9,310	4,219	25,228	185,909
Derivative assets	88	-	-	42	214	-	-	344
Statutory deposits	-	-	-	-	-	-	55,660	55,660
Tax recoverable	-	-	-	-	-	-	49,225	49,225
Deferred tax assets	-	-	-	-	-	-	14,839	14,839
Investments in associates and joint ventures	-	-	-	-	-	-	54,174	54,174
Property, plant and equipment	-	-	-	-	-	-	50,293	50,293
Goodwill and other intangible assets	-	-	-	-	-	-	572,604	572,604
TOTAL ASSETS	5,248,194	735,805	40,899	43,682	188,588	1,171,030	1,720,095	9,148,293

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Group Restated 31.12.2017	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
LIABILITIES								
Deposits from customers	22,550	557,864	40,688	2,479	-	-	-	623,581
Deposits and placements of banks and other financial institutions	150,834	878,394	1,605,808	400,117	-	-	-	3,035,153
Bills and acceptances payable	-	-	6,185	-	-	-	-	6,185
Clients' and brokers' balances	1,051,667	450,715	-	-	-	-	-	1,502,382
Other liabilities	240,911	181,327	39,014	7,652	11,128	5	23,256	503,293
Derivative liabilities	170	3,580	40,025	118	2,120	-	-	46,013
Puttable financial instruments	78,825	-	-	-	-	-	-	78,825
Tax liabilities	-	-	-	-	-	-	6,136	6,136
Deferred tax liabilities	-	-	-	-	-	-	2,612	2,612
Borrowings	220,378	492,001	-	-	-	-	-	712,379
Subordinated obligations	-	-	-	4,263	-	400,000	-	404,263
TOTAL LIABILITIES	1,765,335	2,563,881	1,731,720	414,629	13,248	400,005	32,004	6,920,822
Total equity	-	-	-	-	-	-	2,227,471	2,227,471
TOTAL LIABILITIES AND EQUITY	1,765,335	2,563,881	1,731,720	414,629	13,248	400,005	2,259,475	9,148,293

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Group Restated 01.01.2017	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short-term funds	953,035	119,105	-	-	-	-	-	1,072,140
Deposits and placements with banks and other financial institutions	-	-	350,531	-	8,487	-	-	359,018
Financial assets at FVTPL	-	-	-	21	1,000	16,399	594,685	612,105
Financial investments AFS	2,552	2,163	21,493	25,993	207,219	1,506,363	90,893	1,856,676
Financial investments HTM	203	127	30,910	1,657	20,055	345,612	-	398,564
Loans and advances	1,660,322	52,525	2,458	47,301	8,086	21,480	-	1,792,172
Clients' and brokers' balances	1,440,320	617,280	-	-	-	-	-	2,057,600
Other assets	88,494	121,979	19,970	5,296	5,446	4,247	23,650	269,082
Derivative assets	16	1,059	5,256	394	-	600	-	7,325
Statutory deposits	-	-	-	-	-	-	85,144	85,144
Tax recoverable	-	-	-	-	-	-	61,528	61,528
Deferred tax assets	-	-	-	-	-	-	19,477	19,477
Investments in associates and joint ventures	-	-	-	-	-	-	54,989	54,989
Property, plant and equipment	-	-	-	-	-	-	60,402	60,402
Goodwill and other intangible assets	-	-	-	-	-	-	1,320,892	1,320,892
TOTAL ASSETS	4,144,942	914,238	430,618	80,662	250,293	1,894,701	2,311,660	10,027,114

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Group Restated 01.01.2017	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
LIABILITIES								
Deposits from customers	310,156	238,661	99,911	28,572	4,735	-	-	682,035
Deposits and placements of banks and other financial institutions	763,013	1,134,243	787,239	102	9,021	-	-	2,693,618
Bills and acceptances payable	-	68,789	87,359	24,783	-	-	-	180,931
Clients' and brokers' balances	1,305,124	495,847	-	-	-	-	-	1,800,971
Other liabilities	189,899	177,681	50,674	6,848	16,843	5,845	25,958	473,748
Derivative liabilities	7	2,291	33,702	257	901	39	-	37,197
Puttable financial instruments	68,706	-	-	-	-	-	-	68,706
Tax liabilities	-	-	-	-	-	-	11,583	11,583
Deferred tax liabilities	-	-	-	-	-	-	3,189	3,189
Borrowings	481,344	71,376	-	-	-	-	-	552,720
Subordinated obligations	-	-	-	-	245,561	202,034	-	447,595
TOTAL LIABILITIES	3,118,249	2,188,888	1,058,885	60,562	277,061	207,918	40,730	6,952,293
Total equity	-	-	-	-	-	-	3,074,821	3,074,821
TOTAL LIABILITIES AND EQUITY	3,118,249	2,188,888	1,058,885	60,562	277,061	207,918	3,115,551	10,027,114

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Bank 31.12.2018	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short-term funds	799,798	392,786	-	-	-	-	-	1,192,584
Financial assets at FVTPL	-	-	-	-	-	-	55,642	55,642
Financial assets at FVOCI	-	-	-	5,009	8,562	697,516	30,840	741,927
Financial investments at amortised costs	-	-	-	-	10,151	857,156	-	867,307
Loans and advances	1,030,882	10	21	20	26	311	-	1,031,270
Clients' and brokers' balances	521,642	2,096	-	-	-	-	3,019	526,757
Other assets	18,338	2,828	1,127	-	-	3,329	-	25,622
Derivative assets	74	-	-	-	-	-	-	74
Statutory deposits	-	-	-	-	-	-	60,300	60,300
Tax recoverable	-	-	-	-	-	-	21,397	21,397
Deferred tax assets	-	-	-	-	-	-	5,832	5,832
Investments in subsidiaries	-	-	-	-	-	-	1,182,229	1,182,229
Investments in associates and joint ventures	-	-	-	-	-	-	21,057	21,057
Property, plant and equipment	-	-	-	-	-	-	20,104	20,104
Goodwill and other intangible assets	-	-	-	-	-	-	399,450	399,450
TOTAL ASSETS	2,370,734	397,720	1,148	5,029	18,739	1,558,312	1,799,870	6,151,552

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Bank 31.12.2018	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
LIABILITIES								
Deposits from customers	61,506	874,342	94,766	-	-	-	-	1,030,614
Deposits and placements of banks and other financial institutions	87,200	245,154	1,502,466	-	-	-	-	1,834,820
Clients' and brokers' balances	433,441	185,760	-	-	-	-	-	619,201
Other liabilities	10,657	161,586	-	-	-	-	-	172,243
Derivative liabilities	53	1	1,005	2,723	159	-	-	3,941
Subordinated obligations	-	-	-	4,263	-	400,000	-	404,263
TOTAL LIABILITIES	592,857	1,466,843	1,598,237	6,986	159	400,000	-	4,065,082
Total equity	-	-	-	-	-	-	2,086,470	2,086,470
TOTAL LIABILITIES AND EQUITY	592,857	1,466,843	1,598,237	6,986	159	400,000	2,086,470	6,151,552

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Bank Restated 31.12.2017	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short-term funds	1,742,330	53,122	-	-	-	-	-	1,795,452
Financial assets at FVTPL	-	-	-	23	-	-	149,116	149,139
Financial investments AFS	-	735	13,588	2,064	90,865	703,091	71,810	882,153
Financial investments HTM	-	183	931	38,433	80,349	463,336	-	583,232
Loans and advances	1,143,030	13	25	38	62	383	-	1,143,551
Clients' and brokers' balances	637,738	273,317	-	-	-	-	-	911,055
Other assets	39,375	2,590	6,564	-	-	3,411	-	51,940
Derivative assets	87	-	-	42	214	-	-	343
Statutory deposits	-	-	-	-	-	-	51,650	51,650
Tax recoverable	-	-	-	-	-	-	45,470	45,470
Deferred tax assets	-	-	-	-	-	-	1,180	1,180
Investment in subsidiaries	-	-	-	-	-	-	1,478,140	1,478,140
Investments in associates and joint ventures	-	-	-	-	-	-	21,057	21,057
Property, plant and equipment	-	-	-	-	-	-	24,888	24,888
Goodwill and other intangible assets	-	-	-	-	-	-	400,095	400,095
TOTAL ASSETS	3,562,560	329,960	21,108	40,600	171,490	1,170,221	2,243,406	7,539,345

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Bank Restated 31.12.2017	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
LIABILITIES								
Deposits from customers	22,550	586,503	40,688	2,479	-	-	-	652,220
Deposits and placements of banks and other financial institutions	150,834	878,393	1,605,808	400,118	-	-	-	3,035,153
Clients' and brokers' balances	637,824	273,353	-	-	-	-	-	911,177
Other liabilities	13,177	158,194	-	-	-	-	-	171,371
Derivative liabilities	37	3,573	40,025	118	2,120	-	-	45,873
Subordinated obligations	-	-	-	4,263	-	400,000	-	404,263
TOTAL LIABILITIES	824,422	1,900,016	1,686,521	406,978	2,120	400,000	-	5,220,057
Total equity	-	-	-	-	-	-	2,319,288	2,319,288
TOTAL LIABILITIES AND EQUITY	824,422	1,900,016	1,686,521	406,978	2,120	400,000	2,319,288	7,539,345

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Bank Restated 01.01.2017	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
ASSETS								
Cash and short-term funds	473,561	12,322	-	-	-	-	-	485,883
Deposits and placements with banks and other financial institutions	-	-	350,065	-	-	-	-	350,065
Financial assets at FVTPL	-	-	-	21	1,000	16,399	37,434	54,854
Financial investments AFS	2,552	2,163	21,493	25,993	207,219	1,506,363	67,735	1,833,518
Financial investments HTM	203	127	30,910	1,657	20,055	345,612	-	398,564
Loans and advances	1,041,824	14	2,458	47,301	8,086	21,480	-	1,121,163
Clients' and brokers' balances	530,051	227,164	-	-	-	-	-	757,215
Other assets	56,425	537	7,713	60	211	3,269	-	68,215
Derivative assets	16	1,059	5,133	394	-	600	-	7,202
Statutory deposits	-	-	-	-	-	-	80,700	80,700
Tax recoverable	-	-	-	-	-	-	58,393	58,393
Deferred tax assets	-	-	-	-	-	-	7,919	7,919
Investment in subsidiaries	-	-	-	-	-	-	1,504,725	1,504,725
Investments in associates and joint ventures	-	-	-	-	-	-	21,057	21,057
Property, plant and equipment	-	-	-	-	-	-	27,802	27,802
Goodwill and other intangible assets	-	-	-	-	-	-	1,145,504	1,145,504
TOTAL ASSETS	2,104,632	243,386	417,772	75,426	236,571	1,893,723	2,951,269	7,922,779

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Bank Restated 01.01.2017	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
LIABILITIES								
Deposits from customers	325,923	238,661	99,911	28,572	4,735	-	-	697,802
Deposits and placements of banks and other financial institutions	834,182	1,134,243	787,239	102	9,021	-	-	2,764,787
Clients' and brokers' balances	519,737	222,744	-	-	-	-	-	742,481
Other liabilities	4,759	156,233	150	-	8,519	-	-	169,661
Derivative liabilities	7	2,291	32,930	257	901	39	-	36,425
Subordinated obligations	-	-	-	-	245,561	202,034	-	447,595
TOTAL LIABILITIES	1,684,608	1,754,172	920,230	28,931	268,737	202,073	-	4,858,751
Total equity	-	-	-	-	-	-	3,064,028	3,064,028
TOTAL LIABILITIES AND EQUITY	1,684,608	1,754,172	920,230	28,931	268,737	202,073	3,064,028	7,922,779

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The following table presents the cash outflows for the Group's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments:

Group 31.12.2018	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
LIABILITIES							
Deposits from customers	937,797	95,235	-	-	-	-	1,033,032
Deposits and placements of banks and other financial institutions	332,766	1,510,817	-	-	-	-	1,843,583
Bills and acceptances payable	12,763	31,856	-	-	-	-	44,619
Clients' and brokers' balances	832,160	-	-	-	-	-	832,160
Other financial liabilities	367,041	36,092	10,969	1,181	-	-	415,283
Derivative liabilities:							
- Gross settled derivatives							
- Inflow	(13,752)	-	-	-	-	-	(13,752)
- Outflow	15,064	-	-	-	-	-	15,064
- Net settled derivatives	718	3,728	159	-	-	-	4,605
Puttable financial instruments	70,615	-	-	-	-	-	70,615
Borrowings	313,563	569,406	-	-	-	-	882,969
Subordinated obligations	-	9,823	9,877	224,590	209,800	-	454,090
TOTAL FINANCIAL LIABILITIES	2,868,735	2,256,957	21,005	225,771	209,800	-	5,582,268

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The following table presents the cash outflows for the Group's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments: (continued)

Group **Restated** **31.12.2017**	**Up to 1 month** **RM'000**	**1 to 6 months** **RM'000**	**6 to 12 months** **RM'000**	**1 to 3 years** **RM'000**	**3 to 5 years** **RM'000**	**Over 5 years** **RM'000**	**Total** **RM'000**
LIABILITIES							
Deposits from customers	593,734	43,402	-	-	-	-	637,136
Deposits and placements of banks and other financial institutions	1,018,345	2,019,841	-	-	-	-	3,038,186
Bills and acceptances payable	-	6,211	-	-	-	-	6,211
Clients' and brokers' balances	1,502,382	-	-	-	-	-	1,502,382
Other financial liabilities	422,243	50,570	11,528	18,980	-	-	503,321
Derivative liabilities:							
- Gross settled derivatives							
- Inflow	(15,607)	-	-	-	-	-	(15,607)
- Outflow	15,645	7	-	-	-	-	15,652
- Net settled derivatives	3,580	40,204	2,185	1	-	-	45,970
Puttable financial instruments	78,825	-	-	-	-	-	78,825
Borrowings	712,379	-	-	-	-	-	712,379
Subordinated obligations	-	9,823	9,877	234,517	219,573	-	473,790
TOTAL FINANCIAL LIABILITIES	4,331,526	2,170,058	23,590	253,498	219,573	-	6,998,245

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The following table presents the cash outflows for the Group's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments: (continued)

Group Restated 01.01.2017	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
LIABILITIES							
Deposits from customers	549,345	129,431	4,844	-	-	-	683,620
Deposits and placements of banks and other financial institutions	1,898,618	790,930	9,342	-	-	-	2,698,890
Bills and acceptances payable	68,895	112,738	-	-	-	-	181,633
Clients' and brokers' balances	1,800,971	-	-	-	-	-	1,800,971
Other financial liabilities	393,300	57,764	16,998	5,846	-	-	473,908
Derivative liabilities:							
- Gross settled derivatives							
- Inflow	(911)	(20,806)	-	-	-	-	(21,717)
- Outflow	1,880	42,022	-	-	-	-	43,902
- Net settled derivatives	1,389	12,339	1,133	151	-	-	15,012
Puttable financial instruments	68,706	-	-	-	-	-	68,706
Borrowings	552,720	-	-	-	-	-	552,720
Subordinated obligations	-	-	265,623	-	224,764	-	490,387
TOTAL FINANCIAL LIABILITIES	5,334,913	1,124,418	297,940	5,997	224,764	-	6,988,032

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The following table presents the cash outflows for the Bank's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments:

Bank 31.12.2018	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
LIABILITIES							
Deposits from customers	937,797	95,235	-	-	-	-	1,033,032
Deposits and placements of banks and other financial institutions	332,766	1,510,817	-	-	-	-	1,843,583
Clients' and brokers' balances	619,201	-	-	-	-	-	619,201
Other financial liabilities	172,247	-	-	-	-	-	172,247
Derivative liabilities:							
- Gross settled derivatives							
- Inflow	(13,393)	-	-	-	-	-	(13,393)
- Outflow	13,447	-	-	-	-	-	13,447
- Net settled derivatives	-	3,728	159	-	-	-	3,887
Subordinated obligations	-	9,823	9,877	224,590	209,800	-	454,090
TOTAL FINANCIAL LIABILITIES	2,062,065	1,619,603	10,036	224,590	209,800	-	4,126,094

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The following table presents the cash outflows for the Bank's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments: (continued)

Bank Restated 31.12.2017	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
LIABILITIES							
Deposits from customers	609,872	43,402	-	-	-	-	653,274
Deposits and placements of banks and other financial institutions	1,030,886	2,019,841	-	-	-	-	3,050,727
Clients' and brokers' balances	911,177	-	-	-	-	-	911,177
Other financial liabilities	171,374	-	-	-	-	-	171,374
Derivative liabilities:							
- Gross settled derivatives							
- Inflow	(15,607)	-	-	-	-	-	(15,607)
- Outflow	15,645	-	-	-	-	-	15,645
- Net settled derivatives	3,573	40,143	2,120	-	-	-	45,836
Subordinated obligations	-	9,823	9,877	234,517	219,573	-	473,790
TOTAL FINANCIAL LIABILITIES	2,726,920	2,113,209	11,997	234,517	219,573	-	5,306,216

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The following table presents the cash outflows for the Bank's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments: (continued)

Bank Restated 01.01.2017	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
LIABILITIES							
Deposits from customers	565,112	129,431	4,844	-	-	-	699,387
Deposits and placements of banks and other financial institutions	1,969,786	790,930	9,342	-	-	-	2,770,058
Clients' and brokers' balances	742,482	-	-	-	-	-	742,482
Other financial liabilities	160,998	152	8,648	-	-	-	169,798
Derivative liabilities:							
- Gross settled derivatives							
- Inflow	(911)	(20,806)	-	-	-	-	(21,717)
- Outflow	1,880	42,022	-	-	-	-	43,902
- Net settled derivatives	1,330	11,972	900	39	-	-	14,241
Subordinated obligations	-	-	265,623	-	224,764	-	490,387
TOTAL FINANCIAL LIABILITIES	3,440,677	953,701	289,357	39	224,764	-	4,908,538

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Group 31.12.2018	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
Irrevocable commitments to extend credit	**1,338,876**	**4,243**	**1,343,119**
TOTAL COMMITMENTS AND CONTINGENCIES	**1,338,876**	**4,243**	**1,343,119**
31.12.2017			
Irrevocable commitments to extend credit	1,516,982	4,164	1,521,146
TOTAL COMMITMENTS AND CONTINGENCIES	1,516,982	4,164	1,521,146

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Bank **31.12.2018**	**Less than 1 year** **RM'000**	**Over 1 year** **RM'000**	**Total** **RM'000**
Direct credit substitutes	**152,006**	**-**	**152,006**
Irrevocable commitments to extend credit	**376,397**	**22**	**376,419**
TOTAL COMMITMENTS AND CONTINGENCIES	**528,403**	**22**	**528,425**
31.12.2017			
Obligations under underwriting agreements	45,761	-	45,761
Direct credit substitutes	151,583	-	151,583
Irrevocable commitments to extend credit	536,472	22	536,494
TOTAL COMMITMENTS AND CONTINGENCIES	733,816	22	733,838

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk at the statements of financial position is the amounts on the statements of financial position as well as off balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers. The table below shows the maximum exposure to credit risk for the Group and the Bank:

			Group
		Restated	**Restated**
	31.12.2018	**31.12.2017**	**01.01.2017**
	RM'000	**RM'000**	**RM'000**
Credit risk exposure relating to on-balance sheet assets:			
Short-term funds (exclude cash in hand)	**1,858,870**	2,471,385	1,071,972
Deposits and placements with banks and other financial institutions	**90,449**	22,106	359,018
Financial assets and investments portfolios (exclude equity instruments):			
- FVTPL	**-**	23	17,421
- FVOCI	**711,087**	-	-
- Amortised costs	**867,307**	-	-
- AFS	**-**	810,343	1,765,783
- HTM	**-**	583,232	398,564
Loans and advances	**1,600,323**	1,753,928	1,792,172
Clients' and brokers' balances	**943,310**	1,608,731	2,057,600
Other financial assets	**130,525**	164,228	249,780
	6,201,871	7,413,976	7,712,310
Credit risk exposure relating to off-balance sheet items:			
Commitments and contingencies	**1,343,119**	1,521,146	2,067,636
Total maximum credit risk exposure	**7,544,990**	8,935,122	9,779,946

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

Financial assets and investments portfolios:			
- FVTPL	**743,221**	823,398	594,684
- FVOCI	**39,138**	-	-
- AFS	**-**	91,906	90,893
- Derivative assets	**74**	344	7,325
- Other financial assets	**5,588**	-	-
	788,021	915,648	692,902

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(i) Maximum exposure to credit risk (continued)

			Bank
		Restated	Restated
	31.12.2018	31.12.2017	01.01.2017
	RM'000	RM'000	RM'000
Credit risk exposure relating to on-balance sheet assets:			
Short-term funds (exclude cash in hand)	**1,192,507**	1,795,369	485,807
Deposits and placements with banks and other financial institutions	**-**	-	350,065
Financial assets and investments portfolios (exclude equity instruments):			
- FVTPL	**-**	23	17,421
- FVOCI	**711,087**	-	-
- Amortised costs	**867,307**	-	-
- AFS	**-**	810,343	1,765,783
- HTM	**-**	583,232	398,564
Loans and advances	**1,031,270**	1,143,551	1,121,163
Clients' and brokers' balances	**526,757**	911,055	757,215
Other financial assets	**17,719**	45,539	63,403
	4,346,647	5,289,112	4,959,421
Credit risk exposure relating to off-balance sheet items:			
Commitments and contingencies	**528,425**	733,838	542,234
Total maximum credit risk exposure	**4,875,072**	6,022,950	5,501,655

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

	31.12.2018	Restated 31.12.2017	Restated 01.01.2017
Financial assets and investments portfolios (exclude equity instruments):			
- FVTPL	**55,642**	149,116	37,433
- FVOCI	**30,840**	-	-
- AFS	**-**	31,775	67,735
- Derivative assets	**74**	343	7,202
- Other financial assets	**2,587**	-	-
	89,143	181,234	112,370

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(ii) Collaterals

The main types of collateral obtained by the Group and the Bank are as follows:

(a) Fixed deposits and cash deposits/margin
(b) Land and buildings
(c) Quoted shares, warrants and unquoted securities

The Group and the Bank also accept non-tangible securities such as support, guarantees from individuals, corporates and institutions, bank guarantees, which are subject to internal guidelines on eligibility.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans and advances as at 31 December 2018 for the Group and the Bank are 100.0% (31.12.2017: 99.3% and 01.01.2017: 99.4%) and 100.0% (31.12.2017: 100.0% and 01.01.2017: 95.2%) respectively and clients' and brokers' balances as at 31 December 2018 for the Group and the Bank are 99.3% (31.12.2017: 98.1% and 01.01.2017: 97.5%) and 98.6% (31.12.2017: 99.5% and 01.01.2017: 99.2%) respectively. The financial effect of collateral held for the other financial assets are insignificant.

(iii) Credit exposure by stage

Financial assets of the Group and Bank are classified into three stages as below:

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

For further details on the stages, refer to accounting policy Note (4)(d).

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality

The Group and the Bank assess credit quality of loans and advances using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers judgement.

Credit quality description is summarised as follows:

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

The credit quality of financial assets other than loans and advances are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other international rating agencies as defined below:

Credit Quality	Ratings
- Good	Aaa to A3
- Fair	Baa1 to Baa3
- No Rating	Unrated
- Credit impaired	Default

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(a) The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision:

Group 31.12.2018	Gross Carrying Amount Good RM'000	Fair RM'000	No rating RM'000	Credit-Impaired RM'000	Total RM'000	Provision for Credit Losses RM'000
General Approach						
Cash and short term funds	1,579,677	125,530	154,084	-	1,859,291	(421)
- Stage 1	1,579,677	125,530	154,084	-	1,859,291	(421)
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	90,462	-	-	-	90,462	(13)
- Stage 1	90,462	-	-	-	90,462	(13)
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Financial assets at FVOCI	-	-	711,087	-	711,087	-
- Stage 1	-	-	711,087	-	711,087	-
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Financial investments at amortised cost	39,099	-	828,208	78,064	945,371	(78,064)
- Stage 1	39,099	-	828,208	-	867,307	-
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	78,064	78,064	(78,064)
Loans and advances	1,021,401	9,481	568,432	19,990	1,619,304	(18,981)
- Stage 1	1,021,401	9,481	565,415	-	1,596,297	(1)
- Stage 2	-	-	3,017	-	3,017	-
- Stage 3	-	-	-	19,990	19,990	(18,980)
	2,730,639	135,011	2,261,811	98,054	5,225,515	(97,479)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(a) The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

	Gross Carrying Amount					
Bank	**Good**	**Fair**	**No rating**	**Credit-Impaired**	**Total**	**Provision for Credit Losses**
31.12.2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
General Approach						
Cash and short term funds	**1,092,181**	**47**	**100,434**	**-**	**1,192,662**	**(155)**
- Stage 1	**1,092,181**	**47**	**100,434**	**-**	**1,192,662**	**(155)**
- Stage 2	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 3	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets at FVOCI	**-**	**-**	**711,087**	**-**	**711,087**	**-**
- Stage 1	**-**	**-**	**711,087**	**-**	**711,087**	**-**
- Stage 2	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 3	**-**	**-**	**-**	**-**	**-**	**-**
Financial investments at amortised cost	**39,099**	**-**	**828,208**	**78,064**	**945,371**	**(78,064)**
- Stage 1	**39,099**	**-**	**828,208**	**-**	**867,307**	**-**
- Stage 2	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 3	**-**	**-**	**-**	**78,064**	**78,064**	**(78,064)**
Loans and advances	**1,021,401**	**9,481**	**389**	**-**	**1,031,271**	**(1)**
- Stage 1	**1,021,401**	**9,481**	**389**	**-**	**1,031,271**	**(1)**
- Stage 2	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 3	**-**	**-**	**-**	**-**	**-**	**-**
	2,152,681	**9,528**	**1,640,118**	**78,064**	**3,880,391**	**(78,220)**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(a) The following table shows an analysis of the credit exposure, together with the ECL allowance provision: (continued)

Simplified Approach	Current	Current to less than 90 days past due	More than 90 days past due	Total
	RM'000	RM'000	RM'000	RM'000
Group				
31.12.2018				
Gross carrying amount				
- Clients' and brokers' balances	938,042	2,247	22,330	962,619
- Other receivables	105,496	5,057	38,577	149,130
	1,043,538	7,304	60,907	1,111,749
Bank				
31.12.2018				
Gross carrying amount				
- Clients' and brokers' balances	525,697	1,994	5,222	532,913
- Other receivables	16,591	1,128	15,925	33,644
	542,288	3,122	21,147	566,557

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(b) Credit risk exposure analysed by industry in respect of the Group's financial assets, including commitments and contingencies, are set out below:

Group 31.12.2018	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVOCI RM'000	Financial investments at amortised costs RM'000	Loans and advances # RM'000	Clients' and brokers' balances * RM'000	Other financial assets RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture	-	19,940	-	29,784	-	-	16,413	66,137
Mining and quarrying	-	-	-	102	-	-	-	102
Manufacturing	-	-	-	29,211	-	-	574	29,785
Electricity, gas and water	-	95,549	35,440	-	-	1,269	11	132,269
Construction	-	-	-	12,931	-	1,500	14,070	28,501
Real estate	-	-	-	120,191	-	5,962	-	126,153
Purchase of landed property	-	-	-	-	-	-	17	17
Wholesale & retail trade and restaurants & hotel	-	-	-	4,881	-	-	2,102	6,983
Transport, storage and communication	-	-	4,947	2,988	-	1,248	2,397	11,580
Finance, insurance and business services	1,949,319	266,068	311,071	236,786	-	-	189,210	2,952,454
Government and government agencies	-	329,530	507,223	-	-	-	-	836,753
Purchase of securities	-	-	-	1,163,450	943,310	-	1,118,325	3,225,085
Others	-	-	8,626	-	-	120,546	-	129,172
	1,949,319	711,087	867,307	1,600,324	943,310	130,525	1,343,119	7,544,991

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(b) Credit risk exposure analysed by industry in respect of the Bank's financial assets, including commitments and contingencies, are set out below:

Bank 31.12.2018	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVOCI RM'000	Financial investments at amortised costs RM'000	Loans and advances # RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture	-	19,940	-	905	-	-	1,846	22,691
Mining and quarrying	-	-	-	102	-	-	-	102
Manufacturing	-	-	-	4,775	-	-	271	5,046
Electricity, gas and water	-	95,549	35,440	-	-	1,270	11	132,270
Construction	-	-	-	1,357	-	1,500	1,322	4,179
Real estate	-	-	-	55,682	-	5,963	-	61,645
Purchase of landed property	-	-	-	-	-	-	18	18
Wholesale & retail trade and restaurants & hotel	-	-	-	527	-	-	1,250	1,777
Transport, storage and communication	-	-	4,947	2,988	-	1,248	2,397	11,580
Finance, insurance and business services	1,192,507	266,068	311,071	223,309	-	-	182,671	2,175,626
Government and government agencies	-	329,530	507,223	-	-	-	-	836,753
Purchase of securities	-	-	-	741,626	526,757	-	338,639	1,607,022
Others	-	-	8,626	-	-	7,738	-	16,364
	1,192,507	711,087	867,307	1,031,271	526,757	17,719	528,425	4,875,073

Excludes non-credit impaired amounting to RM1,000.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(c) Credit risk exposure analysed by geographical in respect of the Group's financial assets, including commitments and contingencies, are set out below:

Group 31.12.2018	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVOCI RM'000	Financial investments at amortised costs RM'000	Loans and advances # RM'000	Clients' and brokers' balances * RM'000	Other financial assets RM'000	Commitments and contingencies RM'000	Total RM'000
South East Asia								
- Malaysia	**1,523,676**	**711,087**	**867,307**	**1,000,698**	**535,363**	**48,445**	**1,343,119**	**6,029,695**
- Singapore	**18,347**	**-**	**-**	**185,357**	**146,073**	**40,103**	**-**	**389,880**
- Thailand	**139,483**	**-**	**-**	**165,928**	**123,796**	**24,667**	**-**	**453,874**
- Indonesia	**126,259**	**-**	**-**	**128,646**	**94,521**	**10,391**	**-**	**359,817**
- Hong Kong	**72,464**	**-**	**-**	**88,006**	**43,528**	**6,520**	**-**	**210,518**
- Cambodia	**38,145**	**-**	**-**	**-**	**-**	**399**	**-**	**38,544**
- Vietnam	**22,299**	**-**	**-**	**-**	**-**	**-**	**-**	**22,299**
South Asia	**4,288**	**-**	**-**	**-**	**29**	**-**	**-**	**4,317**
East Asia	**603**	**-**	**-**	**-**	**-**	**-**	**-**	**603**
Europe	**2,022**	**-**	**-**	**-**	**-**	**-**	**-**	**2,022**
North America	**1,733**	**-**	**-**	**-**	**-**	**-**	**-**	**1,733**
Others	**-**	**-**	**-**	**31,689**	**-**	**-**	**-**	**31,689**
	1,949,319	**711,087**	**867,307**	**1,600,324**	**943,310**	**130,525**	**1,343,119**	**7,544,991**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(c) Credit risk exposure analysed by geographical in respect of the Bank's financial assets, including commitments and contingencies, are set out below: (continued)

Bank **31.12.2018**	**Short-term funds and deposits and placements with banks and other financial institutions** **RM'000**	**Financial assets at FVOCI** **RM'000**	**Financial investments at amortised costs** **RM'000**	**Loans and advances** # **RM'000**	**Clients' and brokers' balances** **RM'000**	**Other financial assets** **RM'000**	**Commitments and contingencies** **RM'000**	**Total** **RM'000**
South East Asia								
- Malaysia	1,150,718	711,087	867,307	999,583	526,757	17,719	528,425	4,801,596
- Singapore	6,495	-	-	-	-	-	-	6,495
- Thailand	3,715	-	-	-	-	-	-	3,715
- Indonesia	1,671	-	-	-	-	-	-	1,671
- Hong Kong	3,251	-	-	-	-	-	-	3,251
- Vietnam	22,299	-	-	-	-	-	-	22,299
East Asia	603	-	-	-	-	-	-	603
Europe	2,022	-	-	-	-	-	-	2,022
North America	1,733	-	-	-	-	-	-	1,733
Others	-	-	-	31,688	-	-	-	31,688
	1,192,507	711,087	867,307	1,031,271	526,757	17,719	528,425	4,875,073

Excludes non-credit impaired amounting to RM1,000.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(d) Loans and advances

Loans and advances are summarised as follows:

	Group		Bank	
	31.12.2017	**01.01.2017**	**31.12.2017**	**01.01.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Neither past due nor impaired	1,747,157	1,718,123	1,143,103	1,075,778
Individually impaired	93,677	129,166	454	55,803
Gross loans and advances	1,840,834	1,847,289	1,143,557	1,131,581
Less:				
- Individual impairment allowance	(86,905)	(54,887)	(5)	(9,966)
- Collective impairment allowance	(1)	(230)	(1)	(452)
Net loans and advances	1,753,928	1,792,172	1,143,551	1,121,163

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(d) Loans and advances (continued)

(i) Loans and advances neither past due nor impaired

Analysis of loans and advances that are neither past due nor impaired analysed based on the Group's and the Bank's internal credit grading system is as follows:

		Group		Bank
	31.12.2017	**01.01.2017**	**31.12.2017**	**01.01.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Good	-	399,620	-	75,388
No Rating	1,747,157	1,318,503	1,143,103	1,000,390
	1,747,157	1,718,123	1,143,103	1,075,778

Loans and advances classified as non-rated mainly comprise of loans under the standardised approach for credit risk including share margin financing and staff loans.

(ii) Loans and advances that are individually determined to be impaired are as follows:

		Group		Bank
	31.12.2017	**01.01.2017**	**31.12.2017**	**01.01.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Individually impaired loans	93,677	129,166	454	55,803

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(e) Short-term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios, clients' and brokers' balances, derivative assets and other assets are summarised as follows:

Group Restated 31.12.2017	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
Neither past due nor impaired	2,493,491	23	810,343	583,232	1,553,835	162,111	344
Past due but not impaired	-	-	-	-	54,896	426	-
Impaired	-	-	5,259	79,405	31,825	18,345	-
	2,493,491	23	815,602	662,637	1,640,556	180,882	344
Less: Impairment losses	-	-	(5,259)	(79,405)	(31,825)	(16,654)	-
	2,493,491	23	810,343	583,232	1,608,731	164,228	344
Restated 01.01.2017							
Neither past due nor impaired	1,430,990	17,421	1,750,013	398,004	2,021,192	249,016	7,325
Past due but not impaired	-	-	-	-	36,050	764	-
Impaired	-	-	105,984	109,376	33,534	17,029	-
	1,430,990	17,421	1,855,997	507,380	2,090,776	266,809	7,325
Less: Impairment losses	-	-	(90,214)	(108,816)	(33,176)	(17,029)	-
	1,430,990	17,421	1,765,783	398,564	2,057,600	249,780	7,325

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(e) Short-term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios, clients' and brokers' balances, derivative assets and other assets are summarised as follows: (continued)

Bank Restated 31.12.2017	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
Neither past due nor impaired	1,795,369	23	810,343	583,232	911,055	45,539	343
Impaired	-	-	5,259	79,405	6,809	15,904	-
	1,795,369	23	815,602	662,637	917,864	61,443	343
Less: Impairment losses	-	-	(5,259)	(79,405)	(6,809)	(15,904)	-
	1,795,369	23	810,343	583,232	911,055	45,539	343
Restated 01.01.2017							
Neither past due nor impaired	835,872	17,421	1,750,013	398,004	757,215	63,403	7,202
Impaired	-	-	105,984	109,376	7,971	15,745	-
	835,872	17,421	1,855,997	507,380	765,186	79,148	7,202
Less: Impairment losses	-	-	(90,214)	(108,816)	(7,971)	(15,745)	-
	835,872	17,421	1,765,783	398,564	757,215	63,403	7,202

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(f) Analysis of short-term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative assets that are neither past due nor impaired by rating agency definition are as follows:

Group Restated 31.12.2017	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
AAA to AA3	-	-	-	-	-	-	214
AA	-	22	-	-	-	-	42
A1 to A3	-	-	-	8,834	-	-	-
P1 to P3	2,469,786	-	-	-	-	2,599	88
Non-rated including:	23,705	1	810,343	574,398	1,553,835	159,512	-
- Malaysian Government Securities	-	-	139,092	-	-	-	-
- Malaysian Government Investment Issues	-	1	140,795	457,199	-	-	-
- Corporate bonds/Sukuk	-	-	419,599	105,637	-	-	-
- SPK Bonds	-	-	69,475	-	-	-	-
- Khazanah bonds	-	-	41,382	11,562	-	-	-
- Others	23,705	-	-	-	1,553,835	159,512	-
	2,493,491	23	810,343	583,232	1,553,835	162,111	344

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(f) Analysis of short-term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative assets that are neither past due nor impaired by rating agency definition are as follows: (continued)

Group Restated 01.01.2017	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
AAA to AA3	-	30	846,438	45,739	-	-	477
AA	-	-	-	-	-	-	3,012
A1 to A3	-	-	263,881	9,810	-	-	-
Baa1 to Baa3	-	1	40,442	-	-	-	-
P1 to P3	1,382,000	1,000	-	-	-	19,896	3,713
Non-rated including:	48,990	16,390	599,252	342,455	2,021,192	229,120	123
- Malaysian Government Securities	-	-	217,072	20,295	-	-	-
- Malaysian Government Investment Issues	-	-	148,794	245,678	-	-	-
- Corporate bonds/Sukuk	-	16,390	124,999	65,363	-	-	-
- SPK Bonds	-	-	68,919	-	-	-	-
- Khazanah bonds	-	-	39,468	11,119	-	-	-
- Others	48,990	-	-	-	2,021,192	229,120	123
	1,430,990	17,421	1,750,013	398,004	2,021,192	249,016	7,325

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(f) Analysis of short-term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative assets that are neither past due nor impaired by rating agency definition are as follows: (continued)

Bank Restated 31.12.2017	**Short-term funds and deposits and placements with banks and other financial institutions RM'000**	**Financial assets at FVTPL RM'000**	**Financial investments AFS RM'000**	**Financial investments HTM RM'000**	**Clients' and brokers' balances RM'000**	**Other financial assets RM'000**	**Derivative assets RM'000**
AAA to AA3	-	-	-	-	-	-	214
AA	-	22	-	-	-	-	42
A1 to A3	-	-	-	8,834	-	-	-
P1 to P3	1,795,369	-	-	-	-	25	87
Non-rated including:	-	1	810,343	574,398	911,055	45,514	-
- Malaysian Government Securities	-	-	139,092	-	-	-	-
- Malaysian Government Investment Issues	-	1	140,795	457,199	-	-	-
- Corporate bonds/Sukuk	-	-	419,599	105,637	-	-	-
- SPK Bonds	-	-	69,475	-	-	-	-
- Khazanah bonds	-	-	41,382	11,562	-	-	-
- Others	-	-	-	-	911,055	45,514	-
	1,795,369	23	810,343	583,232	911,055	45,539	343

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(f) Analysis of short-term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative assets that are neither past due nor impaired by rating agency definition are as follows: (continued)

Bank Restated 01.01.2017	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
AAA to AA3	-	30	846,438	45,739	-	-	477
AA	-	-	-	-	-	-	3,012
A1 to A3	-	-	263,881	9,810	-	-	-
Baa1 to Baa3	-	1	40,442	-	-	-	-
P1 to P3	835,872	1,000	-	-	-	19,676	3,713
Non-rated including:	-	16,390	599,252	342,455	757,215	43,727	-
- Malaysian Government Securities	-	-	217,072	20,295	-	-	-
- Malaysian Government Investment Issues	-	-	148,794	245,678	-	-	-
- Corporate bonds/Sukuk	-	16,390	124,999	65,363	-	-	-
- SPK Bonds	-	-	68,919	-	-	-	-
- Khazanah bonds	-	-	39,468	11,119	-	-	-
- Others	-	-	-	-	757,215	43,727	-
	835,872	17,421	1,750,013	398,004	757,215	63,403	7,202

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(g) Credit risk exposure analysed by industry in respect of the Group's financial assets, including commitments and contingencies, are set out below:

Group Restated 31.12.2017	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVTPL ~ RM'000	Financial investments AFS @ RM'000	Financial investments HTM RM'000	Loans and advances # RM'000	Clients' and brokers' balances * RM'000	Other financial assets % RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture	-	-	19,851	-	26,084	-	-	2,013	47,948
Mining and quarrying	-	-	-	-	232	-	-	-	232
Manufacturing	-	-	-	-	25,893	-	-	4,278	30,171
Electricity, gas and water	-	22	95,560	20,049	-	-	-	-	115,631
Real estate	-	-	-	-	34,590	-	-	-	34,590
Purchase of landed property	-	-	-	-	-	-	-	18	18
Wholesale & retail trade and restaurants & hotel	-	-	-	-	12,212	-	-	2,448	14,660
Transport, storage and communication	-	-	-	4,930	3,389	-	-	1,611	9,930
Finance, insurance and business services	2,493,491	-	263,790	92,220	308,711	-	608	306,732	3,465,552
Government and government agencies	-	1	431,142	457,199	-	-	-	-	888,342
Purchase of securities	-	-	-	-	1,334,485	1,612,062	-	1,204,046	4,150,593
Others	-	-	-	8,834	8,333	-	163,964	-	181,131
	2,493,491	23	810,343	583,232	1,753,929	1,612,062	164,572	1,521,146	8,938,798

~ Excludes equity instrument amounting to RM823,398,000.
@ Excludes equity instrument amounting to RM91,906,000.
# Excludes collective impairment allowance amounting to RM1,000.
* Excludes collective impairment allowance amounting to RM3,331,000.
% Other financial assets include other assets and derivative assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(g) Credit risk exposure analysed by industry in respect of the Group's financial assets, including commitments and contingencies, are set out below: (continued)

Group Restated 01.01.2017	**Short-term funds and deposits and placements with banks and other financial institutions RM'000**	**Financial assets at FVTPL ~ RM'000**	**Financial investments AFS @ RM'000**	**Financial investments HTM RM'000**	**Loans and advances # RM'000**	**Clients' and brokers' balances * RM'000**	**Other financial assets % RM'000**	**Commitments and contingencies RM'000**	**Total RM'000**
Agriculture	-	-	19,711	-	27,359	-	-	-	47,070
Mining and quarrying	-	-	-	-	232	-	-	3,267	3,499
Manufacturing	-	16,390	24,301	560	3,524	-	714	6,093	51,582
Electricity, gas and water	-	1,030	45,342	30,302	-	-	-	-	76,674
Construction	-	-	222,703	5,304	3,137	-	-	1	231,145
Real estate	-	-	-	-	-	-	-	278	278
Purchase of landed property	-	-	-	-	672	-	-	18	690
Wholesale & retail trade and restaurants & hotel	-	-	-	-	-	-	-	3,614	3,614
Transport, storage and communication	-	-	139,761	-	-	-	142	-	139,903
Finance, insurance and business services	1,168,665	1	879,180	86,615	372,229	-	8,012	456,373	2,971,075
Government and government agencies	-	-	434,785	265,973	-	-	-	-	700,758
Purchase of securities	-	-	-	-	1,366,279	2,074,208	123	1,522,518	4,963,128
Purchase of transport vehicles	-	-	-	-	53	-	-	-	53
Others	262,325	-	-	9,810	18,917	-	248,114	75,474	614,640
	1,430,990	17,421	1,765,783	398,564	1,792,402	2,074,208	257,105	2,067,636	9,804,109

~ Excludes equity instrument amounting to RM594,684,000.
@ Excludes equity instrument amounting to RM90,893,000.
# Excludes collective impairment allowance amounting to RM230,000.
* Excludes collective impairment allowance amounting to RM16,608,000.
% Other financial assets include other assets and derivative assets.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(g) Credit risk exposure analysed by industry in respect of the Bank's financial assets, including commitments and contingencies, are set out below: (continued)

Bank Restated 31.12.2017	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVTPL ~ RM'000	Financial investments AFS @ RM'000	Financial investments HTM RM'000	Loans and advances # RM'000	Clients' and brokers' balances * RM'000	Other financial assets % RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture	-	-	19,851	-	424	-	-	2,013	22,288
Mining and quarrying	-	-	-	-	232	-	-	-	232
Manufacturing	-	-	-	-	-	-	-	3,940	3,940
Electricity, gas and water	-	22	95,560	20,049	-	-	-	-	115,631
Real estate	-	-	-	-	34,590	-	-	-	34,590
Purchase of landed property	-	-	-	-	-	-	-	18	18
Wholesale & retail trade and restaurants & hotel	-	-	-	-	819	-	-	361	1,180
Transport, storage and communication	-	-	-	4,930	3,389	-	-	1,611	9,930
Finance, insurance and business services	1,795,369	-	263,790	92,220	271,188	-	605	244,546	2,667,718
Government and government agencies	-	1	431,142	457,199	-	-	-	-	888,342
Purchase of securities	-	-	-	-	824,577	911,075	-	481,349	2,217,001
Others	-	-	-	8,834	8,333	-	45,277	-	62,444
	1,795,369	23	810,343	583,232	1,143,552	911,075	45,882	733,838	6,023,314

~ Excludes equity instrument amounting to RM149,116,000.
@ Excludes equity instrument amounting to RM71,810,000.
# Excludes collective impairment allowance amounting to RM1,000.
* Excludes collective impairment allowance amounting to RM20,000.
% Other financial assets include other assets and derivative assets.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Credit quality (continued)

(g) Credit risk exposure analysed by industry in respect of the Bank's financial assets, including commitments and contingencies, are set out below: (continued)

Bank Restated 01.01.2017	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at FVTPL ~ RM'000	Financial investments AFS @ RM'000	Financial investments HTM RM'000	Loans and advances # RM'000	Clients' and brokers' balances * RM'000	Other financial assets % RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture	-	-	19,711	-	27,359	-	-	-	47,070
Mining and quarrying	-	-	-	-	232	-	-	3,267	3,499
Manufacturing	-	16,390	24,301	560	3,524	-	714	6,093	51,582
Electricity, gas and water	-	1,030	45,342	30,302	-	-	-	-	76,674
Construction	-	-	222,703	5,304	3,137	-	-	1	231,145
Real estate	-	-	-	-	-	-	-	278	278
Purchase of landed property	-	-	-	-	672	-	-	18	690
Wholesale & retail trade and restaurants & hotel	-	-	-	-	-	-	-	144	144
Transport, storage and communication	-	-	139,761	-	-	-	142	-	139,903
Finance, insurance and business services	835,872	1	879,180	86,615	400,954	-	7,975	220,046	2,430,643
Government and government agencies	-	-	434,785	265,973	-	-	-	-	700,758
Purchase of securities	-	-	-	-	666,767	757,262	-	311,304	1,735,333
Purchase of transport vehicles	-	-	-	-	53	-	-	-	53
Others	-	-	-	9,810	18,917	-	61,774	1,083	91,584
	835,872	17,421	1,765,783	398,564	1,121,615	757,262	70,605	542,234	5,509,356

~ Excludes equity instrument amounting to RM37,433,000.
@ Excludes equity instrument amounting to RM67,735,000.
# Excludes collective impairment allowance amounting to RM452,000.
* Excludes collective impairment allowance amounting to RM47,000.
% Other financial assets include other assets and derivative assets.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(v) Write off policy

The Group and the Bank write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) casing enforcement activity and (ii) where the Group's and the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

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

The contractual amount outstanding on loans and advances and clients' and brokers' balances that were written off during the financial year ended 31 December 2018, and are still subject to enforcement activities was RM87,900,000 for the Group.

(vi) Modification of contractual cash flow

Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognised, the resulting modification loss is recognised within impairment in the income statements within a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the Group and the Bank would not otherwise consider, the instrument is considered to be credit impaired and is considered forborne.

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

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Offsetting financial assets and financial liabilities

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

The following table shows the impact of netting arrangement on:

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

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

	Effects of offsetting on the statements of financial position		Related amounts not offset		
Group	**Gross amounts**	**Net amounts reported on statements of financial position**	**Financial instruments**	**Financial collateral**	**Net amount**
31.12.2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets					
Derivative assets	**74**	**74**	**(46)**	**-**	**28**
Financial liabilities					
Derivative liabilities	**5,917**	**5,917**	**(46)**	**-**	**5,871**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Offsetting financial assets and financial liabilities (continued)

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

	Effects of offsetting on the statements of financial position		Related amounts not offset		
Group **31.12.2017**	**Gross amounts** **RM'000**	**Net amounts reported on statements of financial position** **RM'000**	**Financial instruments** **RM'000**	**Financial collateral** **RM'000**	**Net amount** **RM'000**
Financial assets					
Derivative assets	344	344	(61)	-	283
Financial liabilities					
Derivative liabilities	46,013	46,013	(61)	-	45,952

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Offsetting financial assets and financial liabilities (continued)

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

	Effects of offsetting on the statements of financial position		Related amounts not offset		
Bank	**Gross amounts**	**Net amounts reported on statements of financial position**	**Financial instruments**	**Financial collateral**	**Net amount**
31.12.2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets					
Derivative assets	**74**	**74**	**(46)**	**-**	**28**
Financial liabilities					
Derivative liabilities	**3,941**	**3,941**	**(46)**	**-**	**3,895**

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Offsetting financial assets and financial liabilities (continued)

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

	Effects of offsetting on the statements of financial position		Related amounts not offset		
Bank **31.12.2017**	**Gross amounts** **RM'000**	**Net amounts reported on statements of financial position** **RM'000**	**Financial instruments** **RM'000**	**Financial collateral** **RM'000**	**Net amount** **RM'000**
Financial assets					
Derivative assets	343	343	(61)	-	282
Financial liabilities					
Derivative liabilities	45,873	45,873	(61)	-	45,812

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value measurement

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

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

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

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

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

Group	**Level 1**	**Level 2**	**Level 3**	**Total**
31.12.2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Financial assets at FVTPL	**305,946**	**-**	**437,275**	**743,221**
- quoted securities	**305,946**	**-**	**-**	**305,946**
- unquoted securities	**-**	**-**	**437,275**	**437,275**
Financial assets at FVOCI	**2,082**	**711,087**	**37,056**	**750,225**
- money market instruments	**-**	**290,965**	**-**	**290,965**
- quoted securities	**2,082**	**-**	**-**	**2,082**
- unquoted securities	**-**	**420,122**	**37,056**	**457,178**
Derivative assets	**-**	**74**	**-**	**74**
	308,028	**711,161**	**474,331**	**1,493,520**
Financial liabilities				
Derivative liabilities	**4,246**	**1,671**	**-**	**5,917**
Puttable financial instruments	**70,615**	**-**	**-**	**70,615**
	74,861	**1,671**	**-**	**76,532**

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value measurement (continued)

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

Group **31.12.2017**	**Level 1** **RM'000**	**Level 2** **RM'000**	**Level 3** **RM'000**	**Total** **RM'000**
Financial assets				
Financial assets at FVTPL	463,539	23	359,859	823,421
- quoted securities	463,539	-	-	463,539
- unquoted securities	-	23	359,859	359,882
Financial investments AFS	58,828	810,343	33,078	902,249
- money market instruments	-	390,744	-	390,744
- quoted securities	58,828	-	-	58,828
- unquoted securities	-	419,599	33,078	452,677
Derivative assets	-	344	-	344
	522,367	810,710	392,937	1,726,014
Financial liabilities				
Derivative liabilities	45,947	66	-	46,013
Puttable financial instruments	78,825	-	-	78,825
	124,772	66	-	124,838

Bank **31.12.2018**	**Level 1** **RM'000**	**Level 2** **RM'000**	**Level 3** **RM'000**	**Total** **RM'000**
Financial assets				
Financial assets at FVTPL	**55,642**	**-**	**-**	**55,642**
- quoted securities	**55,642**	**-**	**-**	**55,642**
Financial assets at FVOCI	**-**	**711,087**	**30,840**	**741,927**
- money market instruments	**-**	**290,965**	**-**	**290,965**
- unquoted securities	**-**	**420,122**	**30,840**	**450,962**
Derivative assets	**-**	**74**	**-**	**74**
	55,642	**711,161**	**30,840**	**797,643**
Financial liabilities				
Derivative liabilities	**3,887**	**54**	**-**	**3,941**

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value measurement (continued)

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

Bank **31.12.2017**	**Level 1** **RM'000**	**Level 2** **RM'000**	**Level 3** **RM'000**	**Total** **RM'000**
Financial assets				
Financial assets at FVTPL	149,116	23	-	149,139
- quoted securities	149,116	-	-	149,116
- unquoted securities	-	23	-	23
Financial investments AFS	41,530	810,343	30,280	882,153
- money market instruments	-	390,744	-	390,744
- quoted securities	41,530	-	-	41,530
- unquoted securities	-	419,599	30,280	449,879
Derivative assets	-	343	-	343
	190,646	810,709	30,280	1,031,635
Financial liabilities				
Derivative liabilities	45,814	59	-	45,873

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

Qualitative disclosures of valuation techniques

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

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value measurement (continued)

Qualitative disclosures of valuation techniques (continued)

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

Reconciliation of fair value measurements in Level 3:

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

	Group		Bank	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets at FVTPL				
Balance as at the beginning of the financial year	**359,859**	167,901	**-**	16,390
Total gains/(losses) recognised in income statements				
- Other operating income/(loss)	**34,047**	(10,677)	**-**	-
Purchases	**44,508**	243,928	**-**	-
Settlements	**(10,660)**	(10,685)	**-**	-
Business transferred to holding company	**-**	(16,390)	**-**	(16,390)
Exchange differences	**9,521**	(14,218)	**-**	-
Balance as at the end of the financial year	**437,275**	359,859	**-**	-

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value measurement (continued)

<u>Qualitative disclosures of valuation techniques (continued)</u>

Reconciliation of fair value measurements in Level 3: (continued)

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

	Group 31.12.2018 RM'000	Bank 31.12.2018 RM'000
Financial assets at FVOCI		
Balance as at the beginning of the financial year		
- As previously reported	**-**	**-**
- Effect of adoption of MFRS 9	**33,078**	**30,280**
- As restated	**33,078**	**30,280**
Total gain recognised in other comprehensive income	**3,973**	**560**
Exchange differences	**5**	**-**
Balance as at the end of the financial year	**37,056**	**30,840**

	Group 31.12.2017 RM'000	Bank 31.12.2017 RM'000
Financial investments at AFS		
Balance as at the beginning of the financial year	46,910	44,105
Total gain recognised in other comprehensive income	1,945	1,945
Total gain recognised in income statements		
- Other operating income	322	322
Business transferred to holding company	(16,092)	(16,092)
Exchange differences	(7)	-
Balance as at the end of the financial year	33,078	30,280

46 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair value of each financial assets and liabilities presented on the statements of financial position of the Group and the Bank approximates the carrying amounts as at the reporting date, except for the following:

		Group		Bank
	Carrying value	Fair value	Carrying value	Fair value
31.12.2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Financial investments at amortised costs	**867,307**	**860,925**	**867,307**	**860,925**
Loans and advances	**1,600,323**	**1,600,323**	**1,031,270**	**1,031,270**
	2,467,630	**2,461,248**	**1,898,577**	**1,892,195**
Financial liabilities				
Deposits from customers	**1,030,614**	**1,030,614**	**1,030,614**	**1,030,614**
Deposits and placements of banks and other financial institutions	**1,834,820**	**1,834,820**	**1,834,820**	**1,834,820**
Borrowings	**882,969**	**882,969**	**-**	**-**
Subordinated obligations	**404,263**	**403,058**	**404,263**	**403,058**
	4,152,666	**4,151,461**	**3,269,697**	**3,268,492**
31.12.2017				
Financial assets				
Financial investments HTM	583,232	579,621	583,232	579,621
Loans and advances	1,753,928	1,753,928	1,143,551	1,143,551
	2,337,160	2,333,549	1,726,783	1,723,172
Financial liabilities				
Deposits from customers	623,581	623,581	652,220	652,220
Deposits and placements of banks and other financial institutions	3,035,153	3,035,153	3,035,153	3,035,153
Borrowings	712,379	712,379	-	-
Subordinated obligations	404,263	400,654	404,263	400,654
	4,775,376	4,771,767	4,091,636	4,088,027

46 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The following table analyses within the fair value hierarchy the Group's and the Bank's assets and liabilities not measured at fair value at 31 December 2018 but for which fair value is disclosed:

Group	**Level 1**	**Level 2**	**Level 3**	**Total**
31.12.2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Financial investments at amortised costs	**-**	**860,902**	**23**	**860,925**
Loans and advances	**-**	**1,600,323**	**-**	**1,600,323**
	-	**2,461,225**	**23**	**2,461,248**
Financial liabilities				
Deposits from customers	**-**	**1,030,614**	**-**	**1,030,614**
Deposits and placements of banks and other financial institutions	**-**	**1,834,820**	**-**	**1,834,820**
Borrowings	**-**	**882,969**	**-**	**882,969**
Subordinated obligations	**-**	**403,058**	**-**	**403,058**
	-	**4,151,461**	**-**	**4,151,461**
31.12.2017				
Financial assets				
Financial investments HTM	-	579,598	23	579,621
Loans and advances	-	1,753,928	-	1,753,928
	-	2,333,526	23	2,333,549
Financial liabilities				
Deposits from customers	-	623,581	-	623,581
Deposits and placements of banks and other financial institutions	-	3,035,153	-	3,035,153
Borrowings	-	712,379	-	712,379
Subordinated obligations	-	400,654	-	400,654
	-	4,771,767	-	4,771,767

46 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The following table analyses within the fair value hierarchy the Group's and the Bank's assets and liabilities not measured at fair value at 31 December 2018 but for which fair value is disclosed: (continued)

Bank	**Level 1**	**Level 2**	**Level 3**	**Total**
31.12.2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Financial investments at amortised costs	**-**	**860,902**	**23**	**860,925**
Loans and advances	**-**	**1,031,270**	**-**	**1,031,270**
	-	**1,892,172**	**23**	**1,892,195**
Financial liabilities				
Deposits from customers	**-**	**1,030,614**	**-**	**1,030,614**
Deposits and placements of banks and other financial institutions	**-**	**1,834,820**	**-**	**1,834,820**
Subordinated obligations	**-**	**403,058**	**-**	**403,058**
	-	**3,268,492**	**-**	**3,268,492**
31.12.2017				
Financial assets				
Financial investments HTM	-	579,598	23	579,621
Loans and advances	-	1,143,551	-	1,143,551
	-	1,723,149	23	1,723,172
Financial liabilities				
Deposits from customers	-	652,220	-	652,220
Deposits and placements of banks and other financial institutions	-	3,035,153	-	3,035,153
Subordinated obligations	-	400,654	-	400,654
	-	4,088,027	-	4,088,027

46 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

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

For cash and short-term funds and deposits and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

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

The estimated fair value of financial assets at FVTPL, FVOCI and financial investments at amortised costs, AFS and HTM is based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been assessed by reference to market indicative yield or net tangible asset backing of the investee. Where discounted cash flow technique is used, the estimated future cash flows are discounted using the prevailing market rates for similar instrument at the date of statement of financial position.

(iii) Loans and advances

For floating rate loans, the carrying value is generally a reasonable estimate of fair value.

For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risk and maturities.

The fair values of impaired loans are represented by their carrying value, net of impairment allowance.

(iv) Other assets and liabilities

The carrying value less any estimated impairment allowance for financial assets and liabilities included in “other assets and liabilities” are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

(v) Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposits with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

(vi) Deposits and placements of banks and other financial institutions and bills and acceptances payable.

The estimated fair values of deposits and placements of banks and other financial institutions, bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities of six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

46 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

(vii) Borrowings

For floating rate borrowings, the carrying value is generally a reasonable estimate of fair value.

The estimated fair values of other borrowings with maturities of less than six months approximate the carrying values. For other borrowings with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

(viii) Subordinated obligations

The estimated fair value of subordinated obligations is generally based on quoted and observable market prices at the date of statements of financial position.

(ix) Credit related commitments and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

(x) Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Bank would receive to sell or pay to transfer the contracts at the date of statements of financial position.

47 CAPITAL ADEQUACY RATIO

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

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

			Group
		Restated	**Restated**
	31.12.2018	**31.12.2017**	**01.01.2017**
	RM'000	**RM'000**	**RM'000**
Common Equity Tier I ('CET I')/Tier I Capital			
Share capital	**1,487,773**	1,487,773	818,646
Share premium	**-**	-	1,515,150
Retained profits	**561,695**	578,185	108,077
Other reserves	**113,648**	112,410	602,591
FVOCI/AFS reserves	**23,489**	18,861	876
	2,186,605	2,197,229	3,045,340
Less:			
- Goodwill	**(523,911)**	(523,911)	(1,269,934)
- Investments in subsidiaries, associates and joint ventures (portion deducted from CET I Capital) *	**(30,646)**	(43,339)	(32,993)
- Other intangible assets (include associated deferred tax liabilities)	**(47,610)**	(48,693)	(50,958)
- 55% of cumulative gains of FVOCI/AFS financial instruments	**(12,919)**	(10,374)	(482)
- Other deductions	**-**	(12)	(29)
- Deferred tax assets	**(19,610)**	(14,839)	(19,477)
Total CET I Capital	**1,551,909**	1,556,061	1,671,467
Qualifying non-controlling interests recognised as Tier I Capital	**12,359**	21,055	12,321
Total Tier I Capital	**1,564,268**	1,577,116	1,683,788
Tier II Capital			
Subordinated obligations **	**-**	-	245,000
Subordinated obligations meeting all relevant criteria	**400,000**	400,000	200,000
Qualifying non-controlling interests recognised as Tier II Capital	**2,700**	4,861	2,822
Collective impairment allowance ^ and regulatory reserves ~	**-**	15,702	29,407
General provision v, ~	**24,172**	-	-
	426,872	420,563	477,229
Less:			
- Investments in subsidiaries, associates and joint ventures *	**-**	(10,835)	(21,996)
Total Tier II Capital	**426,872**	409,728	455,233
Total Capital	**1,991,140**	1,986,844	2,139,021

47 CAPITAL ADEQUACY RATIO (CONTINUED)

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

			Bank
		Restated	**Restated**
	31.12.2018	**31.12.2017**	**01.01.2017**
	RM'000	**RM'000**	**RM'000**
Common Equity Tier I ('CET I')/Tier I Capital			
Share capital	**1,487,773**	1,487,773	818,646
Share premium	**-**	-	1,515,150
Retained profits	**558,690**	791,673	260,166
Other reserves	**-**	-	449,208
FVOCI/AFS reserves	**20,853**	26,120	7,850
	2,067,316	2,305,566	3,051,020
Less:			
- Goodwill	**(372,395)**	(372,395)	(1,118,418)
- Investments in subsidiaries, associates and joint ventures (portion deducted from CET I Capital) *	**(1,203,286)**	(1,199,358)	(915,469)
- Other intangible assets (include associated deferred tax liabilities)	**(27,055)**	(27,700)	(27,086)
- 55% of cumulative gains of FVOCI/AFS financial instruments	**(11,469)**	(14,366)	(4,318)
- Other deductions	**-**	(12)	(29)
- Deferred tax assets	**(5,832)**	(1,180)	(7,919)
- Reduction in excess of Tier II Capital due to insufficient Tier II Capital #	**-**	-	(151,853)
Total CET I Capital/Tier I Capital	**447,279**	690,555	825,928
Tier II Capital			
Subordinated obligations **	**-**	-	245,000
Subordinated obligations meeting all relevant criteria	**400,000**	400,000	200,000
Collective impairment allowance ^ and regulatory reserves ~	**-**	8,994	13,460
General provision v, ~	**7,657**	-	-
	407,657	408,994	458,460
Less:			
- Investments in subsidiaries, associates and joint ventures *	**-**	(299,839)	(458,460)
Total Tier II Capital	**407,657**	109,155	-
Total Capital	**854,936**	799,710	825,928

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

47 CAPITAL ADEQUACY RATIO (CONTINUED)

	31.12.2018	Restated 31.12.2017	Restated 01.01.2017
Group			
Capital ratios			
Before proposed dividends:			
CET I Capital Ratio	**35.445%**	31.151%	28.987%
Tier I Capital Ratio	**35.728%**	31.573%	29.201%
Total Capital Ratio	**45.477%**	39.775%	37.095%
After proposed dividends:			
CET I Capital Ratio	**35.445%**	31.151%	28.987%
Tier I Capital Ratio	**35.728%**	31.573%	29.201%
Total Capital Ratio	**45.477%**	39.775%	37.095%
Bank			
Before proposed dividends:			
CET I Capital Ratio	**21.323%**	30.891%	26.996%
Tier I Capital Ratio	**21.323%**	30.891%	26.996%
Total Capital Ratio	**40.757%**	35.774%	26.996%
After proposed dividends:			
CET I Capital Ratio	**21.323%**	30.891%	26.996%
Tier I Capital Ratio	**21.323%**	30.891%	26.996%
Total Capital Ratio	**40.757%**	35.774%	26.996%

* Investment in subsidiaries are subject to gradual deduction in the calculation under CET I Capital effective from 1 January 2014 as prescribed under paragraph 37.11 of the BNM's Capital Adequacy Framework (Capital Components).

The remaining portion of regulatory adjustments not deducted in the calculation of Tier II Capital shall be deducted in the next higher tier of capital as prescribed under paragraph 31.1 of the BNM's Capital Adequacy Framework (Capital Components).

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

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

v Pursuant to BNM's policy document on Financial Reporting, general provision refers to loss allowance measured at an amount equal to 12-month and lifetime expected credit losses as defined under MFRS 9 'Financial Instruments' and regulatory reserves, to the extent they are ascribed to non-credit impaired exposures, determined under standardised approach for credit risk.

~ Includes the qualifying regulatory reserves of the Group and the Bank of RM23,673,000 (31.12.2017: RM12,390,000 and 01.01.2017: RM12,912,000) and RM7,501,000 (31.12.2017: RM8,993,000 and 01.01.2017: RM13,008,000) respectively.

47 CAPITAL ADEQUACY RATIO (CONTINUED)

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

Group	31.12.2018 RM'000	Restated 31.12.2017 RM'000	Restated 01.01.2017 RM'000
Credit risk	**1,933,769**	1,256,171	2,352,568
Market risk	**877,506**	2,049,361	1,485,510
Operational risk	**1,567,043**	1,689,666	1,928,196
Total risk-weighted assets	**4,378,318**	4,995,198	5,766,274
Bank			
Credit risk	**612,585**	719,482	1,231,936
Market risk	**678,014**	610,542	676,232
Operational risk	**807,022**	905,417	1,151,279
Total risk-weighted assets	**2,097,621**	2,235,441	3,059,447

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

48 SEGMENT REPORTING

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

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

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

(a) Investment Banking

Investment banking provides services for advisory, fund raising in the structuring and issuance of debt securities and capital market instruments, mergers and acquisitions, private placements, underwriting, initial public offerings of equity related instruments, private placements and underwriting. This segment also covers facilities for equity share trading in local and foreign markets, share margin financing, futures broking products and services and custodian and nominees services.

Included in Investment Banking are Stockbroking and Investment Banking products and services to RHB regional customers in Singapore, Hong Kong, Indonesia and Thailand.

(b) Treasury

Treasury and money market operations are involved in non-proprietary trading of various financial products that include short-term money market instruments, long term securities and foreign exchange and derivatives products, as well as funding centre.

Treasury includes treasury operations in Malaysia, Singapore, Indonesia and Thailand.

(c) Asset Management

Asset Management business focuses on providing investment management services, unit trust fund management services, Islamic funds management services, wills and trustee services. Asset Management consists of the Group's Asset Management and Trustee business, which includes overseas business operations in Singapore, Hong Kong and Indonesia.

Asset Management consists of the Group's Asset Management and Trustee businesses, which includes overseas business operations in Singapore, Hong Kong and Indonesia.

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

48 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis

Group 31.12.2018	Investment Banking RM'000	Treasury RM'000	Asset Management RM'000	Others and Elimination RM'000	Total RM'000
External revenue	527,769	105,601	134,945	-	768,315
Inter-segment revenue	6,861	214	(1,714)	(5,361)	-
Segment revenue	534,630	105,815	133,231	(5,361)	768,315
Other operating expenses:	(584,734)	(26,822)	(105,891)	2,161	(715,286)
Including:					
Depreciation of property, plant and equipment	(16,507)	(7)	(877)	-	(17,391)
Amortisation of other intangible assets	(10,853)	(414)	(722)	-	(11,989)
Allowance (made)/written back for credit losses	(6,826)	(88)	84	-	(6,830)
Impairment losses on other non-financial assets	(23,000)	-	-	-	(23,000)
	(79,930)	78,905	27,424	(3,200)	23,199
Share of results of associates					413
Share of results of joint ventures					99
Profit before taxation					23,711
Taxation					(36,135)
Net loss for the financial year					(12,424)

48 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

Group 31.12.2018	Investment Banking RM'000	Treasury RM'000	Asset Management RM'000	Others and Elimination RM'000	Total RM'000
Segment assets	4,514,594	3,191,520	641,954	(1,187,999)	7,160,069
Goodwill	380,544	-	143,367	-	523,911
Investments in associates and joint ventures					30,646
Tax recoverable					24,654
Deferred tax assets					19,610
Total assets					7,758,890
Segment liabilities	1,130,855	2,862,240	330,815	(89,987)	4,233,923
Tax liabilities					6,288
Deferred tax liabilities					2,072
Borrowings					882,969
Subordinated obligations					404,263
Total liabilities					5,529,515
<u>Other segment items</u>					
Capital expenditure	17,094	-	1,583	-	18,677

48 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

Group Restated 31.12.2017	**Investment Banking RM'000**	**Treasury RM'000**	**Asset Management RM'000**	**Others and Elimination RM'000**	**Total RM'000**
External revenue	574,252	104,804	166,870	-	845,926
Inter-segment revenue	12,351	1,237	(3,200)	(10,388)	-
Segment revenue	586,603	106,041	163,670	(10,388)	845,926
Other operating expenses:	(592,663)	(36,439)	(100,111)	388	(728,825)
Including:					
Depreciation of property, plant and equipment	(20,969)	(235)	(1,104)	-	(22,308)
Amortisation of other intangible assets	(11,221)	(1,106)	(561)	-	(12,888)
Allowance (made)/written back for credit losses	(56,248)	-	119	-	(56,129)
	(62,308)	69,602	63,678	(10,000)	60,972
Share of results of associates					468
Share of results of joint ventures					391
Profit before taxation					61,831
Taxation					(40,753)
Net profit for the financial year					21,078

48 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

Group Restated 31.12.2017	**Investment Banking RM'000**	**Treasury RM'000**	**Asset Management RM'000**	**Others and Elimination RM'000**	**Total RM'000**
Segment assets	5,241,181	4,085,672	755,613	(1,576,322)	8,506,144
Goodwill	380,544	-	143,367	-	523,911
Investments in associates and joint ventures					54,174
Tax recoverable					49,225
Deferred tax assets					14,839
Total assets					9,148,293
Segment liabilities	2,076,399	3,378,691	440,079	(99,737)	5,795,432
Tax liabilities					6,136
Deferred tax liabilities					2,612
Borrowings					712,379
Subordinated obligations					404,263
Total liabilities					6,920,822
Other segment items					
Capital expenditure	22,299	944	1,719	-	24,962

Group Restated 01.01.2017	**Investment Banking RM'000**	**Treasury RM'000**	**Asset Management RM'000**	**Others and Elimination RM'000**	**Total RM'000**
Segment assets	5,817,552	3,875,168	701,926	(1,773,461)	8,621,185
Goodwill	512,392	614,176	143,367	-	1,269,935
Investments in associates and joint ventures					54,989
Tax recoverable					61,528
Deferred tax assets					19,477
Total assets					10,027,114
Segment liabilities	2,546,356	3,119,390	379,833	(108,373)	5,937,206
Tax liabilities					11,583
Deferred tax liabilities					3,189
Borrowings					552,720
Subordinated obligations					447,595
Total liabilities					6,952,293
Other segment items					
Capital expenditure	27,939	-	2,691	-	30,630

48 SEGMENT REPORTING (CONTINUED)

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

Group	Revenue	Segment assets	Capital expenditure
31.12.2018	**RM'000**	**RM'000**	**RM'000**
Attributed to the country of domicile:			
- Malaysia	**561,611**	**6,050,241**	**8,648**
Attributed to foreign countries:			
- Indonesia	**66,427**	**380,210**	**1,984**
- Singapore	**56,693**	**585,484**	**4,822**
- Thailand	**55,972**	**529,938**	**2,667**
- Hong Kong	**25,553**	**170,087**	**556**
- Cambodia	**2,059**	**42,930**	**-**
	768,315	**7,758,890**	**18,677**
Restated			
31.12.2017			
Attributed to the country of domicile:			
- Malaysia	538,008	7,132,847	17,118
Attributed to foreign countries:			
- Indonesia	73,798	345,752	1,713
- Singapore	104,058	709,539	3,811
- Thailand	81,772	693,411	1,815
- Hong Kong	46,238	224,992	505
- Cambodia	2,052	41,752	-
	845,926	9,148,293	24,962
Restated			
01.01.2017			
Attributed to the country of domicile:			
- Malaysia		7,074,000	20,333
Attributed to foreign countries:			
- Indonesia		417,600	1,262
- Singapore		1,216,825	4,842
- Thailand		764,482	2,366
- Hong Kong		508,255	1,756
- Cambodia		45,952	71
		10,027,114	30,630

49 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRECEDING FINANCIAL YEAR

Current Year

(a) Proposed acquisition of the remaining 51% equity interest in Vietnam Securities Corporation ('VSEC') not held by the Bank ('Proposed Acquisition')

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

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

The Bank, Chu Thi Phuong Dung, Truong Lan Anh and Viet Quoc Insurance Broker Joint Stock Company had on 7 August 2018, by way of an exchange of letter, mutually agreed to extend the period to satisfy or waive the conditions precedent of the CSPA to 31 December 2018.

On 18 October 2018, the Bank received a letter from Vietnam SSC dated 17 October 2018 granting its approval for the Proposed Acquisition. The approval by Vietnam SSC is subject to the following conditions:-

(i) the Proposed Acquisition must be completed within 90 days from the date of approval, failing which the approval shall lapse; and

(ii) VSEC shall make the necessary reporting and announcement in relation to the transaction in accordance with the relevant laws in Vietnam.

BNM had on 12 December 2018, granted approval to the Bank pursuant to Section 85(1)(a) of the Financial Services Act 2013 to establish a subsidiary in Vietnam following the Proposed Acquisition.

On 27 December 2018, the Bank, Chu Thi Phuong Dung, Truong Lan Anh and Viet Quoc Insurance Broker Joint Stock Company, by way of an exchange of letter, mutually agreed to further extend the period to satisfy or waive the conditions precedent set out in the CSPA dated 9 February 2018 and extension letter dated 7 August 2018 for the Proposed Acquisition to 28 February 2019.

Upon completion of the Proposed Acquisition and subject to approval from Vietnam SSC for the Conversion and the issuance of an amended license as a single-member limited liability company, VSEC will become a wholly-owned subsidiary of the Bank.

All the conditions precedent in the CSPA have been fulfilled on 29 January 2019 and the details are disclosed in Note 50(a) to the financial statements.

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

Prior Year

(b) RHB Finex, a company in which RHB Bank Berhad ('RHB Bank') holds a 100% effective equity interest through its 59.95% direct shareholding and a 40.05% indirect shareholding through the Bank, which in turn is a wholly-owned subsidiary of RHB Bank, had on 6 August 2015 entered into a subscription agreement ('Agreement') with Silverlake International Capital Market Solution Limited ('Silverlake Capital'), to each subscribe for 50% redeemable convertible preference shares ('RCPS') of USD1.00 each at par in Digital Financial Lab Limited ('DFLL') for RM10 million each ('Proposed Subscription'). The Agreement is conditional on the fulfilment of certain terms and conditions, including regulatory approval.

Further to discussions with our local regulator, certain terms of the proposal have been reviewed and a revised proposal was submitted to Bank Negara Malaysia ('BNM') on 17 June 2016.

Following receipt of BNM's letter dated 6 March 2017 rejecting the revised proposal, the Agreement entered into on 6 August 2015 has by mutual consent been terminated on 5 May 2017.

(c) Internal Reorganisation - Transfer of Certain Businesses of the Bank to RHB Bank

i) Transfer of Treasury Business and Transfer of Structured Lending Business (collectively the 'Business Transfers')

The Business Transfers entail the transfer of a certain portion of treasury business and the structured lending business of the Bank to RHB Bank by way of a business transfer scheme pursuant to Section 100 of the Financial Services Act, 2013 ('FSA') and the Order of the High Court of Malaya pursuant to Sections 102 and 104 of the FSA.

- Certain portion of the treasury business comprising FVTPL at fair value of RM16,390,000, AFS and HTM at amortised cost amounting to RM835,879,000 and RM46,232,000 respectively, with the corresponding goodwill of RM614,176,000 and liabilities of RM1,512,677,000.

- The structured lending business comprising portfolio at net carrying amount of RM6,080,000, with corresponding goodwill of RM131,847,000 and liabilities of RM137,927,000.

Approvals from the relevant regulatory authorities have been obtained and the Business Transfers was effectively completed on 24 July 2017, based on the respective carrying value of the relevant securities and structured lending, with the corresponding goodwill. The Business Transfers do not have any significant effect to the financial results of the Bank and there is no financial impact from the Group's perspective.

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

Prior Year (continued)

(c) Internal Reorganisation - Transfer of Certain Businesses of the Bank to RHB Bank (continued)

ii) Capital Repayment

The High Court of Malaya had on 18 September 2017, granted an order confirming the cancellation of 718,646,000 shares of the Bank amounting to RM846,023,000 from the entire consolidated issued capital of RM2,333,796,000 (representing issued capital of RM818,646,000 and the share premium amount formerly in the share premium account being RM1,515,150,000) pursuant to Section 116 of the Companies Act 2016. The capital repayment was effectively completed on 25 September 2017, and the Bank remains as wholly-owned subsidiary of RHB Bank upon completion of the capital repayment.

50 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

(a) Proposed acquisition of the remaining 51% equity interest in Vietnam Securities Corporation (‘VSEC’) not held by the Bank (‘Proposed Acquisition’)

The Bank had on 19 February 2019 completed the Proposed Acquisition following the full payment of the purchase consideration of VND121,629,915,000 to Chu Thi Phuong Dung, Truong Lan Anh and Viet Quoc Insurance Broker Joint Stock Company.

The Vietnam SSC had earlier on 9 January 2019 granted its approval for the conversion of the legal form of VSEC from a joint stock company to a single-member limited liability company.

Subsequently, Vietnam SSC had on 29 January 2019 granted VSEC a license for establishment and operation (‘New License’) to operate as a single-member limited liability company.

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

Following the granting of the New Licence and the completion of the Proposed Acquisition, RHB Securities Vietnam has become a wholly-owned subsidiary of the Bank.

The assets and liabilities recognised as a result of the acquisition are as follows:-

	RM'000
Cash and short term funds	**1,765**
Deposits and placements with banks and other financial institutions	**30,345**
Other assets	**397**
Property, plant and equipment	**29**
Other liabilities	**(18)**
Total identifiable net assets	**32,518**
Less: Fair value of previously held equity interest	**(15,934)**
Goodwill arising from acquisition	**4,816**
Cash consideration	**21,400**

50 SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR (CONTINUED)

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

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

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

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

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

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

The Proposed Reorganisation is expected to be completed by the first quarter of 2019.

None of the Directors of the Bank or persons connected with them has any interest, direct or indirect, in the Proposed Reorganisation.

51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

(A) Changes in accounting policies

(1) Adoption of MFRS 9 'Financial Instruments'

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

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

MFRS 9 also significantly amends other standards dealing with financial instruments such as MFRS 7 'Financial Instruments: Disclosures'. Consequently, the amendments to MFRS 7 disclosures have only been applied to the current financial year, and comparative year's disclosures have not been restated as shown in Note 45.

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

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

(a) Classification and measurement of financial assets

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

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

Financial assets are measured at amortised cost if the assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest. Financial assets are measured at FVOCI if the assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual cash flows represent solely payments of principal and interest. All other financial assets are classified and measured at FVTPL.

Upon adoption of MFRS 9, the following are noted:

(i) The entire of the Group's and Bank's debts instruments that were classified as HTM and measured at amortised cost meet the condition for classification as amortised cost under MFRS 9.

(ii) The majority of the Group's and Bank's debts and equity instruments that were classified as financial instruments AFS satisfy the conditions for classification as FVOCI, except for:

- the reclassification of unit trusts to FVTPL amounted to RM56,464,000 and RM41,530,000 for the Group and the Bank respectively, that failed to meet the SPPI's requirements for FVOCI classification under MFRS 9. As a result, the fair value reserves, net of tax, of RM854,000 (net loss) and RM6,498,000 (net gain) for the Group and the Bank was recognised to retained profits on 1 January 2018.

- the Group and the Bank has elected to irrevocably designate equity instruments of RM35,442,000 and RM30,280,000 respectively to FVOCI as permitted under MFRS 9. The changes in fair value of such securities will no longer be reclassified to profit or loss upon disposal.

51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(A) Changes in accounting policies (continued)

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

(b) Classification and measurement of financial liabilities

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

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

(c) Hedge accounting

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

(d) Impairment of financial assets

As a result of the changes in basis of determining the level of allowances for credit losses mentioned above, the total ECL allowances computed under MFRS 9 is higher by RM296,000 (net of tax) and RM378,000 (net of tax) for the Group and the Bank respectively, than the total allowance for impairment on financial assets under MFRS 139.

The financial effects of the adoption of MFRS 9 are presented in Note 51(C).

(2) BNM's Revised Policy Documents on Financial Reporting

With effect from 1 January 2018, the Bank and its domestic banking subsidiaries must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures, in accordance with the revised policy document on Financial Reporting issued by BNM.

The financial effects of the adoption of the revised policy are presented in Note 51(C).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(B) Prior Year Adjustments

Clients' and Brokers' Balances in Foreign Currency Revaluation

During the financial year, the Bank has identified differences in certain foreign currency balances which required adjustments. Arising from the adjustments, the affected foreign currency balances have been restated in accordance with MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Given the uncertainty over the recovery of tax, therefore no tax recoverable has been recognised from the prior year adjustments.

The following are restatement of comparatives that have been made to each line item in the Group's and the Bank's statements of financial position and statements of changes in equity as at 31 December 2017 and 1 January 2017:

	Group			Bank		
As at 31.12.2017	**As previously reported RM'000**	**Effects from prior year adjustments RM'000**	**As restated RM'000**	**As previously reported RM'000**	**Effects from prior year adjustments RM'000**	**As restated RM'000**
STATEMENTS OF FINANCIAL POSITION						
Cash and short term funds						
- Cash and balances with banks and other financial institutions	**864,015**	**57,366**	**921,381**	**293,303**	**57,366**	**350,669**
Clients' and brokers' balances (Assets)						
- Amounts owing by clients	**1,061,043**	**(15,037)**	**1,046,006**	**633,810**	**(15,037)**	**618,773**
- Amounts owing by brokers	**230,439**	**24,174**	**254,613**	**185,971**	**24,174**	**210,145**
Other assets						
- Other receivables	**91,742**	**(18,814)**	**72,928**	**44,397**	**(18,814)**	**25,583**
Clients' and brokers' balances (Liabilities)						
- Amounts due to clients	**962,428**	**118,747**	**1,081,175**	**678,919**	**118,747**	**797,666**
- Amounts due to brokers	**168,738**	**20,110**	**188,848**	**93,401**	**20,110**	**113,511**
Other liabilities						
- Other creditors and accruals	**139,517**	**377**	**139,894**	**55,288**	**377**	**55,665**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(B) Prior Year Adjustments (continued)

The following are restatement of comparatives that have been made to each line item in the Group's and the Bank's statements of financial position and statements of changes in equity as at 31 December 2017 and 1 January 2017: (continued)

	Group			Bank		
	As previously reported	Effects from prior year adjustments	As restated	As previously reported	Effects from prior year adjustments	As restated
As at 31.12.2017	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
STATEMENTS OF CHANGES IN EQUITY						
Retained profits	**669,730**	**(91,545)**	**578,185**	**883,218**	**(91,545)**	**791,673**

51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(B) Prior Year Adjustments (continued)

The following are restatement of comparatives that have been made to each line item in the Group's and the Bank's statements of financial position and statements of changes in equity as at 31 December 2017 and 1 January 2017: (continued)

	Group			Bank		
As at 01.01.2017	As previously reported RM'000	Effects from prior year adjustments RM'000	As restated RM'000	As previously reported RM'000	Effects from prior year adjustments RM'000	As restated RM'000
STATEMENTS OF FINANCIAL POSITION						
Cash and short term funds						
- Cash and balances with banks and other financial institutions	745,283	7,757	753,040	252,744	7,757	260,501
Clients' and brokers' balances (Assets)						
- Amounts owing by clients	1,055,739	(20,507)	1,035,232	552,160	(20,507)	531,653
- Amounts owing by brokers	679,891	(12,677)	667,214	107,672	(12,677)	94,995
Other assets						
- Other receivables	67,668	(5,632)	62,036	37,950	(5,632)	32,318
Clients' and brokers' balances (Liabilities)						
- Amounts due to clients	1,217,592	67,504	1,285,096	464,241	67,504	531,745
- Amounts due to brokers	298,594	(7,096)	291,498	217,832	(7,096)	210,736
Other liabilities						
- Other creditors and accruals	110,661	(47)	110,614	46,124	(47)	46,077
STATEMENTS OF CHANGES IN EQUITY						
Retained profits	199,497	(91,420)	108,077	351,586	(91,420)	260,166

51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(C) Financial effects

(i) Summary of the impact on classification and measurement, and a reconciliation of the financial position of the Group and the Bank upon adoption of MFRS 9 as at 31 December 2017 and 1 January 2018 are as follow:

Group

	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount at 31.12.2017	Prior year adjustments	Restated MFRS 139 carrying amount at 31.12.2017	MFRS 9 reclassification: Amortised costs	MFRS 9 reclassification: FVTPL	MFRS 9 reclassification: FVOCI	Carrying amount post classification and measurement	Expected credit losses	MFRS 9 carrying amount at 01.01.2018
			RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS											
Cash and short term funds	Loans & receivables	Amortised costs	2,414,212	57,366	2,471,578	-	-	-	2,471,578	(288)	2,471,290
Deposits and placements with banks and other financial institutions	Loans & receivables	Amortised costs	22,106	-	22,106	-	-	-	22,106	(25)	22,081
Financial assets at FVTPL	FVTPL	FVTPL	823,421	-	823,421	-	56,464	-	879,885	-	879,885
Financial investments AFS	AFS	FVOCI	902,249	-	902,249	-	(56,464)	(845,785)	-	-	-
Financial investments HTM	HTM	Amortised costs	583,232	-	583,232	(583,232)	-	-	-	-	-
Financial assets at FVOCI											
- debt instruments	N/A	FVOCI	-	-	-	-	-	810,343	810,343	-	810,343
- equity instruments	N/A	FVOCI	-	-	-	-	-	35,442	35,442	-	35,442
Financial investments at amortised costs	N/A	Amortised costs	-	-	-	583,232	-	-	583,232	-	583,232
Loans and advances	Loans & receivables	Amortised costs	1,753,928	-	1,753,928	-	-	-	1,753,928	-	1,753,928
Clients' and brokers' balances	Loans & receivables	Amortised costs	1,599,594	9,137	1,608,731	-	-	-	1,608,731	-	1,608,731
Other assets	Loans & receivables	Amortised costs	204,723	(18,814)	185,909	-	-	-	185,909	-	185,909
Derivative assets	FVTPL	FVTPL	344	-	344	-	-	-	344	-	344
Statutory deposits	Loans & receivables	Amortised costs	55,660	-	55,660	-	-	-	55,660	-	55,660
Tax recoverable	N/A	N/A	49,225	-	49,225	-	-	-	49,225	19	49,244
Deferred tax assets	N/A	N/A	14,839	-	14,839	-	1,978	-	16,817	-	16,817
Investments in associates and joint ventures	N/A	N/A	54,174	-	54,174	-	-	-	54,174	-	54,174
Property, plant and equipment	N/A	N/A	50,293	-	50,293	-	-	-	50,293	-	50,293
Goodwill and other intangible assets	N/A	N/A	572,604	-	572,604	-	-	-	572,604	-	572,604
TOTAL ASSETS			9,100,604	47,689	9,148,293	-	1,978	-	9,150,271	(294)	9,149,977

51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(C) Financial effects (continued)

(i) Summary of the impact on classification and measurement, and a reconciliation of the financial position of the Group and the Bank upon adoption of MFRS 9 as at 31 December 2017 and 1 January 2018 are as follow: (continued)

Group

	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount at 31.12.2017	Prior year adjustments	Restated MFRS 139 carrying amount at 31.12.2017	MFRS 9 reclassification			Carrying amount post classification and measurement	Expected credit losses	MFRS 9 carrying amount at 01.01.2018
						Amortised costs	FVTPL	FVOCI			
			RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES AND EQUITY											
Deposits from customers	Amortised costs	Amortised costs	623,581	-	623,581	-	-	-	623,581	-	623,581
Deposits and placements of banks and other financial institutions	Amortised costs	Amortised costs	3,035,153	-	3,035,153	-	-	-	3,035,153	-	3,035,153
Bills and acceptances payable	Amortised costs	Amortised costs	6,185	-	6,185	-	-	-	6,185	-	6,185
Clients' and brokers' balances	Amortised costs	Amortised costs	1,363,525	138,857	1,502,382	-	-	-	1,502,382	-	1,502,382
Other liabilities	Amortised costs	Amortised costs	502,916	377	503,293	-	-	-	503,293	-	503,293
Derivative liabilities	FVTPL	FVTPL	46,013	-	46,013	-	-	-	46,013	-	46,013
Puttable financial instruments	FVTPL	FVTPL	78,825	-	78,825	-	-	-	78,825	-	78,825
Tax liabilities	N/A	N/A	6,136	-	6,136	-	-	-	6,136	-	6,136
Deferred tax liabilities	N/A	N/A	2,612	-	2,612	-	-	-	2,612	-	2,612
Borrowings	Amortised costs	Amortised costs	712,379	-	712,379	-	-	-	712,379	-	712,379
Subordinated obligations	Amortised costs	Amortised costs	404,263	-	404,263	-	-	-	404,263	-	404,263
TOTAL LIABILITIES			6,781,588	139,234	6,920,822	-	-	-	6,920,822	-	6,920,822

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(C) Financial effects (continued)

(i) Summary of the impact on classification and measurement, and a reconciliation of the financial position of the Group and the Bank upon adoption of MFRS 9 as at 31 December 2017 and 1 January 2018 are as follow: (continued)

Group

	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount at 31.12.2017	Prior year adjustments	Restated MFRS 139 carrying amount at 31.12.2017	MFRS 9 reclassification: Amortised costs	MFRS 9 reclassification: FVTPL	MFRS 9 reclassification: FVOCI	Carrying amount post classification and measurement	Expected credit losses	MFRS 9 carrying amount at 01.01.2018
			RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EQUITY											
Share capital			1,487,773	-	1,487,773	-	-	-	1,487,773	-	1,487,773
Reserves			822,048	(91,545)	730,503	-	1,978	-	732,481	(294)	732,187
			2,309,821	(91,545)	2,218,276	-	1,978	-	2,220,254	(294)	2,219,960
Non-controlling interests			9,195	-	9,195	-	-	-	9,195	-	9,195
TOTAL EQUITY			2,319,016	(91,545)	2,227,471	-	1,978	-	2,229,449	(294)	2,229,155
TOTAL LIABILITIES AND EQUITY			9,100,604	47,689	9,148,293	-	1,978	-	9,150,271	(294)	9,149,977

51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(C) Financial effects (continued)

(i) Summary of the impact on classification and measurement, and a reconciliation of the financial position of the Group and the Bank upon adoption of MFRS 9 as at 31 December 2017 and 1 January 2018 are as follow: (continued)

Bank

	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount at 31.12.2017	Prior year adjustments	Restated MFRS 139 carrying amount at 31.12.2017	MFRS 9 reclassification: Amortised costs	MFRS 9 reclassification: FVTPL	MFRS 9 reclassification: FVOCI	Carrying amount post classification and measurement	Expected credit losses	MFRS 9 carrying amount at 01.01.2018
			RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS											
Cash and short term funds	Loans & receivables	Amortised costs	1,738,086	57,366	1,795,452	-	-	-	1,795,452	(73)	1,795,379
Financial assets at FVTPL	FVTPL	FVTPL	149,139	-	149,139	-	41,530	-	190,669	-	190,669
Financial investments AFS	AFS	FVOCI	882,153	-	882,153	-	(41,530)	(840,623)	-	-	-
Financial investments HTM	HTM	Amortised costs	583,232	-	583,232	(583,232)	-	-	-	-	-
Financial assets at FVOCI											
- debt instruments	N/A	FVOCI	-	-	-	-	-	810,343	810,343	-	810,343
- equity instruments	N/A	FVOCI	-	-	-	-	-	30,280	30,280	-	30,280
Financial investments at amortised costs	N/A	Amortised costs	-	-	-	583,232	-	-	583,232	-	583,232
Loans and advances	Loans & receivables	Amortised costs	1,143,551	-	1,143,551	-	-	-	1,143,551	-	1,143,551
Clients' and brokers' balances	Loans & receivables	Amortised costs	901,918	9,137	911,055	-	-	-	911,055	-	911,055
Other assets	Loans & receivables	Amortised costs	70,754	(18,814)	51,940	-	-	-	51,940	-	51,940
Derivative assets	FVTPL	FVTPL	343	-	343	-	-	-	343	-	343
Statutory deposits	Loans & receivables	Amortised costs	51,650	-	51,650	-	-	-	51,650	-	51,650
Tax recoverable	N/A	N/A	45,470	-	45,470	-	-	-	45,470	95	45,565
Deferred tax assets	N/A	N/A	1,180	-	1,180	-	1,978	-	3,158	-	3,158
Investments in subsidiaries	N/A	N/A	1,478,140	-	1,478,140	-	-	-	1,478,140	-	1,478,140
Investments in associates and joint ventures	N/A	N/A	21,057	-	21,057	-	-	-	21,057	-	21,057
Property, plant and equipment	N/A	N/A	24,888	-	24,888	-	-	-	24,888	-	24,888
Goodwill and other intangible assets	N/A	N/A	400,095	-	400,095	-	-	-	400,095	-	400,095
TOTAL ASSETS			7,491,656	47,689	7,539,345	-	1,978	-	7,541,323	22	7,541,345

51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(C) Financial effects (continued)

(i) Summary of the impact on classification and measurement, and a reconciliation of the financial position of the Group and the Bank upon adoption of MFRS 9 as at 31 December 2017 and 1 January 2018 are as follow: (continued)

Bank

						MFRS 9 reclassification					
	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount at 31.12.2017	Prior year adjustments	Restated MFRS 139 carrying amount at 31.12.2017	Amortised costs	FVTPL	FVOCI	Carrying amount post classification and measurement	Expected credit losses	MFRS 9 carrying amount at 01.01.2018
			RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES AND EQUITY											
Deposits from customers	Amortised costs	Amortised costs	652,220	-	652,220	-	-	-	652,220	-	652,220
Deposits and placements of banks and other financial institutions	Amortised costs	Amortised costs	3,035,153	-	3,035,153	-	-	-	3,035,153	-	3,035,153
Clients' and brokers' balances	Amortised costs	Amortised costs	772,320	138,857	911,177	-	-	-	911,177	-	911,177
Other liabilities	Amortised costs	Amortised costs	170,994	377	171,371	-	-	-	171,371	323	171,694
Derivative liabilities	FVTPL	FVTPL	45,873	-	45,873	-	-	-	45,873	-	45,873
Subordinated obligations	Amortised costs	Amortised costs	404,263	-	404,263	-	-	-	404,263	-	404,263
TOTAL LIABILITIES			5,080,823	139,234	5,220,057	-	-	-	5,220,057	323	5,220,380
EQUITY											
Share capital			1,487,773	-	1,487,773	-	-	-	1,487,773	-	1,487,773
Reserves			923,060	(91,545)	831,515	-	1,978	-	833,493	(301)	833,192
TOTAL EQUITY			2,410,833	(91,545)	2,319,288	-	1,978	-	2,321,266	(301)	2,320,965
TOTAL LIABILITIES AND EQUITY			7,491,656	47,689	7,539,345	-	1,978	-	7,541,323	22	7,541,345

51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(C) Financial effects (continued)

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

	Group RM'000	Bank RM'000
FVOCI/AFS reserves		
Closing balance under MFRS 139 as at 31 December 2017	18,861	26,120
Effect of reclassification of investment securities (debt instruments) from AFS to FVTPL	854	(6,498)
Restated balance under MFRS 9 as at 1 January 2018	19,715	19,622
Regulatory reserves		
Closing balance under MFRS 139 as at 31 December 2017	21,047	13,722
Transfer from retained profits	13,149	9,129
Restated balance under MFRS 9 as at 1 January 2018	34,196	22,851
Retained profits		
Closing balance under MFRS 139 as at 31 December 2017	669,730	883,218
Prior year adjustments	(91,545)	(91,545)
As restated	578,185	791,673
Recognition of ECL under MFRS 9	(313)	(396)
Effect of taxation	19	95
Effect of reclassification of investment securities (debt instruments) from AFS to FVTPL	1,124	8,476
Transfer to regulatory reserve	(13,149)	(9,129)
Restated balance under MFRS 9 as at 1 January 2018	565,866	790,719

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

51 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(C) Financial effects (continued)

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

Group	MFRS 139 allowance as at 31.12.2017 RM'000	Reclassification as per MFRS 9 RM'000	Expected credit losses RM'000	MFRS 9 allowance as at 01.01.2018 RM'000
Cash and short term funds	-	-	288	288
Deposits and placements with banks and other financial institutions	-	-	25	25
Financial investments AFS	6,754	(6,754)	-	-
Financial investments HTM	79,405	(79,405)	-	-
Financial assets at FVOCI, debt instruments	-	6,754	-	6,754
Financial investments at amortised costs	-	79,405		79,405
Loans and advances	86,906	-	-	86,906
Clients' and brokers' balances	31,882	-	-	31,882
Other assets	16,654	-	-	16,654
	221,601	-	313	221,914

Bank	MFRS 139 allowance as at 31.12.2017 RM'000	Reclassification as per MFRS 9 RM'000	Expected credit losses RM'000	MFRS 9 allowance as at 01.01.2018 RM'000
Cash and short term funds	-	-	73	73
Financial investments AFS	6,754	(6,754)	-	-
Financial investments HTM	79,405	(79,405)	-	-
Financial assets at FVOCI, debt instruments	-	6,754	-	6,754
Financial investments at amortised costs	-	79,405	-	79,405
Loans and advances	6	-	-	6
Clients' and brokers' balances	6,809	-	-	6,809
Other assets	15,904	-	-	15,904
Off balance sheet commitments and financial guarantee contracts	-	-	323	323
	108,878	-	396	109,274

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251 (2) OF THE COMPANIES ACT 2016

We, Tan Sri Azlan bin Mohd Zainol and Chin Yoong Kheong, two of the Directors of RHB Investment Bank Berhad do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 6 to 254 are drawn up so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2018 and financial performance of the Group and of the Bank for the financial year ended 31 December 2018 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Director in accordance with a resolution of the Directors dated 26 February 2019.

TAN SRI AZLAN BIN MOHD ZAINOL
CHAIRMAN

CHIN YOONG KHEONG
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Kuala Lumpur
27 February 2019

STATUTORY DECLARATION
PURSUANT TO SECTION 251 (1) OF THE COMPANIES ACT 2016

I, Tan Boon Ching, the Officer primarily responsible for the financial management of RHB Investment Bank Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 6 to 254 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

TAN BOON CHING
(MIA membership No.: 44307)

Subscribed and solemnly declared by the abovenamed Tan Boon Ching at Kuala Lumpur in Wilayah Persekutuan on 27 February 2019.

COMMISSIONER FOR OATHS
Kuala Lumpur
27 February 2019

PESURUHJAYA SUMPAH
W 678
KAPT (B) AFFANDI BIN AHMAD
1 JAN 2019 - 31 DIS 2021
MALAYSIA
No. 86, Jalan Putra
50350 Kuala Lumpur

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of RHB Investment Bank Berhad ("the Bank") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2018 and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 254.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report which we obtained prior to the date of this auditors' report, and the 2018 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

pwc

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 15 to the financial statements.

OTHER MATTERS

This report is made solely to the member of the Bank, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PricewaterhouseCoopers PLT

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

SOO HOO KHOON YEAN
02682/10/2019 J
Chartered Accountant

Kuala Lumpur
27 February 2019