

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018**

	Note	Group		Bank	
		As at	As at	As at	As at
		30 September 2018	31 December 2017	30 September 2018	31 December 2017
		RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
Cash and short term funds		1,959,221	2,414,212	1,236,284	1,738,086
Deposits and placements with banks and other financial institutions		132,249	22,106	85,498	-
Financial assets at fair value through profit or loss ('FVTPL')	8	898,611	823,421	65,473	149,139
Financial investments available-for-sale ('AFS')	9	-	902,249	-	882,153
Financial investments held-to-maturity ('HTM')	10	-	583,232	-	583,232
Financial assets at fair value through other comprehensive income ('FVOCI')	11	842,286	-	833,964	-
Financial investments at amortised costs	12	993,208	-	993,208	-
Loans and advances	13	1,623,538	1,753,928	1,016,783	1,143,551
Clients' and brokers' balances	14	1,458,294	1,599,594	755,996	901,918
Other assets	15	347,120	204,723	103,329	70,754
Derivative assets		55	344	55	343
Statutory deposits		66,455	55,660	62,400	51,650
Tax recoverable		19,112	49,225	14,875	45,470
Deferred tax assets		19,080	14,839	4,924	1,180
Investments in subsidiaries		-	-	1,473,331	1,478,140
Investments in associates and joint ventures		53,450	54,174	21,057	21,057
Property, plant and equipment		41,546	50,293	20,878	24,888
Goodwill and other intangible assets		572,242	572,604	400,182	400,095
<b>TOTAL ASSETS</b>		<b>9,026,467</b>	<b>9,100,604</b>	<b>7,088,237</b>	<b>7,491,656</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	16	1,297,286	623,581	1,297,286	652,220
Deposits and placements of banks and other financial institutions	17	2,062,052	3,035,153	2,062,052	3,035,153
Bills and acceptances payable		38,307	6,185	-	-
Clients' and brokers' balances		1,246,981	1,363,525	660,536	772,320
Other liabilities	18	519,946	502,916	159,934	170,994
Derivative liabilities		6,742	46,013	6,011	45,873
Puttable financial instruments		79,087	78,825	-	-
Tax liabilities		4,968	6,136	-	-
Deferred tax liabilities		2,207	2,612	-	-
Borrowings		980,276	712,379	-	-
Subordinated obligations		409,175	404,263	409,175	404,263
<b>TOTAL LIABILITIES</b>		<b>6,647,027</b>	<b>6,781,588</b>	<b>4,594,994</b>	<b>5,080,823</b>
Share capital		1,487,773	1,487,773	1,487,773	1,487,773
Reserves		882,039	822,048	1,005,470	923,060
		2,369,812	2,309,821	2,493,243	2,410,833
Non-controlling interests		9,628	9,195	-	-
<b>TOTAL EQUITY</b>		<b>2,379,440</b>	<b>2,319,016</b>	<b>2,493,243</b>	<b>2,410,833</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9,026,467</b>	<b>9,100,604</b>	<b>7,088,237</b>	<b>7,491,656</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	28	<b>1,628,704</b>	<b>1,655,370</b>	<b>688,735</b>	<b>862,358</b>

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

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

<u>Group</u>	<u>Note</u>	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
		<u>30 September 2018</u>	<u>30 September 2017</u>	<u>30 September 2018</u>	<u>30 September 2017</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Interest income	19	56,018	54,698	169,232	184,045
Interest expense	20	(41,837)	(27,684)	(121,640)	(105,036)
Net interest income		14,181	27,014	47,592	79,009
Fee and commission income	21	151,570	185,787	523,370	621,357
Fee and commission expense	22	(36,702)	(50,218)	(120,384)	(169,948)
Other operating income	23	51,975	35,332	191,632	113,170
Other operating expenses	24	(180,744)	(178,568)	(544,478)	(546,151)
Operating profit before allowances		280	19,347	97,732	97,437
Allowance made for credit losses	25	(46)	(6,011)	(6,337)	(51,908)
Share of results of associates		234	13,336	91,395	45,529
Share of results of joint ventures		126	101	325	347
		26	94	64	301
<b>Profit before taxation</b>		<b>386</b>	<b>13,531</b>	<b>91,784</b>	<b>46,177</b>
Taxation		(7,910)	(5,957)	(36,192)	(28,332)
<b>Net (loss)/profit for the financial period</b>		<b>(7,524)</b>	<b>7,574</b>	<b>55,592</b>	<b>17,845</b>
(Loss)/Profit attributable to:					
Equity holder of the Bank		(7,803)	7,274	54,866	17,077
Non-controlling interests		279	300	726	768
		(7,524)	7,574	55,592	17,845
Basic (loss)/earnings per share (sen)	26	(7.8)	0.9	54.9	2.1

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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 2018**

<u>Group</u>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2018</b>	<b>30 September 2017</b>	<b>30 September 2018</b>	<b>30 September 2017</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>(7,524)</b>	7,574	<b>55,592</b>	17,845
Other comprehensive income/(loss) in respect of:				
(a) Item that will not be reclassified to income statements:				
(i) Actuarial (loss)/gain on defined benefit plan of subsidiaries	<b>(291)</b>	2	<b>974</b>	409
(ii) Financial assets at FVOCI, equity instruments:				
- Unrealised net (loss)/gain on revaluation	<b>(1)</b>	-	<b>3,758</b>	-
- Net gain on disposal	<b>7</b>	-	<b>8</b>	-
(b) Items that will be reclassified subsequently to income statements:				
(i) Foreign currency translation reserve				
- Currency translation differences	<b>17,879</b>	(8,792)	<b>(6,101)</b>	(19,117)
- Net investment hedge	<b>(1,979)</b>	217	<b>4,809</b>	(496)
(ii) Financial investments AFS:				
- Unrealised net gain on revaluation	-	1,215	-	19,862
- Net transfer to income statements on disposal	-	4,914	-	3,632
(iii) Financial assets at FVOCI, debt instruments:				
- Unrealised net gain on revaluation	<b>4,432</b>	-	<b>804</b>	-
- Net transfer to income statements on disposal	-	-	<b>1</b>	-
Income tax relating to components of other comprehensive income	<b>(1,064)</b>	(1,485)	<b>(292)</b>	(5,753)
Other comprehensive income/(loss), net of tax, for the financial period	<b>18,983</b>	(3,929)	<b>3,961</b>	(1,463)
Total comprehensive income for the financial period	<b>11,459</b>	3,645	<b>59,553</b>	16,382
Total comprehensive income attributable to:				
Equity holder of the Bank	<b>11,205</b>	3,481	<b>58,320</b>	15,622
Non-controlling interests	<b>254</b>	164	<b>1,233</b>	760
	<b>11,459</b>	3,645	<b>59,553</b>	16,382

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENT**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

<b>Bank</b>	<b>Note</b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
		<b>30 September 2018</b>	<b>30 September 2017</b>	<b>30 September 2018</b>	<b>30 September 2017</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	19	41,484	38,672	127,199	130,744
Interest expense	20	(33,276)	(22,925)	(99,233)	(89,190)
Net interest income		8,208	15,747	27,966	41,554
Fee and commission income	21	50,311	57,557	184,726	217,841
Other operating income	23	45,641	22,300	156,655	82,599
		104,160	95,604	369,347	341,994
Other operating expenses	24	(82,961)	(80,491)	(262,965)	(249,923)
Operating profit before allowances		21,199	15,113	106,382	92,071
Allowance written back for credit losses	25	649	21	1,479	485
<b>Profit before taxation</b>		<b>21,848</b>	<b>15,134</b>	<b>107,861</b>	<b>92,556</b>
Taxation		(6,156)	(3,016)	(28,155)	(20,323)
<b>Net profit for the financial period</b>		<b>15,692</b>	<b>12,118</b>	<b>79,706</b>	<b>72,233</b>

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

<u>Bank</u>	3rd Quarter Ended		Nine Months Ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	<b>15,692</b>	12,118	<b>79,706</b>	72,233
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>560</b>	-
(b) Items that will be reclassified subsequently to income statement:				
(i) Financial investments AFS:				
- Unrealised net gain on revaluation	-	1,305	-	18,836
- Net transfer to income statement on disposal	-	4,882	-	4,710
(ii) Financial assets at FVOCI, debt instruments:				
- Unrealised net gain on revaluation	<b>4,432</b>	-	<b>804</b>	-
- Net transfer to income statement on disposal	-	-	<b>1</b>	-
Income tax relating to components of other comprehensive income	<b>(1,064)</b>	(1,485)	<b>(328)</b>	(5,651)
Other comprehensive income, net of tax, for the financial period	<b>3,368</b>	4,702	<b>1,037</b>	17,895
Total comprehensive income for the financial period	<b>19,060</b>	16,820	<b>80,743</b>	90,128

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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 the Equity Holder of the Bank

<u>Group</u>	<u>Note</u>	<u>Share capital</u> RM'000	<u>Statutory reserves</u> RM'000	<u>FVOCI reserves</u> RM'000	<u>Translation reserves</u> RM'000	<u>Regulatory reserves</u> RM'000	<u>Retained profits</u> RM'000	<u>Total</u> RM'000	<u>Non-controlling interests</u> RM'000	<u>Total</u> RM'000
<b>Balance as at 1 January 2018</b>										
- As previously reported		1,487,773	513	18,861	111,897	21,047	669,730	2,309,821	9,195	2,319,016
- Effect of adoption of MFRS 9	39	-	-	854	-	14,097	(13,280)	1,671	-	1,671
- As restated		1,487,773	513	19,715	111,897	35,144	656,450	2,311,492	9,195	2,320,687
Net profit for the financial period		-	-	-	-	-	54,866	54,866	726	55,592
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)	-	55,867	58,320	1,233	59,553
Transfer to regulatory reserves		-	-	-	-	7,825	(7,825)	-	-	-
Dividend paid to non-controlling interest		-	-	-	-	-	-	-	(800)	(800)
<b>Balance as at 30 September 2018</b>		<b>1,487,773</b>	<b>513</b>	<b>23,313</b>	<b>110,752</b>	<b>42,969</b>	<b>704,492</b>	<b>2,369,812</b>	<b>9,628</b>	<b>2,379,440</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 2017**

**Attributable to Equity Holder of the Bank**

<b>Group</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Statutory reserves</b>	<b>AFS reserves</b>	<b>Translation reserves</b>	<b>Regulatory reserves</b>	<b>Retained profits</b>	<b>Total</b>	<b>Non-controlling interests</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</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 2017	818,646	1,515,150	449,721	876	152,870	21,279	199,497	3,158,039	8,202	3,166,241
Net profit for the financial period	-	-	-	-	-	-	17,077	17,077	768	17,845
Foreign currency translation reserve:-										
- Currency translation differences	-	-	-	(52)	(18,916)	-	-	(18,968)	(149)	(19,117)
- Net investment hedge	-	-	-	-	(496)	-	-	(496)	-	(496)
Financial investments AFS:										
- Unrealised net gain on revaluation	-	-	-	19,726	-	-	-	19,726	136	19,862
- Net transfer to income statements on disposal	-	-	-	3,632	-	-	-	3,632	-	3,632
Actuarial gain on defined benefit plan of subsidiaries	-	-	-	-	-	-	403	403	6	409
Income tax relating to components of other comprehensive income	-	-	-	(5,651)	-	-	(101)	(5,752)	(1)	(5,753)
Other comprehensive income/(loss), net of tax, for the financial period	-	-	-	17,655	(19,412)	-	302	(1,455)	(8)	(1,463)
Total comprehensive income/(loss) for the financial period	-	-	-	17,655	(19,412)	-	17,379	15,622	760	16,382
Transfer to share capital	1,515,150	(1,515,150)	-	-	-	-	-	-	-	-
Capital cancellation	(846,023)	-	-	-	-	-	-	(846,023)	-	(846,023)
Transfer from regulatory reserves	-	-	-	-	-	(398)	398	-	-	-
Transfer from statutory reserves	-	-	(449,208)	-	-	-	449,208	-	-	-
Acquisition of additional interests from non-controlling interests	-	-	-	-	-	-	(1)	(1)	(12)	(13)
Balance as at 30 September 2017	1,487,773	-	513	18,531	133,458	20,881	666,481	2,327,637	8,950	2,336,587

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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 2018**

	Note	Non-Distributable		Distributable	Total	
		Share capital	FVOCI reserves	Regulatory reserves		Retained profits
<b>Bank</b>		RM'000	RM'000	RM'000	RM'000	
<b>Balance as at 1 January 2018</b>						
- As previously reported		1,487,773	26,120	13,722	883,218	2,410,833
- Effect of adoption of MFRS 9	39	-	(6,498)	10,077	(1,912)	1,667
- As restated		1,487,773	19,622	23,799	881,306	2,412,500
Net profit for the financial period		-	-	-	79,706	79,706
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 statement 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	-	79,706	80,743
Transfer to regulatory reserves		-	-	260	(260)	-
<b>Balance as at 30 September 2018</b>		<b>1,487,773</b>	<b>20,659</b>	<b>24,059</b>	<b>960,752</b>	<b>2,493,243</b>

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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 2017**

<u>Bank</u>	Non-Distributable				Distributable		Total
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2017	818,646	1,515,150	449,208	7,850	13,008	351,586	3,155,448
Net profit for the financial period	-	-	-	-	-	72,233	72,233
Financial investments AFS:							
- Unrealised net gain on revaluation	-	-	-	18,836	-	-	18,836
- Net transfer to income statement on disposal	-	-	-	4,710	-	-	4,710
Income tax relating to components of other comprehensive income	-	-	-	(5,651)	-	-	(5,651)
Other comprehensive income, net of tax, for the financial period	-	-	-	17,895	-	-	17,895
Total comprehensive income for the financial period	-	-	-	17,895	-	72,233	90,128
Transfer to share capital	1,515,150	(1,515,150)	-	-	-	-	-
Capital cancellation	(846,023)	-	-	-	-	-	(846,023)
Transfer from statutory reserves	-	-	(449,208)	-	-	449,208	-
Transfer to regulatory reserves	-	-	-	-	253	(253)	-
Balance as at 30 September 2017	1,487,773	-	-	25,745	13,261	872,774	2,399,553

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

	Nine Months Ended	
	30 September 2018	30 September 2017
	RM'000	RM'000
<b>Group</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	91,784	46,177
Adjustments for non-operating and non-cash items	(87,209)	28,599
Operating profit before working capital changes	4,575	74,776
Changes in working capital:		
Net changes in operating assets	(53,343)	301,046
Net changes in operating liabilities	(348,316)	1,035,120
Cash (used in)/generated from operations	(397,084)	1,410,942
Taxation paid	(11,589)	(29,682)
Net cash (used in)/generated from operating activities	(408,673)	1,381,260
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net (purchase)/proceeds from disposal of financial assets at FVOCI and financial investments at amortised costs/AFS and HTM	(320,853)	138,649
Interest income received from financial assets at FVTPL, FVOCI and financial investments at amortised costs/AFS and HTM	43,492	47,262
Property, plant and equipment		
- Purchase	(5,705)	(10,772)
- Proceeds from disposal	1	32
Purchase of other intangible assets	(7,215)	(4,460)
Dividend income received from financial assets at FVTPL and FVOCI/financial investments AFS	5,952	10,149
Dividend income received from an associate	1,041	-
Acquisition of additional interest from non-controlling interests	-	(13)
Net cash (used in)/generated from investing activities	(283,287)	180,847
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital repayment to shareholder	-	(846,023)
Net drawdown/(repayment) of borrowings	250,442	(73,255)
Subordinated obligations interest paid	(9,822)	(10,311)
Dividend paid to non-controlling interest	(800)	-
Net cash generated from/(used in) financing activities	239,820	(929,589)
Net (decrease)/increase in cash and cash equivalents	(452,140)	632,518
Effects of exchange rate differences	(2,386)	(10,400)
Cash and cash equivalents		
- at the beginning of the financial period	2,414,212	1,064,383
- at the end of the financial period	1,959,686	1,686,501
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS:</b>		
Cash and short term funds before expected credit losses ('ECL')	1,959,686	1,686,501
Less: Allowance for ECL	(465)	-
Cash and short-term funds, net of ECL	1,959,221	1,686,501

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

	Nine Months Ended	
	30 September 2018	30 September 2017
	RM'000	RM'000
<b>Bank</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	107,861	92,556
Adjustments for non-operating and non-cash items	(73,326)	(12,022)
Operating profit before working capital changes	34,535	80,534
Changes in working capital:		
Net changes in operating assets	204,975	418,842
Net changes in operating liabilities	(451,357)	791,874
Cash (used in)/generated from operations	(211,847)	1,291,250
Taxation paid	(436)	(15,173)
Net cash (used in)/generated from operating activities	(212,283)	1,276,077
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net (purchase)/proceeds from disposal of financial assets at FVOCI and financial investments at amortised costs/AFS and HTM	(341,890)	136,323
Interest income received from financial assets at FVTPL, FVOCI and financial investments at amortised costs/AFS and HTM	55,170	47,069
Purchase of property, plant and equipment	(1,870)	(5,293)
Purchase of other intangible assets	(4,385)	(1,799)
Dividend income received from financial assets at FVTPL and FVOCI/financial investments AFS	1,104	2,201
Dividend income received from subsidiaries	11,400	-
Dividend income received from an associate	1,041	-
Acquisition of additional interest from non-controlling interests	-	(12)
Net cash (used in)/generated from investing activities	(279,430)	178,489
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital repayment to shareholder	-	(846,023)
Subordinated obligations interest paid	(9,822)	(10,311)
Net cash used in financing activities	(9,822)	(856,334)
Net (decrease)/increase in cash and cash equivalents	(501,535)	598,232
Cash and cash equivalents		
- at the beginning of the financial period	1,738,086	478,126
- at the end of the financial period	1,236,551	1,076,358
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS:</b>		
Cash and short term funds before ECL	1,236,551	1,076,358
Less: Allowance for ECL	(267)	-
Cash and short-term funds, net of ECL	1,236,284	1,076,358

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

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

**1 Basis of Preparation**

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

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

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

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

(b) Changes in regulatory requirements - Financial Reporting

On 2 February 2018, Bank Negara Malaysia ('BNM') issued the revised policy document on Financial Reporting which prescribes the regulatory reserves to be maintained by banking institutions. With effect from 1 January 2018, the Bank and its domestic banking subsidiaries companies must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

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

The effect of this change is as disclosed in Note 39.

**2 Auditors' Report**

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

**3 Seasonal or Cyclical Factors**

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

**4 Exceptional or Unusual Items**

There were no exceptional or unusual items for the nine months ended 30 September 2018.

**5 Changes in Estimates**

There were no material changes in estimates of amounts reported in prior financial years that have a material effect for the nine months ended 30 September 2018.

**6 Changes in Debt and Equity Securities**

There were no issuances and repayments of debt and equity securities, share buy-back, share cancellations, shares held as treasury shares and resale of treasury shares for the nine months ended 30 September 2018.

**7 Dividends Paid**

No dividend was paid by the Bank during the nine months ended 30 September 2018.

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

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (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 2018	31 December 2017	30 September 2018	31 December 2017
	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	31,021	149,116	28,029	149,116
Unit trusts	54,673	64,783	9,447	-
<b>Outside Malaysia</b>				
Shares	348,070	249,640	-	-
Unit trusts	27,983	-	27,983	-
<b><u>Unquoted securities:</u></b>				
<b>In Malaysia</b>				
Corporate bonds/Sukuk	14	23	14	23
<b>Outside Malaysia</b>				
Private equity funds	436,850	359,859	-	-
	<b>898,611</b>	<b>823,421</b>	<b>65,473</b>	<b>149,139</b>

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

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

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

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

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

	Group As at 31 December 2017 RM'000	Bank As at 31 December 2017 RM'000
<b>At fair value</b>		
<b><u>Money market instruments:</u></b>		
Malaysian Government Securities	139,092	139,092
Malaysian Government Investment Issues	140,795	140,795
Khazanah bonds	41,382	41,382
Sukuk Perumahan Kerajaan	69,475	69,475
<b><u>Quoted securities:</u></b>		
<b>In Malaysia</b>		
Shares	39	-
Unit trusts	26,168	11,234
<b>Outside Malaysia</b>		
Shares	2,325	-
Unit trusts	30,296	30,296
<b><u>Unquoted securities:</u></b>		
<b>In Malaysia</b>		
Corporate bonds/Sukuk	399,470	399,470
Shares	34,284	31,775
Prasarana bonds	25,388	25,388
<b>Outside Malaysia</b>		
Shares	289	-
	909,003	888,907
Accumulated impairment losses	(6,754)	(6,754)
	<u>902,249</u>	<u>882,153</u>

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

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

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

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

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

	Group As at 30 September 2018 RM'000	Bank As at 30 September 2018 RM'000
(a) Debt instruments	803,124	803,124
(b) Equity instruments	39,162	30,840
	842,286	833,964
<b>(a) Debt instruments</b>		
<b>At fair value</b>		
<b><u>Money market instruments:</u></b>		
Malaysian Government Securities	128,548	128,548
Malaysian Government Investment Issues	141,177	141,177
Khazanah bonds	42,691	42,691
Sukuk Perumahan Kerajaan	70,498	70,498
<b><u>Unquoted securities:</u></b>		
<b>In Malaysia</b>		
Corporate bonds/Sukuk	400,262	400,262
Prasarana bonds	25,207	25,207
	808,383	808,383
Allowance for credit losses	(5,259)	(5,259)
	803,124	803,124
<b>(b) Equity instruments</b>		
<b>At fair value</b>		
<b><u>Quoted securities:</u></b>		
<b>Outside Malaysia</b>		
Shares	2,107	-
<b><u>Unquoted securities:</u></b>		
<b>In Malaysia</b>		
Shares	36,762	30,840
<b>Outside Malaysia</b>		
Shares	293	-
	39,162	30,840



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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

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

	<b>Group As at 30 September 2018</b>	<b>Bank As at 30 September 2018</b>
	<u>RM'000</u>	<u>RM'000</u>
<b>(c) Movement in credit impaired financial assets at FVOCI, debt instruments</b>		
Balance as at the beginning of the financial year	-	-
- As previously reported	-	-
- Effect of adoption of MFRS 9	<b>5,259</b>	<b>5,259</b>
As restated/Balance as at the end of the financial period	<b>5,259</b>	<b>5,259</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>(d) Movement in allowance for credit losses for financial assets at FVOCI, debt instruments</b>		
Balance as at the beginning of the financial year	-	-
- As previously reported	-	-
- Effect of adoption of MFRS 9	<b>5,259</b>	<b>5,259</b>
As restated/Balance as at the end of the financial period	<b>5,259</b>	<b>5,259</b>
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RHB INVESTMENT BANK BERHAD (19663-P)  
Incorporated in Malaysia

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

12 Financial Investments at Amortised Costs

	Group and Bank As at 30 September 2018 <u>RM'000</u>
<b><u>Money market instruments:</u></b>	
Malaysian Government Investment Issues	378,992
Khazanah bonds	11,906
Wakala Global Sukuk	8,558
Negotiable instruments of deposit	200,191
<b><u>Unquoted Securities:</u></b>	
<b><u>In Malaysia</u></b>	
Corporate bonds/Sukuk	379,993
Loan stocks	26,241
Prasarana bonds	65,632
	1,071,513
Allowance for credit losses	(78,305)
	993,208

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

Balance as at the beginning of the financial year	-
- As previously reported	-
- Effect of adoption of MFRS 9	79,405
- As restated	79,405
Amount recovered	(1,100)
Balance as at the end of the financial period	78,305

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

Balance as at the beginning of the financial year	-
- As previously reported	-
- Effect of adoption of MFRS 9	79,405
- As restated	79,405
Written back during the financial period	(1,100)
Balance as at the end of the financial period	78,305

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

13 Loans and Advances

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
<b>(a) By type</b>				
<b>At amortised cost</b>				
Other term loans	45,273	50,472	2	2
Share margin financing	1,672,119	1,789,843	1,016,368	1,143,036
Staff loans	414	519	414	519
<b>Gross loans and advances</b>	<b>1,717,806</b>	<b>1,840,834</b>	<b>1,016,784</b>	<b>1,143,557</b>
Allowance for impaired loans and advances				
- allowance for credit losses	(94,268)	-	(1)	-
- individual impairment allowance	-	(86,905)	-	(5)
- collective impairment allowance	-	(1)	-	(1)
<b>Net loans and advances</b>	<b>1,623,538</b>	<b>1,753,928</b>	<b>1,016,783</b>	<b>1,143,551</b>
<b>(b) By type of customer</b>				
Domestic business enterprises:				
- small and medium enterprises	132,455	197,973	132,455	197,973
- others	105,054	118,656	105,054	118,656
Individuals	743,072	797,118	743,072	797,118
Foreign entities	737,225	727,087	36,203	29,810
<b>Total</b>	<b>1,717,806</b>	<b>1,840,834</b>	<b>1,016,784</b>	<b>1,143,557</b>
<b>(c) By geographical distribution</b>				
In Malaysia	1,016,784	1,143,557	1,016,784	1,143,557
Outside Malaysia				
- Singapore	170,946	146,645	-	-
- Hong Kong	145,032	170,649	-	-
- Indonesia	150,937	111,148	-	-
- Thailand	234,107	268,835	-	-
<b>Total</b>	<b>1,717,806</b>	<b>1,840,834</b>	<b>1,016,784</b>	<b>1,143,557</b>
<b>(d) By interest rate sensitivity</b>				
Fixed rate:				
- other fixed rate loans	1,338,665	1,401,348	1,016,782	1,143,555
Variable rate:				
- base lending rate plus	379,141	439,486	2	2
<b>Total</b>	<b>1,717,806</b>	<b>1,840,834</b>	<b>1,016,784</b>	<b>1,143,557</b>

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

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)**

**13 Loans and Advances (cont'd)**

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
<b>(e) By purpose</b>				
Purchase of securities	1,717,390	1,840,313	1,016,368	1,143,036
Purchase of transport vehicles	19	33	19	33
Purchase of landed property:				
- residential	397	488	397	488
	<u>1,717,806</u>	<u>1,840,834</u>	<u>1,016,784</u>	<u>1,143,557</u>
<b>(f) By economic sector</b>				
Agriculture, hunting, forestry and fishing	39,362	424	1,045	424
Mining and quarrying	7,571	7,841	148	232
Manufacturing	31,826	2,191	4,077	-
Construction	1,443	-	1,443	-
Wholesale and retail trade and restaurant and hotel	42,442	35,798	236	819
Transport, storage and communication	2,996	3,389	2,996	3,389
Real estate	105,520	34,590	43,510	34,590
Finance, insurance and business services	223,578	334,951	183,342	271,187
Education, health & others	10,322	8,333	10,322	8,333
Household sector	1,252,746	1,413,317	769,665	824,583
	<u>1,717,806</u>	<u>1,840,834</u>	<u>1,016,784</u>	<u>1,143,557</u>
<b>(g) By remaining contractual maturities</b>				
Maturity within one year	1,717,434	1,840,314	1,016,412	1,143,037
One year to three years	13	117	13	117
Three years to five years	15	17	15	17
Over five years	344	386	344	386
	<u>1,717,806</u>	<u>1,840,834</u>	<u>1,016,784</u>	<u>1,143,557</u>
<b>(h) Impaired loans and advances</b>				
<b>(i) Movements in impaired loans and advances</b>				
Balance as at the beginning of the financial year				
- As previously reported	-	129,166	-	55,803
- Effect of adoption of MFRS 9	93,677	-	454	-
- As restated	93,677	129,166	454	55,803
Transfer out to 12-month ECL (Stage 1)	(4,434)	-	(2,134)	-
Transfer out to Lifetime ECL not credit impaired (Stage 2)	(8,318)	-	(8,318)	-
Transfer in to Lifetime ECL credit impaired (Stage 3)	12,941	-	9,999	-
Classified as impaired	-	48,817	-	15,518
Derecognition	(259)	-	-	-
Amount recovered	-	(60,262)	-	(54,821)
Amount written off	-	(347)	-	-
Business transferred to holding company	-	(16,046)	-	(16,046)
Exchange differences	1,694	(7,651)	-	-
Balance as at the end of the financial period/year	<u>95,301</u>	<u>93,677</u>	<u>1</u>	<u>454</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

13 Loans and Advances (cont'd)

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
<b>(h) Impaired loans and advances (cont'd)</b>				
<b>(ii) By purpose</b>				
Purchase of securities	95,300	93,677	-	454
Purchase of landed property:				
- residential	1	-	1	-
	<u>95,301</u>	<u>93,677</u>	<u>1</u>	<u>454</u>
<b>(iii) By economic sector</b>				
Mining and quarrying	7,423	7,609	-	-
Manufacturing	2,188	2,191	-	-
Wholesale and retail trade and restaurant and hotel	35,715	34,979	-	-
Finance, insurance and business services	26,793	26,241	-	-
Household sector	23,182	22,657	1	454
	<u>95,301</u>	<u>93,677</u>	<u>1</u>	<u>454</u>
<b>(iv) By geographical distribution</b>				
In Malaysia	1	454	1	454
Outside Malaysia:				
- Singapore	15,323	14,994	-	-
- Hong Kong	71,297	69,799	-	-
- Thailand	8,680	8,430	-	-
	<u>95,301</u>	<u>93,677</u>	<u>1</u>	<u>454</u>
<b>(v) Allowance for credit losses on loans and advances</b>				
12-month ECL (Stage 1)	1	-	1	-
Lifetime ECL credit impaired (Stage 3)	94,267	-	-	-
	<u>94,268</u>	<u>-</u>	<u>1</u>	<u>-</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

13 Loans and Advances (cont'd)

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

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

Movements in allowance for credit losses

<u>Group</u>	12-month ECL (Stage 1)	Lifetime ECL Credit Impaired (Stage 3)	Total
<b>30 September 2018</b>	RM'000	RM'000	RM'000
Balance as at the beginning of the financial year			
- As previously reported	-	-	-
- Effect of adoption of MFRS 9	1	86,905	86,906
- As restated	1	86,905	86,906
Allowance made during the financial period	-	5,547	5,547
Exchange differences	-	1,815	1,815
Balance as at the beginning of the financial period	<u>1</u>	<u>94,267</u>	<u>94,268</u>

Bank

**30 September 2018**

Balance as at the beginning of the financial year			
- As previously reported	-	-	-
- Effect of adoption of MFRS 9	1	5	6
- As restated	1	5	6
Written back during the financial period	-	(5)	(5)
Balance as at the beginning of the financial period	<u>1</u>	<u>-</u>	<u>1</u>

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

Individual impairment allowance

Balance as at the beginning of the financial year	54,887	9,966
Net allowance made	48,949	5
Amount written off	(347)	-
Business transferred to holding company	(9,966)	(9,966)
Exchange differences	(6,618)	-
Balance as at the end of the financial year	<u>86,905</u>	<u>5</u>

Collective impairment allowance

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

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

14 Clients' and Brokers' Balances

	Group		Bank	
	As at	As at	As at	As at
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Amounts owing by clients	1,032,245	1,061,043	583,359	633,810
- Allowance for credit losses	(32,215)	-	(6,055)	-
- Individual impairment allowance	-	(28,551)	-	(6,789)
- Collective impairment allowance	-	(3,331)	-	(20)
	<u>1,000,030</u>	<u>1,029,161</u>	<u>577,304</u>	<u>627,001</u>
Amounts owing by brokers	134,857	230,439	29,663	185,971
Amounts owing by clearing houses and stock exchanges	323,407	339,994	149,029	88,946
	<u>1,458,294</u>	<u>1,599,594</u>	<u>755,996</u>	<u>901,918</u>

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

	Group	Bank
	As at	As at
	30 September 2018	30 September 2018
	RM'000	RM'000
Balance as at the beginning of the financial year		
- As previously reported	-	-
- Effect of adoption of MFRS 9	34,355	9,281
- As restated	34,355	9,281
Transfer in to Lifetime ECL credit impaired provision (Stage 3)	22,018	20,432
Derecognition	(20,591)	(19,901)
Exchange differences	190	-
Balance as at the end of the financial period	<u>35,972</u>	<u>9,812</u>

(b) Movement in allowance for credit losses

<u>Group</u>	12-month	Lifetime ECL	Total
	ECL	Credit	
	(Stage 1)	Impaired	
30 September 2018	RM'000	RM'000	RM'000
Balance as at the beginning of financial year			
- As previously reported	-	-	-
- Effect of adoption of MFRS 9	-	31,882	31,882
- As restated	-	31,882	31,882
Allowance made during the financial period	1	2,063	2,064
Derecognition	(1)	(1,972)	(1,973)
Exchange differences	-	242	242
Balance as at the end of financial period	<u>-</u>	<u>32,215</u>	<u>32,215</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

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

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

<u>Bank</u>	12-month ECL (Stage 1) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
<b>30 September 2018</b>			
Balance as at the beginning of financial year			
- As previously reported	-	-	-
- Effect of adoption of MFRS 9	-	6,809	6,809
- As restated	-	6,809	6,809
Allowance written back during the financial period	1	-	1
Derecognition	(1)	(754)	(755)
Balance as at the end of financial period	-	6,055	6,055

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

**Collective impairment allowance**

Balance as at the beginning of the financial year	16,608	47
Net allowance written back	(219)	(27)
Transfer to individual allowance	(12,634)	-
Exchange differences	(424)	-
Balance as at the end of the financial year	3,331	20

15 Other Assets

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Other receivables	105,978	91,742	50,428	44,397
Unit trust fee receivables	25,401	18,238	-	-
Management fee receivables	2,887	8,580	-	-
Deposits	23,669	20,101	5,336	7,412
Prepayments	22,823	21,681	7,838	6,401
Amount receivable for release of units from funds	129,421	43,592	-	-
Transferable memberships	342	340	262	262
Amount due from holding company	36,348	12	36,319	-
Amount due from subsidiaries	-	-	3,122	12,257
Amount due from related companies	251	437	24	25
	347,120	204,723	103,329	70,754



NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

16 Deposits from Customers

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
<b>(a) By type of deposits</b>				
Short term deposits	1,297,286	259,626	1,297,286	259,626
Fixed deposits	-	363,852	-	392,491
Negotiable instruments of deposits	-	103	-	103
	<u>1,297,286</u>	<u>623,581</u>	<u>1,297,286</u>	<u>652,220</u>
<b>(b) By type of customers</b>				
Business enterprises	<u>1,297,286</u>	<u>623,581</u>	<u>1,297,286</u>	<u>652,220</u>
<b>(c) By maturity structure of fixed deposits</b>				
Due within six months	<u>1,297,286</u>	<u>623,581</u>	<u>1,297,286</u>	<u>652,220</u>

17 Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Licensed banks	<u>2,062,052</u>	<u>3,035,153</u>	<u>2,062,052</u>	<u>3,035,153</u>

18 Other Liabilities

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Other creditors and accruals	193,883	139,517	59,712	55,288
Structured deposits	-	7,281	-	7,281
Deferred income	6,854	3,231	867	-
Remisiers' trust deposits	63,490	62,902	63,463	62,902
Amount payable for creation of units due to funds	10,911	160,214	-	-
Amount payable for redemption units	173,680	40,745	-	-
Short-term employee benefits	68,482	72,155	32,848	32,346
Amount due to holding company	1,998	15,619	-	9,971
Amount due to subsidiaries	-	-	2,446	2,693
Amount due to related companies	648	1,252	598	513
	<u>519,946</u>	<u>502,916</u>	<u>159,934</u>	<u>170,994</u>

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

	3rd Quarter Ended		Nine Months Ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000
<b>19 Interest Income</b>				
<b><u>Group</u></b>				
Loans and advances	25,114	28,474	74,425	89,200
Money at call and deposits and placements with banks and other financial institutions	14,316	11,277	46,937	37,049
Financial assets at FVTPL	17	71	308	63
Financial investments AFS	-	10,120	-	40,009
Financial investments HTM	-	3,137	-	10,477
Financial assets at FVOCI, debt instruments	7,679	-	22,986	-
Financial investments at amortised costs	8,012	-	21,609	-
Others	880	1,619	2,967	7,247
	<b>56,018</b>	<b>54,698</b>	<b>169,232</b>	<b>184,045</b>
of which:				
Interest income accrued on impaired financial assets	<b>2,084</b>	1,795	<b>5,775</b>	5,934
<b><u>Bank</u></b>				
Loans and advances	13,298	15,790	40,531	49,452
Money at call and deposits and placements with banks and other financial institutions	12,159	8,959	40,604	29,294
Financial assets at FVTPL	21	67	292	48
Financial investments AFS	-	9,953	-	39,830
Financial investments HTM	-	3,137	-	10,477
Financial assets at FVOCI, debt instrument	7,560	-	22,625	-
Financial investments at amortised costs	8,012	-	21,609	-
Others	434	766	1,538	1,643
	<b>41,484</b>	<b>38,672</b>	<b>127,199</b>	<b>130,744</b>
of which:				
Interest income accrued on impaired financial assets	-	86	-	744

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

	3rd Quarter Ended		Nine Months Ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000
<b>20 Interest Expense</b>				
<b><u>Group</u></b>				
Deposits and placements of banks and other financial institutions	18,135	8,165	59,130	34,923
Deposits from customers	10,086	8,754	24,953	36,696
Subordinated obligations	4,965	5,212	14,734	15,467
Borrowings	7,628	4,679	20,017	15,626
Others	1,023	874	2,806	2,324
	<b>41,837</b>	<b>27,684</b>	<b>121,640</b>	<b>105,036</b>
<b><u>Bank</u></b>				
Deposits and placements of banks and other financial institutions	18,135	8,165	59,130	34,923
Deposits from customers	10,176	9,316	25,369	38,452
Subordinated obligations	4,965	5,212	14,734	15,467
Others	-	232	-	348
	<b>33,276</b>	<b>22,925</b>	<b>99,233</b>	<b>89,190</b>
<b>21 Fee and Commission Income</b>				
<b><u>Group</u></b>				
Brokerage income	61,002	71,797	214,320	242,619
Fund management fees	56,098	61,190	169,067	176,607
Unit trust fee income	12,352	21,861	43,906	91,650
Corporate advisory fees	5,053	14,116	36,154	35,399
Arrangement fees and underwriting	3,794	3,226	5,663	13,654
Placement fees	1,035	1,778	6,706	11,524
Rollover fees	1,167	1,260	3,595	5,352
Commission	1,460	1,777	4,775	4,939
Service charges and fees	850	4	3,005	1,749
Other fee income	8,759	8,778	36,179	37,864
	<b>151,570</b>	<b>185,787</b>	<b>523,370</b>	<b>621,357</b>
<b><u>Bank</u></b>				
Brokerage income	41,074	44,059	140,274	155,318
Corporate advisory fees	3,280	4,870	14,042	15,097
Arrangement fees and underwriting	1,104	1,724	2,097	10,210
Placement fees	13	1,286	5,302	7,909
Rollover fees	1,167	1,259	3,595	4,043
Commission	357	481	1,113	1,541
Service charges and fees	1	-	3	-
Other fee income	3,315	3,878	18,300	23,723
	<b>50,311</b>	<b>57,557</b>	<b>184,726</b>	<b>217,841</b>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

	3rd Quarter Ended		Nine Months Ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000
<b>22 Fee and Commission Expense</b>				
<b><u>Group</u></b>				
Fund management fees	24,757	28,837	77,956	82,635
Unit trust fees	11,945	21,381	42,428	87,313
	<b>36,702</b>	<b>50,218</b>	<b>120,384</b>	<b>169,948</b>
<b>23 Other Operating Income</b>				
<b><u>Group</u></b>				
(a) Net gain arising from financial instruments at FVTPL				
- net gain/(loss) on disposal	4,109	3,878	(9,266)	19,204
- unrealised net gain on revaluation	10,546	11,457	15,129	2,817
- gross dividend income	1,453	2,925	5,542	9,302
	<b>16,108</b>	<b>18,260</b>	<b>11,405</b>	<b>31,323</b>
(b) Net gain arising from derivatives	<b>1,594</b>	2,912	<b>52,454</b>	18,175
(c) Net gain arising from financial investments AFS				
- net gain on disposal	-	-	-	1,613
- gross dividend income	-	240	-	847
	<b>-</b>	<b>240</b>	<b>-</b>	<b>2,460</b>
(d) Net gain arising from financial assets at FVOCI, debt instruments				
- net gain on disposal	47	-	21,871	-
(e) Dividend income from FVOCI, equity instruments	<b>196</b>	-	<b>410</b>	-
(f) Net gain arising from financial investments at amortised costs				
- net gain on redemption	<b>29</b>	-	<b>29</b>	-
(g) Other income				
- net foreign exchange gain/(loss)				
- realised	9,096	(995)	27,193	34,684
- unrealised	(517)	607	(64)	(35,968)
- gain on disposal of property, plant and equipment	-	-	-	32
- other operating income	25,422	14,308	78,334	62,464
	<b>34,001</b>	<b>13,920</b>	<b>105,463</b>	<b>61,212</b>
	<b>51,975</b>	<b>35,332</b>	<b>191,632</b>	<b>113,170</b>

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

	3rd Quarter Ended		Nine Months Ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000
<b>23 Other Operating Income (cont'd)</b>				
<b>Bank</b>				
(a) Net gain/(loss) arising from financial assets at FVTPL				
- net gain/(loss) on disposal	1,646	411	(11,448)	12,234
- unrealised net gain/(loss) on revaluation	1,636	4,678	(12,826)	4,707
- gross dividend income	143	1,562	801	2,079
	<u>3,425</u>	<u>6,651</u>	<u>(23,473)</u>	<u>19,020</u>
(b) Net gain arising from derivatives	<u>8,823</u>	<u>3,455</u>	<u>41,039</u>	<u>4,599</u>
(c) Net gain arising from financial investments AFS				
- net gain on disposal	-	-	-	492
- gross dividend income	-	122	-	122
	<u>-</u>	<u>122</u>	<u>-</u>	<u>614</u>
(d) Net gain arising from financial assets at FVOCI, debt instruments				
- net gain on disposal	<u>47</u>	<u>-</u>	<u>21,871</u>	<u>-</u>
(e) Dividend income from FVOCI, equity instruments	<u>123</u>	<u>-</u>	<u>303</u>	<u>-</u>
(f) Net gain arising from financial investments at amortised costs				
- net gain on redemption	<u>29</u>	<u>-</u>	<u>29</u>	<u>-</u>
(g) Gross dividend income from subsidiaries in Malaysia	<u>-</u>	<u>-</u>	<u>11,400</u>	<u>-</u>
(h) Gross dividend income from an associate in Malaysia	<u>-</u>	<u>-</u>	<u>1,041</u>	<u>-</u>
(i) Other income				
- net foreign exchange gain/(loss)				
- realised	9,050	(1,693)	28,509	32,414
- unrealised	(257)	214	925	(33,855)
- other operating income	24,401	13,551	75,011	59,807
	<u>33,194</u>	<u>12,072</u>	<u>104,445</u>	<u>58,366</u>
	<u>45,641</u>	<u>22,300</u>	<u>156,655</u>	<u>82,599</u>

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

	3rd Quarter Ended		Nine Months Ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000
<b>24 Other Operating Expenses</b>				
<b><u>Group</u></b>				
<u>Personnel costs</u>				
- Salaries, bonus and allowances	83,180	82,911	264,134	253,945
- Defined contribution plan	8,250	8,141	27,486	25,117
- Other staff related costs	17,162	12,231	42,088	33,237
	<b>108,592</b>	<b>103,283</b>	<b>333,708</b>	<b>312,299</b>
<u>Establishment costs</u>				
- Property, plant and equipment				
- depreciation	4,344	5,550	13,316	17,161
- written off	-	-	1	541
- Other intangible assets				
- amortisation	2,954	3,209	8,991	9,900
- written off	-	-	28	-
- Information technology expenses	17,505	16,527	49,472	50,981
- Security and escorting charges	48	42	148	138
- Repair and maintenance	745	1,002	2,038	2,701
- Rental of premises	11,543	11,413	34,309	34,460
- Water and electricity	1,594	1,256	4,102	4,031
- Rental of equipment	218	104	654	473
- Insurance	1,235	1,227	3,954	4,374
- Others	2,120	2,367	7,509	10,183
	<b>42,306</b>	<b>42,697</b>	<b>124,522</b>	<b>134,943</b>
<u>Marketing expenses</u>				
- Advertisements and publicity	968	1,077	2,784	3,139
- Sales commission	2,540	1,347	6,804	4,806
- Others	6,903	7,793	18,000	22,747
	<b>10,411</b>	<b>10,217</b>	<b>27,588</b>	<b>30,692</b>
<u>Administration and general expenses</u>				
- Communication expenses	10,221	10,635	29,340	34,523
- Legal and professional fees	2,429	2,854	6,188	7,342
- Others	6,785	8,882	23,132	26,352
	<b>19,435</b>	<b>22,371</b>	<b>58,660</b>	<b>68,217</b>
	<b>180,744</b>	<b>178,568</b>	<b>544,478</b>	<b>546,151</b>

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

	3rd Quarter Ended		Nine Months Ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000
<b>24 Other Operating Expenses (cont'd)</b>				
<b><u>Bank</u></b>				
<u>Personnel costs</u>				
- Salaries, bonus and allowances	34,619	32,902	121,124	106,549
- Defined contribution plan	5,090	4,949	17,707	15,431
- Other staff related costs	9,284	7,014	21,862	17,561
	<b>48,993</b>	<b>44,865</b>	<b>160,693</b>	<b>139,541</b>
<u>Establishment costs</u>				
- Property, plant and equipment				
- depreciation	1,800	2,309	5,880	6,926
- written off	-	-	-	140
- Amortisation of other intangible assets	1,364	1,828	4,298	5,823
- Information technology expenses	9,568	9,878	28,381	30,903
- Security and escorting charges	39	37	123	115
- Repair and maintenance	461	768	1,333	2,039
- Rental of premises	3,586	3,690	10,849	11,003
- Water and electricity	1,091	744	2,684	2,606
- Rental of equipment	-	-	49	92
- Insurance	789	802	2,430	3,212
- Others	1,594	1,238	5,594	7,069
	<b>20,292</b>	<b>21,294</b>	<b>61,621</b>	<b>69,928</b>
<u>Marketing expenses</u>				
- Advertisements and publicity	306	364	810	1,138
- Sales commission	639	66	822	336
- Others	1,645	1,709	4,675	5,326
	<b>2,590</b>	<b>2,139</b>	<b>6,307</b>	<b>6,800</b>
<u>Administration and general expenses</u>				
- Communication expenses	4,228	3,925	11,286	11,890
- Legal and professional fees	393	458	1,370	1,212
- Others	6,465	7,810	21,688	20,552
	<b>11,086</b>	<b>12,193</b>	<b>34,344</b>	<b>33,654</b>
	<b>82,961</b>	<b>80,491</b>	<b>262,965</b>	<b>249,923</b>

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

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000
<b>25 Allowance Made/(Written Back) for Credit Losses</b>				
<b><u>Group</u></b>				
Loans and advances:				
- New and increased provisions	611	-	5,547	-
- Individual impairment allowance made	-	6,005	-	44,357
- Collective impairment allowance written back	-	(93)	-	(229)
- Impaired loans recovered	(264)	(46)	(267)	(155)
- Impaired loans written off	314	40	367	352
	<b>661</b>	<b>5,906</b>	<b>5,647</b>	<b>44,325</b>
Financial investments at HTM	-	(312)	-	(840)
Financial investments at amortised costs	(295)	-	(1,100)	-
Other financial assets	69	-	274	-
Allowance (written back)/made for credit losses on other receivables and clients' and brokers' balances	(389)	417	1,516	8,423
	<b>46</b>	<b>6,011</b>	<b>6,337</b>	<b>51,908</b>

**Bank**

Loans and advances:				
- New and increased provisions	-	-	(5)	-
- Individual impairment allowance made	-	2	-	2
- Collective impairment allowance written back	-	(93)	-	(451)
- Impaired loans recovered	(264)	(28)	(267)	(41)
- Impaired loans written off	314	40	367	352
	<b>50</b>	<b>(79)</b>	<b>95</b>	<b>(138)</b>
Financial investments at HTM	-	(312)	-	(840)
Financial investments at amortised costs	(295)	-	(1,100)	-
Other financial assets	38	-	253	-
Allowance (written back)/made for credit losses on other receivables and clients' and brokers' balances	(442)	370	(727)	493
	<b>(649)</b>	<b>(21)</b>	<b>(1,479)</b>	<b>(485)</b>



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

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)**

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

The basic 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 2018</b>	<b>30 September 2017</b>	<b>30 September 2018</b>	<b>30 September 2017</b>
Net (loss)/profit attributable to equity holders (RM'000)	<b>(7,803)</b>	7,274	<b>54,866</b>	17,077
Weighted average number of ordinary shares in issue ('000)				
- Issued ordinary shares at 1 Jul/1 Jan	<b>100,000</b>	818,646	<b>100,000</b>	818,646
- Effect of capital cancellation	-	(46,868)	-	(15,794)
	<b>100,000</b>	771,778	<b>100,000</b>	802,852
Basic (loss)/earnings per share (sen)	<b>(7.8)</b>	0.9	<b>54.9</b>	2.1

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)**

**27 Capital Adequacy Ratio**

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

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

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
<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	648,625	669,730	881,046	883,218
Other reserves	111,265	112,410	-	-
FVOCI/AFS reserves	23,313	18,861	20,659	26,120
	<u>2,270,976</u>	<u>2,288,774</u>	<u>2,389,478</u>	<u>2,397,111</u>
Less: Goodwill	(523,911)	(523,911)	(372,395)	(372,395)
Investments in subsidiaries, associates and joint ventures (portion deducted from CET I Capital) *	(53,450)	(43,339)	(1,494,388)	(1,199,358)
Other intangible assets	(48,331)	(48,693)	(27,787)	(27,700)
55% of cumulative gains arising from change in value of FVOCI/ AFS financial instruments	(12,822)	(10,374)	(11,362)	(14,366)
Other deductions	-	(12)	-	(12)
Deferred tax assets	(19,080)	(14,839)	(4,924)	(1,180)
Total CET I Capital	<u>1,613,382</u>	<u>1,647,606</u>	<u>478,622</u>	<u>782,100</u>
Qualifying non-controlling interests recognised as Tier I Capital	21,618	21,055	-	-
Total Tier I Capital	<u>1,635,000</u>	<u>1,668,661</u>	<u>478,622</u>	<u>782,100</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	4,883	4,861	-	-
Collective impairment allowances ^ and regulatory reserves ~	-	15,696	-	8,987
General provision v. ~	17,154	-	8,848	-
	<u>422,037</u>	<u>420,557</u>	<u>408,848</u>	<u>408,987</u>
Less: Investments in subsidiaries, associates and joint ventures	-	(10,835)	-	(299,839)
Total Tier II Capital	<u>422,037</u>	<u>409,722</u>	<u>408,848</u>	<u>109,148</u>
<b>Total Capital</b>	<u><u>2,057,037</u></u>	<u><u>2,078,383</u></u>	<u><u>887,470</u></u>	<u><u>891,248</u></u>

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

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)**

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

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

	Group		Bank	
	As at 30 September 2018	As at 31 December 2017	As at 30 September 2018	As at 31 December 2017
<u>Capital ratios</u>				
Before proposed dividends:				
CET I Capital Ratio	29.475%	32.987%	24.223%	34.995%
Tier I Capital Ratio	29.870%	33.409%	24.223%	34.995%
Total Capital Ratio	<b>37.580%</b>	41.612%	<b>44.915%</b>	39.878%
After proposed dividends:				
CET I Capital Ratio	29.475%	32.987%	24.223%	34.995%
Tier I Capital Ratio	29.870%	33.409%	24.223%	34.995%
Total Capital Ratio	<b>37.580%</b>	41.612%	<b>44.915%</b>	39.878%

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

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

∨ 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 for non-impaired loans of the Group and the Bank of RM16,574,000 (31 December 2017: RM12,384,000) and RM8,533,000 (31 December 2017: RM8,987,000) respectively.

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

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Credit risk	1,372,300	1,255,650	707,871	718,961
Market risk	2,456,270	2,049,361	408,640	610,542
Operational risk	1,645,233	1,689,666	859,398	905,417
Total risk-weighted assets	<b>5,473,803</b>	4,994,677	<b>1,975,909</b>	2,234,920

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

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)**

**28 Commitments and Contingencies**

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

The commitments and contingencies comprise the following:

<b><u>Group</u></b>	<b>As at 30 September 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<b>Principal amount</b>		
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	<b>1,483,602</b>	1,516,982
- maturity exceeding one year	<b>4,252</b>	4,164
Foreign exchange related contracts: ^		
- less than one year	<b>140,850</b>	36,962
Interest rate related contracts: ^		
- less than one year	-	90,000
Equity related contracts: ^		
- less than one year	-	7,262
	<b><u>1,628,704</u></b>	<b><u>1,655,370</u></b>

^ 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.

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

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)**

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

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

<b><u>Bank</u></b>	<b>As at 30 September 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<b>Principal amount</b>		
Direct credit substitutes <sup>#</sup>	151,676	151,583
Obligations under underwriting agreements	-	45,761
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	498,667	536,472
- maturity exceeding one year	22	22
Foreign exchange related contracts: ^		
- less than one year	38,370	31,258
Interest rate related contracts: ^		
- less than one year	-	90,000
Equity related contracts: ^		
- less than one year	-	7,262
	<b>688,735</b>	<b>862,358</b>

<sup>#</sup> Included in direct credit substitutes comprise of financial guarantee given by the Bank to its subsidiaries.

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

**29 Capital Commitments**

	<b>Group</b>		<b>Bank</b>	
	<b>As at 30 September 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>	<b>As at 30 September 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
Authorised and contracted for				
- Property, plant and equipment	19,536	18,060	11,787	9,413
- Investment securities	9,896	40,905	-	-
	<b>29,432</b>	<b>58,965</b>	<b>11,787</b>	<b>9,413</b>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

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

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

**31 Status of Corporate Proposals**

Proposed acquisition of the remaining 51% equity interest in Vietnam Securities Corporation ('VSEC') not held by the Bank ('Proposed Acquisition')

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

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

The Bank, Chu Thi Phuong Dung, Truong Lan Anh and Viet Quoc Insurance Broker Joint Stock Company had on 7 August 2018, by way of an exchange of letter, mutually agreed to extend the period to satisfy or waive the conditions precedent of the CSPA to 31 December 2018.

On 18 October 2018, the Bank received a letter from Vietnam SSC dated 17 October 2018 granting its approval for the Proposed Acquisition. The approval by Vietnam SSC is subject to the following conditions:-

- (i) the Proposed Acquisition must be completed within 90 days from the date of approval, failing which the approval shall lapse; and
- (ii) VSEC shall make the necessary reporting and announcement in relation to the transaction in accordance with the relevant laws in Vietnam.

Upon completion of the Proposed Acquisition and subject to approval from Vietnam SSC for the Conversion and the issuance of an amended license as a single-member limited liability company, VSEC will become a wholly-owned subsidiary of the Bank.

**32 Events Subsequent to the Date of Statements of Financial Position**

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

**33 Changes in the Composition of the Group**

There were no significant changes in the composition of the Group for the nine months ended 30 September 2018.

**34 Changes in Profit for the Quarter**

For the current financial quarter ended 30 September 2018, the Group recorded a pre-tax profit of RM0.4 million, 166.7% higher as compared to the immediate preceding quarter pre-tax loss of RM0.6 million. The higher profit was in tandem with higher other operating income by RM18.0 million, lower allowance made for credit losses by RM3.3 million; partially offset with lower net fee and commission income by RM13.8 million, higher other operating expenses by RM6.2 million and lower net interest income by RM0.3 million.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

**35 Performance Review**

For the nine months ended 30 September 2018, the Group recorded a pre-tax profit of RM91.8 million, 98.7% higher as compared to the previous corresponding period of RM46.2 million. The increase in profit was mainly due to higher other operating income by RM78.4 million, lower allowance made for credit losses by RM45.6 million, lower other operating expenses by RM1.7 million; partially offset with lower net fee and commission income by RM48.5 million, lower net interest income by RM31.4 million, and lower share of results of joint ventures by RM0.2 million.

**36 Prospects for 2018**

Malaysia's GDP growth continued to moderate in Q2 2018 to 4.5% for the quarter. For the full year, the economy is expected to grow 5%, mainly from resilience in private sector consumption. Heightened trade tensions continue to add to the economy's downside risks. For the banking sector, loans growth is expected to be underpinned by the consumer segment.

The Group remains focused on its five-year strategy, FIT22, which aims at enhancing performance, asset quality, building scale and delivering service excellence. Digital enhancements and the AGILE way of working will feature prominently in the implementation of the strategy. Barring unforeseen circumstances, the Group expects to achieve better performance this year.

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)**

**37 Fair Value of Financial Instruments**

**Determination of fair value and fair value hierarchy**

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

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

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

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

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

<b>Group</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>30 September 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	461,747	14	436,850	898,611
- quoted securities	461,747	-	-	461,747
- unquoted securities	-	14	436,850	436,864
Financial assets at FVOCI	2,107	803,124	37,055	842,286
- money market instruments	-	382,914	-	382,914
- quoted securities	2,107	-	-	2,107
- unquoted securities	-	420,210	37,055	457,265
Derivative assets	-	55	-	55
	<b>463,854</b>	<b>803,193</b>	<b>473,905</b>	<b>1,740,952</b>
<b><u>Financial liabilities</u></b>				
Derivative liabilities	6,482	260	-	6,742
Puttable financial instruments	79,087	-	-	79,087
	<b>85,569</b>	<b>260</b>	<b>-</b>	<b>85,829</b>
<b>Group</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 December 2017</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	463,539	23	359,859	823,421
- quoted securities	463,539	-	-	463,539
- unquoted securities	-	23	359,859	359,882
Financial investments AFS	58,828	810,343	33,078	902,249
- money market instruments	-	390,744	-	390,744
- quoted securities	58,828	-	-	58,828
- unquoted securities	-	419,599	33,078	452,677
Derivative assets	-	344	-	344
	<b>522,367</b>	<b>810,710</b>	<b>392,937</b>	<b>1,726,014</b>
<b><u>Financial liabilities</u></b>				
Derivative liabilities	45,947	66	-	46,013
Puttable financial instruments	78,825	-	-	78,825
	<b>124,772</b>	<b>66</b>	<b>-</b>	<b>124,838</b>



NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

37 Fair Value of Financial Instruments (cont'd)

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

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

<b>Bank</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>30 September 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	65,459	14	-	65,473
- quoted securities	65,459	-	-	65,459
- unquoted securities	-	14	-	14
Financial assets at FVOCI	-	803,124	30,840	833,964
- money market instruments	-	382,914	-	382,914
- unquoted securities	-	420,210	30,840	451,050
Derivative assets	-	55	-	55
	<b>65,459</b>	<b>803,193</b>	<b>30,840</b>	<b>899,492</b>
<b><u>Financial liabilities</u></b>				
Derivative liabilities	5,994	17	-	6,011
<b>Bank</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 December 2017</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	149,116	23	-	149,139
- quoted securities	149,116	-	-	149,116
- unquoted securities	-	23	-	23
Financial investments AFS	41,530	810,343	30,280	882,153
- money market instruments	-	390,744	-	390,744
- quoted securities	41,530	-	-	41,530
- unquoted securities	-	419,599	30,280	449,879
Derivative assets	-	343	-	343
	<b>190,646</b>	<b>810,709</b>	<b>30,280</b>	<b>1,031,635</b>
<b><u>Financial liabilities</u></b>				
Derivative liabilities	45,814	59	-	45,873

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)**

**37 Fair Value of Financial Instruments (cont'd)**

**Valuation techniques and sensitivity analysis**

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

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

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

**Reconciliation of movements in Level 3 financial instruments**

The following represents the changes in Level 3 instruments for the financial period/year ended 30 September 2018 and 31 December 2017 for the Group and the Bank:

	<b>Group</b>		<b>Bank</b>	
	<b>As at 30 September 2018</b>	<b>As at 31 December 2017</b>	<b>As at 30 September 2018</b>	<b>As at 31 December 2017</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	359,859	167,901	-	16,390
Total gain/(loss) recognised in income statements				
- other operating income	34,440	(10,677)	-	-
Purchases	43,532	243,928	-	-
Settlements	(11,094)	(10,685)	-	-
Business transfer to holding company	-	(16,390)	-	(16,390)
Exchange differences	10,113	(14,218)	-	-
Balance as at the end of the financial period	<b>436,850</b>	<b>359,859</b>	<b>-</b>	<b>-</b>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

37 Fair Value of Financial Instruments (cont'd)

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

The following represents the changes in Level 3 instruments for the financial period/year ended 30 September 2018 and 31 December 2017 for the Group and the Bank: (cont'd)

	<b>Group As at 30 September 2018 RM'000</b>	<b>Bank As at 30 September 2018 RM'000</b>
<b><u>Financial assets at FVOCI</u></b>		
Balance as at the beginning of the financial year	-	-
- As previously reported	-	-
- Effect of adoption of MFRS 9	<b>33,078</b>	<b>30,280</b>
- As restated	<b>33,078</b>	<b>30,280</b>
Total gains recognised in other comprehensive income	<b>3,973</b>	<b>560</b>
Exchange differences	<b>4</b>	-
Balance as at the end of financial period	<b><u>37,055</u></b>	<b><u>30,840</u></b>

	<b>Group As at 31 December 2017 RM'000</b>	<b>Bank As at 31 December 2017 RM'000</b>
<b><u>Financial investments AFS</u></b>		
Balance as at the beginning of the financial year	46,910	44,105
Total gain recognised in other comprehensive income	1,945	1,945
Total gain recognised in income statements		
- other operating income	322	322
Business transferred to holding company	(16,092)	(16,092)
Exchange differences	(7)	-
Balance as at the end of the financial period	<b><u>33,078</u></b>	<b><u>30,280</u></b>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

**38 Segment Reporting**

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

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

(a) Investment Banking

Investment banking provides services for advisory, fund raising in the structuring and issuance of debt securities and capital market instruments, corporate and debt restructuring, mergers and acquisitions, private placements, underwriting, structuring of bilateral lending, project financing, initial public offerings of equity related instruments, private placements and underwriting. This segment also covers facilities for equity share trading in local and foreign markets, share margin financing, futures broking products and services and custodian and nominees services.

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

(b) Treasury

Treasury and money market operations is 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 2018 (cont'd)

38 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	431,956	102,812	107,442	-	642,210
Inter-segment revenue	4,533	214	(1,266)	(3,481)	-
Segment revenue	436,489	103,026	106,176	(3,481)	642,210
Overhead expenses	(443,555)	(21,159)	(80,045)	281	(544,478)
Including:					
Depreciation of property, plant and equipment	(12,651)	(7)	(658)	-	(13,316)
Amortisation of other intangible assets	(8,151)	(311)	(529)	-	(8,991)
Allowance (made)/written back for credit losses	(6,301)	(46)	10	-	(6,337)
	(13,367)	81,821	26,141	(3,200)	91,395
Share of results of associates					325
Share of results of joint ventures					64
Profit before taxation					91,784
Taxation					(36,192)
Net profit for the financial period					55,592

**Segment Assets and Liabilities as at 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>
Segment assets	5,476,061	3,702,115	715,316	(1,482,578)	8,410,914
Goodwill	380,544	-	143,367	-	523,911
Investments in associates and joint ventures					53,450
Tax recoverable					19,112
Deferred tax assets					19,080
Total assets					9,026,467
Segment liabilities	1,574,408	3,356,109	407,394	(87,510)	5,250,401
Tax liabilities					4,968
Deferred tax liabilities					2,207
Borrowings					980,276
Subordinated obligations					409,175
Total liabilities					6,647,027

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

38 Segment Reporting (cont'd)

**Segment Profit and Loss for the Nine Months Ended 30 September 2017**

<u>Group</u>	<u>Investment Banking</u>	<u>Treasury</u>	<u>Asset Management</u>	<u>Others and Elimination</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	437,461	79,227	126,900	-	643,588
Inter-segment revenue	1,813	1,427	(2,951)	(289)	-
Segment revenue	439,274	80,654	123,949	(289)	643,588
Overhead expenses	(443,966)	(28,670)	(73,804)	289	(546,151)
Including:					
Depreciation of property, plant and equipment	(16,107)	(182)	(872)	-	(17,161)
Amortisation of other intangible assets	(8,489)	(1,002)	(409)	-	(9,900)
Allowance (made)/written back for credit losses	(51,918)	-	10	-	(51,908)
	(56,610)	51,984	50,155	-	45,529
Share of results of associates					347
Share of results of joint ventures					301
Profit before taxation					46,177
Taxation					(28,332)
Net profit for the financial period					17,845

**Segment Assets and Liabilities as at 31 December 2017**

<u>Group</u>	<u>Investment Banking</u>	<u>Treasury</u>	<u>Asset Management</u>	<u>Others and Elimination</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	5,193,492	4,085,672	755,613	(1,576,322)	8,458,455
Goodwill	380,544	-	143,367	-	523,911
Investments in associates and joint ventures					54,174
Tax recoverable					49,225
Deferred tax assets					14,839
Total assets					9,100,604
Segment liabilities	1,937,165	3,378,691	440,079	(99,737)	5,656,198
Tax liabilities					6,136
Deferred tax liabilities					2,612
Borrowings					712,379
Subordinated obligations					404,263
Total liabilities					6,781,588

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

39 Changes in Accounting Policies

(1) Adoption of MFRS 9 'Financial Instruments'

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

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

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

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

(a) Classification and measurement of financial assets

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

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

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

The classification and subsequent measurement of financial assets depend on:

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

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

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

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

The entire of the Group's and Bank's debts instruments that were classified as HTM and measured at amortised cost meet the condition for classification as amortised cost under MFRS 9.

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

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

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

**39 Changes in Accounting Policies (cont'd)**

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

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

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

The majority of the Group's and Bank's debts and equity instruments that were classified as financial instruments AFS satisfy the conditions for classification as FVOCI, except for:

- (i) the reclassification of unit trusts to FVTPL amounted to RM56,464,000 and RM41,530,000 for the Group and the Bank that failed to meet the SPPI requirement for FVOCI classification under MFRS 9. As a result, the fair value reserves, net of tax, of RM854,000 (net loss) and RM6,498,000 (net gain) for the Group and the Bank was recognised to retained profits on 1 January 2018.
- (ii) the Group and the Bank has elected to irrevocably designate equity instruments of RM35,442,000 and RM30,280,000 respectively to FVOCI as permitted under MFRS 9. The changes in fair value of such securities will no longer be reclassified to profit or loss when they are disposal of.

**(b) Classification and measurement of financial liabilities**

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

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

**(c) Hedge accounting**

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

**(d) Impairment of financial assets**

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

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



NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

**39 Changes in Accounting Policies (cont'd)**

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

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

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

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

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

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

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

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

(iii) Stage 3: Lifetime ECL – credit impaired

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

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

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

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

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

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

On 2 February 2018, BNM issued the revised policy documents on Financial Reporting which prescribes the regulatory reserves to be maintained by banking institutions. With effect from 1 January 2018, the Bank and its domestic banking subsidiary companies must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

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

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

39 Changes in Accounting Policies (cont'd)

(3) Financial effects

Summary of the impact on classification and measurement, and a reconciliation of the financial position of the Group and the Bank upon adoption of MFRS 9 as at 31 December 2017 and 1 January 2018 are as follows:

Group	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount at 31 December 2017 RM'000	MFRS 9 reclassification				MFRS 9 carrying amount at 1 January 2018 RM'000	
				FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000	Carrying amount post reclassification RM'000		Expected credit losses RM'000
<b>ASSETS</b>									
Cash and short term funds	Loans and receivables	Amortised costs	2,414,212	-	-	-	2,414,212	(303)	2,413,909
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised costs	22,106	-	-	-	22,106	(25)	22,081
Financial assets at FVTPL	FVTPL	FVTPL	823,421	56,464	-	-	879,885	-	879,885
Financial investments AFS	AFS	FVOCI	902,249	(56,464)	(845,785)	-	-	-	-
Financial investments HTM	HTM	Amortised costs	583,232	-	-	(583,232)	-	-	-
Financial assets at FVOCI									
- debt instruments	N/A	FVOCI	-	-	810,343	-	810,343	-	810,343
- equity instruments	N/A	FVOCI	-	-	35,442	-	35,442	-	35,442
Financial investments at amortised costs	N/A	Amortised costs	-	-	-	583,232	583,232	-	583,232
Loans and advances	Loans and receivables	Amortised costs	1,753,928	-	-	-	1,753,928	-	1,753,928
Clients' and brokers' balances	Loans and receivables	Amortised costs	1,599,594	-	-	-	1,599,594	-	1,599,594
Other assets	Loans and receivables	Amortised costs	204,723	-	-	-	204,723	-	204,723
Derivative assets	FVTPL	FVTPL	344	-	-	-	344	-	344
Statutory deposits	Loans and receivables	Amortised costs	55,660	-	-	-	55,660	-	55,660
Tax recoverable	N/A	N/A	49,225	-	-	-	49,225	-	49,225
Deferred tax assets	N/A	N/A	14,839	1,978	-	-	16,817	21	16,838
Investments in associates and joint ventures	N/A	N/A	54,174	-	-	-	54,174	-	54,174
Property, plant and equipment	N/A	N/A	50,293	-	-	-	50,293	-	50,293
Goodwill and other intangible assets	N/A	N/A	572,604	-	-	-	572,604	-	572,604
<b>TOTAL ASSETS</b>			<b>9,100,604</b>	<b>1,978</b>	<b>-</b>	<b>-</b>	<b>9,102,582</b>	<b>(307)</b>	<b>9,102,275</b>

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

39 Changes in Accounting Policies (cont'd)

(3) Financial effects (cont'd)

Summary of the impact on classification and measurement, and a reconciliation of the financial position of the Group and the Bank upon adoption of MFRS 9 as at 31 December 2017 and 1 January 2018 are as follows:  
(cont'd)

**Group**

	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount at 31 December 2017 RM'000	MFRS 9 reclassification				MFRS 9 carrying amount at 1 January 2018 RM'000	
				FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000	Carrying amount post reclassification RM'000		Expected credit losses RM'000
<b>LIABILITIES AND EQUITY</b>									
Deposits from customers	Amortised costs	Amortised costs	623,581	-	-	-	623,581	-	623,581
Deposits and placements of banks and other financial institutions	Amortised costs	Amortised costs	3,035,153	-	-	-	3,035,153	-	3,035,153
Bills and acceptances payable	Amortised costs	Amortised costs	6,185	-	-	-	6,185	-	6,185
Clients' and brokers' balances	Amortised costs	Amortised costs	1,363,525	-	-	-	1,363,525	-	1,363,525
Other liabilities	Amortised costs	Amortised costs	502,916	-	-	-	502,916	-	502,916
Derivative liabilities	FVTPL	FVTPL	46,013	-	-	-	46,013	-	46,013
Puttable financial instruments	FVTPL	FVTPL	78,825	-	-	-	78,825	-	78,825
Tax liabilities	N/A	N/A	6,136	-	-	-	6,136	-	6,136
Deferred tax liabilities	N/A	N/A	2,612	-	-	-	2,612	-	2,612
Borrowings	Amortised costs	Amortised costs	712,379	-	-	-	712,379	-	712,379
Subordinated obligations	Amortised costs	Amortised costs	404,263	-	-	-	404,263	-	404,263
<b>TOTAL LIABILITIES</b>			<b>6,781,588</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,781,588</b>	<b>-</b>	<b>6,781,588</b>

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

39 Changes in Accounting Policies (cont'd)

(3) Financial effects (cont'd)

Summary of the impact on classification and measurement, and a reconciliation of the financial position of the Group and the Bank upon adoption of MFRS 9 as at 31 December 2017 and 1 January 2018 are as follows:  
(cont'd)

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

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

39 Changes in Accounting Policies (cont'd)

(3) Financial effects (cont'd)

Summary of the impact on classification and measurement, and a reconciliation of the financial position of the Group and the Bank upon adoption of MFRS 9 as at 31 December 2017 and 1 January 2018 are as follows: (cont'd)

**Bank**

	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount at 31 December 2017 RM'000	MFRS 9 reclassification			Carrying amount post reclassification RM'000	Expected credit losses RM'000	MFRS 9 carrying amount at 1 January 2018 RM'000
				FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000			
<b>ASSETS</b>									
Cash and short term funds	Loans and receivables	Amortised costs	1,738,086	-	-	-	1,738,086	(86)	1,738,000
Financial assets at FVTPL	FVTPL	FVTPL	149,139	41,530	-	-	190,669	-	190,669
Financial investments AFS	AFS	FVOCI	882,153	(41,530)	(840,623)	-	-	-	-
Financial investments HTM	HTM	Amortised costs	583,232	-	-	(583,232)	-	-	-
Financial assets at FVOCI									
- debt instruments	N/A	FVOCI	-	-	810,343	-	810,343	-	810,343
- equity instruments	N/A	FVOCI	-	-	30,280	-	30,280	-	30,280
Financial investments at amortised costs	N/A	Amortised costs	-	-	-	583,232	583,232	-	583,232
Loans and advances	Loans and receivables	Amortised costs	1,143,551	-	-	-	1,143,551	-	1,143,551
Clients' and brokers' balances	Loans and receivables	Amortised costs	901,918	-	-	-	901,918	-	901,918
Other assets	Loans and receivables	Amortised costs	70,754	-	-	-	70,754	-	70,754
Derivative assets	FVTPL	FVTPL	343	-	-	-	343	-	343
Statutory deposits	Loans and receivables	Amortised costs	51,650	-	-	-	51,650	-	51,650
Tax recoverable	N/A	N/A	45,470	-	-	-	45,470	-	45,470
Deferred tax assets	N/A	N/A	1,180	1,978	-	-	3,158	98	3,256
Investments in subsidiaries	N/A	N/A	1,478,140	-	-	-	1,478,140	-	1,478,140
Investments in associates and joint ventures	N/A	N/A	21,057	-	-	-	21,057	-	21,057
Property, plant and equipment	N/A	N/A	24,888	-	-	-	24,888	-	24,888
Goodwill and other intangible assets	N/A	N/A	400,095	-	-	-	400,095	-	400,095
<b>TOTAL ASSETS</b>			<b>7,491,656</b>	<b>1,978</b>	<b>-</b>	<b>-</b>	<b>7,493,634</b>	<b>12</b>	<b>7,493,646</b>

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

39 Changes in Accounting Policies (cont'd)

(3) Financial effects (cont'd)

Summary of the impact on classification and measurement, and a reconciliation of the financial position of the Group and the Bank upon adoption of MFRS 9 as at 31 December 2017 and 1 January 2018 are as follows:  
(cont'd)

**Bank**

	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount at 31 December 2017 RM'000	MFRS 9 reclassification				Expected credit losses RM'000	MFRS 9 carrying amount at 1 January 2018 RM'000
				FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000	Carrying amount post reclassification RM'000		
<b>LIABILITIES AND EQUITY</b>									
Deposits from customers	Amortised costs	Amortised costs	652,220	-	-	-	652,220	-	652,220
Deposits and placements of banks and other financial institutions	Amortised costs	Amortised costs	3,035,153	-	-	-	3,035,153	-	3,035,153
Clients' and brokers' balances	Amortised costs	Amortised costs	772,320	-	-	-	772,320	-	772,320
Other liabilities	Amortised costs	Amortised costs	170,994	-	-	-	170,994	323	171,317
Derivative liabilities	FVTPL	FVTPL	45,873	-	-	-	45,873	-	45,873
Subordinated obligations	Amortised costs	Amortised costs	404,263	-	-	-	404,263	-	404,263
<b>TOTAL LIABILITIES</b>			<b>5,080,823</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,080,823</b>	<b>323</b>	<b>5,081,146</b>
<b>EQUITY</b>									
Share capital			1,487,773	-	-	-	1,487,773	-	1,487,773
Reserves			923,060	1,978	-	-	925,038	(311)	924,727
<b>TOTAL EQUITY</b>			<b>2,410,833</b>	<b>1,978</b>	<b>-</b>	<b>-</b>	<b>2,412,811</b>	<b>(311)</b>	<b>2,412,500</b>
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>7,491,656</b>	<b>1,978</b>	<b>-</b>	<b>-</b>	<b>7,493,634</b>	<b>12</b>	<b>7,493,646</b>

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

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)**

**39 Changes in Accounting Policies (cont'd)**

**(3) Financial effects (cont'd)**

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

	<u>Group</u>	<u>Bank</u>
	<u>RM'000</u>	<u>RM'000</u>
<b><u>AFS/FVOCI reserves</u></b>		
Closing balance under MFRS 139 as at 31 December 2017	18,861	26,120
Effect of reclassification of investment securities (debt instruments) from AFS to FVTPL	854	(6,498)
Restated balance under MFRS 9 as at 1 January 2018	<u>19,715</u>	<u>19,622</u>
<b><u>Regulatory reserves</u></b>		
Closing balance under MFRS 139 as at 31 December 2017	21,047	13,722
Transfer from retained profits	14,097	10,077
Restated balance under MFRS 9 as at 1 January 2018	<u>35,144</u>	<u>23,799</u>
<b><u>Retained profits</u></b>		
Closing balance under MFRS 139 as at 31 December 2017	669,730	883,218
Recognition of ECL under MFRS 9	(328)	(409)
Effect of taxation	21	98
Effect of reclassification of investment securities (debt instruments) from AFS to FVTPL	1,124	8,476
Transfer to regulatory reserve	(14,097)	(10,077)
Restated balance under MFRS 9 as at 1 January 2018	<u>656,450</u>	<u>881,306</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (cont'd)

39 Changes in Accounting Policies (cont'd)

(3) Financial effects (cont'd)

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

<u>Group</u>	MFRS 139 allowance as at 31 December 2017 RM'000	Reclassification as per MFRS 9 RM'000	Expected credit losses RM'000	MFRS 9 allowance as at 1 January 2018 RM'000
Cash and short term funds	-	-	303	303
Deposits and placements with banks and other financial institutions	-	-	25	25
Financial investments AFS	6,754	(6,754)	-	-
Financial investments HTM	79,405	(79,405)	-	-
Financial assets at FVOCI, debt instruments	-	5,259	-	5,259
Financial investments at amortised costs	-	79,405	-	79,405
Loans and advances	86,906	-	-	86,906
Clients' and brokers' balances	31,882	-	-	31,882
Other assets	16,654	-	-	16,654
	<u>221,601</u>	<u>(1,495)</u>	<u>328</u>	<u>220,434</u>
 <b><u>Bank</u></b>				
Cash and short term funds	-	-	86	86
Financial investments AFS	6,754	(6,754)	-	-
Financial investments HTM	79,405	(79,405)	-	-
Financial assets at FVOCI, debt instruments	-	5,259	-	5,259
Financial investments at amortised costs	-	79,405	-	79,405
Loans and advances	6	-	-	6
Clients' and brokers' balances	6,809	-	-	6,809
Other assets	15,904	-	-	15,904
Off balance sheet commitments and financial guarantee contracts	-	-	323	323
	<u>108,878</u>	<u>(1,495)</u>	<u>409</u>	<u>107,792</u>