

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note	Group		Bank	
		As at	As at	As at	As at
		31 March 2018	31 December 2017	31 March 2018	31 December 2017
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short term funds		1,943,318	2,414,212	1,392,254	1,738,086
Deposits and placements with banks and other financial institutions		43,750	22,106	-	-
Financial assets at fair value through profit or loss ('FVTPL')	8	843,751	823,421	119,213	149,139
Financial investments available-for-sale ('AFS')	9	-	902,249	-	882,153
Financial investments held-to-maturity ('HTM')	10	-	583,232	-	583,232
Financial assets at fair value through other comprehensive income ('FVOCI')	11	837,463	-	832,338	-
Financial investments at amortised costs	12	687,252	-	687,252	-
Loans and advances	13	1,569,136	1,753,928	986,722	1,143,551
Clients' and brokers' balances	14	1,719,292	1,599,594	786,177	901,918
Other assets	15	212,832	204,723	86,840	70,754
Derivative assets		1,639	344	1,652	343
Statutory deposits		62,513	55,660	58,650	51,650
Tax recoverable		31,918	49,225	27,817	45,470
Deferred tax assets		18,851	14,839	5,159	1,180
Investments in subsidiaries		-	-	1,469,629	1,478,140
Investments in associates and joint ventures		52,429	54,174	21,057	21,057
Property, plant and equipment		44,732	50,293	23,195	24,888
Goodwill and other intangible assets		572,306	572,604	399,396	400,095
TOTAL ASSETS		8,641,182	9,100,604	6,897,351	7,491,656
LIABILITIES AND EQUITY					
Deposits from customers	16	521,183	421,834	531,000	437,949
Deposits and placements of banks and other financial institutions	17	2,628,121	3,236,900	2,638,125	3,249,424
Bills and acceptances payable		55,608	6,185	-	-
Clients' and brokers' balances		1,405,583	1,363,525	677,574	772,320
Other liabilities	18	351,341	502,916	152,624	170,994
Derivative liabilities		21,374	46,013	20,677	45,873
Puttable financial instruments		78,199	78,825	-	-
Tax liabilities		5,227	6,136	-	-
Deferred tax liabilities		2,477	2,612	-	-
Borrowings		788,880	712,379	-	-
Subordinated obligations		409,121	404,263	409,121	404,263
TOTAL LIABILITIES		6,267,114	6,781,588	4,429,121	5,080,823
Share capital		1,487,773	1,487,773	1,487,773	1,487,773
Reserves		877,807	822,048	980,457	923,060
		2,365,580	2,309,821	2,468,230	2,410,833
Non-controlling interests		8,488	9,195	-	-
TOTAL EQUITY		2,374,068	2,319,016	2,468,230	2,410,833
TOTAL LIABILITIES AND EQUITY		8,641,182	9,100,604	6,897,351	7,491,656
COMMITMENTS AND CONTINGENCIES	28	1,725,532	1,655,370	854,030	862,358

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2018

<u>Group</u>	Note	1st Quarter Ended		Three Months Ended	
		31 March 2018	31 March 2017	31 March 2018	31 March 2017
		RM'000	RM'000	RM'000	RM'000
Interest income	19	58,966	67,268	58,966	67,268
Interest expense	20	(40,081)	(40,012)	(40,081)	(40,012)
Net interest income		18,885	27,256	18,885	27,256
Fee and commission income	21	199,535	220,553	199,535	220,553
Fee and commission expense	22	(45,005)	(56,795)	(45,005)	(56,795)
Other operating income	23	112,036	45,328	112,036	45,328
		285,451	236,342	285,451	236,342
Other operating expenses	24	(190,532)	(186,759)	(190,532)	(186,759)
Operating profit before allowances		94,919	49,583	94,919	49,583
Allowance made for credit losses	25	(2,976)	(3,766)	(2,976)	(3,766)
		91,943	45,817	91,943	45,817
Share of results of associates		87	91	87	91
Share of results of joint ventures		(9)	96	(9)	96
Profit before taxation		92,021	46,004	92,021	46,004
Taxation		(19,228)	(16,534)	(19,228)	(16,534)
Net profit for the financial period		72,793	29,470	72,793	29,470
Profit attributable to:					
Equity holder of the Bank		72,568	29,248	72,568	29,248
Non-controlling interests		225	222	225	222
		72,793	29,470	72,793	29,470
Basic earnings per share (sen)	26	72.6	3.6	72.6	3.6

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2018

<u>Group</u>	1st Quarter Ended		Three Months Ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	72,793	29,470	72,793	29,470
Other comprehensive income in respect of:				
(a) Item that will not be reclassified to profit or loss:				
(i) Actuarial (loss)/gain on defined benefit plan of subsidiaries	(185)	407	(185)	407
(ii) Financial assets at FVOCI, equity instruments:				
- Net gain on disposal	32	-	32	-
(b) Items that will be reclassified subsequently to profit or loss:				
(i) Foreign currency translation reserve				
- Currency translation differences	(26,813)	12,387	(26,813)	12,387
- Net investment hedge	8,511	(5,138)	8,511	(5,138)
(ii) Financial investments AFS:				
- Unrealised net gain on revaluation	-	9,319	-	9,319
- Net transfer to income statements on disposal or impairment	-	(170)	-	(170)
(iii) Financial assets at FVOCI, debt instruments:				
- Unrealised net loss on revaluation	(172)	-	(172)	-
- Net transfer to income statements on disposal	(25)	-	(25)	-
Income tax relating to components of other comprehensive loss/(income)	40	(2,136)	40	(2,136)
Other comprehensive (loss)/income, net of tax, for the financial period	(18,612)	14,669	(18,612)	14,669
Total comprehensive income for the financial period	54,181	44,139	54,181	44,139
Total comprehensive income attributable to:				
Equity holder of the Bank	54,088	43,811	54,088	43,811
Non-controlling interests	93	328	93	328
	54,181	44,139	54,181	44,139

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2018

Bank	Note	1st Quarter Ended		Three Months Ended	
		31 March 2018	31 March 2017	31 March 2018	31 March 2017
		RM'000	RM'000	RM'000	RM'000
Interest income	19	44,786	47,565	44,786	47,565
Interest expense	20	(32,862)	(34,368)	(32,862)	(34,368)
Net interest income		11,924	13,197	11,924	13,197
Fee and commission income	21	76,649	76,927	76,649	76,927
Other operating income	23	83,764	39,397	83,764	39,397
		172,337	129,521	172,337	129,521
Other operating expenses	24	(100,576)	(79,976)	(100,576)	(79,976)
Operating profit before allowances		71,761	49,545	71,761	49,545
Allowance (made)/written back for credit losses	25	(207)	1,158	(207)	1,158
Profit before taxation		71,554	50,703	71,554	50,703
Taxation		(15,693)	(11,696)	(15,693)	(11,696)
Net profit for the financial period		55,861	39,007	55,861	39,007

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2018

<u>Bank</u>	1st Quarter Ended		Three Months Ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	55,861	39,007	55,861	39,007
Other comprehensive income in respect of:				
Items that will be reclassified subsequently to profit or loss:				
(i) Financial investments AFS:				
- Unrealised net gain on revaluation	-	8,644	-	8,644
- Net transfer to income statements on disposal or impairment	-	(170)	-	(170)
(ii) Financial assets at FVOCI, debt instruments:				
- Unrealised net loss on revaluation	(173)	-	(173)	-
- Net transfer to income statements on disposal	1	-	1	-
Income tax relating to components of other comprehensive loss/(income)	41	(2,034)	41	(2,034)
Other comprehensive (loss)/income, net of tax, for the financial period	(131)	6,440	(131)	6,440
Total comprehensive income for the financial period	55,730	45,447	55,730	45,447

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2018

Attributable to the Equity Holder of the Bank

<u>Group</u>	<u>Note</u>	<u>Share capital</u> RM'000	<u>Statutory reserves</u> RM'000	<u>FVOCI reserves</u> RM'000	<u>Translation reserves</u> RM'000	<u>Regulatory reserves</u> RM'000	<u>Retained profits</u> RM'000	<u>Total</u> RM'000	<u>Non-controlling interests</u> RM'000	<u>Total</u> RM'000
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	39	-	-	854	-	14,097	(13,280)	1,671	-	1,671
- As restated		1,487,773	513	19,715	111,897	35,144	656,450	2,311,492	9,195	2,320,687
Net profit for the financial period		-	-	-	-	-	72,568	72,568	225	72,793
Foreign currency translation reserve:-										
- Currency translation differences		-	-	4	(26,686)	-	-	(26,682)	(131)	(26,813)
- Net investment hedge		-	-	-	8,511	-	-	8,511	-	8,511
Financial assets at FVOCI:-										
- Equity instruments										
- Net gain on disposal		-	-	-	-	-	26	26	6	32
- Debt instruments										
- Unrealised net loss on revaluation		-	-	(167)	-	-	-	(167)	(5)	(172)
- Net transfer to income statements on disposal		-	-	(25)	-	-	-	(25)	-	(25)
Actuarial loss on defined benefit plan of subsidiaries		-	-	-	-	-	(183)	(183)	(2)	(185)
Income tax relating to components of other comprehensive loss		-	-	40	-	-	-	40	-	40
Other comprehensive loss, net of tax, for the financial period		-	-	(148)	(18,175)	-	(157)	(18,480)	(132)	(18,612)
Total comprehensive (loss)/income for the financial period		-	-	(148)	(18,175)	-	72,411	54,088	93	54,181
Transfer from regulatory reserves		-	-	-	-	3,146	(3,146)	-	-	-
Dividend paid to non-controlling interest		-	-	-	-	-	-	-	(800)	(800)
Balance as at 31 March 2018		1,487,773	513	19,567	93,722	38,290	725,715	2,365,580	8,488	2,374,068

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

RHB INVESTMENT BANK BERHAD (19663-P)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2017

Attributable to Equity Holder of the Bank

Group	Share capital	Share premium	Statutory reserves	AFS reserves	Translation reserves	Regulatory reserves	Retained profits	Total	Non-controlling interests	Total
	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	818,646	1,515,150	449,721	876	152,870	21,279	199,497	3,158,039	8,202	3,166,241
Net profit for the financial period	-	-	-	-	-	-	29,248	29,248	222	29,470
Foreign currency translation reserve:-										
- Currency translation differences	-	-	-	(6)	12,399	-	-	12,393	(6)	12,387
- Net investment hedge	-	-	-	-	(5,138)	-	-	(5,138)	-	(5,138)
Financial investments AFS:										
- Unrealised net gain on revaluation	-	-	-	9,210	-	-	-	9,210	109	9,319
- Net transfer to income statements on disposal or impairment	-	-	-	(170)	-	-	-	(170)	-	(170)
Actuarial gain on defined benefit plan of subsidiaries	-	-	-	-	-	-	403	403	4	407
Income tax relating to components of other comprehensive income	-	-	-	(2,034)	-	-	(101)	(2,135)	(1)	(2,136)
Other comprehensive income, net of tax, for the financial period	-	-	-	7,000	7,261	-	302	14,563	106	14,669
Total comprehensive income for the financial period	-	-	-	7,000	7,261	-	29,550	43,811	328	44,139
Transfer to share capital	1,515,150	(1,515,150)	-	-	-	-	-	-	-	-
Transfer to regulatory reserves	-	-	-	-	-	1,230	(1,230)	-	-	-
Acquisition of additional interests from non-controlling interests	-	-	-	-	-	-	(1)	(1)	(11)	(12)
Dilution of interest in a subsidiary	-	-	-	-	-	-	(13)	(13)	13	-
Balance as at 31 March 2017	2,333,796	-	449,721	7,876	160,131	22,509	227,803	3,201,836	8,532	3,210,368

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

RHB INVESTMENT BANK BERHAD (19663-P)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2018

	Note	Non-Distributable		Distributable	Total	
		Share capital	FVOCI reserves	Regulatory reserves		Retained profits
Bank		RM'000	RM'000	RM'000	RM'000	
Balance as at 1 January 2018						
- As previously reported		1,487,773	26,120	13,722	883,218	2,410,833
- Effect of adoption of MFRS 9	39	-	(6,498)	10,077	(1,912)	1,667
- As restated		1,487,773	19,622	23,799	881,306	2,412,500
Net profit for the financial period		-	-	-	55,861	55,861
Financial assets at FVOCI, debt instruments:						
- Unrealised net loss on revaluation		-	(173)	-	-	(173)
- Net transfer to income statements on disposal		-	1	-	-	1
Income tax relating to components of other comprehensive loss		-	41	-	-	41
Other comprehensive loss, net of tax, for the financial period		-	(131)	-	-	(131)
Total comprehensive (loss)/income for the financial period		-	(131)	-	55,861	55,730
Transfer from regulatory reserves		-	-	(823)	823	-
Balance as at 31 March 2018		1,487,773	19,491	22,976	937,990	2,468,230

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2017

	Non-Distributable			Distributable		Total	
	Share capital	Share premium	Statutory reserves	AFS reserves	Regulatory reserves		Retained profits
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 January 2017	818,646	1,515,150	449,208	7,850	13,008	351,586	3,155,448
Net profit for the financial period	-	-	-	-	-	39,007	39,007
Financial investments AFS:							
- Unrealised net gain on revaluation	-	-	-	8,644	-	-	8,644
- Net transfer to income statements on disposal or impairment	-	-	-	(170)	-	-	(170)
Income tax relating to components of other comprehensive income	-	-	-	(2,034)	-	-	(2,034)
Other comprehensive income, net of tax, for the financial period	-	-	-	6,440	-	-	6,440
Total comprehensive income for the financial period	-	-	-	6,440	-	39,007	45,447
Transfer to share capital	1,515,150	(1,515,150)	-	-	-	-	-
Transfer to regulatory reserves	-	-	-	-	160	(160)	-
Balance as at 31 March 2017	2,333,796	-	449,208	14,290	13,168	390,433	3,200,895

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2018

	Three Months Ended	
	31 March 2018	31 March 2017
	RM'000	RM'000
Group		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	92,021	46,004
Adjustments for non-cash items	(62,687)	11,446
Operating profit before working capital changes	29,334	57,450
Changes in working capital:		
Net changes in operating assets	52	(270,404)
Net changes in operating liabilities	(557,937)	684,534
Cash (used in)/generated from operations	(528,551)	471,580
Taxation paid	(5,319)	(8,340)
Net cash (used in)/generated from operating activities	(533,870)	463,240
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (purchase)/proceeds from disposal of financial assets at FVOCI and amortised costs/financial investments AFS and HTM	(10,863)	314,013
Interest income received from financial assets at FVTPL, FVOCI and amortised costs/financial investments AFS and HTM	6,795	17,704
Property, plant and equipment		
- Purchase	(1,490)	(2,992)
- Proceeds from disposal	-	32
Purchase of other intangible assets	(1,422)	(718)
Dividend income received from financial assets at FVTPL and FVOCI/financial investments AFS	2,487	3,576
Dividend income received from an associate	1,041	-
Acquisition of additional interest from non-controlling interests	-	(12)
Net cash (used in)/generated from investing activities	(3,452)	331,603
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown of borrowings	78,191	77,636
Dividend paid to non-controlling interest	(800)	-
Net cash generated from financing activities	77,391	77,636
Net (decrease)/increase in cash and cash equivalents	(459,931)	872,479
Effects of exchange rate differences	(10,485)	3,369
Cash and cash equivalents		
- at the beginning of the financial period	2,414,212	1,064,383
- at the end of the financial period	1,943,796	1,940,231
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short term funds before expected credit losses ('ECL')	1,943,796	1,940,231
Less: Allowance for ECL	(478)	-
Cash and short-term funds, net ECL	1,943,318	1,940,231

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2018

	Three Months Ended	
	31 March 2018	31 March 2017
	RM'000	RM'000
Bank		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	71,554	50,703
Adjustments for non-cash items	(44,243)	6,541
Operating profit before working capital changes	27,311	57,244
Changes in working capital:		
Net changes in operating assets	258,533	198,913
Net changes in operating liabilities	(631,258)	143,222
Cash (used in)/generated from operations	(345,414)	399,379
Taxation paid	-	(5,058)
Net cash (used in)/generated from operating activities	(345,414)	394,321
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (purchase)/proceeds from disposal of financial assets at FVOCI and amortised costs/financial investments AFS and HTM	(18,356)	295,616
Interest income received from financial assets at FVTPL, FVOCI and amortised costs/financial investments AFS and HTM	6,723	17,695
Purchase of property, plant and equipment	(417)	(1,775)
Purchase of other intangible assets	(748)	(393)
Dividend income received from financial assets at FVTPL and FVOCI/financial investments AFS	195	15
Dividend income received from subsidiaries	11,400	-
Dividend income received from an associate	1,041	-
Acquisition of additional interest from non-controlling interests	-	(12)
Net cash (used in)/generated from investing activities	(162)	311,146
Net (decrease)/increase in cash and cash equivalents	(345,576)	705,467
Cash and cash equivalents		
- at the beginning of the financial period	1,738,086	478,126
- at the end of the financial period	1,392,510	1,183,593
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short term funds before ECL	1,392,510	1,183,593
Less: Allowance for ECL	(256)	-
Cash and short-term funds, net ECL	1,392,254	1,183,593

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018

1 Basis of Preparation

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

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

- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers'
- Annual Improvements to MFRS 2014-2016 Cycle:
 - Amendment to MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standards'
 - Amendment to MFRS 128 'Investments in Associates and Joint Ventures'
 - IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

The adoption of the above accounting standards, annual improvements and amendments do not give rise to any material financial impact to the Group and the Bank other than the effects and change in accounting policy arising from the adoption of MFRS 9 as disclosed in Note 39.

(b) Changes in regulatory requirements - Financial Reporting

On 2 February 2018, Bank Negara Malaysia ('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 companies must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

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, net of impairment allowances.

2 Auditors' Report

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

3 Seasonal or Cyclical Factors

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

4 Exceptional or Unusual Items

There were no exceptional or unusual items for the three months ended 31 March 2018.

5 Changes in Estimates

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

6 Changes in Debt and Equity Securities

There were no issuances and repayments of debt and equity securities, share buy-back, share cancellations, shares held as treasury shares and resale of treasury shares for the three months ended 31 March 2018.

7 Dividends Paid

No dividend was paid by the Bank during the three months ended 31 March 2018.

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

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

	Group		Bank	
	As at 31 March 2018	As at 31 December 2017	As at 31 March 2018	As at 31 December 2017
	RM'000	RM'000	RM'000	RM'000
(a) Designated as FVTPL	428,624	424,642	-	-
(b) Held-for-trading	415,127	398,779	119,213	149,139
	843,751	823,421	119,213	149,139

(a) Financial assets designated as FVTPL

At fair value

Quoted securities:

In Malaysia

Unit trusts	52,465	64,783	-	-
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Unquoted securities:

Outside Malaysia

Private equity funds	376,159	359,859	-	-
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	428,624	424,642	-	-
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(b) Financial assets held-for-trading

At fair value

Quoted securities:

In Malaysia

Shares and exchange traded funds	81,245	149,116	79,592	149,116
Unit trusts	24,927	-	10,709	-

Outside Malaysia

Shares and warrants	237,913	249,640	-	-
Unit trusts	28,846	-	28,846	-

Unquoted securities:

In Malaysia

Corporate bonds/Sukuk	66	23	66	23
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Outside Malaysia

Corporate bonds	42,130	-	-	-
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	415,127	398,779	119,213	149,139
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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

8 Financial Assets at Fair Value Through Profit or Loss ('FVTPL') (cont'd)

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

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

	Group and Bank
	As at
	31 December 2017
	RM'000
<u>Reclassified from financial assets at FVTPL to financial investments AFS</u>	
- Carrying value	15,393
- Fair value	15,416
Fair value gain that would have been recognised if the financial assets at FVTPL had not been reclassified	23

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

9 Financial Investments Available-for-sale ('AFS')

	Group As at 31 December 2017 RM'000	Bank As at 31 December 2017 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Securities	139,092	139,092
Malaysian Government Investment Issues	140,795	140,795
Khazanah bonds	41,382	41,382
Sukuk Perumahan Kerajaan	69,475	69,475
<u>Quoted securities:</u>		
In Malaysia		
Shares	39	-
Unit trusts	26,168	11,234
Outside Malaysia		
Shares	2,325	-
Unit trusts	30,296	30,296
<u>Unquoted securities:</u>		
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

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

10 Financial Investments Held-to-maturity ('HTM')

	Group and Bank As at 31 December 2017 <hr style="border-top: 1px solid black;"/> RM'000
At amortised cost	
<u>Money market instruments:</u>	
Malaysian Government Investment Issues	457,199
Khazanah bonds	11,562
Wakala Global Sukuk	8,834
<u>Unquoted Securities:</u>	
In Malaysia	
Corporate bonds/Sukuk	108,199
Loan stocks	26,714
Prasarana bonds	50,129
	<hr style="border-top: 1px solid black;"/>
	662,637
Accumulated impairment losses	(79,405)
	<hr style="border-top: 1px solid black;"/>
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	583,232

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

11 Financial Assets at Fair Value Through Other Comprehensive Income ('FVOCI')

	Group As at 31 March 2018 RM'000	Bank As at 31 March 2018 RM'000
(a) Debt instruments	802,058	802,058
(b) Equity instruments	35,405	30,280
	<u>837,463</u>	<u>832,338</u>
(a) Debt instruments		
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Securities	129,136	129,136
Malaysian Government Investment Issues	141,887	141,887
Khazanah bonds	41,589	41,589
Sukuk Perumahan Kerajaan	70,170	70,170
<u>Unquoted securities:</u>		
In Malaysia		
Corporate bonds/Sukuk	399,463	399,463
Prasarana bonds	25,072	25,072
	<u>807,317</u>	<u>807,317</u>
Allowance for credit losses	(5,259)	(5,259)
	<u>802,058</u>	<u>802,058</u>
(b) Equity instruments		
At fair value		
<u>Quoted securities:</u>		
Outside Malaysia		
Shares	2,330	-
<u>Unquoted securities:</u>		
In Malaysia		
Shares	32,789	30,280
Outside Malaysia		
Shares	286	-
	<u>35,405</u>	<u>30,280</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

11 Financial Assets at Fair Value Through Other Comprehensive Income ('FVOCI') (cont'd)

	Group As at 31 March 2018 RM'000	Bank As at 31 March 2018 RM'000
(c) Movement in credit impaired financial assets at FVOCI, debt instruments		
Balance as at the beginning of the financial year	-	-
- As previously reported	-	-
- Effect of adoption of MFRS 9	5,259	5,259
As restated/Balance as at the end of the financial period	5,259	5,259
 (d) Movement in allowance for credit losses for financial assets at FVOCI, debt instruments		
Balance as at the beginning of the financial year	-	-
- As previously reported	-	-
- Effect of adoption of MFRS 9	5,259	5,259
As restated/Balance as at the end of the financial period	5,259	5,259

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

12 Financial Investments at Amortised Costs

	Group and Bank As at 31 March 2018 <hr/> RM'000
<u>Money market instruments:</u>	
Malaysian Government Investment Issues	460,635
Khazanah bonds	11,674
Wakala Global Sukuk	8,243
<u>Unquoted Securities:</u>	
In Malaysia	
Corporate bonds/Sukuk	208,731
Loan stocks	26,714
Prasarana bonds	50,618
	<hr/> 766,615
Allowance for credit losses	(79,363)
	<hr/> <hr/> 687,252

(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
	<hr/> 79,405
- As restated	(42)
Amount recovered	(42)
	<hr/> 79,363
Balance as at the end of the financial period	<hr/> <hr/> 79,363

(b) Movement in allowance for credit losses at 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
	<hr/> 79,405
- As restated	(42)
Written back during the financial period	(42)
	<hr/> 79,363
Balance as at the end of the financial period	<hr/> <hr/> 79,363

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

13 Loans and Advances

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
(a) By type				
At amortised cost				
Other term loans	44,052	50,472	2	2
Share margin financing	1,609,876	1,789,843	986,253	1,143,036
Staff loans	771	519	468	519
Gross loans and advances	<u>1,654,699</u>	<u>1,840,834</u>	<u>986,723</u>	<u>1,143,557</u>
Allowance for credit losses on loans and advances	(85,563)	(86,906)	(1)	(6)
Net loans and advances	<u>1,569,136</u>	<u>1,753,928</u>	<u>986,722</u>	<u>1,143,551</u>
(b) By type of customer				
Domestic non-bank financial institutions:				
- others	612	-	612	-
Domestic business enterprises:				
- small and medium enterprises	103,039	197,973	103,039	197,973
- others	115,024	118,659	115,024	118,659
Individuals	763,934	824,581	763,934	824,581
Foreign entities	672,090	699,621	4,114	2,344
	<u>1,654,699</u>	<u>1,840,834</u>	<u>986,723</u>	<u>1,143,557</u>
(c) By geographical distribution				
In Malaysia	986,723	1,143,557	986,723	1,143,557
Outside Malaysia				
- Singapore	163,754	146,645	-	-
- Hong Kong	145,204	170,649	-	-
- Indonesia	117,962	111,148	-	-
- Thailand	241,056	268,835	-	-
	<u>1,654,699</u>	<u>1,840,834</u>	<u>986,723</u>	<u>1,143,557</u>
(d) By interest rate sensitivity				
Fixed rate:				
- other fixed rate loans	1,268,436	1,401,348	986,721	1,143,555
Variable rate:				
- base lending rate plus	386,263	439,486	2	2
	<u>1,654,699</u>	<u>1,840,834</u>	<u>986,723</u>	<u>1,143,557</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

13 Loans and Advances (cont'd)

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
(e) By purpose				
Purchase of securities	1,653,926	1,840,313	986,253	1,143,036
Purchase of transport vehicles	332	33	29	33
Purchase of landed property:				
- residential	441	488	441	488
	<u>1,654,699</u>	<u>1,840,834</u>	<u>986,723</u>	<u>1,143,557</u>
(f) By economic sector				
Agriculture, hunting, forestry and fishing	25,305	424	1,139	424
Mining and quarrying	7,841	7,841	232	232
Manufacturing	5,594	2,191	3,342	-
Electricity, gas and water	4,501	-	-	-
Construction	498	-	498	-
Wholesale and retail trade and restaurant and hotel	33,448	35,798	213	819
Transport, storage and communication	4,003	3,389	4,003	3,389
Real estate	33,844	34,590	33,844	34,590
Finance, insurance and business services	235,267	334,951	171,690	271,187
Education, health & others	7,825	8,333	7,825	8,333
Household sector	1,228,621	1,413,317	763,937	824,583
Others	67,952	-	-	-
	<u>1,654,699</u>	<u>1,840,834</u>	<u>986,723</u>	<u>1,143,557</u>
(g) By remaining contractual maturities				
Maturity within one year	1,654,055	1,840,314	986,255	1,143,037
One year to three years	244	117	96	117
Three years to five years	45	17	17	17
Over five years	355	386	355	386
	<u>1,654,699</u>	<u>1,840,834</u>	<u>986,723</u>	<u>1,143,557</u>
(h) Impaired loans and advances				
(i) Movements in impaired loans and advances				
Balance as at the beginning of the financial year	93,677	129,166	454	55,803
Transfer in to Lifetime ECL credit impaired provision (Stage 3)	8,780	-	8,449	-
Classified as impaired	-	48,817	-	15,518
Amount recovered	(8,891)	(60,262)	(8,891)	(54,821)
Amount written off	-	(347)	-	-
Business transferred to holding company	-	(16,046)	-	(16,046)
Exchange differences	(3,907)	(7,651)	-	-
Balance as at the end of the financial period	<u>89,659</u>	<u>93,677</u>	<u>12</u>	<u>454</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

13 Loans and Advances (cont'd)

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
(h) Impaired loans and advances (cont'd)				
(ii) By purpose				
Purchase of securities	89,659	93,677	12	454
(iii) By economic sector				
Mining and quarrying	7,320	7,609	-	-
Manufacturing	2,133	2,191	-	-
Wholesale and retail trade and restaurant and hotel	33,235	34,979	-	-
Finance, insurance and business services	24,932	26,241	-	-
Household sector	22,039	22,657	12	454
	89,659	93,677	12	454
(iv) By geographical distribution				
In Malaysia	12	454	12	454
Outside Malaysia:				
- Singapore	14,924	14,994	-	-
- Hong Kong	66,319	69,799	-	-
- Thailand	8,404	8,430	-	-
	89,659	93,677	12	454
(v) Allowance for credit losses on loans and advances				
12-month ECL (Stage 1)	1	-	1	-
Lifetime ECL credit impaired (Stage 3)	85,562	-	-	-
Individual impairment allowance	-	86,905	-	5
Collective impairment allowance	-	1	-	1
	85,563	86,906	1	6

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

13 Loans and Advances (cont'd)

(h) Impaired loans and advances (cont'd)

(v) Allowance for credit losses on loans and advances (cont'd)

Movements in allowance for credit losses

Group	12-month ECL (Stage 1)	Lifetime ECL Credit Impaired (Stage 3)	Total
31 March 2018	RM'000	RM'000	RM'000
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
Allowance made during the financial period	-	2,418	2,418
Exchange differences	-	(3,761)	(3,761)
Balance as at the end of the financial period	<u>1</u>	<u>85,562</u>	<u>85,563</u>

Bank
31 March 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
Written back during the financial period	-	(5)	(5)
Balance as at the end of the financial period	<u>1</u>	<u>-</u>	<u>1</u>

Group	Bank
As at	As at
31 December 2017	31 December 2017
RM'000	RM'000

Individual impairment allowance

Balance as at the beginning of the financial year	54,887	9,966
Net allowance made	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	<u>86,905</u>	<u>5</u>

Collective impairment allowance

Balance as at the beginning of the financial year	230	452
Net allowance written back	(229)	(451)
Balance as at the end of the financial year	<u>1</u>	<u>1</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

14 Clients' and Brokers' Balances

	Group		Bank	
	As at	As at	As at	As at
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Amounts owing by clients	1,002,304	1,061,043	478,387	633,810
- Allowance for credit losses	(31,211)	-	(6,515)	-
- Individual impairment allowance	-	(28,551)	-	(6,789)
- Collective impairment allowance	-	(3,331)	-	(20)
	<u>971,093</u>	<u>1,029,161</u>	<u>471,872</u>	<u>627,001</u>
Amounts owing by brokers	504,113	230,439	202,559	185,971
Amounts owing by clearing houses and stock exchanges	244,086	339,994	111,746	88,946
	<u>1,719,292</u>	<u>1,599,594</u>	<u>786,177</u>	<u>901,918</u>

(a) Movements in credit impaired clients' and brokers' balances

	Group	Bank
	As at	As at
	31 March 2018	31 March 2018
	RM'000	RM'000
Balance as at the beginning of the financial year	34,355	9,281
Transfer in to Lifetime ECL credit impaired provision (Stage 3)	3,122	3,001
Exchange differences	(496)	-
Balance as at the end of the financial period	<u>36,981</u>	<u>12,282</u>

(b) Movement in allowance for credit losses

<u>Group</u>	12-month	Lifetime ECL	<u>Total</u>
	ECL	Credit	
	(Stage 1)	Impaired	
31 March 2018	(Stage 1)	(Stage 3)	RM'000
	RM'000	RM'000	RM'000
Balance as at the beginning of financial year	-	-	-
- As previously reported	-	-	-
- Effect of adoption of MFRS 9	-	31,882	31,882
- As restated	-	31,882	31,882
Allowance made/(written back) during the financial period	1	(179)	(178)
Exchange differences	-	(493)	(493)
Balance as at the end of financial period	<u>1</u>	<u>31,210</u>	<u>31,211</u>

Bank

31 March 2018

Balance as at the beginning of financial year	-	-	-
- As previously reported	-	-	-
- Effect of adoption of MFRS 9	-	6,809	6,809
- As restated	-	6,809	6,809
Allowance made/(written back) during the financial period	1	(295)	(294)
Balance as at the end of financial period	<u>1</u>	<u>6,514</u>	<u>6,515</u>

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14 Clients' and Brokers' Balances (cont'd)

(b) Movement in allowance for credit losses (cont'd)

	Group As at 31 December 2017 RM'000	Bank As at 31 December 2017 RM'000
<u>Individual impairment allowance</u>		
Balance as at the beginning of the financial year	16,568	7,924
Net allowance made/(written back)	6,911	(1,135)
Transfer from collective allowance	12,634	-
Amount written off	(7,323)	-
Exchange differences	(239)	-
Balance as at the end of the financial year	28,551	6,789
<u>Collective impairment allowance</u>		
Balance as at the beginning of the financial year	16,608	47
Net allowance written back	(219)	(27)
Transfer to individual allowance	(12,634)	-
Exchange differences	(424)	-
Balance as at the end of the financial year	3,331	20

15 Other Assets

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Other receivables	97,024	75,660	54,256	44,397
Unit trust fee receivables	24,137	18,238	-	-
Management fee receivables	2,968	8,580	-	-
Deposits	31,715	36,183	5,622	7,412
Prepayments	25,113	21,681	13,029	6,401
Amount receivable for release of units from funds	19,746	43,592	-	-
Transferable memberships	336	340	262	262
Amount due from holding company	11,606	12	11,593	-
Amount due from subsidiaries	-	-	2,057	12,257
Amount due from related companies	187	437	21	25
	212,832	204,723	86,840	70,754

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

16 Deposits from Customers

	Group		Bank	
	As at	As at	As at	As at
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
(a) By type of deposits				
Fixed deposits	521,183	421,834	531,000	437,949
(b) By type of customers				
Business enterprises	521,183	421,834	531,000	437,949
(c) By maturity structure of fixed deposits				
Due within six months	521,183	421,834	531,000	437,949

17 Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	As at	As at	As at	As at
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Licensed banks	2,135,031	3,035,153	2,135,031	3,035,153
Licensed investment banks	381,158	130,825	381,158	130,825
Other financial institutions	111,932	70,922	121,936	83,446
	2,628,121	3,236,900	2,638,125	3,249,424

18 Other Liabilities

	Group		Bank	
	As at	As at	As at	As at
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Other creditors and accruals	136,200	139,517	54,033	55,288
Structured deposits	-	7,281	-	7,281
Deferred income	3,215	3,231	340	-
Remisiers' trust deposits	63,371	62,902	63,309	62,902
Amount payable for creation of units due to funds	56,669	160,214	-	-
Amount payable for redemption units	35,026	40,745	-	-
Short-term employee benefits	52,284	72,155	31,889	32,346
Amount due to holding company	3,966	15,619	-	9,971
Amount due to subsidiaries	-	-	2,505	2,693
Amount due to related companies	610	1,252	548	513
	351,341	502,916	152,624	170,994

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

	1st Quarter Ended		Three Months Ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	RM'000	RM'000	RM'000	RM'000
19 Interest Income				
<u>Group</u>				
Loans and advances	25,028	30,649	25,028	30,649
Money at call and deposits and placements with banks and other financial institutions	19,093	14,323	19,093	14,323
Financial assets at FVTPL	261	76	261	76
Financial investments AFS	-	14,830	-	14,830
Financial investments HTM	-	3,726	-	3,726
Financial assets at FVOCI, debt instruments	7,679	-	7,679	-
Financial investments at amortised costs	6,064	-	6,064	-
Others	841	3,664	841	3,664
	58,966	67,268	58,966	67,268
of which:				
Interest income accrued on impaired financial assets	1,910	1,384	1,910	1,384
<u>Bank</u>				
Loans and advances	14,067	16,806	14,067	16,806
Money at call and deposits and placements with banks and other financial institutions	16,048	11,770	16,048	11,770
Financial assets at FVTPL	245	67	245	67
Financial investments AFS	-	14,830	-	14,830
Financial investments HTM	-	3,726	-	3,726
Financial assets at FVOCI, debt instrument	7,623	-	7,623	-
Financial investments at amortised costs	6,064	-	6,064	-
Others	739	366	739	366
	44,786	47,565	44,786	47,565
of which:				
Interest income accrued on impaired financial assets	-	324	-	324

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

	1st Quarter Ended		Three Months Ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	RM'000	RM'000	RM'000	RM'000
20 Interest Expense				
<u>Group</u>				
Deposits and placements of banks and other financial institutions	23,588	22,260	23,588	22,260
Deposits from customers	5,166	6,273	5,166	6,273
Subordinated obligations	4,858	5,100	4,858	5,100
Borrowings	6,469	5,649	6,469	5,649
Others	-	730	-	730
	40,081	40,012	40,081	40,012

Bank

Deposits and placements of banks and other financial institutions	23,466	22,800	23,466	22,800
Deposits from customers	4,538	6,382	4,538	6,382
Subordinated obligations	4,858	5,100	4,858	5,100
Others	-	86	-	86
	32,862	34,368	32,862	34,368

21 Fee and Commission Income

Group

Brokerage income	89,348	91,060	89,348	91,060
Fund management fees	54,021	54,545	54,021	54,545
Unit trust fee income	21,203	35,088	21,203	35,088
Corporate advisory fees	11,912	11,295	11,912	11,295
Arrangement fees and underwriting	1,532	5,855	1,532	5,855
Placement fees	5,529	8,651	5,529	8,651
Rollover fees	1,228	2,770	1,228	2,770
Commission	2,242	1,305	2,242	1,305
Service charges and fees	539	763	539	763
Other fee income	11,981	9,221	11,981	9,221
	199,535	220,553	199,535	220,553

Bank

Brokerage income	56,582	54,565	56,582	54,565
Corporate advisory fees	5,728	5,215	5,728	5,215
Arrangement fees and underwriting	993	4,359	993	4,359
Placement fees	5,289	6,047	5,289	6,047
Rollover fees	1,228	1,461	1,228	1,461
Commission	378	543	378	543
Service charges and fees	1	-	1	-
Other fee income	6,450	4,737	6,450	4,737
	76,649	76,927	76,649	76,927

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

	1st Quarter Ended		Three Months Ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	RM'000	RM'000	RM'000	RM'000
22 Fee and Commission Expense				
<u>Group</u>				
Fund management fees	24,564	24,041	24,564	24,041
Unit trust fees	20,441	32,754	20,441	32,754
	<u>45,005</u>	<u>56,795</u>	<u>45,005</u>	<u>56,795</u>
23 Other Operating Income				
<u>Group</u>				
(a) Net gain arising from financial instruments at FVTPL				
- net (loss)/gain on disposal	(339)	11,422	(339)	11,422
- unrealised net gain/(loss) on revaluation	10,424	(10,961)	10,424	(10,961)
- gross dividend income	2,487	3,448	2,487	3,448
	<u>12,572</u>	<u>3,909</u>	<u>12,572</u>	<u>3,909</u>
(b) Net gain arising from derivatives	<u>31,454</u>	10,210	<u>31,454</u>	10,210
(c) Net gain arising from financial investments AFS				
- net gain on disposal	-	457	-	457
- gross dividend income	-	128	-	128
	<u>-</u>	<u>585</u>	<u>-</u>	<u>585</u>
(d) Net gain arising from financial assets at FVOCI, debt instruments				
- net gain on disposal	<u>21,824</u>	-	<u>21,824</u>	-
(e) Other income				
- net foreign exchange gain/(loss)				
- realised	9,480	28,725	9,480	28,725
- unrealised	(1,607)	(26,641)	(1,607)	(26,641)
- gain on disposal of property, plant and equipment	-	32	-	32
- other operating income	38,313	28,508	38,313	28,508
	<u>46,186</u>	<u>30,624</u>	<u>46,186</u>	<u>30,624</u>
	<u>112,036</u>	<u>45,328</u>	<u>112,036</u>	<u>45,328</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

	1st Quarter Ended		Three Months Ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	RM'000	RM'000	RM'000	RM'000
23 Other Operating Income (cont'd)				
<u>Bank</u>				
(a) Net (loss)/gain arising from financial assets at FVTPL				
- net (loss)/gain on disposal	(3,557)	7,995	(3,557)	7,995
- unrealised net (loss)/gain on revaluation	(16,126)	4,651	(16,126)	4,651
- gross dividend income	195	15	195	15
	<u>(19,488)</u>	<u>12,661</u>	<u>(19,488)</u>	<u>12,661</u>
(b) Net gain/(loss) arising from derivatives	<u>25,399</u>	<u>(3,064)</u>	<u>25,399</u>	<u>(3,064)</u>
(c) Net gain arising from financial investments AFS				
- net gain on disposal	-	456	-	456
(d) Net gain arising from financial assets at FVOCI, debt instruments				
- net gain on disposal	<u>21,824</u>	<u>-</u>	<u>21,824</u>	<u>-</u>
(e) Gross dividend income from subsidiaries in Malaysia	<u>11,400</u>	<u>-</u>	<u>11,400</u>	<u>-</u>
(f) Gross dividend income from an associate in Malaysia	<u>1,041</u>	<u>-</u>	<u>1,041</u>	<u>-</u>
(g) Other income				
- net foreign exchange gain/(loss)				
- realised	9,021	28,588	9,021	28,588
- unrealised	(1,243)	(26,764)	(1,243)	(26,764)
- other operating income	<u>35,810</u>	<u>27,520</u>	<u>35,810</u>	<u>27,520</u>
	<u>43,588</u>	<u>29,344</u>	<u>43,588</u>	<u>29,344</u>
	<u>83,764</u>	<u>39,397</u>	<u>83,764</u>	<u>39,397</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

	1st Quarter Ended		Three Months Ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	RM'000	RM'000	RM'000	RM'000
24 Other Operating Expenses				
<u>Group</u>				
<u>Personnel costs</u>				
- Salaries, bonus and allowances	93,046	87,748	93,046	87,748
- Defined contribution plan	11,419	8,315	11,419	8,315
- Other staff related costs	14,373	9,022	14,373	9,022
	118,838	105,085	118,838	105,085
<u>Establishment costs</u>				
- Property, plant and equipment				
- depreciation	4,819	5,930	4,819	5,930
- written off	-	208	-	208
- Amortisation of intangible assets	2,985	3,354	2,985	3,354
- Information technology expenses	16,229	16,554	16,229	16,554
- Security and escorting charges	44	47	44	47
- Repair and maintenance	638	816	638	816
- Rental of premises	11,438	11,464	11,438	11,464
- Water and electricity	1,286	1,338	1,286	1,338
- Rental of equipment	180	342	180	342
- Insurance	1,367	1,747	1,367	1,747
- Others	3,184	3,742	3,184	3,742
	42,170	45,542	42,170	45,542
<u>Marketing expenses</u>				
- Advertisements and publicity	952	1,228	952	1,228
- Sales commission	2,213	2,046	2,213	2,046
- Others	6,314	6,802	6,314	6,802
	9,479	10,076	9,479	10,076
<u>Administration and general expenses</u>				
- Communication expenses	9,689	13,095	9,689	13,095
- Legal and professional fees	1,542	2,625	1,542	2,625
- Others	8,814	10,336	8,814	10,336
	20,045	26,056	20,045	26,056
	190,532	186,759	190,532	186,759

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

	1st Quarter Ended		Three Months Ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	RM'000	RM'000	RM'000	RM'000
24 Other Operating Expenses (cont'd)				
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, bonus and allowances	51,422	34,423	51,422	34,423
- Defined contribution plan	7,475	5,113	7,475	5,113
- Other staff related costs	7,589	3,210	7,589	3,210
	66,486	42,746	66,486	42,746
<u>Establishment costs</u>				
- Property, plant and equipment				
- depreciation	2,110	2,352	2,110	2,352
- written off	-	138	-	138
- Amortisation of intangible assets	1,447	2,021	1,447	2,021
- Information technology expenses	9,462	10,653	9,462	10,653
- Security and escorting charges	38	36	38	36
- Repair and maintenance	471	581	471	581
- Rental of premises	3,666	3,701	3,666	3,701
- Water and electricity	847	858	847	858
- Rental of equipment	13	204	13	204
- Insurance	841	2,238	841	2,238
- Others	2,161	2,230	2,161	2,230
	21,056	25,012	21,056	25,012
<u>Marketing expenses</u>				
- Advertisements and publicity	187	520	187	520
- Sales commission	19	234	19	234
- Others	1,553	1,460	1,553	1,460
	1,759	2,214	1,759	2,214
<u>Administration and general expenses</u>				
- Communication expenses	3,620	3,974	3,620	3,974
- Legal and professional fees	422	107	422	107
- Others	7,233	5,923	7,233	5,923
	11,275	10,004	11,275	10,004
	100,576	79,976	100,576	79,976

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

	1st Quarter Ended		Three Months Ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	RM'000	RM'000	RM'000	RM'000
25 Allowance Made/(Written Back) for Credit Losses				
<u>Group</u>				
Loans and advances:				
- New and increased provisions	2,418	-	2,418	-
- Individual impairment allowance made	-	5,425	-	5,425
- Collective impairment allowance written back	-	(129)	-	(129)
- Impaired loans recovered	(1)	(96)	(1)	(96)
	2,417	5,200	2,417	5,200
Financial investments at amortised costs	(42)	-	(42)	-
Other financial assets	240	-	240	-
Allowance made/(written back) for credit losses on other receivables and clients' and brokers' balances	361	(1,434)	361	(1,434)
	2,976	3,766	2,976	3,766

Bank

Loans and advances:				
- New and increased provisions	(5)	-	(5)	-
- Collective impairment allowance written back	-	(125)	-	(125)
- Impaired loans recovered	(1)	(1)	(1)	(1)
	(6)	(126)	(6)	(126)
Financial investments at amortised costs	(42)	-	(42)	-
Other financial assets	187	-	187	-
Allowance made/(written back) for credit losses on other receivables and clients' and brokers' balances	68	(1,032)	68	(1,032)
	207	(1,158)	207	(1,158)

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

26 Earnings Per Share

The basic earnings per share ('EPS') is calculated by dividing the net profit attributable to the owner of the Bank for the first quarter and three months ended 31 March by the weighted average number of ordinary shares in issue during the financial period.

Group	1st Quarter Ended		Three Months Ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Net profit attributable to equity holders (RM'000)	72,568	29,248	72,568	29,248
Weighted average number of ordinary shares in issue ('000)	100,000	818,646	100,000	818,646
Basic earnings per share (sen)	72.6	3.6	72.6	3.6

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

27 Capital Adequacy Ratio

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

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

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Common Equity Tier I ('CET I')/ Tier I Capital				
Share capital	1,487,773	1,487,773	1,487,773	1,487,773
Retained profits	653,304	669,730	882,129	883,218
Other reserves	94,235	112,410	-	-
FVOCI/AFS reserves	19,567	18,861	19,491	26,120
	<u>2,254,879</u>	<u>2,288,774</u>	<u>2,389,393</u>	<u>2,397,111</u>
Less: Goodwill	(523,911)	(523,911)	(372,395)	(372,395)
Investments in subsidiaries, associates and joint ventures (portion deducted from CET I Capital) *	(52,429)	(43,339)	(1,490,686)	(1,199,358)
Intangible assets (include associated deferred tax liabilities)	(48,395)	(48,693)	(27,001)	(27,700)
55% of cumulative gains arising from change in value of FVOCI/ AFS financial instruments	(10,762)	(10,374)	(10,720)	(14,366)
Other deductions	(7)	(12)	(7)	(12)
Deferred tax assets	(18,851)	(14,839)	(5,159)	(1,180)
Total CET I Capital	<u>1,600,524</u>	<u>1,647,606</u>	<u>483,425</u>	<u>782,100</u>
Qualifying non-controlling interests recognised as Tier I Capital	<u>20,966</u>	<u>21,055</u>	<u>-</u>	<u>-</u>
Total Tier I Capital	<u>1,621,490</u>	<u>1,668,661</u>	<u>483,425</u>	<u>782,100</u>
Tier II Capital				
Subordinated obligations meeting all relevant criteria	400,000	400,000	400,000	400,000
Qualifying non-controlling interests recognised as Tier II Capital	4,818	4,861	-	-
General provision and regulatory reserves ^	18,271	15,696	9,203	8,987
	<u>423,089</u>	<u>420,557</u>	<u>409,203</u>	<u>408,987</u>
Less: Investments in subsidiaries, associates and joint ventures	-	(10,835)	-	(299,839)
Total Tier II Capital	<u>423,089</u>	<u>409,722</u>	<u>409,203</u>	<u>109,148</u>
Total Capital	<u>2,044,579</u>	<u>2,078,383</u>	<u>892,628</u>	<u>891,248</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

27 Capital Adequacy Ratio (cont'd)

The capital adequacy ratios of the Group and the Bank are as follows: (cont'd)

	Group		Bank	
	As at 31 March 2018	As at 31 December 2017	As at 31 March 2018	As at 31 December 2017
<u>Capital ratios</u>				
Before proposed dividends:				
CET I Capital Ratio	31.154%	32.987%	22.709%	34.995%
Tier I Capital Ratio	31.562%	33.409%	22.709%	34.995%
Total Capital Ratio	39.798%	41.612%	41.931%	39.878%
After proposed dividends:				
CET I Capital Ratio	31.154%	32.987%	22.709%	34.995%
Tier I Capital Ratio	31.562%	33.409%	22.709%	34.995%
Total Capital Ratio	39.798%	41.612%	41.931%	39.878%

* Investments in subsidiaries are subject to the gradual deduction in the calculation under CET I Capital effective from 1 January 2014 as prescribed under paragraph 37.11 of the BNM's Guidelines on Capital Adequacy Framework (Capital Components).

^ Excludes general provision 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'.

Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM17,733,600 (31 December 2017: RM12,384,000) and RM8,947,000 (31 December 2017: RM8,987,000) respectively.

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

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Credit risk	1,461,648	1,255,650	736,232	718,961
Market risk	1,955,914	2,049,361	472,930	610,542
Operational risk	1,719,876	1,689,666	919,651	905,417
Total risk-weighted assets	5,137,438	4,994,677	2,128,813	2,234,920

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

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

28 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 its 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:

<u>Group</u>	<u>As at 31 March 2018 RM'000</u>	<u>As at 31 December 2017 RM'000</u>
Principal amount		
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	1,568,831	1,516,982
- maturity exceeding one year	3,958	4,164
Foreign exchange related contracts: ^		
- less than one year	55,483	36,962
Interest rate related contracts: ^		
- less than one year	90,000	90,000
Equity related contracts: ^		
- less than one year	7,260	7,262
	<u>1,725,532</u>	<u>1,655,370</u>

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

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

28 Commitments and Contingencies (cont'd)

The commitments and contingencies comprise the following: (cont'd)

<u>Bank</u>	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Principal amount		
Direct credit substitutes #	147,616	151,583
Obligations under underwriting agreements	-	45,761
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	579,983	536,472
- maturity exceeding one year	22	22
Foreign exchange related contracts: ^		
- less than one year	29,149	31,258
Interest rate related contracts: ^		
- less than one year	90,000	90,000
Equity related contracts: ^		
- less than one year	7,260	7,262
	854,030	862,358

Included in direct credit substitutes comprise of financial guarantee given by the Bank to its subsidiaries.

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

29 Capital Commitments

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Authorised and contracted for				
- Property, plant and equipment	28,609	26,511	20,521	17,864
- Investment securities	38,580	40,905	-	-
	67,189	67,416	20,521	17,864

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

30 Valuation of Property, Plant and Equipment

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

31 Status of Corporate Proposals

- (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'). With the signing of the CSPA, RHB Bank will submit an application to BNM for the approval of the Proposed Acquisition and 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').

Upon completion of the Proposed Acquisition and subject to approval from Vietnam SSC for the Conversion, VSEC will become a wholly-owned subsidiary of the Bank.

32 Events Subsequent to the Date of Statements of Financial Position

There were no significant events subsequent to the date of statements of financial position that have not been reflected in the interim financial statements.

33 Changes in the Composition of the Group

There were no significant changes in the composition of the Group for the three months ended 31 March 2018.

34 Changes in Profit for the Quarter

For the current financial quarter ended 31 March 2018, the Group recorded a pre-tax profit of RM92.0 million, 482.3% higher as compared to the immediate preceding quarter of RM15.8 million. The increase in profit was mainly due to higher other operating income by RM72.4 million, higher net fee and commission income by RM8.0 million, lower allowance made for credit losses by RM1.1 million and higher net interest income by RM0.8 million; partially offset with higher other operating expenses by RM6.0 million and lower share of results of joint ventures by RM0.1 million.

35 Performance Review

For the three months ended 31 March 2018, the Group recorded a pre-tax profit of RM92.0 million, 100.0% higher as compared to the previous corresponding period of RM46.0 million. The increase in profit was mainly due to higher other operating income by RM66.7 million and lower allowance made for credit losses by RM0.8 million; partially offset with lower net fee and commission income by RM9.2 million, lower net interest income by RM8.4 million, higher other operating expenses by RM3.8 million and lastly lower share of results of joint ventures by RM0.1 million.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

36 Prospects for 2018

Malaysia is expected to register a moderate GDP expansion of 5.2% in 2018, against 5.9% growth registered in 2017. Growth is expected to be supported by resilient domestic demand, even as exports continue to expand and create positive spillover effects into consumer spending and private investments.

Market and industry players will be keenly awaiting the economic policies of the new government, which are expected to boost consumer spending. It is anticipated that the private sector would play an increasing role in the economic growth. This in turn is expected to have a positive effect on the banking sector which is further supported by healthy asset quality, strong capital position and ample liquidity.

The Group remains focused in executing its five-year strategy FIT22, to boost performance, build scale and deliver service excellence. Digital enhancements and AGILE way of working will feature prominently in the implementation of the strategy. Barring unforeseen circumstances, the Group expects to achieve better performance this year.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

37 Fair Value of Financial Instruments

Determination of fair value and fair value hierarchy

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 March 2018	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
Financial assets at FVTPL	425,396	42,196	376,159	843,751
- quoted securities	425,396	-	-	425,396
- unquoted securities	-	42,196	376,159	418,355
Financial assets at FVOCI	2,330	802,058	33,075	837,463
- money market instruments	-	382,782	-	382,782
- quoted securities	2,330	-	-	2,330
- unquoted securities	-	419,276	33,075	452,351
Derivative assets	-	222	1,417	1,639
	<u>427,726</u>	<u>844,476</u>	<u>410,651</u>	<u>1,682,853</u>
<u>Financial liabilities</u>				
Derivative liabilities	20,850	524	-	21,374
Puttable financial instruments	78,199	-	-	78,199
	<u>99,049</u>	<u>524</u>	<u>-</u>	<u>99,573</u>
Group	Level 1	Level 2	Level 3	Total
31 December 2017	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
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
	<u>522,367</u>	<u>810,710</u>	<u>392,937</u>	<u>1,726,014</u>
<u>Financial liabilities</u>				
Derivative liabilities	45,947	66	-	46,013
Puttable financial instruments	78,825	-	-	78,825
	<u>124,772</u>	<u>66</u>	<u>-</u>	<u>124,838</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

37 Fair Value of Financial Instruments (cont'd)

Determination of fair value and fair value hierarchy (cont'd)

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

Bank	Level 1	Level 2	Level 3	Total
31 March 2018	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
Financial assets at FVTPL	119,147	66	-	119,213
- quoted securities	119,147	-	-	119,147
- unquoted securities	-	66	-	66
Financial assets at FVOCI	-	802,058	30,280	832,338
- money market instruments	-	382,782	-	382,782
- unquoted securities	-	419,276	30,280	449,556
Derivative assets	-	235	1,417	1,652
	119,147	802,359	31,697	953,203
<u>Financial liabilities</u>				
Derivative liabilities	20,648	29	-	20,677

Bank	Level 1	Level 2	Level 3	Total
31 December 2017	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
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
<u>Financial liabilities</u>				
Derivative liabilities	45,814	59	-	45,873

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

37 Fair Value of Financial Instruments (cont'd)

Valuation techniques and sensitivity analysis

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

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

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

Reconciliation of movements in Level 3 financial instruments

The following represents the changes in Level 3 instruments for the financial period/year ended 31 March 2018 and 31 December 2017 for the Group and the Bank:

	Group		Bank	
	As at 31 March 2018	As at 31 December 2017	As at 31 March 2018	As at 31 December 2017
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets at FVTPL</u>				
Balance as at the beginning of the financial year	359,859	167,901	-	16,390
Total gain/(loss) recognised in income statements				
- other operating income	32,106	(10,677)	-	-
Purchases	3,315	243,928	-	-
Settlements	(2,377)	(10,685)	-	-
Business transfer to holding company	-	(16,390)	-	(16,390)
Exchange differences	(16,744)	(14,218)	-	-
Balance as at the end of the financial period	376,159	359,859	-	-

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

37 Fair Value of Financial Instruments (cont'd)

Reconciliation of movements in Level 3 financial instruments (cont'd)

The following represents the changes in Level 3 instruments for the financial period/year ended 31 March 2018 and 31 December 2017 for the Group and the Bank: (cont'd)

	Group As at 31 March 2018 RM'000	Bank As at 31 March 2018 RM'000
<u>Financial assets at FVOCI</u>		
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
Exchange differences	(3)	-
Balance as at the end of financial period	33,075	30,280
<u>Derivative assets</u>		
Balance as at the beginning of the financial year	-	-
Total gain recognised in income statements		
- other operating income	1,417	1,417
Balance as at the end of financial period	1,417	1,417
<u>Financial investments AFS</u>		
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 transfer to holding company	(16,092)	(16,092)
Exchange differences	(7)	-
Balance as at the end of the financial period	33,078	30,280

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

38 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 Group's business segments can be 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, corporate and debt restructuring, mergers and acquisitions, private placements, underwriting, structuring of bilateral lending, project financing, loans syndication, infrastructure financing, initial public offerings of equity related instruments, private placements and underwriting. This segment also covers facilities for equity share trading in local and foreign markets, share margin financing, futures broking products and services, custodian and nominees services, investment cash management and unit trust funds.

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 is involved in 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.

(c) Asset Management

Asset Management business focuses on providing investment management services, unit trust fund management services, Islamic funds management services, wills and trustee services.

Asset Management consists of the Group's Asset Management and Trustee businesses, which includes overseas business operations in Singapore, Hong Kong and Indonesia.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

38 Segment Reporting (cont'd)

Segment Profit and Loss for the Three Months Ended 31 March 2018

<u>Group</u>	Investment Banking RM'000	Treasury RM'000	Asset Management RM'000	Others and Elimination RM'000	Total RM'000
External revenue	195,563	51,709	38,179	-	285,451
Inter-segment revenue	3,673	92	(472)	(3,293)	-
Segment revenue	199,236	51,801	37,707	(3,293)	285,451
Overhead expenses Including:	(158,195)	(8,084)	(24,346)	93	(190,532)
Depreciation of property, plant and equipment	(4,572)	(4)	(243)	-	(4,819)
Amortisation of intangible assets	(2,717)	(104)	(164)	-	(2,985)
Allowance (made)/written back for credit losses	(2,844)	(160)	28	-	(2,976)
	38,197	43,557	13,389	(3,200)	91,943
Share of results of associates					87
Share of results of joint ventures					(9)
Profit before taxation					92,021
Taxation					(19,228)
Net profit for the financial period					72,793

Segment Assets and Liabilities as at 31 March 2018

<u>Group</u>	Investment Banking RM'000	Treasury RM'000	Asset Management RM'000	Others and Elimination RM'000	Total RM'000
Segment assets	5,341,312	3,595,002	561,915	(1,484,156)	8,014,073
Goodwill	380,544	-	143,367	-	523,911
Investments in associates and joint ventures					52,429
Tax recoverable					31,918
Deferred tax assets					18,851
Total assets					8,641,182
Segment liabilities	1,966,417	2,876,231	312,626	(93,865)	5,061,409
Tax liabilities					5,227
Deferred tax liabilities					2,477
Borrowings					788,880
Subordinated obligations					409,121
Total liabilities					6,267,114

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

38 Segment Reporting (cont'd)

Segment Profit and Loss for the Three Months Ended 31 March 2017

<u>Group</u>	<u>Investment Banking</u>	<u>Treasury</u>	<u>Asset Management</u>	<u>Others and Elimination</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
External revenue	162,440	36,400	37,502	-	236,342
Inter-segment revenue	4,411	(657)	385	(4,139)	-
Segment revenue	166,851	35,743	37,887	(4,139)	236,342
Overhead expenses	(158,363)	(9,180)	(23,355)	4,139	(186,759)
Including:					
Depreciation of property, plant and equipment	(5,598)	(61)	(271)	-	(5,930)
Amortisation of intangible assets	(2,931)	(303)	(120)	-	(3,354)
Allowance (made)/written back for credit losses	(3,845)	-	79	-	(3,766)
	4,643	26,563	14,611	-	45,817
Share of results of associates					91
Share of results of joint ventures					96
Profit before taxation					46,004
Taxation					(16,534)
Net profit for the financial period					<u>29,470</u>

Segment Assets and Liabilities as at 31 December 2017

<u>Group</u>	<u>Investment Banking</u>	<u>Treasury</u>	<u>Asset Management</u>	<u>Others and Elimination</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Segment assets	5,235,022	4,085,672	714,083	(1,576,322)	8,458,455
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					<u>9,100,604</u>
Segment liabilities	1,937,165	3,378,691	440,079	(99,737)	5,656,198
Tax liabilities					6,136
Deferred tax liabilities					2,612
Borrowings					712,379
Subordinated obligations					404,263
Total liabilities					<u>6,781,588</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

39 Changes in Accounting Policies

(1) Adoption of MFRS 9 'Financial Instruments'

The Group and the Bank has adopted MFRS 9 'Financial Instruments', issued by the MASB in 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 period.

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

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

(a) Classification and measurement of financial assets

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

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

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

The classification and subsequent measurement of financial assets depend on:

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

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

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

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

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

Financial assets that are held for collection for contractual cash flow where those cash flows represent solely payments of principal and interest ('SPPI') and held in a business model whose objective is achieved by both collecting the contractual cash flows and selling the financial assets, and that are not designated as FVTPL, are measured at FVOCI. Changes in the fair value of these assets are recognised in OCI, except for recognition of interest, dividend, foreign exchange gains or losses and expected credit losses which are recognised in profit or loss.

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

39 Changes in Accounting Policies (cont'd)

(1) Adoption of MFRS 9 'Financial Instruments' (cont'd)

Set out below are disclosures relating to the impact of the adoption of MFRS 9 on the Group and the Bank: (cont'd)

(a) Classification and measurement of financial assets (cont'd)

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:

- (i) the reclassification of unit trusts to FVTPL amounted to RM 56,464,000 and RM41,530,000 for the Group and the Bank that failed to meet the SPPI requirement for FVOCI classification under MFRS 9. As a result, the fair value reserves, net of tax, of RM854,000 (net gain) and RM6,498,000 (net loss) for the Group and the Bank was recognised to retained profits on 1st January 2018.
- (ii) 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 when they are disposal of.

(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

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, which are not subject to impairment assessment. Off-balance sheet items that are subject to ECL include financial guarantees and undrawn loan commitments.

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

39 Changes in Accounting Policies (cont'd)

(1) Adoption of MFRS 9 'Financial Instruments' (cont'd)

Set out below are disclosures relating to the impact of the adoption of MFRS 9 on the Group and the Bank: (cont'd)

(d) Impairment of financial assets (cont'd)

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

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

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

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

(iii) Stage 3: Lifetime ECL – credit impaired

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

The changes in ECL between two-periods will be recognised in profit and loss.

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

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

As a result of the changes in basis of determining the level of allowances for credit losses mentioned above, the total ECL allowances computed under MFRS 9 is higher by RM307,000 (net of tax) and RM311,000 (net of tax) for the Group and the Bank respectively, than the total allowance for impairment on financial assets under MFRS 139.

(2) BNM's Revised Policy Documents on Financial Reporting

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

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

The financial effects of the adoption of the revised policy are presented in Note 39.

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

39 Changes in Accounting Policies (cont'd)

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 follows:

Group			MFRS 9 reclassification					MFRS 9 carrying amount at 1 January 2018 RM'000	
	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount at 31 December 2017 RM'000	FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000	Carrying amount post reclassification RM'000		Expected credit losses RM'000
ASSETS									
Cash and short term funds	Loans and receivables	Amortised cost	2,414,212	-	-	-	2,414,212	(303)	2,413,909
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised cost	22,106	-	-	-	22,106	(25)	22,081
Financial assets at FVTPL	FVTPL	FVTPL	823,421	56,464	-	-	879,885	-	879,885
Financial investments AFS	AFS	FVOCI	902,249	(56,464)	(845,785)	-	-	-	-
Financial investments HTM	HTM	Amortised cost	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 cost	-	-	-	583,232	583,232	-	583,232
Loans and advances	Loans and receivables	Amortised cost	1,753,928	-	-	-	1,753,928	-	1,753,928
Clients' and brokers' balances	Loans and receivables	Amortised cost	1,599,594	-	-	-	1,599,594	-	1,599,594
Other assets	Loans and receivables	Amortised cost	204,723	-	-	-	204,723	-	204,723
Derivative assets	FVTPL	FVTPL	344	-	-	-	344	-	344
Statutory deposits	Loans and receivables	Amortised cost	55,660	-	-	-	55,660	-	55,660
Tax recoverable	N/A	N/A	49,225	-	-	-	49,225	-	49,225
Deferred tax assets	N/A	N/A	14,839	1,978	-	-	16,817	21	16,838
Investments in associates and joint ventures	N/A	N/A	54,174	-	-	-	54,174	-	54,174
Property, plant and equipment	N/A	N/A	50,293	-	-	-	50,293	-	50,293
Goodwill and other intangible assets	N/A	N/A	572,604	-	-	-	572,604	-	572,604
TOTAL ASSETS			9,100,604	1,978	-	-	9,102,582	(307)	9,102,275

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

39 Changes in Accounting Policies (cont'd)

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 follows:
(cont'd)

<u>Group</u>			MFRS 9 reclassification						
	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount at 31 December 2017 RM'000	FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000	Carrying amount post reclassification RM'000	Expected credit losses RM'000	MFRS 9 carrying amount at 1 January 2018 RM'000
LIABILITIES AND EQUITY									
Deposits from customers	Amortised cost	Amortised cost	421,834	-	-	-	421,834	-	421,834
Deposits and placements of banks and other financial institutions	Amortised cost	Amortised cost	3,236,900	-	-	-	3,236,900	-	3,236,900
Bills and acceptances payable	Amortised cost	Amortised cost	6,185	-	-	-	6,185	-	6,185
Clients' and brokers' balances	Amortised cost	Amortised cost	1,363,525	-	-	-	1,363,525	-	1,363,525
Other liabilities	Amortised cost	Amortised cost	502,916	-	-	-	502,916	-	502,916
Derivative liabilities	FVTPL	FVTPL	46,013	-	-	-	46,013	-	46,013
Puttable financial instruments	FVTPL	FVTPL	78,825	-	-	-	78,825	-	78,825
Tax liabilities	N/A	N/A	6,136	-	-	-	6,136	-	6,136
Deferred tax liabilities	N/A	N/A	2,612	-	-	-	2,612	-	2,612
Borrowings	Amortised cost	Amortised cost	712,379	-	-	-	712,379	-	712,379
Subordinated obligations	Amortised cost	Amortised cost	404,263	-	-	-	404,263	-	404,263
TOTAL LIABILITIES			6,781,588	-	-	-	6,781,588	-	6,781,588

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

39 Changes in Accounting Policies (cont'd)

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 follows:
(cont'd)

<u>Group</u>	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount at 31 December 2017 RM'000	MFRS 9 reclassification				MFRS 9 carrying amount at 1 January 2018 RM'000	
				FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000	Carrying amount post reclassification RM'000		Expected credit losses RM'000
EQUITY									
Share capital			1,487,773	-	-	-	1,487,773	-	1,487,773
Reserves			822,048	1,978	-	-	824,026	(307)	823,719
			2,309,821	1,978	-	-	2,311,799	(307)	2,311,492
Non-controlling interests			9,195	-	-	-	9,195	-	9,195
TOTAL EQUITY			2,319,016	1,978	-	-	2,320,994	(307)	2,320,687
TOTAL LIABILITIES AND EQUITY			9,100,604	1,978	-	-	9,102,582	(307)	9,102,275

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018 (cont'd)

39 Changes in Accounting Policies (cont'd)

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 follows: (cont'd)

			MFRS 139 carrying amount at 31 December 2017 RM'000	MFRS 9 reclassification				MFRS 9 carrying amount at 1 January 2018 RM'000	
	MFRS 139 measurement category	MFRS 9 measurement category		FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000	Carrying amount post reclassification RM'000		Expected credit losses RM'000
ASSETS									
Cash and short term funds	Loans and receivables	Amortised cost	1,738,086	-	-	-	1,738,086	(86)	1,738,000
Financial assets at FVTPL	FVTPL	FVTPL	149,139	41,530	-	-	190,669	-	190,669
Financial investments AFS	AFS	FVOCI	882,153	(41,530)	(840,623)	-	-	-	-
Financial investments HTM	HTM	Amortised cost	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 cost	-	-	-	583,232	583,232	-	583,232
Loans and advances	Loans and receivables	Amortised cost	1,143,551	-	-	-	1,143,551	-	1,143,551
Clients' and brokers' balances	Loans and receivables	Amortised cost	901,918	-	-	-	901,918	-	901,918
Other assets	Loans and receivables	Amortised cost	70,754	-	-	-	70,754	-	70,754
Derivative assets	FVTPL	FVTPL	343	-	-	-	343	-	343
Statutory deposits	Loans and receivables	Amortised cost	51,650	-	-	-	51,650	-	51,650
Tax recoverable	N/A	N/A	45,470	-	-	-	45,470	-	45,470
Deferred tax assets	N/A	N/A	1,180	1,978	-	-	3,158	98	3,256
Investments in subsidiaries	N/A	N/A	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
Property, plant and equipment	N/A	N/A	24,888	-	-	-	24,888	-	24,888
Goodwill and other intangible assets	N/A	N/A	400,095	-	-	-	400,095	-	400,095
TOTAL ASSETS			7,491,656	1,978	-	-	7,493,634	12	7,493,646

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39 Changes in Accounting Policies (cont'd)

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 follows: (cont'd)

	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount at 31 December 2017 RM'000	MFRS 9 reclassification				MFRS 9 carrying amount at 1 January 2018 RM'000	
				FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000	Carrying amount post reclassification RM'000		Expected credit losses RM'000
LIABILITIES AND EQUITY									
Deposits from customers	Amortised cost	Amortised cost	437,949	-	-	-	437,949	-	437,949
Deposits and placements of banks and other financial institutions	Amortised cost	Amortised cost	3,249,424	-	-	-	3,249,424	-	3,249,424
Clients' and brokers' balances	Amortised cost	Amortised cost	772,320	-	-	-	772,320	-	772,320
Other liabilities	Amortised cost	Amortised cost	170,994	-	-	-	170,994	323	171,317
Derivative liabilities	FVTPL	FVTPL	45,873	-	-	-	45,873	-	45,873
Subordinated obligations	Amortised cost	Amortised cost	404,263	-	-	-	404,263	-	404,263
TOTAL LIABILITIES			5,080,823	-	-	-	5,080,823	323	5,081,146
EQUITY									
Share capital			1,487,773	-	-	-	1,487,773	-	1,487,773
Reserves			923,060	1,978	-	-	925,038	(311)	924,727
TOTAL EQUITY			2,410,833	1,978	-	-	2,412,811	(311)	2,412,500
TOTAL LIABILITIES AND EQUITY			7,491,656	1,978	-	-	7,493,634	12	7,493,646

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39 Changes in Accounting Policies (cont'd)

The following table shows the effects of the reclassification of financial assets from MFRS 139 categories into the amortised cost category under MFRS 9 as at 31 December 2017 and 1 January 2018:

	Group	Bank
	RM'000	RM'000
<u>AFS/FVOCI reserve</u>		
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
<u>Regulatory reserve</u>		
Closing balance under MFRS 139 as at 31 December 2017	21,047	13,722
Transfer to retained profits	14,097	10,077
Restated balance under MFRS 9 as at 1 January 2018	35,144	23,799
<u>Retained profits</u>		
Closing balance under MFRS 139 as at 31 December 2017	669,730	883,218
Recognition of ECL under MFRS 9	(328)	(409)
Effect of taxation	21	98
Effect of reclassification of investment securities (debt instruments) from AFS to FVTPL	1,124	8,476
Transfer to regulatory reserve	(14,097)	(10,077)
Restated balance under MFRS 9 as at 1 January 2018	656,450	881,306

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39 Changes in Accounting Policies (cont'd)

Reconciliation of impairment allowance under MFRS 139 and provision under MFRS 137 to expected credit losses under MFRS 9 as at 1 January 2018

Group	MFRS 139 allowance as at 31 December 2017 RM'000	Reclassification as per MFRS 9 RM'000	Expected credit losses RM'000	MFRS 9 allowance as at 1 January 2018 RM'000
Cash and short term funds	-	-	303	303
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	-	5,259	-	5,259
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	(1,495)	328	220,434
Bank				
Cash and short term funds	-	-	86	86
Financial investments AFS	6,754	(6,754)	-	-
Financial investments HTM	79,405	(79,405)	-	-
Financial assets at FVOCI, debt instruments	-	5,259	-	5,259
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	(1,495)	409	107,792