

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019**

	Note	Group		Bank	
		As at 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
<b>ASSETS</b>					
Cash and short term funds		1,524,043	1,859,024	999,228	1,192,584
Deposits and placements with banks and other financial institutions		188,902	90,449	-	-
Financial assets at fair value through profit or loss ('FVTPL')	8	832,031	743,221	66,543	55,642
Financial assets at fair value through other comprehensive income ('FVOCI')	9	752,533	750,225	744,293	741,927
Financial investments at amortised costs	10	914,631	867,307	914,631	867,307
Loans and advances	11	1,826,060	1,600,323	1,249,984	1,031,270
Clients' and brokers' balances	12	872,084	943,057	386,040	526,757
Other assets	13	293,758	154,321	23,356	25,622
Derivative assets		2,984	74	2,984	74
Statutory deposits		75,189	64,414	71,100	60,300
Tax recoverable		30,824	24,654	28,845	21,397
Deferred tax assets		17,743	19,610	7,770	5,832
Investments in subsidiaries		-	-	1,158,264	1,182,229
Investments in associates and joint ventures		16,145	30,646	5,028	21,057
Property, plant and equipment		36,267	40,044	19,717	20,104
Goodwill and other intangible assets		576,180	571,521	398,663	399,450
Right-of-use ('ROU')		24,351	-	8,155	-
<b>TOTAL ASSETS</b>		<b>7,983,725</b>	<b>7,758,890</b>	<b>6,084,601</b>	<b>6,151,552</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	14	1,123,031	1,030,614	1,123,031	1,030,614
Deposits and placements of banks and other financial institutions	15	1,768,203	1,834,820	1,768,203	1,834,820
Bills and acceptances payable		77,765	44,536	-	-
Clients' and brokers' balances		858,962	832,160	466,110	619,201
Other liabilities	16	575,136	415,261	157,218	172,243
Lease liabilities		23,627	-	8,324	-
Derivative liabilities		3,972	5,917	3,359	3,941
Puttable financial instruments		-	70,615	-	-
Tax liabilities		5,685	6,288	-	-
Deferred tax liabilities		1,666	2,072	-	-
Borrowings		838,039	882,969	-	-
Subordinated obligations		409,175	404,263	409,175	404,263
<b>TOTAL LIABILITIES</b>		<b>5,685,261</b>	<b>5,529,515</b>	<b>3,935,420</b>	<b>4,065,082</b>
Share capital		1,487,773	1,487,773	1,487,773	1,487,773
Reserves		799,789	731,563	661,408	598,697
		2,287,562	2,219,336	2,149,181	2,086,470
Non-controlling interests		10,902	10,039	-	-
<b>TOTAL EQUITY</b>		<b>2,298,464</b>	<b>2,229,375</b>	<b>2,149,181</b>	<b>2,086,470</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>7,983,725</b>	<b>7,758,890</b>	<b>6,084,601</b>	<b>6,151,552</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	26	<b>1,511,466</b>	<b>1,472,872</b>	<b>971,358</b>	<b>553,804</b>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018.

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

<u>Group</u>	Note	3rd Quarter Ended		Nine Months Ended	
		30 September 2019	30 September 2018	30 September 2019	30 September 2018
		RM'000	RM'000	RM'000	RM'000
Interest income	17	61,029	57,392	181,150	173,529
Interest expense	18	(40,844)	(42,474)	(127,226)	(123,730)
Net interest income		20,185	14,918	53,924	49,799
Fee and commission income	19	184,444	150,719	542,245	520,692
Fee and commission expense	20	(72,720)	(44,864)	(166,899)	(134,831)
Other operating income	21	35,647	49,539	136,658	173,511
		167,556	170,312	565,928	609,171
Other operating expenses	22	(162,972)	(171,739)	(482,373)	(527,433)
Operating profit/(loss) before allowances		4,584	(1,427)	83,555	81,738
Allowance written back/(made) for expected credit losses	23	182	(61)	(1,602)	(6,185)
		4,766	(1,488)	81,953	75,553
Share of results of associates		1,309	126	6,145	325
Share of results of joint ventures		-	26	(30)	64
<b>Profit/(Loss) before taxation</b>		<b>6,075</b>	<b>(1,336)</b>	<b>88,068</b>	<b>75,942</b>
Taxation		(14,339)	(7,497)	(61,837)	(32,390)
<b>Net (loss)/profit for the financial period</b>		<b>(8,264)</b>	<b>(8,833)</b>	<b>26,231</b>	<b>43,552</b>
(Loss)/Profit attributable to:					
Equity holder of the Bank		(8,499)	(9,112)	25,373	42,826
Non-controlling interests		235	279	858	726
		(8,264)	(8,833)	26,231	43,552
Basic (loss)/earnings per share (sen)	24	(8.5)	(9.1)	25.4	42.8

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

<b>Group</b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2019</b>	<b>30 September 2018</b>	<b>30 September 2019</b>	<b>30 September 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net (loss)/profit for the financial period	<b>(8,264)</b>	(8,833)	<b>26,231</b>	43,552
Other comprehensive income in respect of:				
(a) Item that will not be reclassified to income statements:				
(i) Actuarial gain/(loss) on defined benefit plan of subsidiaries	<b>10</b>	(291)	<b>(2,166)</b>	974
(ii) Financial assets at FVOCI, equity instruments:				
- Unrealised net (loss)/gain on revaluation	<b>(117)</b>	(1)	<b>1,814</b>	3,758
- Net gain on disposal	<b>-</b>	7	<b>5,370</b>	8
(b) Items that will be reclassified subsequently to income statements:				
(i) Foreign currency translation reserve				
- Currency translation differences	<b>9,828</b>	17,879	<b>25,169</b>	(6,101)
- Disposal of subsidiary	<b>(531)</b>	-	<b>(531)</b>	-
- Net investment hedge	<b>(2,438)</b>	(1,979)	<b>(868)</b>	4,809
(ii) Financial assets at FVOCI, debt instruments:				
- Unrealised net gain on revaluation	<b>2,858</b>	4,432	<b>12,128</b>	804
- Net transfer to income statements on disposal	<b>-</b>	-	<b>-</b>	1
Income tax relating to components of other comprehensive loss/(income)	<b>6,947</b>	(1,064)	<b>3,024</b>	(292)
Other comprehensive income, net of tax, for the financial period	<b>16,557</b>	18,983	<b>43,940</b>	3,961
Total comprehensive income for the financial period	<b>8,293</b>	10,150	<b>70,171</b>	47,513
Total comprehensive income attributable to:				
Equity holder of the Bank	<b>8,061</b>	9,896	<b>69,302</b>	46,280
Non-controlling interests	<b>232</b>	254	<b>869</b>	1,233
	<b>8,293</b>	10,150	<b>70,171</b>	47,513

*This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018.*

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENT**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

<b>Bank</b>	<b>Note</b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
		<b>30 September 2019</b>	<b>30 September 2018</b>	<b>30 September 2019</b>	<b>30 September 2018</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	17	44,217	41,484	131,645	127,199
Interest expense	18	(30,189)	(33,276)	(96,262)	(99,233)
Net interest income		14,028	8,208	35,383	27,966
Fee and commission income	19	46,751	50,304	180,137	184,645
Fee and commission expense	20	(2,746)	(4,927)	(6,294)	(7,549)
Other operating income	21	39,496	43,941	94,345	140,742
		97,529	97,526	303,571	345,804
Other operating expenses	22	(67,687)	(78,035)	(214,317)	(255,417)
Operating profit before allowances		29,842	19,491	89,254	90,387
Allowance (made)/written back for expected credit losses	23	(464)	635	424	1,632
<b>Profit before taxation</b>		<b>29,378</b>	<b>20,126</b>	<b>89,678</b>	<b>92,019</b>
Taxation		(8,471)	(5,742)	(50,527)	(24,353)
<b>Net profit for the financial period</b>		<b>20,907</b>	<b>14,384</b>	<b>39,151</b>	<b>67,666</b>

*This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018.*

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

<b>Bank</b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2019</b>	<b>30 September 2018</b>	<b>30 September 2019</b>	<b>30 September 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net profit for the financial period	<b>20,907</b>	14,384	<b>39,151</b>	67,666
Other comprehensive income in respect of:				
(a) Item that will not be reclassified to income statement:				
(i) Financial assets at FVOCI, equity instruments:				
- Unrealised net gain on revaluation	-	-	<b>1,891</b>	560
- Net gain on disposal	-	-	<b>5,370</b>	-
(b) Items that will be reclassified subsequently to income statement:				
(i) Financial assets at FVOCI, debt instruments:				
- Unrealised net gain on revaluation	<b>2,858</b>	4,432	<b>12,128</b>	804
- Net transfer to income statement on disposal	-	-	-	1
Income tax relating to components of other comprehensive loss/(income)	<b>6,956</b>	(1,064)	<b>4,277</b>	(328)
Other comprehensive income, net of tax, for the financial period	<b>9,814</b>	3,368	<b>23,666</b>	1,037
Total comprehensive income for the financial period	<b>30,721</b>	17,752	<b>62,817</b>	68,703

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

Attributable to the Equity Holder of the Bank

<u>Group</u>	Note	Share capital RM'000	Statutory reserves RM'000	FVOCI reserves RM'000	Translation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total RM'000
<b>Balance as at 1 January 2019</b>										
- As previously reported		1,487,773	513	23,489	113,135	32,731	561,695	2,219,336	10,039	2,229,375
- Effect of adoption of MFRS 16	37	-	-	-	-	-	(1,076)	(1,076)	(6)	(1,082)
- As restated		1,487,773	513	23,489	113,135	32,731	560,619	2,218,260	10,033	2,228,293
Net profit for the financial period		-	-	-	-	-	25,373	25,373	858	26,231
Foreign currency translation reserve:-										
- Currency translation differences		-	-	-	25,104	-	-	25,104	65	25,169
- Recycled to income statements on disposal of subsidiary		-	-	-	(531)	-	-	(531)	-	(531)
- Net investment hedge		-	-	-	(868)	-	-	(868)	-	(868)
Financial assets at FVOCI:-										
- Equity instruments										
- Unrealised net gain/(loss) on revaluation		-	-	1,829	-	-	-	1,829	(15)	1,814
- Net gain on disposal		-	-	-	-	-	5,370	5,370	-	5,370
- Debt instruments										
- Unrealised net gain on revaluation		-	-	12,128	-	-	-	12,128	-	12,128
Actuarial loss on defined benefit plan of subsidiaries		-	-	-	-	-	(2,137)	(2,137)	(29)	(2,166)
Income tax relating to components of other comprehensive loss/(income)		-	-	4,238	-	-	(1,204)	3,034	(10)	3,024
Other comprehensive income, net of tax, for the financial period		-	-	18,195	23,705	-	2,029	43,929	11	43,940
Total comprehensive income for the financial period		-	-	18,195	23,705	-	27,402	69,302	869	70,171
Transfer from regulatory reserves		-	-	-	-	(1,734)	1,734	-	-	-
<b>Balance as at 30 September 2019</b>		<b>1,487,773</b>	<b>513</b>	<b>41,684</b>	<b>136,840</b>	<b>30,997</b>	<b>589,755</b>	<b>2,287,562</b>	<b>10,902</b>	<b>2,298,464</b>

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

Attributable to Equity Holder of the Bank

Group	Share capital	Statutory reserves	FVOCI 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
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	-	-	854	-	13,149	(12,319)	1,684	-	1,684
- Prior year adjustments	-	-	-	-	-	(91,545)	(91,545)	-	(91,545)
- As restated	1,487,773	513	19,715	111,897	34,196	565,866	2,219,960	9,195	2,229,155
Net profit for the financial period	-	-	-	-	-	42,826	42,826	726	43,552
Foreign currency translation reserve:-									
- Currency translation differences	-	-	(1)	(5,954)	-	-	(5,955)	(146)	(6,101)
- Net investment hedge	-	-	-	4,809	-	-	4,809	-	4,809
Financial assets at FVOCI:-									
- Equity instruments									
- Unrealised net gain on revaluation	-	-	3,110	-	-	-	3,110	648	3,758
- Net (loss)/gain on disposal	-	-	(24)	-	-	26	2	6	8
- Debt instruments									
- Unrealised net gain on revaluation	-	-	804	-	-	-	804	-	804
- Net transfer to income statements on disposal	-	-	1	-	-	-	1	-	1
Actuarial gain/(loss) on defined benefit plan of subsidiaries	-	-	-	-	-	975	975	(1)	974
Income tax relating to components of other comprehensive income	-	-	(292)	-	-	-	(292)	-	(292)
Other comprehensive income/(loss), net of tax, for the financial period	-	-	3,598	(1,145)	-	1,001	3,454	507	3,961
Total comprehensive income/(loss) for the financial period	-	-	3,598	(1,145)	-	43,827	46,280	1,233	47,513
Transfer to regulatory reserves	-	-	-	-	8,956	(8,956)	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(800)	(800)
Balance as at 30 September 2018	1,487,773	513	23,313	110,752	43,152	600,737	2,266,240	9,628	2,275,868

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

	Note	Non-Distributable		Distributable	Total RM'000	
		Share capital RM'000	FVOCI reserves RM'000	Regulatory reserves RM'000		Retained profits RM'000
<b>Bank</b>						
<b>Balance as at 1 January 2019</b>						
- As previously reported		1,487,773	20,853	19,154	558,690	2,086,470
- Effect of adoption of MFRS 16	37	-	-	-	(106)	(106)
- As restated		1,487,773	20,853	19,154	558,584	2,086,364
Net profit for the financial period		-	-	-	39,151	39,151
Financial assets at FVOCI, equity instruments:						
- Unrealised net gain on revaluation		-	1,891	-	-	1,891
- Net gain on disposal		-	-	-	5,370	5,370
Financial assets at FVOCI, debt instruments:						
- Unrealised net gain on revaluation		-	12,128	-	-	12,128
Income tax relating to components of other comprehensive loss		-	4,277	-	-	4,277
Other comprehensive income, net of tax, for the financial period		-	18,296	-	5,370	23,666
Total comprehensive income for the financial period		-	18,296	-	44,521	62,817
Transfer from regulatory reserves		-	-	(928)	928	-
<b>Balance as at 30 September 2019</b>		<b>1,487,773</b>	<b>39,149</b>	<b>18,226</b>	<b>604,033</b>	<b>2,149,181</b>

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

<b>Bank</b>	Non-Distributable			Distributable	<b>Total</b>
	<b>Share capital</b>	<b>FVOCI reserves</b>	<b>Regulatory reserves</b>	<b>Retained profits</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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	-	(6,498)	9,129	(954)	1,677
- Prior year adjustments	-	-	-	(91,545)	(91,545)
- As restated	1,487,773	19,622	22,851	790,719	2,320,965
Net profit for the financial period	-	-	-	67,666	67,666
Financial assets at FVOCI, equity instruments:					
- Unrealised net gain on revaluation	-	560	-	-	560
Financial assets at FVOCI, debt instruments:					
- Unrealised net gain on revaluation	-	804	-	-	804
- Net transfer to income statements on disposal	-	1	-	-	1
Income tax relating to components of other comprehensive income	-	(328)	-	-	(328)
Other comprehensive income, net of tax, for the financial period	-	1,037	-	-	1,037
Total comprehensive income for the financial period	-	1,037	-	67,666	68,703
Transfer to regulatory reserves	-	-	1,400	(1,400)	-
Balance as at 30 September 2018	1,487,773	20,659	24,251	856,985	2,389,668

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

	Nine Months Ended	
	30 September 2019	30 September 2018
	RM'000	RM'000
<b>Group</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	88,068	75,942
Adjustments for non-operating and non-cash items:-	<b>(46,050)</b>	(64,480)
Operating profit before working capital changes	<b>42,018</b>	11,462
Changes in working capital:		
Net changes in operating assets	<b>(410,838)</b>	(54,292)
Net changes in operating liabilities	<b>220,945</b>	(318,128)
Cash used in operations	<b>(147,875)</b>	(360,958)
Taxation paid	<b>(63,816)</b>	(11,589)
Net cash used in operating activities	<b>(211,691)</b>	(372,547)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net purchase of financial assets at FVOCI and financial investments at amortised costs	<b>(31,393)</b>	(320,853)
Net gain on disposal of financial assets at FVOCI, equity instruments	<b>5,370</b>	-
Interest income received from financial assets at FVTPL, FVOCI and financial investments at amortised costs	<b>43,473</b>	43,492
Property, plant and equipment		
- Purchase	<b>(8,888)</b>	(5,705)
- Proceeds from disposal	<b>199</b>	1
Purchase of other intangible assets	<b>(9,340)</b>	(7,215)
Acquisition of a subsidiary, net of cash and cash equivalents acquired	<b>10,710</b>	-
Proceeds from disposal of a subsidiary, net of cash and cash equivalents received	<b>16,548</b>	-
Dividend income received from financial assets at FVTPL and FVOCI	<b>21,982</b>	5,952
Dividend income received from an associate	<b>4,806</b>	1,041
Net cash generated from/(used in) investing activities	<b>53,467</b>	(283,287)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net (repayment)/drawdown of borrowings	<b>(66,278)</b>	250,204
Borrowings interest paid	<b>(29,153)</b>	(22,643)
Lease principal payment	<b>(10,380)</b>	-
Lease interest paid	<b>(739)</b>	-
Subordinated obligations interest paid	<b>(9,823)</b>	(9,822)
Redemption of puttable financial instruments	<b>(74,185)</b>	-
Dividend paid to non-controlling interest	<b>-</b>	(800)
Net cash (used in)/generated from financing activities	<b>(190,558)</b>	216,939
Net decrease in cash and cash equivalents	<b>(348,782)</b>	(438,895)
Effects of exchange rate differences	<b>13,600</b>	(2,386)
Cash and cash equivalents		
- at the beginning of the financial period	<b>1,859,445</b>	2,471,578
- at the end of the financial period	<b>1,524,263</b>	2,030,297
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS:</b>		
Cash and short term funds before expected credit losses ('ECL')	<b>1,524,263</b>	2,030,297
Less: Allowance for ECL	<b>(220)</b>	(302)
Cash and short-term funds, net of ECL	<b>1,524,043</b>	2,029,995

*This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018.*

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

	Nine Months Ended	
	30 September 2019	30 September 2018
	RM'000	RM'000
<b>Bank</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	89,678	92,019
Adjustments for non-operating and non-cash items:-	<b>(53,711)</b>	(73,478)
Operating profit before working capital changes	<b>35,967</b>	18,541
Changes in working capital:		
Net changes in operating assets	<b>(96,752)</b>	204,026
Net changes in operating liabilities	<b>(135,299)</b>	(421,168)
Cash used in operations	<b>(196,084)</b>	(198,601)
Taxation paid	<b>(55,603)</b>	(436)
Net cash used in operating activities	<b>(251,687)</b>	(199,037)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net purchase of financial assets at FVOCI and financial investments at amortised costs	<b>(31,020)</b>	(341,890)
Net gain from disposal of financial assets at FVOCI, equity instruments	<b>5,370</b>	-
Interest income received from financial assets at FVTPL, FVOCI and financial investments at amortised costs	<b>43,272</b>	55,170
Property, plant and equipment		
- Purchase	<b>(4,566)</b>	(1,870)
- Proceeds from disposal	<b>152</b>	-
Purchase of other intangible assets	<b>(3,661)</b>	(4,385)
Dividend income received from financial assets at FVTPL and FVOCI	<b>1,426</b>	1,104
Dividend income received from subsidiaries	<b>6,000</b>	11,400
Dividend income received from an associate	<b>4,806</b>	1,041
Acquisition of additional equity interest from joint venture	<b>(21,400)</b>	-
Proceeds from disposal of a subsidiary	<b>71,922</b>	-
Net cash generated from/(used in) investing activities	<b>72,301</b>	(279,430)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Subordinated obligations interest paid	<b>(9,823)</b>	(9,823)
Lease principal payment	<b>(3,971)</b>	-
Lease interest paid	<b>(302)</b>	-
Net cash used in financing activities	<b>(14,096)</b>	(9,823)
Net decrease in cash and cash equivalents	<b>(193,482)</b>	(488,290)
Cash and cash equivalents		
- at the beginning of the financial period	<b>1,192,739</b>	1,795,452
- at the end of the financial period	<b>999,257</b>	1,307,162
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS:</b>		
Cash and short term funds before ECL	<b>999,257</b>	1,307,162
Less: Allowance for ECL	<b>(29)</b>	(104)
Cash and short-term funds, net of ECL	<b>999,228</b>	1,307,058

*This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018.*

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

### 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 2018.

(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 2018, except for the adoption of the following accounting standards, annual improvements and amendments to MFRS which are effective for annual periods beginning on or after 1 January 2019:

- MFRS 16 'Leases'
- Annual Improvements to MFRS 2015 - 2017 Cycle:
  - Amendments to MFRS 3 'Business Combinations'
  - Amendments to MFRS 11 'Joint Arrangements'
  - Amendments to MFRS 112 'Income Taxes'
  - Amendments to MFRS 123 'Borrowing Costs'
- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures'
- Amendments to MFRS 119 'Plan Amendment, Curtailment or Settlement'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'

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 16 as disclosed in Note 37.

### 2 Auditors' Report

The auditors' report for the financial year ended 31 December 2018 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 nine months ended 30 September 2019, other than disclosed in Note 31.

### 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 nine months ended 30 September 2019.

### 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 nine months ended 30 September 2019.

### 7 Dividends Paid

No dividend was paid by the Bank during the nine months ended 30 September 2019.

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)

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

	Group		Bank	
	As at 30 September 2019	As at 31 December 2018	As at 30 September 2019	As at 31 December 2018
	RM'000	RM'000	RM'000	RM'000
<b>At fair value</b>				
<b><u>Quoted securities:</u></b>				
<b>In Malaysia</b>				
Shares and exchange traded funds	28,674	20,158	28,674	17,894
Unit trusts	58,717	67,553	8,981	8,683
<b>Outside Malaysia</b>				
Shares and exchange traded funds	219,355	190,576	1,167	1,406
Unit trusts	27,702	27,659	27,702	27,659
<b><u>Unquoted securities:</u></b>				
<b>In Malaysia</b>				
Corporate bonds/Sukuk	19	-	19	-
<b>Outside Malaysia</b>				
Private equity funds	497,564	437,275	-	-
	<b>832,031</b>	<b>743,221</b>	<b>66,543</b>	<b>55,642</b>

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)

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

	Group		Bank	
	As at 30 September 2019	As at 31 December 2018	As at 30 September 2019	As at 31 December 2018
	RM'000	RM'000	RM'000	RM'000
<b>At fair value</b>				
(a) Debt instruments	711,562	711,087	711,562	711,087
(b) Equity instruments	40,971	39,138	32,731	30,840
	<b>752,533</b>	<b>750,225</b>	<b>744,293</b>	<b>741,927</b>
<b>(a) Debt instruments</b>				
<b><u>Money market instruments:</u></b>				
Malaysian Government Securities	132,691	128,725	132,691	128,725
Malaysian Government Investment Issues	41,339	49,146	41,339	49,146
Khazanah bonds	45,478	43,180	45,478	43,180
Sukuk Perumahan Kerajaan	72,063	69,914	72,063	69,914
<b><u>Unquoted securities:</u></b>				
<b>In Malaysia</b>				
Corporate bonds/Sukuk	394,298	394,661	394,298	394,661
Prasarana bonds	25,693	25,461	25,693	25,461
	<b>711,562</b>	<b>711,087</b>	<b>711,562</b>	<b>711,087</b>
There are no allowance for expected credit losses on FVOCI, debt instruments as all instruments are guaranteed by the Government of Malaysia.				
<b>(b) Equity instruments</b>				
<b><u>Quoted securities:</u></b>				
<b>Outside Malaysia</b>				
Shares	2,005	2,082	-	-
<b><u>Unquoted securities:</u></b>				
<b>In Malaysia</b>				
Shares	38,653	36,762	32,731	30,840
<b>Outside Malaysia</b>				
Shares	313	294	-	-
	<b>40,971</b>	<b>39,138</b>	<b>32,731</b>	<b>30,840</b>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)

10 Financial Investments at Amortised Costs

	As at 30 September 2019	Group and Bank As at 31 December 2018
	RM'000	RM'000
<b>At amortised cost</b>		
<b><u>Money market instruments:</u></b>		
Malaysian Government Investment Issues	368,070	375,258
Khazanah bonds	12,381	12,025
Wakala Global Sukuk	8,591	8,626
<b><u>Unquoted Securities:</u></b>		
<b>In Malaysia</b>		
Corporate bonds/Sukuk	506,521	457,605
Loan stocks	26,019	26,163
Prasarana bonds	70,727	65,694
	<b>992,309</b>	<b>945,371</b>
Allowance for expected credit losses	<b>(77,678)</b>	<b>(78,064)</b>
	<b>914,631</b>	<b>867,307</b>

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

Balance as at the beginning of the financial year	78,064	79,405
Amount recovered	(386)	(1,341)
Balance as at the end of the financial period/year	<b>77,678</b>	<b>78,064</b>

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

Group and Bank 30 September 2019	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
Balance as at the beginning of the financial year	-	-	78,064	78,064
Net allowance written back	-	-	(386)	(386)
Balance as at the end of the financial period	-	-	<b>77,678</b>	<b>77,678</b>

**Group and Bank  
31 December 2018**

Balance as at the beginning of the financial year	-	-	79,405	79,405
Net allowance written back	-	-	(1,341)	(1,341)
Balance as at the end of the financial year	-	-	<b>78,064</b>	<b>78,064</b>

RHB INVESTMENT BANK BERHAD (19663-P)  
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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)

11 Loans and Advances

	Group		Bank	
	As at	As at	As at	As at
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
<b>(a) By type</b>				
<b>At amortised cost</b>				
Other term loans	20,748	28,792	2	2
Share margin financing	1,824,989	1,590,125	1,249,652	1,030,882
Staff loans	331	387	331	387
Gross loans and advances	<b>1,846,068</b>	1,619,304	<b>1,249,985</b>	1,031,271
Less: Allowance for expected credit losses	<b>(20,008)</b>	(18,981)	<b>(1)</b>	(1)
Net loans and advances	<b>1,826,060</b>	1,600,323	<b>1,249,984</b>	1,031,270
<b>(b) By type of customer</b>				
Domestic non-bank financial institutions:				
- others	102	94	102	94
Domestic business enterprises:				
- small and medium enterprises	308,550	240,175	308,550	240,175
- others	38,768	43,732	38,768	43,732
Individuals	870,349	715,581	870,349	715,581
Foreign entities	628,299	619,722	32,216	31,689
	<b>1,846,068</b>	1,619,304	<b>1,249,985</b>	1,031,271
<b>(c) By geographical distribution</b>				
In Malaysia	1,249,985	1,031,271	1,249,985	1,031,271
Outside Malaysia				
- Singapore	208,598	197,364	-	-
- Hong Kong	42,856	88,022	-	-
- Indonesia	101,178	128,069	-	-
- Thailand	243,451	174,578	-	-
	<b>1,846,068</b>	1,619,304	<b>1,249,985</b>	1,031,271
<b>(d) By interest rate sensitivity</b>				
Fixed rate:				
- other fixed rate loans	1,559,759	1,356,702	1,249,983	1,031,269
Variable rate:				
- base lending rate plus	286,309	262,602	2	2
	<b>1,846,068</b>	1,619,304	<b>1,249,985</b>	1,031,271



NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)

11 Loans and Advances (cont'd)

	Group		Bank	
	As at	As at	As at	As at
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
<b>(e) By purpose</b>				
Purchase of securities	1,845,734	1,618,916	1,249,651	1,030,883
Purchase of transport vehicles	3	14	3	14
Purchase of landed property:				
- residential	331	374	331	374
	<b>1,846,068</b>	<b>1,619,304</b>	<b>1,249,985</b>	<b>1,031,271</b>

**(f) By economic sector**

Agriculture, hunting, forestry and fishing	5,342	29,784	888	905
Mining and quarrying	7,534	7,547	103	102
Manufacturing	24,379	29,211	3,636	4,775
Construction	12,810	12,931	934	1,357
Wholesale and retail trade and restaurant and hotel	868	4,881	867	527
Transport, storage and communication	3,188	2,988	3,188	2,988
Finance, insurance, real estate and business services	398,836	377,404	343,760	278,991
Household sector	1,393,111	1,154,558	896,609	741,626
	<b>1,846,068</b>	<b>1,619,304</b>	<b>1,249,985</b>	<b>1,031,271</b>

**(g) By remaining contractual maturities**

Maturity within one year	1,845,737	1,618,952	1,249,654	1,030,919
One year to three years	11	-	11	-
Three years to five years	-	14	-	14
Over five years	320	338	320	338
	<b>1,846,068</b>	<b>1,619,304</b>	<b>1,249,985</b>	<b>1,031,271</b>

**(h) By stages**

Group	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
30 September 2019	RM'000	RM'000	RM'000	RM'000
Balance as at beginning of the financial year	1,596,297	3,017	19,990	1,619,304
Transfer to 12-month ECL (Stage 1)	30,825	(22,102)	(8,723)	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	(19,335)	19,335	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	(9,385)	-	9,385	-
Addition and origination	2,695,978	-	-	2,695,978
Derecognition	(2,485,954)	(59)	(194)	(2,486,207)
Exchanges differences	16,326	48	619	16,993
Balance as at the end of the financial period	<b>1,824,752</b>	<b>239</b>	<b>21,077</b>	<b>1,846,068</b>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)

11 Loans and Advances (cont'd)

(h) By stages (cont'd)

Group	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
31 December 2018	RM'000	RM'000	RM'000	RM'000
Balance as at beginning of the financial year	1,736,491	10,666	93,677	1,840,834
Transfer to 12-month ECL (Stage 1)	67,115	(52,704)	(14,411)	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	(52,805)	52,824	(19)	-
Transfer to Lifetime ECL credit impaired (Stage 3)	(14,585)	-	14,585	-
Addition and origination	1,580,946	-	-	1,580,946
Derecognition	(1,725,616)	(7,877)	(321)	(1,733,814)
Amount written off	-	-	(75,090)	(75,090)
Exchanges differences	4,751	108	1,569	6,428
Balance as at the end of the financial year	<u>1,596,297</u>	<u>3,017</u>	<u>19,990</u>	<u>1,619,304</u>

**Bank**

**30 September 2019**

Balance as at beginning of the financial year	1,031,271	-	-	1,031,271
Transfer to 12-month ECL (Stage 1)	11,583	(9,380)	(2,203)	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	(9,516)	9,516	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	(2,563)	-	2,563	-
Addition and origination	2,073,187	-	-	2,073,187
Derecognition	(1,854,473)	-	-	(1,854,473)
Balance as at the end of the financial period	<u>1,249,489</u>	<u>136</u>	<u>360</u>	<u>1,249,985</u>

**Bank**

**31 December 2018**

Balance as at beginning of the financial year	1,138,775	4,328	454	1,143,557
Transfer to 12-month ECL (Stage 1)	54,035	(42,065)	(11,970)	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	(38,536)	38,536	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	(11,517)	-	11,517	-
Addition and origination	846,231	-	-	846,231
Derecognition	(957,717)	(799)	(1)	(958,517)
Balance as at the end of the financial year	<u>1,031,271</u>	<u>-</u>	<u>-</u>	<u>1,031,271</u>

RHB INVESTMENT BANK BERHAD (19663-P)  
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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)

11 Loans and Advances (cont'd)

	Group		Bank	
	As at	As at	As at	As at
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
<b>(i) Impaired loans and advances</b>				
<b>(i) By purpose</b>				
Purchase of securities	21,077	19,990	360	-
<b>(ii) By economic sector</b>				
Mining and quarrying	7,432	7,445	-	-
Household sector	13,645	12,545	360	-
	21,077	19,990	360	-
<b>(iii) By geographical distribution</b>				
In Malaysia	360	-	360	-
Outside Malaysia:				
- Singapore	11,311	11,323	-	-
- Hong Kong	38	16	-	-
- Indonesia	78	-	-	-
- Thailand	9,290	8,651	-	-
	21,077	19,990	360	-

**(iv) Movement in allowance for expected credit losses**

Group	12-month ECL	Lifetime ECL not	Lifetime ECL	Total
	(Stage 1)	credit impaired	credit impaired	
	RM'000	RM'000	RM'000	RM'000
<b>30 September 2019</b>				
Balance as at beginning of the financial year	1	-	18,980	18,981
Net allowance made	-	-	403	403
Exchange differences	-	-	624	624
Balance as at the end of the financial period	1	-	20,007	20,008
<b>31 December 2018</b>				
Balance as at beginning of the financial year	1	-	86,905	86,906
Net allowance made	-	-	5,479	5,479
Amount written off	-	-	(75,090)	(75,090)
Exchange differences	-	-	1,686	1,686
Balance as at the end of the financial year	1	-	18,980	18,981

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)

11 Loans and Advances (cont'd)

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

(iv) Movement in allowance for expected credit losses (cont'd)

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
<b>Bank</b>				
<b>30 September 2019</b>				
Balance as at beginning of the financial year/end of financial period	1	-	-	1
<b>Bank</b>				
<b>31 December 2018</b>				
Balance as at beginning of the financial year	1	-	5	6
Net allowance written back	-	-	(5)	(5)
Balance as at the end of the financial year	1	-	-	1

12 Clients' and Brokers' Balances

	Group		Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Amounts owing by clients	621,322	578,117	284,678	315,491
- Allowance for expected credit losses	(21,787)	(19,562)	(5,503)	(6,156)
	599,535	558,555	279,175	309,335
Amounts owing by brokers	100,568	119,980	40,198	51,714
Amounts owing by clearing houses and stock exchanges	171,981	264,522	66,667	165,708
	872,084	943,057	386,040	526,757

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)

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

**Movement in allowance for expected credit losses**

(a) Non-credit impaired

	Group		Bank	
	As at 30 September 2019	As at 31 December 2018	As at 30 September 2019	As at 31 December 2018
	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of the financial year	253	642	-	-
Allowance for expected credit losses Derecognition	835 (615)	254 (643)	5 (3)	1 (1)
Balance as at the end of the financial period/year	<u>473</u>	<u>253</u>	<u>2</u>	<u>-</u>

(b) Credit impaired

Balance as at the beginning of the financial year	19,309	31,240	6,156	6,809
Allowance for expected credit losses Derecognition	2,862 (1,416)	2,163 (1,493)	63 (718)	101 (754)
Amount written off	-	(12,820)	-	-
Exchange differences	559	219	-	-
Balance as at the end of the financial period/year	<u>21,314</u>	<u>19,309</u>	<u>5,501</u>	<u>6,156</u>

13 Other Assets

	Group		Bank	
	As at 30 September 2019	As at 31 December 2018	As at 30 September 2019	As at 31 December 2018
	RM'000	RM'000	RM'000	RM'000
Other receivables	77,983	83,122	12,410	14,651
Unit trust fee receivables	28,870	23,231	-	-
Management fee receivables	2,892	2,666	-	-
Deposits	8,634	16,143	3,136	3,974
Prepayments	20,782	18,208	4,814	5,316
Amount receivable for release of units from funds	154,220	10,447	-	-
Transferable memberships	343	342	262	262
Amount due from holding company	16	13	-	-
Amount due from subsidiaries	-	-	2,716	1,397
Amount due from related companies	18	149	18	22
	<u>293,758</u>	<u>154,321</u>	<u>23,356</u>	<u>25,622</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)

14 Deposits from Customers

	Group and Bank	
	As at 30 September 2019	As at 31 December 2018
	RM'000	RM'000
<b>(a) By type of deposits</b>		
Short term deposits	1,123,031	1,030,614
<b>(b) By type of customers</b>		
Government and statutory bodies	208,976	100,088
Business enterprises	914,055	930,526
	<u>1,123,031</u>	<u>1,030,614</u>
<b>(c) By maturity structure of fixed deposits</b>		
Due within six months	1,123,031	1,030,614

15 Deposits and Placements of Banks and Other Financial Institutions

	Group and Bank	
	As at 30 September 2019	As at 31 December 2018
	RM'000	RM'000
Licensed banks	1,622,461	1,643,142
Licensed investment banks	50,197	191,678
Other financial institutions	95,545	-
	<u>1,768,203</u>	<u>1,834,820</u>

16 Other Liabilities

	Group		Bank	
	As at 30 September 2019	As at 31 December 2018	As at 30 September 2019	As at 31 December 2018
	RM'000	RM'000	RM'000	RM'000
Other creditors and accruals	149,575	133,745	56,300	53,287
Contract liabilities/Deferred income	6,589	7,401	1,714	1,359
Remisiers' trust deposits	63,593	62,918	63,593	62,918
Amount payable for creation of units due to funds	82,311	112,679	-	-
Amount payable for redemption units	212,813	13,955	-	-
Short-term employee benefits	52,616	71,853	30,218	44,022
Amount due to holding company	7,471	12,013	5,282	8,975
Amount due to subsidiaries	-	-	16	1,409
Amount due to related companies	168	697	95	273
	<u>575,136</u>	<u>415,261</u>	<u>157,218</u>	<u>172,243</u>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RM'000	RM'000	RM'000	RM'000
<b>17 Interest Income</b>				
<b><u>Group</u></b>				
Loans and advances	26,909	25,114	75,825	74,411
Money at call and deposits and placements with banks and other financial institutions	15,343	15,153	50,374	49,695
Financial assets at FVTPL	20	17	201	308
Financial assets at FVOCI, debt instruments	6,819	7,679	20,369	22,986
Financial investments at amortised costs	9,090	8,012	26,894	21,609
Others	2,848	1,417	7,487	4,520
	<b>61,029</b>	<b>57,392</b>	<b>181,150</b>	<b>173,529</b>
of which:				
Interest income accrued on impaired financial assets	263	2,084	1,021	5,775
<b><u>Bank</u></b>				
Loans and advances	16,616	13,298	45,220	40,531
Money at call and deposits and placements with banks and other financial institutions	11,023	12,159	37,278	40,604
Financial assets at FVTPL	-	21	-	292
Financial assets at FVOCI, debt instrument	6,819	7,560	20,369	22,625
Financial investments at amortised costs	9,090	8,012	26,894	21,609
Others	669	434	1,884	1,538
	<b>44,217</b>	<b>41,484</b>	<b>131,645</b>	<b>127,199</b>
of which:				
Interest income accrued on impaired financial assets	-	-	-	-

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	3rd Quarter Ended		Nine Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RM'000	RM'000	RM'000	RM'000
<b>18 Interest Expense</b>				
<b>Group</b>				
Deposits and placements of banks and other financial institutions	13,829	18,136	47,672	59,130
Deposits from customers	11,132	10,081	33,475	24,918
Subordinated obligations	4,966	4,965	14,735	14,734
Borrowings	9,854	8,656	28,562	22,880
Others	1,063	636	2,782	2,068
	<b>40,844</b>	<b>42,474</b>	<b>127,226</b>	<b>123,730</b>

**Bank**

Deposits and placements of banks and other financial institutions	13,829	18,136	47,672	59,130
Deposits from customers	11,132	10,175	33,475	25,369
Subordinated obligations	4,966	4,965	14,735	14,734
Others	262	-	380	-
	<b>30,189</b>	<b>33,276</b>	<b>96,262</b>	<b>99,233</b>

**19 Fee and Commission Income**

**(a) By type of fee income**

**Group**

Brokerage income	58,952	60,805	179,794	213,534
Fund management fees	60,815	56,098	172,281	169,065
Unit trust fee income	40,840	12,352	78,669	43,906
Corporate advisory fees	5,013	5,053	34,053	36,154
Arrangement fees and underwriting	4,644	3,794	24,440	5,663
Placement fees	1,708	1,035	8,616	6,706
Rollover fees	1,159	1,167	3,601	3,595
Commission	900	891	2,135	3,039
Service charges and fees	1,281	1,152	2,811	3,671
Other fee income	9,132	8,372	35,845	35,359
	<b>184,444</b>	<b>150,719</b>	<b>542,245</b>	<b>520,692</b>

**Bank**

Brokerage income	36,014	41,067	115,662	140,193
Corporate advisory fees	2,978	3,280	17,555	14,042
Arrangement fees and underwriting	630	1,104	16,353	2,097
Placement fees	1,133	13	5,344	5,302
Rollover fees	1,159	1,167	3,601	3,595
Commission	247	357	996	1,113
Service charges and fees	335	1	446	3
Other fee income	4,255	3,315	20,180	18,300
	<b>46,751</b>	<b>50,304</b>	<b>180,137</b>	<b>184,645</b>



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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RM'000	RM'000	RM'000	RM'000
<b>19 Fee and Commission Income (cont'd)</b>				
<b>(b) By geographical market of fee income</b>				
<b><u>Group</u></b>				
Malaysia	144,126	113,164	417,805	386,878
Singapore	16,870	14,122	57,707	59,548
Indonesia	10,236	11,153	30,391	30,720
Thailand	10,615	8,169	26,782	29,215
Hong Kong	2,500	3,762	9,363	13,894
Cambodia	96	349	183	437
Vietnam	1	-	14	-
	<u>184,444</u>	<u>150,719</u>	<u>542,245</u>	<u>520,692</u>
<b><u>Bank</u></b>				
Malaysia	<u>46,751</u>	<u>50,304</u>	<u>180,137</u>	<u>184,645</u>
<b>(c) By timing of fee income recognition</b>				
<b><u>Group</u></b>				
At a point in time	119,449	91,936	359,055	342,795
Over time	64,995	58,783	183,190	177,897
	<u>184,444</u>	<u>150,719</u>	<u>542,245</u>	<u>520,692</u>
<b><u>Bank</u></b>				
At a point in time	46,143	49,893	178,064	183,777
Over time	608	411	2,073	868
	<u>46,751</u>	<u>50,304</u>	<u>180,137</u>	<u>184,645</u>
<b>20 Fee and Commission Expense</b>				
<b><u>Group</u></b>				
Fund management fees	27,826	24,757	79,039	77,956
Unit trust fees	40,189	11,945	75,804	42,428
Commission and incentives	4,705	8,162	12,056	14,447
	<u>72,720</u>	<u>44,864</u>	<u>166,899</u>	<u>134,831</u>
<b><u>Bank</u></b>				
Commission and incentives	<u>2,746</u>	<u>4,927</u>	<u>6,294</u>	<u>7,549</u>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RM'000	RM'000	RM'000	RM'000
<b>21 Other Operating Income</b>				
<b>Group</b>				
(a) Net (loss)/gain arising from financial instruments at FVTPL				
- net gain/(loss) on disposal	7,177	4,109	25,467	(9,266)
- unrealised net (loss)/gain on revaluation	(15,691)	10,546	35,906	15,129
- gross dividend income	2,389	1,453	21,458	5,542
	<b>(6,125)</b>	<b>16,108</b>	<b>82,831</b>	<b>11,405</b>
(b) Net gain/(loss) arising from derivatives	<b>20,067</b>	1,594	<b>(8,924)</b>	52,454
(c) Net gain arising from financial assets at FVOCI, debt instruments				
- net gain on disposal	<b>60</b>	47	<b>274</b>	21,871
(d) Dividend income from FVOCI, equity instruments	<b>158</b>	196	<b>524</b>	410
(e) Net gain arising from derecognition of financial investments at amortised costs	-	29	-	29
(f) Other income				
- net foreign exchange gain/(loss)				
- realised	1,413	7,397	3,966	11,280
- unrealised	1,147	(517)	583	(64)
- net gain on disposal of property, plant and equipment	-	-	197	-
- gain on disposal of a joint venture	-	-	258	-
- loss on disposal of a subsidiary	(51)	-	(51)	-
- other operating income	18,978	24,685	57,000	76,126
	<b>21,487</b>	<b>31,565</b>	<b>61,953</b>	<b>87,342</b>
	<b>35,647</b>	<b>49,539</b>	<b>136,658</b>	<b>173,511</b>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RM'000	RM'000	RM'000	RM'000
<b>21 Other Operating Income (cont'd)</b>				
<b>Bank</b>				
(a) Net (loss)/gain arising from financial assets at FVTPL				
- net gain/(loss) on disposal	593	1,646	2,230	(11,448)
- unrealised net (loss)/gain on revaluation	(3,042)	1,636	158	(12,826)
- gross dividend income	166	143	1,028	801
	<b>(2,283)</b>	<b>3,425</b>	<b>3,416</b>	<b>(23,473)</b>
(b) Net gain arising from derivatives	<b>3,019</b>	8,823	<b>7,712</b>	41,039
(c) Net gain arising from financial assets at FVOCI, debt instruments				
- net gain on disposal	<b>60</b>	47	<b>274</b>	21,871
(d) Dividend income from FVOCI, equity instruments	<b>158</b>	123	<b>398</b>	303
(e) Net gain arising from derecognition of financial investments at amortised costs	-	29	-	29
(f) Gross dividend income from subsidiaries in Malaysia	<b>6,000</b>	-	<b>6,000</b>	11,400
(g) Gross dividend income from an associate in Malaysia	-	-	<b>4,806</b>	1,041
(h) Other income				
- net foreign exchange gain/(loss)				
- realised	2,675	7,350	4,799	12,596
- unrealised	(21)	(257)	625	925
- gain on disposal of property, plant and equipment	-	-	152	-
- gain on disposal of a subsidiary	11,492	-	11,492	-
- other operating income	18,396	24,401	54,671	75,011
	<b>32,542</b>	<b>31,494</b>	<b>71,739</b>	<b>88,532</b>
	<b>39,496</b>	<b>43,941</b>	<b>94,345</b>	<b>140,742</b>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RM'000	RM'000	RM'000	RM'000
<b>22 Other Operating Expenses</b>				
<b><u>Group</u></b>				
<u>Personnel costs</u>				
- Salaries, bonus and allowances	80,427	83,202	229,652	264,199
- Defined contribution plan	7,658	8,002	22,501	26,599
- Other staff related costs	9,055	11,368	26,947	30,840
	<b>97,140</b>	<b>102,572</b>	<b>279,100</b>	<b>321,638</b>
<u>Establishment costs</u>				
- Property, plant and equipment				
- depreciation	4,296	4,344	13,062	13,316
- written off	-	-	48	1
- Other intangible assets				
- amortisation	3,287	2,954	9,741	8,995
- written off	-	-	-	28
- Depreciation for ROU	6,880	-	13,924	-
- Information technology expenses	14,357	17,470	52,755	49,465
- Security and escorting charges	34	48	137	148
- Repair and maintenance	1,973	716	3,904	1,971
- Rental of premises	3,753	11,543	18,724	34,309
- Water and electricity	1,367	1,594	4,199	4,102
- Rental of equipment	-	218	325	654
- Insurance	1,230	1,236	3,682	3,958
- Others	1,311	1,595	4,567	5,792
	<b>38,488</b>	<b>41,718</b>	<b>125,068</b>	<b>122,739</b>
<u>Marketing expenses</u>				
- Advertisements and publicity	593	968	2,467	2,784
- Sales commission	1,025	1,756	3,831	5,795
- Others	4,280	4,962	11,808	14,847
	<b>5,898</b>	<b>7,686</b>	<b>18,106</b>	<b>23,426</b>
<u>Administration and general expenses</u>				
- Communication expenses	8,306	10,285	26,212	29,407
- Legal and professional fees	3,528	2,429	8,063	6,188
- Others	9,612	7,049	25,824	24,035
	<b>21,446</b>	<b>19,763</b>	<b>60,099</b>	<b>59,630</b>
	<b>162,972</b>	<b>171,739</b>	<b>482,373</b>	<b>527,433</b>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RM'000	RM'000	RM'000	RM'000
<b>22 Other Operating Expenses (cont'd)</b>				
<b><u>Bank</u></b>				
<u>Personnel costs</u>				
- Salaries, bonus and allowances	35,967	34,619	102,128	121,124
- Defined contribution plan	5,213	5,090	14,854	17,707
- Other staff related costs	3,674	4,725	11,233	14,257
	<b>44,854</b>	<b>44,434</b>	<b>128,215</b>	<b>153,088</b>
<u>Establishment costs</u>				
- Property, plant and equipment				
- depreciation	1,574	1,800	4,947	5,880
- written off	-	-	6	-
- Amortisation of other intangible assets	1,492	1,364	4,448	4,298
- Depreciation for ROU	3,185	-	4,001	-
- Information technology expenses	5,002	9,568	26,204	28,381
- Security and escorting charges	27	39	112	123
- Repair and maintenance	475	461	1,344	1,333
- Rental of premises	-	3,586	5,757	10,849
- Water and electricity	857	1,091	2,664	2,684
- Rental of equipment	-	-	-	49
- Insurance	862	789	2,498	2,430
- Others	1,300	1,594	4,478	5,594
	<b>14,774</b>	<b>20,292</b>	<b>56,459</b>	<b>61,621</b>
<u>Marketing expenses</u>				
- Advertisements and publicity	75	306	399	810
- Sales commission	165	271	482	878
- Others	1,035	1,645	3,656	4,675
	<b>1,275</b>	<b>2,222</b>	<b>4,537</b>	<b>6,363</b>
<u>Administration and general expenses</u>				
- Communication expenses	2,864	4,229	9,270	11,287
- Legal and professional fees	1,051	393	1,844	1,370
- Others	2,869	6,465	13,992	21,688
	<b>6,784</b>	<b>11,087</b>	<b>25,106</b>	<b>34,345</b>
	<b>67,687</b>	<b>78,035</b>	<b>214,317</b>	<b>255,417</b>

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	3rd Quarter Ended		Nine Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RM'000	RM'000	RM'000	RM'000
<b>23 Allowance (Written Back)/Made for Expected Credit Losses</b>				
<b>Group</b>				
Net allowance (written back)/made on loans and advances	(81)	611	403	5,547
Allowance made/(written back) for expected credit losses on other receivables and clients' and brokers' balances	22	(389)	1,924	1,516
Bad debts recovered	(50)	(264)	(422)	(267)
Bad debts written off	-	314	187	367
Financial investments at amortised costs	(79)	(295)	(386)	(1,100)
Other financial assets	6	84	(104)	122
	<b>(182)</b>	<b>61</b>	<b>1,602</b>	<b>6,185</b>
<b>Bank</b>				
Net allowance written back on loans and advances	-	-	-	(5)
Allowance made/(written back) for expected credit losses on other receivables and clients' and brokers' balances	550	(442)	218	(727)
Bad debts recovered	(5)	(264)	(317)	(267)
Bad debts written off	-	314	187	367
Financial investments at amortised costs	(79)	(295)	(386)	(1,100)
Other financial assets	(2)	52	(126)	100
	<b>464</b>	<b>(635)</b>	<b>(424)</b>	<b>(1,632)</b>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)**

**24 Basic (Loss)/Earnings Per Share**

The basic (loss)/earnings per share ('EPS') is calculated by dividing the net (loss)/profit attributable to the owner of the Bank for the third quarter and nine months ended 30 September by the weighted average number of ordinary shares in issue during the financial period.

<b>Group</b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2019</b>	<b>30 September 2018</b>	<b>30 September 2019</b>	<b>30 September 2018</b>
Net (loss)/profit attributable to equity holders (RM'000)	<b>(8,499)</b>	(9,112)	<b>25,373</b>	42,826
Weighted average number of ordinary shares in issue ('000)	<b>100,000</b>	100,000	<b>100,000</b>	100,000
Basic (loss)/earnings per share (sen)	<b>(8.5)</b>	(9.1)	<b>25.4</b>	42.8

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)**

**25 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:

	<b>Group</b>		<b>Bank</b>	
	<b>As at 30 September 2019</b>	<b>As at 31 December 2018</b>	<b>As at 30 September 2019</b>	<b>As at 31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Common Equity Tier I ('CET I')/ Tier I Capital</b>				
Share capital	1,487,773	1,487,773	1,487,773	1,487,773
Retained profits	562,353	561,695	559,512	558,690
Other reserves	137,353	113,648	-	-
FVOCI reserves	41,684	23,489	39,149	20,853
	<u>2,229,163</u>	<u>2,186,605</u>	<u>2,086,434</u>	<u>2,067,316</u>
Less: Goodwill	(528,726)	(523,911)	(372,395)	(372,395)
Investments in subsidiaries, associates and joint ventures	(16,145)	(30,646)	(1,163,292)	(1,203,286)
Other intangible assets	(47,454)	(47,610)	(26,268)	(27,055)
55% of cumulative gains arising from change in value of FVOCI financial instruments	(22,926)	(12,919)	(21,532)	(11,469)
Deferred tax assets	(17,743)	(19,610)	(7,770)	(5,832)
Total CET I Capital	<u>1,596,169</u>	<u>1,551,909</u>	<u>495,177</u>	<u>447,279</u>
Qualifying non-controlling interests recognised as Tier I Capital	1,813	12,359	-	-
Total Tier I Capital	<u>1,597,982</u>	<u>1,564,268</u>	<u>495,177</u>	<u>447,279</u>
<b>Tier II Capital</b>				
Subordinated obligations meeting all relevant criteria	400,000	400,000	400,000	400,000
Qualifying non-controlling interests recognised as Tier II Capital	213	2,700	-	-
General provision ^	25,161	24,172	7,743	7,657
Total Tier II Capital	<u>425,374</u>	<u>426,872</u>	<u>407,743</u>	<u>407,657</u>
<b>Total Capital</b>	<u>2,023,356</u>	<u>1,991,140</u>	<u>902,920</u>	<u>854,936</u>



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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)**

**25 Capital Adequacy Ratio (cont'd)**

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

	Group		Bank	
	As at 30 September 2019	As at 31 December 2018	As at 30 September 2019	As at 31 December 2018
<u>Capital ratios</u>				
Before proposed dividends:				
CET I Capital Ratio	41.155%	35.445%	31.545%	21.323%
Tier I Capital Ratio	41.201%	35.728%	31.545%	21.323%
Total Capital Ratio	<u>52.169%</u>	<u>45.477%</u>	<u>57.520%</u>	<u>40.757%</u>
After proposed dividends:				
CET I Capital Ratio	41.155%	35.445%	31.545%	21.323%
Tier I Capital Ratio	41.201%	35.728%	31.545%	21.323%
Total Capital Ratio	<u>52.169%</u>	<u>45.477%</u>	<u>57.520%</u>	<u>40.757%</u>

^ Pursuant to BNM's policy document on Financial Reporting, general provision refers to loss allowance measured at an amount equal to 12-month and lifetime expected credit losses as defined under MFRS 9 'Financial Instruments' and regulatory reserves, to the extent they are ascribed to non-credit-impaired exposures, determined under standardised approach for credit risk.

Includes the qualifying regulatory reserves of the Group and the Bank of RM24,697,000 (31 December 2018: RM23,673,000) and RM7,710,000 (31 December 2018: RM7,501,000) respectively.

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

	Group		Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Credit risk	2,012,873	1,933,769	619,406	612,585
Market risk	390,965	877,506	181,596	678,014
Operational risk	1,474,632	1,567,043	768,747	807,022
Total risk-weighted assets	<u>3,878,470</u>	<u>4,378,318</u>	<u>1,569,749</u>	<u>2,097,621</u>

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 NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)**

**26 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 30 September 2019 RM'000</u>	<u>As at 31 December 2018 RM'000</u>
<b>Principal amount</b>		
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	<b>1,233,024</b>	1,338,876
- maturity exceeding one year	<b>6,124</b>	4,243
Foreign exchange related contracts: ^		
- less than one year	<b>272,318</b>	129,753
	<b>1,511,466</b>	1,472,872

^ 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 NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)**

**26 Commitments and Contingencies (cont'd)**

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

<u>Bank</u>	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
<b>Principal amount</b>		
Direct credit substitutes #	151,977	152,006
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	553,309	376,397
- maturity exceeding one year	22	22
Foreign exchange related contracts: ^		
- less than one year	266,050	25,379
	<u>971,358</u>	<u>553,804</u>

# 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.

**27 Capital Commitments**

	Group		Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Authorised and contracted for				
- Property, plant and equipment	20,843	20,310	10,769	12,236
- Investment securities	2,039	8,845	-	-
	<u>22,882</u>	<u>29,155</u>	<u>10,769</u>	<u>12,236</u>

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

**28 Valuation of Property, Plant and Equipment**

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

**29 Status of Corporate Proposals**

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

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

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

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

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

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

**30 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.

**31 Changes in the Composition of the Group**

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

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

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

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

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

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

**31 Changes in the Composition of the Group (cont'd)**

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

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

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

- i) Equity interest previously held as joint venture at 49% in RHB Securities Vietnam is now deemed as disposed at fair value, giving rise to a gain on disposal of RM258,000 as disclosed in Note 21:-

	<b>RM'000</b>
Fair value of previously held equity interest	15,934
Less: Equity attributable to net assets	(15,676)
	258
	258

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

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

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

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

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

- (c) Disposal of entire investment in RHB Entrepreneur Fund

On 16 September 2019, the Bank has fully redeemed its entire investment in RHB Entrepreneur Fund, a subsidiary of the Bank, for a sale proceeds of RM71,922,000 and recorded a gain on disposal of RM11,492,000 as disclosed in Note 21.

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

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

**32 Changes in Profit for the Quarter**

For the current financial quarter ended 30 September 2019, the Group recorded a pre-tax profit of RM6.1 million, 78.7% lower as compared to the immediate preceding quarter pre-tax profit of RM28.6 million. The lower profit was in tandem with lower other operating income by RM16.2 million, lower net fee and commission income by RM6.6 million, lower share of results of associates by RM3.5 million, lower allowance written back for expected credit losses by RM0.7 million; partially offset with lower other operating expenses by RM2.9 million, higher net interest income by RM1.6 million.

**33 Performance Review**

For the nine months ended 30 September 2019, the Group recorded a pre-tax profit of RM88.1 million, 16.1% higher as compared to the previous corresponding period of RM75.9 million. The increase in profit was mainly due to lower other operating expenses by RM45.1 million, higher share of results of associates by RM5.8 million, lower allowance made for expected credit losses by RM4.6 million, higher net interest income by RM4.1 million; partially offset with lower other operating income by RM36.9 million, lower net fee and commission income by RM10.5 million.

**34 Prospects for 2019**

Malaysia's GDP grew 4.4% year-on-year in Q3 2019 from 4.9% in Q2 2019 as both exports and domestic demand moderated. For the full year, GDP is expected to grow by 4.5% (2018: 4.7%) as downside risks continue to weigh on Malaysia's economy as a result of the protracted global trade tensions. For the banking sector, loans growth is expected to be slow, supported by a resilient household sector and SMEs. Additionally, another OPR cut by BNM is possible in 2020, depending largely on global economic development.

Notwithstanding the prolonged challenges in the operating environment, the Group continues its effort to strengthen its fundamentals and improve business performance. Our strategic focus under the current five-year roadmap, FIT22, is growth through key segments of affluent, SME, mid-cap and large-cap, and innovation through digital technology and adopting the AGILE way of working across the organisation aimed at better productivity and efficiency as well as delivering a holistic customer journey and ecosystem.

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)**

**35 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:

<b>Group</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>30 September 2019</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Financial assets</u></b>				
Financial assets at FVTPL	334,448	19	497,564	832,031
- quoted securities	334,448	-	-	334,448
- unquoted securities	-	19	497,564	497,583
Financial assets at FVOCI	2,005	711,562	38,966	752,533
- money market instruments	-	291,571	-	291,571
- quoted securities	2,005	-	-	2,005
- unquoted securities	-	419,991	38,966	458,957
Derivative assets	2,875	109	-	2,984
	<b>339,328</b>	<b>711,690</b>	<b>536,530</b>	<b>1,587,548</b>
<b><u>Financial liabilities</u></b>				
Derivative liabilities	3,793	179	-	3,972
<b>Group</b>				
<b>31 December 2018</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Financial assets</u></b>				
Financial assets at FVTPL	305,946	-	437,275	743,221
- quoted securities	305,946	-	-	305,946
- unquoted securities	-	-	437,275	437,275
Financial investments FVOCI	2,082	711,087	37,056	750,225
- money market instruments	-	290,965	-	290,965
- quoted securities	2,082	-	-	2,082
- unquoted securities	-	420,122	37,056	457,178
Derivative assets	-	74	-	74
	<b>308,028</b>	<b>711,161</b>	<b>474,331</b>	<b>1,493,520</b>
<b><u>Financial liabilities</u></b>				
Derivative liabilities	4,246	1,671	-	5,917
Puttable financial instruments	70,615	-	-	70,615
	<b>74,861</b>	<b>1,671</b>	<b>-</b>	<b>76,532</b>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)**

**35 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)

<b>Bank</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>30 September 2019</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Financial assets</u></b>				
Financial assets at FVTPL	66,524	19	-	66,543
- quoted securities	66,524	-	-	66,524
- unquoted securities	-	19	-	19
Financial assets at FVOCI	-	711,562	32,731	744,293
- money market instruments	-	291,571	-	291,571
- unquoted securities	-	419,991	32,731	452,722
Derivative assets	2,875	109	-	2,984
	<u>69,399</u>	<u>711,690</u>	<u>32,731</u>	<u>813,820</u>
<b><u>Financial liabilities</u></b>				
Derivative liabilities	3,192	167	-	3,359

<b>Bank</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 December 2018</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Financial assets</u></b>				
Financial assets at FVTPL	55,642	-	-	55,642
- quoted securities	55,642	-	-	55,642
Financial investments FVOCI	-	711,087	30,840	741,927
- money market instruments	-	290,965	-	290,965
- unquoted securities	-	420,122	30,840	450,962
Derivative assets	-	74	-	74
	<u>55,642</u>	<u>711,161</u>	<u>30,840</u>	<u>797,643</u>
<b><u>Financial liabilities</u></b>				
Derivative liabilities	3,887	54	-	3,941



**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)**

**35 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 30 September 2019 and 31 December 2018 for the Group and the Bank:

	<b>Group</b>		<b>Bank</b>	
	<b>As at 30 September 2019</b>	<b>As at 31 December 2018</b>	<b>As at 30 September 2019</b>	<b>As at 31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Financial assets at FVTPL</u></b>				
Balance as at the beginning of the financial year	<b>437,275</b>	359,859	-	-
Total gain recognised in income statements				
- other operating income	<b>32,045</b>	34,047	-	-
Purchases	<b>23,082</b>	44,508	-	-
Settlements	<b>(811)</b>	(10,660)	-	-
Exchange differences	<b>5,973</b>	9,521	-	-
Balance as at the end of the financial period/year	<b>497,564</b>	437,275	-	-

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**35 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 30 September 2019 and 31 December 2018 for the Group and the Bank: (cont'd)

	<b>Group</b>		<b>Bank</b>	
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>30 September 2019</b>	<b>31 December 2018</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>

**Financial assets at FVOCI**

Balance as at the beginning of the financial year	<b>37,056</b>	33,078	<b>30,840</b>	30,280
Total gains recognised in other comprehensive income	<b>1,891</b>	3,973	<b>1,891</b>	560
Exchange differences	<b>19</b>	5	-	-
Balance as at the end of financial period/year	<b>38,966</b>	37,056	<b>32,731</b>	30,840

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)**

**36 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, mergers and acquisitions, private placements, underwriting, initial public offerings of equity related instruments, private placements and underwriting. This segment also covers facilities for equity share trading in local and foreign markets, share margin financing, futures broking products and services and custodian and nominees services.

Included in Investment Banking are Stockbroking and Investment Banking products and services to RHB regional customers in Singapore, Hong Kong, Indonesia, Thailand and Vietnam.

**(b) Treasury**

Treasury and money market operations are involved in non-proprietary trading of various financial products that include short-term money market instruments, long term securities and foreign exchange and derivatives products, as well as funding centre.

Treasury includes treasury operations in Malaysia, Singapore, Indonesia and Thailand.

**(c) Asset Management**

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

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

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)**

**36 Segment Reporting (cont'd)**

**Segment Profit and Loss for the Nine Months Ended 30 September 2019**

<b>Group</b>	<b>Investment Banking</b>	<b>Treasury</b>	<b>Asset Management</b>	<b>Others and Elimination</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
External revenue	378,204	70,560	117,164	-	565,928
Inter-segment revenue	2,225	-	(1,141)	(1,084)	-
Segment revenue	<b>380,429</b>	<b>70,560</b>	<b>116,023</b>	<b>(1,084)</b>	<b>565,928</b>
Overhead expenses	(391,177)	(14,028)	(78,252)	1,084	(482,373)
Including:					
Depreciation of property, plant and equipment	(11,964)	-	(1,098)	-	(13,062)
Amortisation of other intangible assets	(8,774)	(310)	(657)	-	(9,741)
Allowance (made)/written back for expected credit losses	(1,669)	77	(10)	-	(1,602)
	<b>(12,417)</b>	<b>56,609</b>	<b>37,761</b>	<b>-</b>	<b>81,953</b>
Share of results of associates					6,145
Share of results of joint ventures					(30)
Profit before taxation					<b>88,068</b>
Taxation					<b>(61,837)</b>
Net profit for the financial period					<b>26,231</b>

**Segment Assets and Liabilities as at 30 September 2019**

<b>Group</b>	<b>Investment Banking</b>	<b>Treasury</b>	<b>Asset Management</b>	<b>Others and Elimination</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Segment assets	4,204,420	3,718,510	707,407	(1,240,050)	7,390,287
Goodwill	385,359	-	143,367	-	528,726
Investments in associates and joint ventures					16,145
Tax recoverable					30,824
Deferred tax assets					17,743
Total assets					<b>7,983,725</b>
Segment liabilities	1,189,296	2,891,714	434,746	(85,060)	4,430,696
Tax liabilities					5,685
Deferred tax liabilities					1,666
Borrowings					838,039
Subordinated obligations					409,175
Total liabilities					<b>5,685,261</b>

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**36 Segment Reporting (cont'd)**

**Segment Profit and Loss for the Nine Months Ended 30 September 2018**

<b>Group</b>	<b>Investment Banking</b>	<b>Treasury</b>	<b>Asset Management</b>	<b>Others and Elimination</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
External revenue	414,830	86,899	107,442	-	609,171
Inter-segment revenue	4,533	214	(1,266)	(3,481)	-
Segment revenue	419,363	87,113	106,176	(3,481)	609,171
Overhead expenses	(426,510)	(21,159)	(80,045)	281	(527,433)
Including:					
Depreciation of property, plant and equipment	(12,651)	(7)	(658)	-	(13,316)
Amortisation of other intangible assets	(8,155)	(311)	(529)	-	(8,995)
Allowance (made)/written back for expected credit losses	(6,284)	89	10	-	(6,185)
	(13,431)	66,043	26,141	(3,200)	75,553
Share of results of associates					325
Share of results of joint ventures					64
Profit before taxation					75,942
Taxation					(32,390)
Net profit for the financial period					43,552

**Segment Assets and Liabilities as at 31 December 2018**

<b>Group</b>	<b>Investment Banking</b>	<b>Treasury</b>	<b>Asset Management</b>	<b>Others and Elimination</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Segment assets	4,514,594	3,191,520	641,954	(1,187,999)	7,160,069
Goodwill	380,544	-	143,367	-	523,911
Investments in associates and joint ventures					30,646
Tax recoverable					24,654
Deferred tax assets					19,610
Total assets					7,758,890
Segment liabilities	1,130,855	2,862,240	330,815	(89,987)	4,233,923
Tax liabilities					6,288
Deferred tax liabilities					2,072
Borrowings					882,969
Subordinated obligations					404,263
Total liabilities					5,529,515

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (cont'd)**

**37 Changes in Accounting Policies**

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

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

On adoption of MFRS 16, the Group and the Bank recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group and the Bank's borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 for the Group and the Bank were ranging from 1.5% to 11.5% and at 4.1% respectively.

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

<b>Group</b>	<b>As previously reported</b>	<b>Effect of adoption of MFRS 16</b>	<b>As restated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deferred tax assets	19,610	36	19,646
Rights-of-use	-	33,002	33,002
Other assets	154,321	(574)	153,747
Lease liabilities	-	33,546	33,546
Retained profits	561,695	(1,076)	560,619
Non-controlling interests	10,039	(6)	10,033
	<b>558,690</b>	<b>(106)</b>	<b>558,584</b>
<b>Bank</b>			
Deferred tax assets	5,832	33	5,865
Rights-of-use	-	10,349	10,349
Lease liabilities	-	10,488	10,488
Retained profits	558,690	(106)	558,584

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

	<b>Group</b>	<b>Bank</b>
	<b>RM'000</b>	<b>RM'000</b>
Operating lease commitments disclosed as at 31 December 2018	69,168	21,083
(Less) : Contracts excluded as not within MFRS 16	(23,618)	(7,265)
(Less) : Short-term leases recognised on a straight-line basis as expense	(10,744)	(3,053)
	<b>34,806</b>	<b>10,765</b>
Lease liabilities recognised as at 1 January 2019	<b>33,546</b>	<b>10,488</b>

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

Properties	31,326	10,349
Office equipment	1,255	-
Motor vehicles	421	-
Right-of-use assets recognised as at 1 January 2019	<b>33,002</b>	<b>10,349</b>