

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

	Note	Group		Bank	
		As at	As at	As at	As at
		30 September 2020	31 December 2019	30 September 2020	31 December 2019
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds		2,124,323	2,146,388	1,670,688	1,443,786
Deposits and placements with banks and other financial institutions		220,706	206,999	-	-
Financial assets at fair value through profit or loss ('FVTPL')	8	956,402	847,934	237,807	60,382
Financial assets at fair value through other comprehensive income ('FVOCI')	9	628,838	752,242	621,112	743,970
Financial investments at amortised costs	10	1,011,607	911,838	1,011,607	911,838
Loans and advances	11	1,602,968	1,855,873	1,364,989	1,405,692
Clients' and brokers' balances	12	866,058	893,448	749,454	466,285
Other assets	13	655,537	199,535	108,770	79,616
Derivative assets		44	3,091	44	3,054
Statutory deposits		9,254	66,015	5,200	62,000
Tax recoverable		1,830	17,102	-	15,282
Deferred tax assets		23,228	19,410	13,620	10,106
Investments in subsidiaries		-	-	719,416	1,093,697
Investments in associates and joint ventures		4,610	16,083	5,028	5,028
Right of use assets		19,674	29,962	7,144	7,038
Property, plant and equipment		37,212	42,601	19,372	20,722
Goodwill and other intangible assets		487,185	559,553	396,846	398,300
TOTAL ASSETS		8,649,476	8,568,074	6,931,097	6,726,796
LIABILITIES AND EQUITY					
Deposits from customers	14	585,512	1,410,984	585,512	1,410,984
Deposits and placements of banks and other financial institutions	15	3,028,551	2,014,638	3,028,551	2,014,638
Bills and acceptances payable		-	36,957	-	-
Clients' and brokers' balances		801,005	824,166	727,017	544,849
Other liabilities	16	1,092,320	659,424	266,677	226,103
Derivative liabilities		90,967	4,509	90,905	3,873
Tax liabilities		22,104	5,503	15,415	-
Deferred tax liabilities		-	1,531	-	-
Lease liabilities		19,232	29,567	7,286	7,203
Borrowings		561,177	882,036	-	-
Subordinated obligations		204,591	404,263	204,591	404,263
TOTAL LIABILITIES		6,405,459	6,273,578	4,925,954	4,611,913
Share capital		1,487,773	1,487,773	1,487,773	1,487,773
Reserves		746,518	796,515	517,370	627,110
		2,234,291	2,284,288	2,005,143	2,114,883
Non-controlling interests		9,726	10,208	-	-
TOTAL EQUITY		2,244,017	2,294,496	2,005,143	2,114,883
TOTAL LIABILITIES AND EQUITY		8,649,476	8,568,074	6,931,097	6,726,796
COMMITMENTS AND CONTINGENCIES	27	1,066,360	1,254,782	827,608	778,989

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

Group	Note	3rd Quarter Ended		Nine Months Ended	
		30 September 2020	30 September 2019	30 September 2020	30 September 2019
		RM'000	RM'000	RM'000	RM'000
Continuing operations					
Interest income	17	52,996	58,593	166,603	173,983
Interest expense	18	(25,951)	(40,257)	(100,382)	(125,234)
Net interest income		27,045	18,336	66,221	48,749
Fee and commission income	19	279,660	172,814	654,916	500,262
Fee and commission expense	20	(98,557)	(72,378)	(205,980)	(166,194)
Other operating income	21	31,665	34,975	115,133	134,874
		239,813	153,747	630,290	517,691
Other operating expenses	22	(139,082)	(141,718)	(413,014)	(417,200)
Operating profit before allowances		100,731	12,029	217,276	100,491
Allowance (made)/written back for expected credit losses	23	(17,323)	(159)	(19,296)	1,008
Impairment loss on other non-financial assets	24	(14,800)	-	(24,300)	-
		68,608	11,870	173,680	101,499
Share of results of associates		3	1,309	30	6,145
Share of results of joint ventures		-	-	-	(30)
Profit before taxation		68,611	13,179	173,710	107,614
Taxation		(25,930)	(14,474)	(50,692)	(61,373)
Profit/(Loss) from continuing operations		42,681	(1,295)	123,018	46,241
Profit/(Loss) from discontinued operation	33	40,135	(6,969)	32,073	(20,010)
Profit/(Loss) for the period		82,816	(8,264)	155,091	26,231
Profit/(Loss) attributable to:					
Equity holder of the Bank		82,689	(8,499)	154,371	25,373
Non-controlling interests		127	235	720	858
		82,816	(8,264)	155,091	26,231
Basic earnings/(loss) per share (sen)	25				
- Continuing operations		42.6	(1.5)	122.3	45.4
- Discontinued operation		40.1	(7.0)	32.1	(20.0)
		82.7	(8.5)	154.4	25.4

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

Group	3rd Quarter Ended		Nine Months Ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) for the financial period	82,816	(8,264)	155,091	26,231
Other comprehensive (loss)/income in respect of:				
(a) Item that will not be reclassified to income statements:				
(i) Actuarial (loss)/gain on defined benefit plan of subsidiaries	(31)	10	1,623	(2,166)
(ii) Financial assets at FVOCI, equity instruments:				
- Unrealised net (loss)/gain on revaluation	(126)	(117)	1,692	1,814
- Net gain on disposal	-	-	-	5,370
(b) Items that will be reclassified subsequently to income statements:				
(i) Foreign currency translation reserve				
- Currency translation differences	(35,420)	9,828	(20,910)	25,169
- Disposal of a subsidiary	(50,895)	(531)	(50,895)	(531)
- Net investment hedge	1,599	(2,438)	-	(868)
(ii) Financial assets at FVOCI, debt instruments:				
- Unrealised net gain on revaluation	2,363	2,858	9,613	12,128
- Net transfer to income statements on disposal	-	-	(3)	-
Income tax relating to components of other comprehensive (income)/loss	(537)	6,947	(2,690)	3,024
Other comprehensive (loss)/income, net of tax, for the financial period	(83,047)	16,557	(61,570)	43,940
Total comprehensive (loss)/income for the financial period	(231)	8,293	93,521	70,171
Total comprehensive (loss)/income attributable to:				
Equity holder of the Bank	(183)	8,061	93,003	69,302
Non-controlling interests	(48)	232	518	869
	(231)	8,293	93,521	70,171
Total comprehensive (loss)/income attributable to equity holder of the Bank arises from:				
Continuing operations	10,683	19,494	111,825	90,644
Discontinued operation	(10,866)	(11,433)	(18,822)	(21,342)
	(183)	8,061	93,003	69,302

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

Bank	Note	3rd Quarter Ended		Nine Months Ended	
		30 September 2020	30 September 2019	30 September 2020	30 September 2019
		RM'000	RM'000	RM'000	RM'000
Interest income	17	41,926	44,217	135,098	131,645
Interest expense	18	(21,446)	(30,189)	(83,268)	(96,262)
Net interest income		20,480	14,028	51,830	35,383
Fee and commission income	19	148,639	46,751	313,906	180,137
Fee and commission expense	20	(25,984)	(2,746)	(35,929)	(6,294)
Other operating income	21	84,970	39,496	129,995	94,345
		228,105	97,529	459,802	303,571
Other operating expenses	22	(79,523)	(67,687)	(228,606)	(214,317)
Operating profit before allowances		148,582	29,842	231,196	89,254
Allowance (made)/written back for expected credit losses	23	(643)	(464)	(1,304)	424
Impairment loss on other non-financial assets	24	(164,723)	-	(164,723)	-
(Loss)/Profit before taxation		(16,784)	29,378	65,169	89,678
Taxation		(22,675)	(8,471)	(41,435)	(50,527)
Net (loss)/profit for the financial period		(39,459)	20,907	23,734	39,151

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

Bank	3rd Quarter Ended		Nine Months Ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
Net (loss)/profit for the financial period	(39,459)	20,907	23,734	39,151
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	-	-	2,223	1,891
- Net gain on disposal	-	-	-	5,370
(b) Items that will be reclassified subsequently to income statement:				
(i) Financial assets at FVOCI, debt instruments:				
- Unrealised net gain on revaluation	2,363	2,858	9,613	12,128
- Net transfer to income statement on disposal	-	-	(3)	-
Income tax relating to components of other comprehensive (income)/loss	(567)	6,956	(2,307)	4,277
Other comprehensive income, net of tax, for the financial period	1,796	9,814	9,526	23,666
Total comprehensive (loss)/income for the financial period	(37,663)	30,721	33,260	62,817

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

Attributable to the Equity Holder of the Bank

Group	Note	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 2020		1,487,773	517	41,918	134,778	32,004	587,298	2,284,288	10,208	2,294,496
Net profit for the financial period		-	-	-	-	-	154,371	154,371	720	155,091
Foreign currency translation reserve:-										
- Currency translation differences		-	-	(1)	(20,801)	-	-	(20,802)	(108)	(20,910)
- Recycled to income statements on disposal of a subsidiary		-	-	-	(50,895)	-	-	(50,895)	-	(50,895)
Financial assets at FVOCI:-										
- Equity instruments										
- Unrealised net gain/(loss) on revaluation		-	-	1,798	-	-	-	1,798	(106)	1,692
- Derecognition		-	-	162	-	-	(162)	-	-	-
- Debt instruments										
- Unrealised net gain on revaluation		-	-	9,613	-	-	-	9,613	-	9,613
- Net transfer to income statements on disposal		-	-	(3)	-	-	-	(3)	-	(3)
Actuarial gain on defined benefit plan of subsidiaries		-	-	-	-	-	1,607	1,607	16	1,623
Income tax relating to components of other comprehensive income		-	-	(2,307)	-	-	(379)	(2,686)	(4)	(2,690)
Other comprehensive income/(loss), net of tax, for the financial period		-	-	9,262	(71,696)	-	1,066	(61,368)	(202)	(61,570)
Total comprehensive income/(loss) for the financial period		-	-	9,262	(71,696)	-	155,437	93,003	518	93,521
Transfer from statutory reserves		-	(2)	-	-	-	2	-	-	-
Transfer to regulatory reserves		-	-	-	-	1,354	(1,354)	-	-	-
Dividend paid	7	-	-	-	-	-	(143,000)	(143,000)	-	(143,000)
Dividend paid to non-controlling interest		-	-	-	-	-	-	-	(1,000)	(1,000)
Balance as at 30 September 2020		1,487,773	515	51,180	63,082	33,358	598,383	2,234,291	9,726	2,244,017

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

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 2019									
- 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	-	-	-	-	-	(1,098)	(1,098)	(6)	(1,104)
- As restated	1,487,773	513	23,489	113,135	32,731	560,597	2,218,238	10,033	2,228,271
Net profit for the financial 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 a 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	-	-	-
Balance as at 30 September 2019	1,487,773	513	41,684	136,840	30,997	589,733	2,287,540	10,902	2,298,442

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	Note	Non-Distributable		Distributable	Total	
		Share capital	FVOCI reserves	Regulatory reserves		Retained profits
<u>Bank</u>		RM'000	RM'000	RM'000	RM'000	
Balance as at 1 January 2020		1,487,773	39,360	20,557	567,193	2,114,883
Net profit for the financial period		-	-	-	23,734	23,734
Financial assets at FVOCI, equity instruments:						
- Unrealised net gain on revaluation		-	2,223	-	-	2,223
Financial assets at FVOCI, debt instruments:						
- Unrealised net gain on revaluation		-	9,613	-	-	9,613
- Net transfer to income statement on disposal		-	(3)	-	-	(3)
Income tax relating to components of other comprehensive income		-	(2,307)	-	-	(2,307)
Other comprehensive income, net of tax, for the financial period		-	9,526	-	-	9,526
Total comprehensive income for the financial period		-	9,526	-	23,734	33,260
Transfer to regulatory reserves		-	-	1,423	(1,423)	-
Dividend paid	7	-	-	-	(143,000)	(143,000)
Balance as at 30 September 2020		1,487,773	48,886	21,980	446,504	2,005,143

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

	Non-Distributable		Distributable		Total
	Share capital	FVOCI reserves	Regulatory reserves	Retained profits	
Bank	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2019					
- As previously reported	1,487,773	20,853	19,154	558,690	2,086,470
- Effect of adoption of MFRS 16	-	-	-	(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	-
Balance as at 30 September 2019	1,487,773	39,149	18,226	604,033	2,149,181

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019.

INTERIM FINANCIAL STATEMENTS
 UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
 FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	Note	Nine Months Ended	
		30 September 2020	30 September 2019
		RM'000	RM'000
Group			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation:			
Continuing operations		173,710	107,614
Discontinued operation		30,542	(19,546)
Adjustments for non-operating and non-cash items		(38,244)	(46,050)
Operating profit before working capital changes		166,008	42,018
Changes in working capital:			
Net changes in operating assets		(404,018)	(410,838)
Net changes in operating liabilities		638,772	220,945
Cash generated from/(used in) operations		400,762	(147,875)
Lease interest		(1,140)	(739)
Net taxation paid		(25,725)	(63,816)
Net cash generated from/(used in) operating activities		373,897	(212,430)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds/(purchase) of financial assets at FVOCI and financial investments at amortised costs		40,095	(31,393)
Net (loss)/gain on disposal of financial assets at FVOCI, equity instruments		(162)	5,370
Interest income received from financial assets at FVTPL, FVOCI and financial investments at amortised costs		43,201	43,473
Property, plant and equipment			
- Purchase		(7,908)	(8,888)
- Proceeds from disposal		98	199
Purchase of other intangible assets		(5,486)	(9,340)
Acquisition of a subsidiary, net of cash and cash equivalents acquired		-	10,710
Net cash inflow from disposal of subsidiaries	32(e)	136,201	16,548
Dividend income received from financial assets at FVTPL and FVOCI		8,093	21,982
Dividend income received from an associate		2,002	4,806
Net cash inflow from business transfer	32(e)	62,798	-
Contingent consideration received from disposal of a subsidiary		15,961	-
Net cash generated from investing activities		294,893	53,467
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of subordinated obligations		(200,000)	-
Net repayment of borrowings		(310,385)	(66,278)
Borrowings interest paid		(15,975)	(29,153)
Lease principal payment		(14,111)	(10,380)
Subordinated obligations interest paid		(9,931)	(9,823)
Redemption of puttable financial instruments		-	(74,185)
Dividend paid to shareholder		(143,000)	-
Dividend paid to non-controlling interest		(1,000)	-
Net cash used in financing activities		(694,402)	(189,819)
Net decrease in cash and cash equivalents		(25,612)	(348,782)
Effects of exchange rate differences		3,500	13,600
Cash and cash equivalents			
- at the beginning of the financial period		2,146,595	1,859,445
- at the end of the financial period		2,124,483	1,524,263
ANALYSIS OF CASH AND CASH EQUIVALENTS:			
Cash and short-term funds before expected credit losses		2,124,483	1,524,263
Less: Allowance for expected credit losses		(160)	(220)
Cash and short-term funds, net of expected credit losses		2,124,323	1,524,043
Cash flows of discontinued operation	33	14,433	15,386

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019.

INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	Nine Months Ended	
	30 September 2020	30 September 2019
	RM'000	RM'000
Bank		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	65,169	89,678
Adjustments for non-operating and non-cash items	74,404	(53,711)
Operating profit before working capital changes	139,573	35,967
Changes in working capital:		
Net changes in operating assets	(219,122)	(96,752)
Net changes in operating liabilities	380,163	(135,299)
Cash generated from/(used in) operations	300,614	(196,084)
Lease interest	(238)	(302)
Net taxation paid	(16,558)	(55,603)
Net cash generated from/(used in) operating activities	283,818	(251,989)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds/(purchase) of financial assets at FVOCI and financial investments at amortised costs	39,949	(31,020)
Net gain from disposal of financial assets at FVOCI, equity instruments	-	5,370
Interest income received from financial assets at FVTPL, FVOCI and financial investments at amortised costs	42,924	43,272
Property, plant and equipment		
- Purchase	(2,762)	(4,566)
- Proceeds from disposal	-	152
Purchase of other intangible assets	(3,014)	(3,661)
Dividend income received from financial assets at FVTPL and FVOCI	2,560	1,426
Dividend income received from subsidiaries	49,800	6,000
Dividend income received from an associate	2,002	4,806
Acquisition of additional equity interest from joint venture	-	(21,400)
Additional investments in a subsidiary	(80,775)	-
Subscription of redeemable preference shares issued by a subsidiary	(20,000)	-
Proceeds from disposal of subsidiaries	253,273	71,922
Contingent consideration received from disposal of a subsidiary	15,961	-
Net cash generated from investing activities	299,918	72,301
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of subordinated obligations	(200,000)	-
Subordinated obligations interest paid	(9,931)	(9,823)
Lease principal payment	(3,884)	(3,971)
Dividend paid to shareholder	(143,000)	-
Net cash used in financing activities	(356,815)	(13,794)
Net increase/(decrease) in cash and cash equivalents	226,921	(193,482)
Cash and cash equivalents		
- at the beginning of the financial period	1,443,799	1,192,739
- at the end of the financial period	1,670,720	999,257
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short-term funds before expected credit losses	1,670,720	999,257
Less: Allowance for expected credit losses	(32)	(29)
Cash and short-term funds, net of expected credit losses	1,670,688	999,228

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

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 2019.

- (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 2019, except for the adoption of the following accounting standards, annual improvements and amendments to MFRS which are effective and applicable for the Group and the Bank for financial periods beginning on or after 1 January 2020:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'
- Amendments to MFRS 3 'Definition of a Business'
- Amendments to MFRS 7, MFRS 9 and MFRS 139 'Interest Rate Benchmark Reform'

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.

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

Given the exceptional circumstances brought about by the COVID-19 pandemic, BNM announced on 24 March 2020 the following measures which are aimed to ensure that the financial intermediation function of the financial sector remains intact, access to financing continues to be available and banking institutions remain focused on supporting the economy during this challenging period:

- (i) Banking institutions are given the following relaxation of the prudential buffers, which will need to be restored to the minimum regulatory requirements by 30 September 2021:
- Drawdown of capital conservation buffer of 2.5%;
 - Operate below the minimum liquidity coverage ratio ('LCR') of 100%; and
 - Reduce the regulatory reserves held against expected credit losses to 0%.
- (ii) The implementation of the Net Stable Funding Ratio ('NSFR') will proceed as scheduled on 1 July 2020. However, the minimum NSFR will be lowered to 80% and banking institutions will be required to comply with the requirement of 100% from 30 September 2021.

The adoption of the above additional measures will give rise to the following observations:

- (i) Forward-looking information used must be reasonable and supportable including reflecting the impact of COVID-19 pandemic and fully accounting for the mitigating effects of the economic and financial measures announced; and
- (ii) The Group and the Bank have continued to maintain in aggregate the loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

2 Auditors' Report

The auditors' report for the financial year ended 31 December 2019 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 2020, other than disclosed in Note 32 and 33.

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 2020.

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 2020, other than as disclosed below:-

On 16 April 2020, the Bank has fully redeemed its 4.95% RM200.0 million Tier II Subordinated Notes which were issued on 16 April 2015.

7 Dividends Paid and Proposed Dividend

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

In respect of the financial year ended 31 December 2019:

Single-tier interim dividend of 143.00 sen per share, paid on 27 March 2020

RM'000

143,000

The Board of Directors proposed an interim single-tier dividend of 178.00 sen per ordinary share, amounting to RM178.0 million in respect of the financial year ending 31 December 2020, which was approved by the Board of Directors on 27 October 2020.

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

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

	Group		Bank	
	As at	As at	As at	As at
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
At fair value				
<u>Quoted securities:</u>				
In Malaysia				
Shares and exchange traded funds	206,372	23,565	206,372	23,565
Unit trusts	53,092	56,514	7,405	8,863
Outside Malaysia				
Shares	142,067	247,184	-	-
Unit trusts	21,419	27,954	21,419	27,954
<u>Unquoted securities:</u>				
In Malaysia				
Corporate bonds/Sukuk	1,359	-	1,359	-
Outside Malaysia				
Private equity funds	530,841	492,717	-	-
	955,150	847,934	236,555	60,382
Contingent consideration	1,252	-	1,252	-
	956,402	847,934	237,807	60,382

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

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

	Group		Bank	
	As at	As at	As at	As at
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
At fair value				
(a) Debt instruments	586,158	711,239	586,158	711,239
(b) Equity instruments	42,680	41,003	34,954	32,731
	<u>628,838</u>	<u>752,242</u>	<u>621,112</u>	<u>743,970</u>
(a) Debt instruments				
<u>Money market instruments:</u>				
Malaysian Government Securities	137,780	133,309	137,780	133,309
Malaysian Government Investment Issues	21,318	40,878	21,318	40,878
Khazanah bonds	48,038	45,910	48,038	45,910
Sukuk Perumahan Kerajaan	73,889	71,596	73,889	71,596
<u>Unquoted securities:</u>				
<u>In Malaysia</u>				
Corporate bonds/Sukuk	279,113	393,629	279,113	393,629
Prasarana bonds	26,020	25,917	26,020	25,917
	<u>586,158</u>	<u>711,239</u>	<u>586,158</u>	<u>711,239</u>

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

(b) Equity instruments

Quoted securities:

Outside Malaysia

Shares	1,557	2,035	-	-
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Unquoted securities:

In Malaysia

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

Shares	300	315	-	-
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	<u>42,680</u>	<u>41,003</u>	<u>34,954</u>	<u>32,731</u>
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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

10 Financial Investments at Amortised Costs

	As at 30 September 2020	Group and Bank As at 31 December 2019
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	373,023	364,232
Malaysian Government Securities	92,032	-
Khazanah bonds	12,876	12,504
Wakala Global Sukuk	8,457	8,471
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate bonds/Sukuk	506,134	507,387
Loan stocks	25,853	25,853
Prasarana bonds	70,679	70,838
	<u>1,089,054</u>	<u>989,285</u>
Allowance for expected credit losses	(77,447)	(77,447)
	<u>1,011,607</u>	<u>911,838</u>

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

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

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

Group and Bank	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
30 September 2020	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning/end of the financial year/period	-	-	77,447	77,447
Group and Bank				
31 December 2019				
Balance as at the beginning of the financial year	-	-	78,064	78,064
Net allowance written back	-	-	(617)	(617)
Balance as at the end of the financial year	-	-	<u>77,447</u>	<u>77,447</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

11 Loans and Advances

	Group		Bank	
	As at	As at	As at	As at
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
(a) By type				
At amortised cost				
Term loans	2	20,113	2	2
Revolving credits	-	-	-	26,589
Share margin financing	1,611,548	1,855,055	1,364,670	1,378,780
Staff loans	318	322	318	322
Gross loans and advances	1,611,868	1,875,490	1,364,990	1,405,693
Less: Allowance for expected credit losses	(8,900)	(19,617)	(1)	(1)
Net loans and advances	1,602,968	1,855,873	1,364,989	1,405,692
(b) By type of customer				
Domestic business enterprises:				
- small and medium enterprises	187,663	193,205	187,663	193,205
- others	205,820	200,659	205,820	200,659
Individuals	943,956	954,015	943,956	954,015
Foreign entities	274,429	527,611	27,551	57,814
	1,611,868	1,875,490	1,364,990	1,405,693
(c) By geographical distribution				
In Malaysia	1,364,990	1,379,104	1,364,990	1,379,104
Outside Malaysia				
- Singapore	-	214,471	-	-
- Hong Kong	-	27,031	-	26,589
- Indonesia	95,748	88,690	-	-
- Thailand	151,130	166,194	-	-
	1,611,868	1,875,490	1,364,990	1,405,693
(d) By interest rate sensitivity				
Fixed rate:				
- other fixed rate loans	1,460,736	1,682,262	1,364,988	1,379,102
Variable rate:				
- cost plus	-	27,032	-	26,589
- base lending rate plus	151,132	166,196	2	2
	1,611,868	1,875,490	1,364,990	1,405,693

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

11 Loans and Advances (cont'd)

	Group		Bank	
	As at	As at	As at	As at
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
(e) By purpose				
Purchase of securities	1,611,548	1,875,166	1,364,670	1,378,780
Purchase of landed property:				
- residential	320	324	320	324
Working capital	-	-	-	26,589
	<u>1,611,868</u>	<u>1,875,490</u>	<u>1,364,990</u>	<u>1,405,693</u>
(f) By economic sector				
Agriculture, hunting, forestry and fishing	-	5,437	-	1,077
Mining and quarrying	91	7,039	91	103
Manufacturing	2,332	22,743	2,332	2,631
Construction	5,814	8,871	5,814	8,871
Wholesale and retail trade and restaurant and hotel	1,273	577	1,273	577
Transport, storage and communication	2,304	2,587	2,304	2,587
Finance, insurance, real estate and business services	383,796	426,240	383,796	409,054
Household sector	1,216,258	1,401,996	969,380	980,793
	<u>1,611,868</u>	<u>1,875,490</u>	<u>1,364,990</u>	<u>1,405,693</u>
(g) By remaining contractual maturities				
Maturity within one year	1,611,548	1,875,166	1,364,670	1,405,369
One year to three years	9	10	9	10
Over five years	311	314	311	314
	<u>1,611,868</u>	<u>1,875,490</u>	<u>1,364,990</u>	<u>1,405,693</u>
(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 2020	RM'000	RM'000	RM'000	RM'000
Balance as at beginning of the financial year	1,852,148	29	23,313	1,875,490
Transfer to 12-month ECL (Stage 1)	80,748	(76,644)	(4,104)	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	(87,175)	87,175	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	(5,058)	-	5,058	-
Addition and origination	9,823,140	-	-	9,823,140
Derecognition	(9,993,098)	(7,151)	(4,630)	(10,004,879)
Amount written off	-	-	(8,381)	(8,381)
Disposal of a subsidiary	(61,240)	-	(1,874)	(63,114)
Exchange differences	(9,922)	-	(466)	(10,388)
Balance as at the end of the financial period	<u>1,599,543</u>	<u>3,409</u>	<u>8,916</u>	<u>1,611,868</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (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 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)	37,037	(22,177)	(14,860)	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	(19,245)	19,245	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	(18,697)	-	18,697	-
Addition and origination	9,091,535	-	-	9,091,535
Derecognition	(8,851,008)	(58)	(687)	(8,851,753)
Exchange differences	16,229	2	173	16,404
Balance as at the end of the financial year	<u>1,852,148</u>	<u>29</u>	<u>23,313</u>	<u>1,875,490</u>
Bank				
30 September 2020				
Balance as at beginning of the financial year	1,405,664	29	-	1,405,693
Transfer to 12-month ECL (Stage 1)	67,274	(66,657)	(617)	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	(76,340)	76,340	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	(826)	-	826	-
Addition and origination	4,725,252	-	-	4,725,252
Derecognition	(4,759,885)	(6,965)	(193)	(4,767,043)
Exchange differences	1,088	-	-	1,088
Balance as at the end of the financial period	<u>1,362,227</u>	<u>2,747</u>	<u>16</u>	<u>1,364,990</u>
Bank				
31 December 2019				
Balance as at beginning of the financial year	1,031,271	-	-	1,031,271
Transfer to 12-month ECL (Stage 1)	16,552	(9,516)	(7,036)	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	(9,545)	9,545	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	(7,036)	-	7,036	-
Addition and origination	3,013,126	-	-	3,013,126
Derecognition	(2,638,704)	-	-	(2,638,704)
Balance as at the end of the financial year	<u>1,405,664</u>	<u>29</u>	<u>-</u>	<u>1,405,693</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

11 Loans and Advances (cont'd)

	Group		Bank	
	As at	As at	As at	As at
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
(i) Impaired loans and advances				
(i) By purpose				
Purchase of securities	8,916	23,313	16	-
(ii) By economic sector				
Mining and quarrying	-	6,936	-	-
Household sector	8,916	16,377	16	-
	8,916	23,313	16	-
(iii) By geographical distribution				
In Malaysia	16	-	16	-
Outside Malaysia:				
- Singapore	-	13,892	-	-
- Hong Kong	-	97	-	-
- Thailand	8,900	9,324	-	-
	8,916	23,313	16	-

(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
30 September 2020				
Balance as at beginning of the financial year	1	-	19,616	19,617
Net allowance written back	-	-	(298)	(298)
Amount written off	-	-	(8,381)	(8,381)
Disposal of a subsidiary	-	-	(1,560)	(1,560)
Exchange differences	-	-	(478)	(478)
Balance as at the end of the financial period	1	-	8,899	8,900
31 December 2019				
Balance as at beginning of the financial year	1	-	18,980	18,981
Net allowance made	-	-	461	461
Exchange differences	-	-	175	175
Balance as at the end of the financial year	1	-	19,616	19,617

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (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
Bank				
30 September 2020				
Balance as at beginning/end of the financial year/period	1	-	-	1
Bank				
31 December 2019				
Balance as at beginning/end of the financial year	1	-	-	1

12 Clients' and Brokers' Balances

	Group		Bank	
	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
Amounts owing by clients	724,741	696,427	617,345	325,231
Less: Allowance for expected credit losses	(30,142)	(20,772)	(4,476)	(4,636)
	694,599	675,655	612,869	320,595
Amounts owing by brokers	70,665	75,556	70,297	69,740
Amounts owing by clearing houses and stock exchanges	100,794	142,237	66,288	75,950
	866,058	893,448	749,454	466,285

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (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 2020 RM'000	As at 31 December 2019 RM'000	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
Balance as at the beginning of the financial year	107	253	1	-
Transferred to credit impaired	(340)	(386)	-	-
Allowance for expected credit losses	849	953	17	6
Derecognition	(445)	(714)	(16)	(5)
Disposal of a subsidiary	(169)	-	-	-
Exchange differences	-	1	-	-
Balance as at the end of the financial period/year	<u>2</u>	<u>107</u>	<u>2</u>	<u>1</u>

(b) Credit impaired

Balance as at the beginning of the financial year	20,665	19,309	4,635	6,156
Transferred from non-credit impaired	340	386	-	-
Allowance for expected credit losses	18,871	2,985	297	118
Derecognition	(1,552)	(1,666)	(457)	(664)
Amount written off	(4,058)	(975)	(1)	(975)
Disposal of a subsidiary	(3,335)	-	-	-
Exchange differences	(791)	626	-	-
Balance as at the end of the financial period/year	<u>30,140</u>	<u>20,665</u>	<u>4,474</u>	<u>4,635</u>

13 Other Assets

	Group		Bank	
	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
Other receivables	131,654	85,095	36,020	25,980
Unit trust fee receivables	26,142	25,804	-	-
Management fee receivables	3,078	2,976	-	-
Deposits	8,451	20,893	2,948	2,949
Prepayments	11,447	14,391	5,181	5,485
Amount receivable for release of units from funds	474,486	48,611	-	-
Transferable memberships	262	262	262	262
Amount due from holding company	16	1,463	-	-
Amount due from subsidiaries	-	-	64,358	44,938
Amount due from related companies	1	40	1	2
	<u>655,537</u>	<u>199,535</u>	<u>108,770</u>	<u>79,616</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

14 Deposits from Customers

	Group and Bank	
	As at	As at
	<u>30 September 2020</u>	<u>31 December 2019</u>
	RM'000	RM'000
(a) By type of deposits		
Short-term deposits	<u>585,512</u>	<u>1,410,984</u>
(b) By type of customers		
Government and statutory bodies	100,404	100,080
Business enterprises	<u>485,108</u>	<u>1,310,904</u>
	<u>585,512</u>	<u>1,410,984</u>
(c) By maturity structure of fixed deposits		
Due within six months	<u>585,512</u>	<u>1,410,984</u>

15 Deposits and Placements of Banks and Other Financial Institutions

	Group and Bank	
	As at	As at
	<u>30 September 2020</u>	<u>31 December 2019</u>
	RM'000	RM'000
Licensed banks	2,928,020	1,813,803
Licensed investment banks	<u>100,531</u>	<u>200,835</u>
	<u>3,028,551</u>	<u>2,014,638</u>

16 Other Liabilities

	Group		Bank	
	As at	As at	As at	As at
	<u>30 September 2020</u>	<u>31 December 2019</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
	RM'000	RM'000	RM'000	RM'000
Other creditors and accruals	267,053	145,867	120,766	62,736
Contract liabilities	4,877	7,409	1,374	3,274
Remisiers' trust deposits	85,835	64,861	85,835	64,861
Amount payable for creation of units due to funds	75,572	42,007	-	-
Amount payable for redemption units	578,487	312,101	-	-
Short-term employee benefits	51,165	68,122	34,265	39,083
Amount due to holding company	26,988	12,034	24,319	6,573
Amount due to subsidiaries	-	-	28	16
Amount due to related companies	206	149	90	102
Provision for restructuring costs	2,137	6,874	-	49,458
	<u>1,092,320</u>	<u>659,424</u>	<u>266,677</u>	<u>226,103</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

	3rd Quarter Ended		Nine Months Ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
17 Interest Income				
<u>Group</u>				
Continuing Operations				
Loans and advances	21,243	24,552	62,619	68,945
Money at call and deposits and placements with banks and other financial institutions	11,373	15,337	44,999	50,329
Financial assets at FVTPL	280	20	286	201
Financial assets at FVOCI, debt instruments	5,642	6,819	18,765	20,369
Financial investments at amortised costs	9,905	9,090	29,005	26,894
Others	4,553	2,775	10,929	7,245
	52,996	58,593	166,603	173,983
of which:				
Interest income accrued on impaired financial assets	178	169	520	478
<u>Bank</u>				
Loans and advances	16,296	16,616	49,532	45,220
Money at call and deposits and placements with banks and other financial institutions	7,671	11,023	33,283	37,278
Financial assets at FVTPL	4	-	9	-
Financial assets at FVOCI, debt instrument	5,642	6,819	18,765	20,369
Financial investments at amortised costs	9,905	9,090	29,005	26,894
Others	2,408	669	4,504	1,884
	41,926	44,217	135,098	131,645
of which:				
Interest income accrued on impaired financial assets	1	-	4	-

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	3rd Quarter Ended		Nine Months Ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
18 Interest Expense				
<u>Group</u>				
Continuing Operations				
Deposits and placements of banks and other financial institutions	15,428	13,829	52,102	47,672
Deposits from customers	3,463	11,132	20,675	33,475
Subordinated obligations	2,470	4,966	10,259	14,735
Borrowings	3,990	9,264	15,044	26,639
Others	600	1,066	2,302	2,713
	25,951	40,257	100,382	125,234
<u>Bank</u>				
Deposits and placements of banks and other financial institutions	15,428	13,829	52,102	47,672
Deposits from customers	3,463	11,132	20,675	33,475
Subordinated obligations	2,470	4,966	10,259	14,735
Others	85	262	232	380
	21,446	30,189	83,268	96,262
19 Fee and Commission Income				
(a) By type of fee income				
<u>Group</u>				
Continuing Operations				
Brokerage income	144,737	53,061	316,240	161,420
Fund management fees	65,554	60,815	190,895	172,281
Unit trust fee income	40,889	40,840	78,342	78,669
Corporate advisory fees	6,865	3,684	13,477	21,500
Arrangement fees and underwriting	2,295	1,447	4,780	17,664
Placement fees	1,031	1,248	2,954	6,814
Rollover fees	1,103	1,159	3,858	3,601
Commission	810	900	2,543	2,135
Service charges and fees	449	612	1,028	1,707
Other fee income	15,927	9,048	40,799	34,471
	279,660	172,814	654,916	500,262
<u>Bank</u>				
Brokerage income	129,598	36,014	267,390	115,662
Corporate advisory fees	5,817	2,978	11,482	17,555
Arrangement fees and underwriting	424	630	1,194	16,353
Placement fees	1,031	1,133	2,954	5,344
Rollover fees	1,103	1,159	3,857	3,601
Commission	317	247	942	996
Service charges and fees	256	335	699	446
Other fee income	10,093	4,255	25,388	20,180
	148,639	46,751	313,906	180,137

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	3rd Quarter Ended		Nine Months Ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
19 Fee and Commission Income (cont'd)				
(b) By geographical market of fee income				
<u>Group</u>				
Continuing Operations				
Malaysia	254,910	144,126	576,906	417,805
Singapore	3,675	5,240	12,929	15,724
Indonesia	9,889	10,236	25,195	30,391
Thailand	10,403	10,615	35,809	26,782
Hong Kong	348	2,500	3,543	9,363
Cambodia	435	96	528	183
Vietnam	-	1	6	14
	<u>279,660</u>	<u>172,814</u>	<u>654,916</u>	<u>500,262</u>
<u>Bank</u>				
Malaysia	<u>148,639</u>	<u>46,751</u>	<u>313,906</u>	<u>180,137</u>
(c) By timing of fee income recognition				
<u>Group</u>				
Continuing Operations				
At a point in time	210,689	108,557	454,038	316,455
Over time	68,971	64,257	200,878	183,807
	<u>279,660</u>	<u>172,814</u>	<u>654,916</u>	<u>500,262</u>
<u>Bank</u>				
At a point in time	147,859	46,143	311,830	178,064
Over time	780	608	2,076	2,073
	<u>148,639</u>	<u>46,751</u>	<u>313,906</u>	<u>180,137</u>
20 Fee and Commission Expense				
<u>Group</u>				
Continuing Operations				
Fund management fees	28,557	27,826	84,885	79,039
Unit trust fees	41,310	40,189	78,545	75,804
Commission and incentives	28,690	4,363	42,550	11,351
	<u>98,557</u>	<u>72,378</u>	<u>205,980</u>	<u>166,194</u>
<u>Bank</u>				
Commission and incentives	<u>25,984</u>	<u>2,746</u>	<u>35,929</u>	<u>6,294</u>

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	3rd Quarter Ended		Nine Months Ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
21 Other Operating Income				
<u>Group</u>				
Continuing Operations				
(a) Net gain/(loss) arising from financial instruments at FVTPL				
- net gain on disposal	127,099	7,161	127,001	25,401
- unrealised net (loss)/gain on revaluation	(19,791)	(15,691)	61,078	35,906
- gross dividend income	4,029	2,440	7,516	21,452
	<u>111,337</u>	<u>(6,090)</u>	<u>195,595</u>	<u>82,759</u>
(b) Net (loss)/gain arising from derivatives	<u>(101,396)</u>	20,067	<u>(147,222)</u>	(8,924)
(c) Net gain arising from financial assets at FVOCI, debt instruments				
- net gain on disposal	<u>122</u>	60	<u>381</u>	274
(d) Dividend income from FVOCI, equity instruments	<u>345</u>	158	<u>577</u>	524
(e) Other income				
- net foreign exchange gain				
- realised	4,317	1,487	12,850	4,676
- unrealised	953	1,147	465	583
- net gain on disposal of property, plant and equipment	98	-	98	197
- gain on disposal of a joint venture	-	-	-	258
- (loss)/gain on modification of right of use assets	(25)	-	13	-
- loss on disposal of a subsidiary	-	(51)	-	(51)
- other operating income	15,914	18,197	52,376	54,578
	<u>21,257</u>	<u>20,780</u>	<u>65,802</u>	<u>60,241</u>
	<u>31,665</u>	<u>34,975</u>	<u>115,133</u>	<u>134,874</u>

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	3rd Quarter Ended		Nine Months Ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
21 Other Operating Income (cont'd)				
<u>Bank</u>				
(a) Net gain/(loss) arising from financial assets at FVTPL				
- net gain on disposal	124,366	593	171,564	2,230
- unrealised net (loss)/gain on revaluation	(28,685)	(3,042)	(2,155)	158
- gross dividend income	1,243	166	2,124	1,028
	<u>96,924</u>	<u>(2,283)</u>	<u>171,533</u>	<u>3,416</u>
(b) Net (loss)/gain arising from derivatives	<u>(87,448)</u>	3,019	<u>(168,871)</u>	7,712
(c) Net gain arising from financial assets at FVOCI, debt instruments				
- net gain on disposal	<u>122</u>	<u>60</u>	<u>381</u>	<u>274</u>
(d) Dividend income from FVOCI, equity instruments	<u>256</u>	<u>158</u>	<u>436</u>	<u>398</u>
(e) Gross dividend income from subsidiaries in Malaysia	<u>62,000</u>	<u>6,000</u>	<u>68,800</u>	<u>6,000</u>
(f) Gross dividend income from an associate in Malaysia	<u>-</u>	<u>-</u>	<u>2,002</u>	<u>4,806</u>
(g) Other income				
- net foreign exchange gain/(loss)				
- realised	4,170	2,675	11,811	4,799
- unrealised	1,130	(21)	278	625
- gain on disposal of property, plant and equipment	-	-	-	152
- (loss)/gain on disposal of a subsidiary	(7,685)	11,492	(7,685)	11,492
- fair value changes to sales consideration	(938)	-	(938)	-
- gain on modification of right of use assets	-	-	2	-
- other operating income	16,439	18,396	52,246	54,671
	<u>13,116</u>	<u>32,542</u>	<u>55,714</u>	<u>71,739</u>
	<u>84,970</u>	<u>39,496</u>	<u>129,995</u>	<u>94,345</u>

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	3rd Quarter Ended		Nine Months Ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
22 Other Operating Expenses				
<u>Group</u>				
Continuing Operations				
<u>Personnel costs</u>				
- Salaries, bonus and allowances	69,483	71,690	205,186	203,462
- Defined contribution plan	7,559	6,933	22,350	20,247
- Other staff related costs	5,871	8,334	20,307	24,887
	82,913	86,957	247,843	248,596
<u>Establishment costs</u>				
- Property, plant and equipment				
- depreciation	2,757	3,745	8,318	11,364
- written off	17	-	23	6
- Amortisation of other intangible assets	2,092	2,362	6,595	6,941
- Depreciation of right of use assets	2,851	5,811	8,659	12,377
- Information technology expenses	15,475	10,727	45,546	40,949
- Security and escorting charges	121	29	212	127
- Repair and maintenance	675	1,921	2,219	3,784
- Rental of premises	2,813	2,742	13,739	14,392
- Water and electricity	1,058	1,253	3,023	3,839
- Rental of equipment	59	-	73	-
- Insurance	986	1,101	3,686	3,296
- Others	5,527	1,295	10,830	4,511
	34,431	30,986	102,923	101,586
<u>Marketing expenses</u>				
- Advertisements and publicity	1,068	569	2,867	2,423
- Sales commission	1,020	1,025	2,570	3,831
- Others	4,372	3,907	10,364	10,646
	6,460	5,501	15,801	16,900
<u>Administration and general expenses</u>				
- Communication expenses	5,945	6,553	18,383	20,610
- Legal and professional fees	4,223	3,378	9,603	7,664
- Others	5,110	8,343	18,461	21,844
	15,278	18,274	46,447	50,118
	139,082	141,718	413,014	417,200

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	3rd Quarter Ended		Nine Months Ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
22 Other Operating Expenses (cont'd)				
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, bonus and allowances	38,558	35,967	115,391	102,128
- Defined contribution plan	5,746	5,213	16,860	14,854
- Other staff related costs	1,837	3,674	8,304	11,233
	46,141	44,854	140,555	128,215
<u>Establishment costs</u>				
- Property, plant and equipment				
- depreciation	1,399	1,574	4,112	4,947
- written off	-	-	-	6
- Amortisation of other intangible assets	1,427	1,492	4,468	4,448
- Right of use assets				
- depreciation	1,293	3,496	3,863	6,172
- Information technology expenses	9,929	5,002	28,664	26,204
- Security and escorting charges	100	27	179	112
- Repair and maintenance	467	475	1,194	1,344
- Rental of premises	1,693	-	5,065	3,897
- Water and electricity	836	857	2,188	2,664
- Rental of equipment	45	-	50	-
- Insurance	754	862	2,330	2,498
- Others	5,527	989	10,901	4,167
	23,470	14,774	63,014	56,459
<u>Marketing expenses</u>				
- Advertisements and publicity	43	75	172	399
- Sales commission	233	165	604	482
- Others	1,872	1,035	4,597	3,656
	2,148	1,275	5,373	4,537
<u>Administration and general expenses</u>				
- Communication expenses	2,929	2,864	8,585	9,270
- Legal and professional fees	1,781	1,051	2,409	1,844
- Others	3,054	2,869	8,670	13,992
	7,764	6,784	19,664	25,106
	79,523	67,687	228,606	214,317

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	3rd Quarter Ended		Nine Months Ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
23 Allowance Made/(Written Back) for Expected Credit Losses				
<u>Group</u>				
Continuing Operations				
Net allowance (written back)/made on loans and advances	(37)	(8)	(90)	2
Allowance made/(written back) for expected credit losses on other receivables and clients' and brokers' balances	17,403	244	19,169	(395)
Bad debts recovered	(1)	(5)	(92)	(317)
Bad debts written off	-	-	-	187
Financial investments at amortised costs	-	(79)	-	(386)
Other financial assets	(42)	7	309	(99)
	17,323	159	19,296	(1,008)
<u>Bank</u>				
Net allowance written back on loans and advances	(37)	-	-	-
Allowance made for expected credit losses on other receivables and clients' and brokers' balances	928	550	1,650	218
Bad debts recovered	(1)	(5)	(92)	(317)
Bad debts written off	-	-	-	187
Financial investments at amortised costs	-	(79)	-	(386)
Other financial assets	(247)	(2)	(254)	(126)
	643	464	1,304	(424)
24 Impairment Loss on Other Non-financial Assets				
<u>Group</u>				
Investment in an associate	-	-	9,500	-
Goodwill	14,800	-	14,800	-
	14,800	-	24,300	-
<u>Bank</u>				
Investments in subsidiaries	164,723	-	164,723	-

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

25 Basic Earnings/(Loss) Per Share

The basic earnings/(loss) per share ('EPS') is calculated by dividing the net profit/(loss) 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.

Group	3rd Quarter Ended		Nine Months Ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Net profit/(loss) attributable to equity holders (RM'000)				
- Continuing operations	42,554	(1,530)	122,298	45,383
- Discontinued operation	40,135	(6,969)	32,073	(20,010)
	82,689	(8,499)	154,371	25,373
Weighted average number of ordinary shares in issue ('000)	100,000	100,000	100,000	100,000
Basic earnings/(loss) per share (sen)				
- Continuing operations	42.6	(1.5)	122.3	45.4
- Discontinued operation	40.1	(7.0)	32.1	(20.0)
	82.7	(8.5)	154.4	25.4

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

26 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 30 September 2020 RM'000	As at 31 December 2019 RM'000	As at 30 September 2020 RM'000	As at 31 December 2019 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	560,602	587,298	446,504	567,193
Other reserves	63,597	135,295	-	-
FVOCI reserves	51,180	41,918	48,886	39,360
	<u>2,163,152</u>	<u>2,252,284</u>	<u>1,983,163</u>	<u>2,094,326</u>
Less: Goodwill	(449,978)	(511,221)	(372,395)	(372,395)
Investments in subsidiaries	-	-	(719,416)	(1,093,697)
Investments in associates and joint ventures	(4,610)	(16,083)	(5,028)	(5,028)
Other intangible assets	(37,207)	(48,332)	(24,451)	(25,905)
55% of cumulative gains arising from change in value of FVOCI financial instruments	(28,149)	(23,055)	(26,888)	(21,648)
Deferred tax assets	(23,228)	(19,410)	(13,620)	(10,106)
Total CET I Capital	<u>1,619,980</u>	<u>1,634,183</u>	<u>821,365</u>	<u>565,547</u>
Qualifying non-controlling interests recognised as Tier I Capital	1,932	2,121	-	-
Total Tier I Capital	<u>1,621,912</u>	<u>1,636,304</u>	<u>821,365</u>	<u>565,547</u>
Tier II Capital				
Subordinated obligations meeting all relevant criteria	200,000	400,000	200,000	400,000
Qualifying non-controlling interests recognised as Tier II Capital	209	226	-	-
General provision ^	30,329	24,564	9,445	9,932
Total Tier II Capital	<u>230,538</u>	<u>424,790</u>	<u>209,445</u>	<u>409,932</u>
Total Capital	<u>1,852,450</u>	<u>2,061,094</u>	<u>1,030,810</u>	<u>975,479</u>

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26 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 2020	As at 31 December 2019	As at 30 September 2020	As at 31 December 2019
<u>Capital ratios</u>				
Before proposed dividends:				
CET I Capital Ratio	36.185%	43.964%	42.605%	33.144%
Tier I Capital Ratio	36.228%	44.021%	42.605%	33.144%
Total Capital Ratio	41.378%	55.449%	53.469%	57.169%
After proposed dividends:				
CET I Capital Ratio	32.209%	40.117%	33.372%	24.764%
Tier I Capital Ratio	32.252%	40.174%	33.372%	24.764%
Total Capital Ratio	37.402%	51.602%	44.236%	48.788%

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

Includes the qualifying regulatory reserves of the Group and the Bank of RM29,315,000 (31 December 2019: RM24,184,000) and RM9,411,000 (31 December 2019: RM9,917,000) respectively.

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

	Group		Bank	
	As at 30 September 2020	As at 31 December 2019	As at 30 September 2020	As at 31 December 2019
	RM'000	RM'000	RM'000	RM'000
Credit risk	2,426,313	1,965,132	755,630	794,533
Market risk	513,265	258,450	359,062	127,778
Operational risk	1,537,370	1,493,492	813,181	784,006
Total risk-weighted assets	4,476,948	3,717,074	1,927,873	1,706,317

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

27 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</u> <u>30 September 2020</u> <u>RM'000</u>	<u>As at</u> <u>31 December 2019</u> <u>RM'000</u>
Principal amount		
Forward assets purchases	5,501	-
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	1,003,314	1,129,454
- maturity exceeding one year	22	6,313
Equity related contracts: ^		
- less than one year	1,442	-
Foreign exchange related contracts: ^		
- less than one year	56,081	119,015
	<u>1,066,360</u>	<u>1,254,782</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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27 Commitments and Contingencies (cont'd)

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

<u>Bank</u>	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
Principal amount		
Direct credit substitutes #	62	152,467
Forward assets purchases	5,501	-
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	764,500	583,387
- maturity exceeding one year	22	22
Equity related contracts: ^		
- less than one year	1,442	-
Foreign exchange related contracts: ^		
- less than one year	56,081	43,113
	<u>827,608</u>	<u>778,989</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.

28 Capital and Other Commitments

	Group		Bank	
	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
Authorised and contracted for				
- Property, plant and equipment	21,556	19,614	14,007	12,218
- Investment securities	13,706	5,796	-	-
	<u>35,262</u>	<u>25,410</u>	<u>14,007</u>	<u>12,218</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

29 Valuation of Property, Plant and Equipment

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

30 Status of Corporate Proposals

Proposed Cessation of Business Operations of Subsidiaries in Hong Kong

On 5 December 2019, RHB Bank had announced that RHB Hong Kong Limited ('RHBHK') and its subsidiaries (collectively known as 'RHB Hong Kong Group') had on 4 December 2019 decided that they will commence to cease their business operations ('Proposed Cessation'). RHBHK is a wholly-owned subsidiary of the Bank.

With the increasingly challenging operating broking environment in Hong Kong has resulted in losses being recorded for RHB Hong Kong Group. As a result, it is no longer viable for RHB Hong Kong Group to continue its business operations. The Proposed Cessation would allow the Bank to refocus efforts and resources in driving long-term growth in other ASEAN markets in line with the larger RHB Banking Group's FIT22 strategy.

Pursuant to the Proposed Cessation, RHB Hong Kong Group will gradually discontinue offering financial services to its existing and potential clients. The Bank being the shareholder of RHB Hong Kong Group has provided the requisite support to ensure an orderly winding down of their business operations, as disclosed in Note 32(b).

As part of RHB Hong Kong Group, RHB (China) Investment Advisory Co Ltd was dissolved as disclosed in Note 32(c) while RHB Finance Hong Kong Limited has commenced the application for dissolution as disclosed in Note 32(d).

31 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 financial statements.

32 Changes in the Composition of the Group

There were no significant changes in the composition of the Group for the nine months ended 30 September 2020 other than the following:

(a) Subscription of 10 million Redeemable Preference Shares ('RPS') in RHB Private Equity Holdings Sdn Bhd ('RHBPEH')

On 28 January 2020, the Bank subscribed for 10 million RPS of RM2.00 each in RHBPEH amounting to RM20,000,000 for additional working capital purpose. Upon completion of the subscription, the equity interest held by the Bank in RHBPEH remains the same.

(b) Subscription of HKD150,000,000 new ordinary shares in RHBHK

On 14 February 2020, the Bank subscribed for 150 million new ordinary shares in RHBHK amounting to HKD150,000,000 (equivalent to RM80,775,000). The issued and paid-up share capital of RHBHK increased from HKD300,000,000 to HKD450,000,000. The rationale for the increase is to ensure that RHB Hong Kong Group are solvent for the purposes of the Proposed Cessation and winding up as disclosed in Note 30.

(c) Dissolution of RHB (China) Investment Advisory Co Ltd ('RHBCIA')

On 31 March 2020, RHBCIA, an indirect wholly-owned subsidiary of the Bank, commenced the application for dissolution pursuant to Article 180(ii) of the Company Law of the People's Republic of China. An application for dissolution has been submitted to Shanghai Tax Bureau and Shanghai Municipal Administration of Industry and Commerce accordingly.

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

The dissolution of RHBCIA, do not have any material effect on the earnings and net assets of the Group for the financial year ending 31 December 2020.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

32 Changes in the Composition of the Group (cont'd)

(d) Application for Member's Voluntary Winding Up of RHB Finance Hong Kong Limited ('RHBFinHK')

On 21 August 2020, RHBFinHK, an indirect wholly-owned subsidiary of the Bank, commenced the application for Member's Voluntary Winding Up pursuant to The Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong.

The Member's Voluntary Winding Up of RHBFinHK do not have any material effect on the earnings and net assets of the Group for the financial year ending 31 December 2020.

(e) Disposal of Entire Equity Interest in RHB Securities Singapore Pte Ltd ('RHBSS') ('Disposal')

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

The Disposal also entails an internal transfer of the capital markets business under RHBSS to RHB Bank, Singapore branch ('Business Transfer').

Business Transfer

Bank Negara Malaysia ('BNM') had vide its letter dated 28 August 2020 approved the following:-

- (i) RHB Bank to acquire the entire equity interests of RHBSS's wholly-owned subsidiaries, which comprise of RHB Nominees Singapore Pte Ltd, Summit Nominees Singapore Pte Ltd and RHB Research Institute Singapore Pte Ltd; and
- (ii) RHB Bank to acquire the client coverage team, research and advisory services in relation to corporate finance, mergers and acquisitions, equity capital markets and institutional equities sales (collectively referred to as the ('Capital Market Services Business') and share margin accounts from RHBSS, which will be carried on and continued by RHB Bank (Singapore Branch).

Subsequently, RHB Bank has, on 28 August 2020, entered into a Business Transfer Agreement with RHBSS in respect of the transfer by RHBSS of the above-mentioned businesses and assets to RHB Bank for a cash consideration of SGD20.57 million:

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

	RM'000
Other assets	709
Property, plant and equipment	33
Other intangible assets	3
Right of use assets	55
Other liabilities	(1,320)
Lease liabilities	(56)
Goodwill	46,443
Total net liabilities derecognised	45,867
Gain arising from business transfer	17,046
Exchange difference	(115)
Cash inflow from business transfer	62,798

The Business Transfer has been completed on 31 August 2020 and was satisfied in cash on 4 September 2020.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

32 Changes in the Composition of the Group (cont'd)

(e) Disposal of Entire Equity Interest in RHB Securities Singapore Pte Ltd ('RHBSS') ('Disposal')

Disposal

On 4 August 2020, Monetary Authority of Singapore ('MAS') approved the disposal of the entire equity interest in RHBSS to Phillip Securities.

Further, the Bank and Phillip Securities had on 28 August 2020, by way of exchange of letter, mutually agreed to extend the period to satisfy or waive the conditions precedent set out in the conditional share purchase agreement dated 29 June 2020 in respect of the Disposal to 30 October 2020.

The Bank had on 11 September 2020 completed the Disposal for a sale consideration of SGD87.62 million.

The cash flows and net assets of RHBSS are as follow:-

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

(f) Application for Member's Voluntary Winding Up of RHB Research Institute Sdn Bhd ('RHB Research Institute')

On 30 September 2020, RHB Research Institute, a wholly-owned subsidiary of the Bank, commenced the application for Member's Voluntary Winding Up pursuant to Section 439(1)(b) of the Companies Act 2016.

The Member's Voluntary Winding Up of RHB Research Institute do not have any material effect on the earnings and net assets of the Group for the financial year ending 31 December 2020.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

33 Discontinued Operation

As disclosed in Note 32(e), the disposal of RHBSS was completed on 11 September 2020 and as such, is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below:

(i) Unaudited Income Statement

	3rd Quarter Ended		Nine Months Ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
Net interest income	833	1,849	3,639	5,175
Other operating income	55,337	11,960	90,625	43,062
Other operating expenses	(17,582)	(21,254)	(62,785)	(65,173)
Operating profit before allowances	38,588	(7,445)	31,479	(16,936)
Allowance written back/(made) for expected credit losses	286	341	(937)	(2,610)
Profit/(Loss) before taxation of discontinued operation	38,874	(7,104)	30,542	(19,546)
Taxation	1,261	135	1,531	(464)
Profit/(Loss) after tax from discontinued operation	40,135	(6,969)	32,073	(20,010)

(ii) Unaudited Statement of Comprehensive Income

	3rd Quarter Ended		Nine Months Ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) from discontinued operation	40,135	(6,969)	32,073	(20,010)
Other comprehensive loss in respect of:				
(a) Items that will be reclassified subsequently to income statements:				
(i) Foreign currency translation reserve				
- Currency translation differences	(1,705)	(2,026)	-	(464)
- Disposal of a subsidiary	(50,895)	-	(50,895)	-
- Net investment hedge	1,599	(2,438)	-	(868)
Other comprehensive loss, net of tax, for the financial period	(51,001)	(4,464)	(50,895)	(1,332)
Total comprehensive loss for the financial period	(10,866)	(11,433)	(18,822)	(21,342)

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

33 Discontinued Operation (cont'd)

(iii) Unaudited Condensed Statement of Cash Flows

	Nine Months Ended	
	30 September 2020	30 September 2019
	RM'000	RM'000
Net cash inflow from operating activities	27,132	46,434
Net cash inflow/(outflow) from investing activities	62,213	(1,480)
Net cash outflow from financing activities	(74,912)	(29,568)
Net increase in cash generated	14,433	15,386

34 Changes in Profit for the Quarter

For the current financial quarter ended 30 September 2020, the Group recorded a pre-tax profit of RM107.5 million, 35.9% higher as compared to the immediate preceding quarter pre-tax profit of RM79.1 million. The increase in profit is due to higher net fee and commission income by RM31.1 million, higher other operating income by RM15.0 million and higher net interest income by RM6.0 million; partially offset by higher allowance made for expected credit losses by RM18.0 million, higher impairment losses made on other non-financial assets by RM5.3 million and higher other operating expenses by RM0.4 million.

35 Performance Review

For the nine months ended 30 September 2020, the Group recorded a pre-tax profit of RM204.3 million, 131.9% higher as compared to the previous corresponding period of RM88.1 million. The increase in profit was due to higher net fee and commission income by RM108.6 million, higher other operating income by RM34.1 million, higher net interest income by RM15.9 million and lower other operating expenses by RM6.6 million; partially offset by higher impairment losses made on other non-financial assets by RM24.3 million, higher allowance made for expected credit losses by RM18.6 million and lower share of results of associates by RM6.1 million.

36 Prospects for 2020

As we enter the last quarter of 2020, global economic growth is forecast to recover in 2021, premised on policy stimulus undertaken by central banks and governments worldwide, further supported by potential COVID-19 vaccine discovery. However, the pace of economic recovery will depend largely on the individual country's ability to contain the pandemic which is seeing a second surge in many countries. Malaysia's GDP is expected to rebound to a growth of between 5% to 7% in 2021 from a forecast contraction of 4.0% in 2020, on the back of continued government stimulus and recovery of its major trading partners. A hike in OPR, if any, is expected to occur only towards the later part of 2021.

RHB continues to offer support to its borrowers who are in need via the targeted repayment assistance post 30 September 2020 to ensure that they are able to see through the financial effects of the pandemic.

With strong fundamentals, RHB Banking Group is in a good position to navigate through the challenges, supported by sufficient liquidity and robust capital levels. While our present loan loss coverage is comfortable, we have ample room to absorb any potential increase in credit losses. With FIT22, our resolution is to stay the course, prioritising certain initiatives to improve our readiness in responding to the impact of the economic slowdown such as digitalisation of customer journeys, transformation of credit risk management and readying the workforce for the future.

37 Client Trust Accounts

In accordance with Financial Reporting Standards Implementation Committee Consensus 18 'Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad' ('FRSIC 18'), the cash held in trust for clients by the Group and the Bank amounted to RM2,961,209,000 and RM2,604,169,000 (2019: RM1,901,389,000 and RM1,394,913,000) respectively, are not recognised in the financial statements as the Group and the Bank held them in a fiduciary capacity.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

38 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
30 September 2020	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
Financial assets at FVTPL	422,950	1,359	532,093	956,402
- quoted securities	422,950	-	-	422,950
- unquoted securities	-	1,359	530,841	532,200
- contingent consideration	-	-	1,252	1,252
Financial assets at FVOCI	1,557	586,158	41,123	628,838
- money market instruments	-	281,025	-	281,025
- quoted securities	1,557	-	-	1,557
- unquoted securities	-	305,133	41,123	346,256
Derivative assets	-	44	-	44
	424,507	587,561	573,216	1,585,284
<u>Financial liabilities</u>				
Derivative liabilities	90,934	33	-	90,967
Group				
31 December 2019				
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
Financial assets at FVTPL	355,217	-	492,717	847,934
- quoted securities	355,217	-	-	355,217
- unquoted securities	-	-	492,717	492,717
Financial assets at FVOCI	2,035	711,239	38,968	752,242
- money market instruments	-	291,693	-	291,693
- quoted securities	2,035	-	-	2,035
- unquoted securities	-	419,546	38,968	458,514
Derivative assets	3,000	91	-	3,091
	360,252	711,330	531,685	1,603,267
<u>Financial liabilities</u>				
Derivative liabilities	4,277	232	-	4,509

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

38 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
30 September 2020	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
Financial assets at FVTPL	235,196	1,359	1,252	237,807
- quoted securities	235,196	-	-	235,196
- unquoted securities	-	1,359	-	1,359
- contingent consideration	-	-	1,252	1,252
Financial assets at FVOCI	-	586,158	34,954	621,112
- money market instruments	-	281,025	-	281,025
- unquoted securities	-	305,133	34,954	340,087
Derivative assets	-	44	-	44
	<u>235,196</u>	<u>587,561</u>	<u>36,206</u>	<u>858,963</u>
<u>Financial liabilities</u>				
Derivative liabilities	<u>90,872</u>	<u>33</u>	<u>-</u>	<u>90,905</u>

Bank	Level 1	Level 2	Level 3	Total
31 December 2019	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
Financial assets at FVTPL	60,382	-	-	60,382
- quoted securities	60,382	-	-	60,382
Financial assets at FVOCI	-	711,239	32,731	743,970
- money market instruments	-	291,693	-	291,693
- unquoted securities	-	419,546	32,731	452,277
Derivative assets	3,000	54	-	3,054
	<u>63,382</u>	<u>711,293</u>	<u>32,731</u>	<u>807,406</u>
<u>Financial liabilities</u>				
Derivative liabilities	<u>3,819</u>	<u>54</u>	<u>-</u>	<u>3,873</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

38 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 2020 and 31 December 2019 for the Group and the Bank:

	Group		Bank	
	As at 30 September 2020	As at 31 December 2019	As at 30 September 2020	As at 31 December 2019
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets at FVTPL</u>				
Balance as at the beginning of the financial year	492,717	437,275	-	-
Total gain/(loss) recognised in income statements				
- other operating income	36,072	33,817	(938)	-
Purchases	24,242	27,484	17,228	-
Settlements	(27,678)	(792)	(15,023)	-
Exchange differences	6,740	(5,067)	(15)	-
Balance as at the end of the financial period/year	532,093	492,717	1,252	-

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

38 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 2020 and 31 December 2019 for the Group and the Bank: (cont'd)

	Group		Bank	
	As at 30 September 2020	As at 31 December 2019	As at 30 September 2020	As at 31 December 2019
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets at FVOCI</u>				
Balance as at the beginning of the financial year	38,968	37,056	32,731	30,840
Total gain recognised in other comprehensive income	2,171	1,891	2,223	1,891
Exchange differences	(16)	21	-	-
Balance as at the end of financial period/year	<u>41,123</u>	<u>38,968</u>	<u>34,954</u>	<u>32,731</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

39 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, Cambodia and Vietnam.

Stockbroking business in Singapore was disposed on 11 September 2020. The details are disclosed in Note 33.

(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.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

39 Segment Reporting (cont'd)

Segment Profit and Loss for the Nine Months Ended 30 September 2020

<u>Group</u>	Continuing Operations				Discontinued Operation		
	Investment Banking	Treasury	Asset Management	Others and Elimination	Total	Investment Banking	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	449,939	64,428	115,923	-	630,290	94,264	724,554
Inter-segment revenue	1,961	-	(1,037)	(924)	-	-	-
Segment revenue	<u>451,900</u>	<u>64,428</u>	<u>114,886</u>	<u>(924)</u>	<u>630,290</u>	<u>94,264</u>	<u>724,554</u>
Overhead expenses	(319,843)	(13,401)	(80,694)	924	(413,014)	(62,785)	(475,799)
Including:							
Depreciation of property, plant and equipment	(7,477)	(51)	(790)	-	(8,318)	(978)	(9,296)
Depreciation of right of use assets	(7,950)	(62)	(647)	-	(8,659)	(3,801)	(12,460)
Amortisation of other intangible assets	(5,455)	(164)	(976)	-	(6,595)	(2,250)	(8,845)
Allowance (made)/written back for expected credit losses	(19,305)	(14)	23	-	(19,296)	(937)	(20,233)
Impairment loss made on other-financial assets	(24,300)	-	-	-	(24,300)	-	(24,300)
	<u>88,452</u>	<u>51,013</u>	<u>34,215</u>	<u>-</u>	<u>173,680</u>	<u>30,542</u>	<u>204,222</u>
Share of results of associates					30	-	30
Profit before taxation					<u>173,710</u>	<u>30,542</u>	<u>204,252</u>
Taxation					(50,692)	1,531	(49,161)
Profit for the period					<u><u>123,018</u></u>	<u><u>32,073</u></u>	<u><u>155,091</u></u>

Segment Assets and Liabilities as at 30 September 2020

<u>Group</u>	Continuing Operations				
	Investment Banking	Treasury	Asset Management	Others and Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	3,604,443	4,230,536	1,069,717	(734,866)	8,169,830
Goodwill	306,611	-	143,367	-	449,978
Investments in associates and joint ventures					4,610
Tax recoverable					1,830
Deferred tax assets					23,228
Total assets					<u><u>8,649,476</u></u>
Segment liabilities	1,289,185	3,614,963	775,512	(62,073)	5,617,587
Tax liabilities					22,104
Deferred tax liabilities					-
Borrowings					561,177
Subordinated obligations					204,591
Total liabilities					<u><u>6,405,459</u></u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (cont'd)

39 Segment Reporting (cont'd)

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

Group	Continuing Operations				Discontinued Operation		
	Investment Banking	Treasury	Asset Management	Others and Elimination	Total	Investment Banking	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	329,967	70,560	117,164	-	517,691	48,237	565,928
Inter-segment revenue	2,225	-	(1,141)	(1,084)	-	-	-
Segment revenue	332,192	70,560	116,023	(1,084)	517,691	48,237	565,928
Overhead expenses	(326,003)	(14,028)	(78,253)	1,084	(417,200)	(65,173)	(482,373)
Including:							
Depreciation of property, plant and equipment	(10,147)	(119)	(1,098)	-	(11,364)	(1,698)	(13,062)
Depreciation of right of use assets	(11,514)	(113)	(750)	-	(12,377)	(4,255)	(16,632)
Amortisation of other intangible assets	(5,952)	(332)	(657)	-	(6,941)	(2,800)	(9,741)
Allowance written back/(made) for expected credit losses	941	77	(10)	-	1,008	(2,610)	(1,602)
	7,130	56,609	37,760	-	101,499	(19,546)	81,953
Share of results of associates					6,145	-	6,145
Share of results of joint ventures					(30)	-	(30)
Profit/(Loss) before taxation					107,614	(19,546)	88,068
Taxation					(61,373)	(464)	(61,837)
Profit/(Loss) for the period					46,241	(20,010)	26,231

Segment Assets and Liabilities as at 31 December 2019

Group	Continuing Operations				Discontinued Operation		
	Investment Banking	Treasury	Asset Management	Others and Elimination	Total	Investment Banking	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	3,814,707	4,242,522	740,164	(1,181,103)	7,616,290	387,968	8,004,258
Goodwill	321,411	-	143,367	-	464,778	46,443	511,221
Investments in associates and joint ventures					16,083	-	16,083
Tax recoverable					17,102	-	17,102
Deferred tax assets					19,410	-	19,410
Total assets					8,133,663	434,411	8,568,074
Segment liabilities	1,100,648	3,425,999	500,047	(139,648)	4,887,046	93,199	4,980,245
Tax liabilities					5,489	14	5,503
Deferred tax liabilities					1,531	-	1,531
Borrowings					805,963	76,073	882,036
Subordinated obligations					404,263	-	404,263
Total liabilities					6,104,292	169,286	6,273,578