RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)
Registration No. 200501003283 (680329-V)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

RHB ISLAMIC BANK BERHAD
(Incorporated in Malaysia)
Registration No. 200501003283 (680329-V)

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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REGISTERED OFFICE:

LEVEL 10, TOWER ONE
RHB CENTRE
JALAN TUN RAZAK
50400 KUALA LUMPUR
MALAYSIA

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DIRECTORS' REPORT

The Directors submit herewith their report together with the audited financial statements of RHB Islamic Bank Berhad ('the Bank') for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in the Islamic banking business and is committed to offer customers a comprehensive range of products and services in accordance with its Constitution and Shariah principles.

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

FINANCIAL RESULTS

	RM'000
Profit before zakat and taxation	**1,127,487**
Zakat	**(10,000)**
Taxation	**(273,032)**
Net profit for the financial year	**844,455**

DIVIDENDS

The dividends paid by the Bank since 31 December 2022 were as follows:

	RM'000
In respect of financial year ended 31 December 2022:	
- Second single-tier interim dividend of 15.0 sen per share, paid on 27 March 2023	251,014
In respect of financial year ended 31 December 2023:	
- Single-tier interim dividend of 8.0 sen per share, paid on 26 September 2023	133,874
	384,888

The Directors declared a second single-tier interim dividend of 13.0 sen per share amounting to RM217,545,000 in respect of the financial year ended 31 December 2023. The financial statements for the current financial year do not reflect this second single-tier interim dividend. This dividend payment will be accounted for in the shareholder's equity as an appropriation of retained profits in the financial year ending 31 December 2024.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2023.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

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

BAD AND DOUBTFUL FINANCING AND ADVANCES

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

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

CURRENT ASSETS

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

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

DIRECTORS' REPORT (CONTINUED)

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

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

DIRECTORS OF THE BANK

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

Dato' Mohamad Nasir Ab Latif
Dato' Foong Chee Meng
Ong Ai Lin
Hizamuddin bin Jamalluddin
Dato' Adissadikin Ali
Dato' Abd Rahman Dato' Md Khalid (Resigned on 1 January 2024)

In accordance with Article 75 of the Bank’s Constitution, Dato' Mohamad Nasir Ab Latif and Dato' Adissadikin Ali retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	As at 1.1.2023	**DRP/ Transmission**	**Sold**	**As at 31.12.2023**
Holding company				
RHB Bank Berhad				
Ong Ai Lin	**28,192**	**296** #,@	**-**	**28,488**

\# These ordinary shares were acquired pursuant to the Dividend Reinvestment Plan ('DRP') of RHB Bank Berhad ('RHB Bank').
@ Transmission of shares being an executor of late mother's estate.

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

DIRECTORS' REPORT (CONTINUED)

SHARE GRANT SCHEME ('SGS')

The SGS was established and implemented by the holding company, RHB Bank in June 2022.

The SGS is intended to motivate employees, attract talents and retain key employees through the grant of the ordinary shares in RHB Bank of up to 2% of the total number of issued shares of RHB Bank (excluding treasury shares, if any) at any point in time during the duration of the SGS for employees and Executive Directors of RHB Bank Group who fulfil the eligibility criteria ('Eligible Employees'). The SGS is to be administered by the Board Nominating and Remuneration Committee ('BNRC') comprising such persons as may be appointed by the Board from time to time, and shall be in force for a period of nine years commencing from the effective date of implementation of the SGS.

Details of the SGS shares awarded by RHB Bank are as follows:

Award date	Fair value RM	Awarded Unit'000	Vesting date
4 July 2022 - First grant	5.71	4,685	3 July 2025
22 May 2023 - Second grant	5.50	5,445	30 June 2026

The movement of the SGS shares applicable to Eligible Employees of the Bank during the financial year ended 31 December 2023 are as follows:

	Number of SGS shares Units'000			
Award date	As at 1.1.2023	Awarded	Forfeited	As at 31.12.2023
4 July 2022 - First grant	215	-	-	215
22 May 2023 - Second grant	-	200	-	200

As at 31 December 2023, SGS shares awarded to the Managing Director of the Bank and key management personnel are as follows:

	Number of SGS shares awarded Unit'000	
Award date	Dato' Adissadikin Ali	Key management personnel
4 July 2022 - First grant	90	-
22 May 2023 - Second grant	90	-

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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

Total Directors' remuneration for the Bank for the financial year ended 31 December 2023 is RM4,413,000.

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

During and at the end of the financial year, no arrangements subsisted to which the Bank is a party, being arrangements with the object or objects of enabling the Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than the shares granted pursuant to the SGS as disclosed on Note 39 to the financial statements.

AUDITORS' REMUNERATION

Total auditors' remuneration for the Bank for the financial year ended 31 December 2023 is RM381,000.

HOLDING COMPANY

The Directors regard RHB Bank, a company incorporated in Malaysia and listed on Bursa Malaysia Securities Berhad, as the holding company.

ZAKAT OBLIGATION

The Bank only pays zakat on its business to zakat state authorities. The Bank does not pay zakat on behalf of the shareholder or depositors.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

DATO' MOHAMAD NASIR AB LATIF
CHAIRMAN

DATO' ADISSADIKIN ALI
CHIEF EXECUTIVE OFFICER/
MANAGING DIRECTOR

Kuala Lumpur
27 February 2024

RHB ISLAMIC BANK BERHAD
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REPORT OF THE SHARIAH COMMITTEE

In the name of Allah, The Most Gracious, The Most Merciful

In compliance with the Shariah Governance policy document, Financial Reporting for Islamic Banking Institutions and other relevant guidelines issued by Bank Negara Malaysia, we, the members of the Shariah Committee of RHB Islamic Bank Berhad ('the Bank'), do hereby confirm the following:

We are responsible to provide objective and sound advice to the Bank to ensure its aims and operations, business, affairs and activities are in compliance with Shariah. We have conducted eleven (11) meetings to discuss, elaborate and review various product structures and documentations, transactions, services and operations of the Bank during the financial year ended 31 December 2023.

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Bank during the financial year ended 31 December 2023.

We have also conducted our review to form an opinion as to whether the Bank has complied with Shariah rulings, resolutions and guidelines issued by the Shariah Advisory Council ('SAC') of Bank Negara Malaysia and SAC of Securities Commission Malaysia (for capital market related matters), as well as the specific rulings and decisions issued by us.

The Bank's management is responsible for ensuring that the financial institution conducts its business in accordance with Shariah rules and principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank, and to report to you.

We have assessed the work carried out by Shariah review and Shariah audit, as presented to us, which included examining, on a test basis, each type of transaction, the relevant documentation and procedures adopted by the Bank.

We have performed our review so as to obtain all the information and explanations, which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has complied with Shariah rules and principles.

In our opinion:

(a) the main sources of income of the Bank during the financial year ended 31 December 2023 that we have reviewed are in compliance with the Shariah rules and principles;
(b) all investments that have been disclosed to us by the Bank conform to the basis that had been approved by us in accordance with Shariah rules and principles;
(c) all earnings that have been realised from sources or by means prohibited by the Shariah principles have been considered for disposal to charitable causes;
(d) the contracts and legal documents of the products used by the Bank that we have reviewed are in compliance with the Shariah rules and principles;
(e) the products proposals including concept used by the Bank which have been reviewed and advised by us are in compliance with the Shariah rules and principles;
(f) the calculation of zakat is in compliance with Shariah rules and principles; and
(g) nothing has come to our attention that causes us to believe that the overall operations, business, affairs, and activities of the Bank involves any material Shariah non-compliances.

To the best of our knowledge based on the information provided and disclosed to us during discussions and meetings, we hereby confirm that the operations of the Bank for the financial year ended 31 December 2023 have been conducted in conformity with the Shariah rules and principles.

We pray Allah, The Almighty to grant us success and lead us on the right path.

Wassalamu 'Alaikum Wa Rahmatullahi Wa Barakatuh

On behalf of the Shariah Committee:

Azizi Che Seman
Chairman of the Committee

Dr. Md. Nurdin Ngadimon
Member of the Committee

Kuala Lumpur
27 February 2024

RHB ISLAMIC BANK BERHAD
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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	**2023**	2022
		RM'000	RM'000
ASSETS			
Cash and short-term funds	2	**5,801,534**	7,167,727
Securities purchased under resale agreements	3	**1,445,151**	577,051
Deposits and placements with banks and other financial institutions	4	**92,225**	-
Financial assets at fair value through profit or loss (‘FVTPL’)	5	**167,678**	91,997
Financial assets at fair value through other comprehensive income (‘FVOCI’)	6	**5,937,797**	5,700,547
Financial investments at amortised cost	7	**8,978,775**	7,542,997
Financing and advances	8	**83,320,127**	80,850,262
Other assets	9	**119,974**	96,628
Derivative assets	10	**187,192**	324,762
Statutory deposits with Bank Negara Malaysia ('BNM')	11	**1,526,500**	1,426,500
Deferred tax assets	12	**82,137**	137,537
Right-of-use assets	13	**1,188**	1,264
Property, plant and equipment	14	**5,728**	6,204
Intangible assets	15	**5,186**	4,567
TOTAL ASSETS		**107,671,192**	103,928,043
LIABILITIES AND EQUITY			
Deposits from customers	16	**82,184,511**	78,233,590
Deposits and placements of banks and other financial institutions	17	**6,989,306**	6,125,353
Investment accounts	18	**6,766,604**	9,597,262
Bills and acceptances payable		**9,842**	7,421
Other liabilities	19	**1,877,747**	1,131,965
Derivative liabilities	10	**146,434**	256,252
Recourse obligation on financing sold to Cagamas Berhad ('Cagamas')	20	**1,611,741**	1,765,061
Provision for taxation and zakat	21	**40,885**	111,844
Lease liabilities	22	**1,186**	1,307
Borrowings	23	**809,238**	-
Subordinated obligations	24	**754,373**	754,428
TOTAL LIABILITIES		**101,191,867**	97,984,483
Share capital	25	**1,673,424**	1,673,424
Reserves	26	**4,805,901**	4,270,136
TOTAL EQUITY		**6,479,325**	5,943,560
TOTAL LIABILITIES AND EQUITY		**107,671,192**	103,928,043
COMMITMENTS AND CONTINGENCIES	40	**35,477,735**	32,971,582

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

RHB ISLAMIC BANK BERHAD
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INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	**2023**	2022
		RM'000	RM'000
Income derived from investment of depositors' funds	27	**4,299,467**	3,467,619
Income derived from investment of investment account funds	28	**428,658**	481,503
Income derived from investment of shareholders' funds	29	**342,829**	215,983
Allowance for credit losses on financial assets	30	**6,356**	(261,052)
Total distributable income		**5,077,310**	3,904,053
Income attributable to depositors	31	**(2,958,219)**	(1,809,725)
Profit distributed to investment account holders		**(322,775)**	(333,267)
		1,796,316	1,761,061
Personnel expenses	32	**(29,479)**	(27,456)
Other overheads and expenditures	33	**(639,350)**	(594,241)
Profit before zakat and taxation		**1,127,487**	1,139,364
Zakat		**(10,000)**	(8,000)
Taxation	35	**(273,032)**	(378,089)
Net profit for the financial year		**844,455**	753,275
Earnings per share (sen):			
- Basic	36	**50.46**	45.01

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	**2023**	2022
		RM'000	RM'000
Net profit for the financial year		**844,455**	753,275
Other comprehensive income/(loss) in respect of:			
Items that will be reclassified subsequently to profit or loss:			
Debt instruments measured at FVOCI:			
- Unrealised net gain/(loss) on revaluation		**133,723**	(104,528)
- Net transfer to income statement on disposal		**(28,819)**	(13,940)
- Changes in expected credit losses	6	**(4,122)**	3,942
Income tax relating to components of other comprehensive (income)/loss	12,37	**(25,177)**	28,432
Other comprehensive income/(loss), net of tax for the financial year		**75,605**	(86,094)
Total comprehensive income for the financial year		**920,060**	667,181

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

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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		Non-distributable				Distributable	
2023	Note	**Share capital RM'000**	**FVOCI reserve RM'000**	**Regulatory reserve RM'000**	**Capital contribution by holding company RM'000**	**Retained profits RM'000**	**Total RM'000**
Balance as at 1 January 2023		**1,673,424**	**(111,780)**	**203,906**	**205**	**4,177,805**	**5,943,560**
Net profit for the financial year		**-**	**-**	**-**	**-**	**844,455**	**844,455**
Debt instruments measured at FVOCI:							
- Unrealised net gain on revaluation		**-**	**133,723**	**-**	**-**	**-**	**133,723**
- Net transfer to income statement on disposal		**-**	**(28,819)**	**-**	**-**	**-**	**(28,819)**
- Changes in expected credit losses	6	**-**	**(4,122)**	**-**	**-**	**-**	**(4,122)**
Income tax relating to components of other comprehensive income	12,37	**-**	**(25,177)**	**-**	**-**	**-**	**(25,177)**
Other comprehensive income, net of tax, for the financial year		**-**	**75,605**	**-**	**-**	**-**	**75,605**
Total comprehensive income for the financial year		**-**	**75,605**	**-**	**-**	**844,455**	**920,060**
Dividend paid	38	**-**	**-**	**-**	**-**	**(384,888)**	**(384,888)**
Share-based payment expenses	32	**-**	**-**	**-**	**593**	**-**	**593**
Transfer to regulatory reserve		**-**	**-**	**436,304**	**-**	**(436,304)**	**-**
Balance as at 31 December 2023		**1,673,424**	**(36,175)**	**640,210**	**798**	**4,201,068**	**6,479,325**

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

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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

			Non-distributable			Distributable	
	Note	Share capital	FVOCI reserve	Regulatory reserve	Capital contribution by holding company	Retained profits	Total
2022		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2022		1,673,424	(25,686)	247,119	-	3,716,002	5,610,859
Net profit for the financial year		-	-	-	-	753,275	753,275
Debt instruments measured at FVOCI:							
- Unrealised net loss on revaluation		-	(104,528)	-	-	-	(104,528)
- Net transfer to income statement on disposal		-	(13,940)	-	-	-	(13,940)
- Changes in expected credit losses	6	-	3,942	-	-	-	3,942
Income tax relating to components of other comprehensive loss	12,37	-	28,432	-	-	-	28,432
Other comprehensive loss, net of tax, for the financial year		-	(86,094)	-	-	-	(86,094)
Total comprehensive income/(loss) for the financial year		-	(86,094)	-	-	753,275	667,181
Dividend paid	38	-	-	-	-	(334,685)	(334,685)
Share-based payment expenses	32	-	-	-	205	-	205
Transfer from regulatory reserve		-	-	(43,213)	-	43,213	-
Balance as at 31 December 2022		1,673,424	(111,780)	203,906	205	4,177,805	5,943,560

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

RHB ISLAMIC BANK BERHAD
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	**2023**	2022
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat and taxation		**1,127,487**	1,139,364
Adjustments for:			
Property, plant and equipment			
- Depreciation	33	**2,002**	1,253
- Gain on disposal	29	**(60)**	-
Right-of-use assets			
- Depreciation	33	**1,151**	1,594
- Loss/(gain) on modification	29	**10**	(1)
Amortisation of computer software license	33	**1,118**	947
Income from:			
- Investment on financial assets at FVTPL		**(10,823)**	(3,961)
- Investment on financial assets at FVOCI		**(213,876)**	(201,751)
- Investment on financial investments at amortised cost		**(350,948)**	(208,393)
Net gain on disposal of financial assets at FVOCI		**(28,819)**	(13,940)
Net gain on disposal of financial assets at FVTPL		**(3,245)**	(312)
Net gain arising from derecognition of financial investments at amortised cost		**(15)**	-
Net loss on fair value hedges	29	**1,214**	812
Net (gain)/loss on revaluation of derivatives	29	**(23,717)**	24,617
Net unrealised foreign exchange gain		**(34,284)**	(3,073)
Unrealised loss/(gain) on revaluation of financial assets at FVTPL		**407**	(853)
Allowance for credit losses on financing and advances		**38,561**	280,805
Net allowance on financial assets at FVOCI, financial investments at amortised cost and other financial assets		**(17,411)**	16,749
Financing expense on borrowings, subordinated obligations and lease liabilities		**36,637**	32,660
Share-based payment expenses	32	**593**	205
Operating profit before working capital changes		**525,982**	1,066,722
(Increase)/Decrease in operating assets:			
Securities purchased under resale agreements		**(868,100)**	2,223,907
Deposits and placements with banks and other financial institutions		**(115,566)**	2,324,490
Financing and advances		**(2,508,214)**	(6,871,468)
Financial assets at FVTPL		**(62,020)**	(34,778)
Other assets		**135,482**	89,304
Statutory deposits with BNM		**(100,000)**	(1,406,500)
		(3,518,418)	(3,675,045)
Increase/(Decrease) in operating liabilities:			
Deposits from customers		**3,993,591**	6,577,804
Deposits and placements of banks and other financial institutions		**863,953**	(1,901,262)
Investment accounts		**(2,830,658)**	(1,197,668)
Bills and acceptances payable		**2,421**	(866)
Other liabilities		**(175,440)**	199,809
Amount due to holding company		**812,986**	(105,854)
Recourse obligation on financing sold to Cagamas		**(153,320)**	1,011,476
		2,513,533	4,583,439
Cash (used in)/generated from operations		**(478,903)**	1,975,116
Profit paid		**(31,853)**	(32,805)
Net tax and zakat paid		**(323,768)**	(366,175)
Net cash (used in)/generated from operating activities		**(834,524)**	1,576,136

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

RHB ISLAMIC BANK BERHAD
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

	Note	**2023**	2022
		RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchase of financial assets at FVOCI and financial investments at amortised cost		**(1,377,362)**	(2,446,702)
Property, plant and equipment			
- Purchase	14	**(1,526)**	(4,005)
- Proceeds from disposal		**60**	-
Purchase of intangible assets	15	**(1,737)**	(1,986)
Investment income received from financial assets at FVOCI and financial investments at amortised cost		**416,208**	318,752
Net cash used in investing activities		**(964,357)**	(2,133,941)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net drawdown of borrowings		**819,280**	-
Principal lease payment		**(1,704)**	(1,591)
Dividend paid		**(384,888)**	(334,685)
Issuance of subordinated sukuk		**-**	250,000
Redemption of subordinated sukuk		**-**	(250,000)
Net cash generated from/(used in) financing activities		**432,688**	(336,276)
Net decrease in cash and cash equivalents		**(1,366,193)**	(894,081)
Cash and cash equivalents at the beginning of the financial year		**7,167,727**	8,061,808
Cash and cash equivalents at the end of the financial year	2	**5,801,534**	7,167,727

		Cash Changes		**Non-Cash Changes**			
	Balance as at the beginning of the financial year	**Net cash flow from financing activities**	**Net cash flow from operating activities**	**Additions to lease liabilities**	**Foreign exchange differences**	**Accrued profit**	**Balance as at the end of the financial year**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2023							
Lease liabilities	**1,307**	**(1,704)**	**(48)**	**1,583**	**-**	**48**	**1,186**
Borrowings	**-**	**819,280**	**-**	**-**	**(14,881)**	**4,839**	**809,238**
Subordinated obligations	**754,428**	**-**	**(31,805)**	**-**	**-**	**31,750**	**754,373**
	755,735	**817,576**	**(31,853)**	**1,583**	**(14,881)**	**36,637**	**1,564,797**
2022							
Lease liabilities	2,548	(1,591)	(92)	350	-	92	1,307
Subordinated obligations	754,573	-	(32,713)	-	-	32,568	754,428
	757,121	(1,591)	(32,805)	350	-	32,660	755,735

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

SUMMARY OF MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

(A) SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

(1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

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

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

The relevant new accounting standards, annual improvements and amendments to published standards and interpretations to existing accounting standards that are effective for the Bank’s financial year beginning on or after 1 January 2023 are as follows:

(i) Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates

Amendments on disclosure of accounting policies

The amendments to MFRS 101 require companies to disclose material accounting policies rather than significant accounting policies and include examples of what is considered to be material to their financial statements. To support the amendments, MFRS Practice Statement 2 Making Materiality Judgments was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosure.

Amendments on definition of accounting estimates

The amendments to MFRS 108, redefined accounting estimates as ‘monetary amounts in financial statements that are subject to measurement uncertainty’. These amendments provide clarity on how to distinguish changes in accounting policies from changes in accounting estimates. The amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate if the changes do not arise from prior period errors.

(ii) Amendments to MFRS 112 on ‘Deferred Tax related to Assets and Liabilities arising from a Single Transaction’

The amendments clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, companies are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

The adoption of the above accounting standards, annual improvements and amendments do not give rise to any material financial impact to the Bank.

SUMMARY OF MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

(A) SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

(b) IFRIC agenda decisions that are concluded and published

In view that MFRS is fully converged with IFRS Accounting Standards, the Bank considers all agenda decisions published by the IFRS Interpretations Committee. Where relevant, the Bank may change its accounting policy to be aligned with the agenda decision.

The IFRIC agenda decisions do not give rise to any material financial impact to the Bank.

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

(i) Amendments to MFRS 101 'Classification of Liabilities as Current or Non-current' - effective 1 January 2024

There are two amendments to MFRS 101 'Presentation of Financial Statements':

The first amendments, 'Classification of liabilities as current or non-current' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

The second amendments, 'Non-current liabilities with covenants' specify that covenants of financing arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

(ii) Supplier Finance Arrangements - Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures - effective 1 January 2024

The amendments require entities to disclose information that would enable users of financial statements to assess the effects of supplier finance arrangements on an entity's liability, cash flows and exposures to liquidity risk.

(iii) Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback' - effective 1 January 2024

The amendments specify the measurement of the lease liability arises in a sale and leaseback transaction that satisfies the requirements in MFRS 15 'Revenue from Contracts with Customers' to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the "lease payments" or "revised lease payments" in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

(iv) Amendments to MFRS 121 'Lack of Exchangeability' - effective 1 January 2025

The amendments clarify that a currency is exchangeable when an entity is able to exchange it into another currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism that creates enforceable rights and obligations. If an entity can only obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, then the currency is not exchangeable. In such cases, the entity is required to estimate the spot exchange rate at the measurement date.

The amendments do not specify how an entity estimates the spot exchange rate, but permit an entity to use observable exchange rate without adjustment or another estimation technique, provided it could meet the objective for estimating the spot exchange rate set out in the amendments.

The adoption of the accounting standards, amendments to published standards and interpretations to existing standards that are applicable to the Bank but not yet effective above are not expected to give rise to any material financial impact to the Bank.

(A) SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(2) FINANCIAL ASSETS

(a) Classification

The Bank classifies its financial assets into the following measurement categories:

- Those to be measured at fair value either through other comprehensive income (‘OCI’), or through profit or loss; and
- Those to be measured at amortised cost

The classification of debt instruments depend on the Bank’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets:

(i) Business model assessment

The Bank conducts assessment of the objective of a business model to align with how an asset held within a portfolio is being managed. Factors that are being considered include the key objectives of a portfolio whether the business strategy is to earn contractual profit revenue, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising a portfolio through sale of assets. Other factors considered also include the frequency and volume of sales in prior periods, how the asset's performance is evaluated and reported to key management personnel.

(ii) Assessment whether contractual cash flows are solely payments of principal and interest ('SPPI')

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Bank assesses whether the financial assets’ contractual cash flows represent SPPI. In applying the SPPI test, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. profit includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

(b) Recognition and derecognition

Financial assets are recognised when the Bank becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Bank commits to purchase and sell the assets.

(c) Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

(i) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer’s perspective, such as financing, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Subsequent measurement of debt instruments depends on the Bank's business model for managing the financial asset and the cash flow characteristics of the financial asset. There are three measurement categories into which the Bank classifies its debt instruments:

(1) Financial investments at amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent 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 in income statement. The profit income is recognised in income statement using the effective profit rate method. Upon derecognition, any gain or loss will be recognised in income statement and presented under ‘other operating income’.

(A) SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(2) FINANCIAL ASSETS (CONTINUED)

(c) Measurement (continued)

(i) Debt instruments (continued)

(2) Financial assets at FVOCI

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI. Changes in the fair value of these assets are recognised in OCI, except for recognition of profit, foreign exchange gains or losses and expected credit losses which are recognised in income statement.

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

(3) Financial assets at FVTPL

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

(ii) Equity instruments

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

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

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

(d) Derecognition and modification

(i) Derecognition due to modification of terms and conditions

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of financing to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced, such as a profit share or equity-based return that substantially affects the risk profile of the financing;
- Significant extension of the financing term when the borrower is not in financial difficulty;
- Significant change in the profit rate;
- Change in the currency the financing is denominated in; and
- Insertion of collaterals, other securities or credit enhancements that significantly affect the credit risk associated with the financing.

If the terms are substantially different, the Bank derecognises the original financial assets and recognises a 'new' asset at fair value and recalculates a new effective profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in income statement as a gain or loss on derecognition.

(A) SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(2) FINANCIAL ASSETS (CONTINUED)

(d) Derecognition and modification (continued)

(i) Derecognition due to modification of terms and conditions (continued)

If the terms are not substantially different, the renegotiation or modification does not result in derecognition. The Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in income statement. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective profit rate (or credit-adjusted effective profit rate for purchased or originated credit-impaired financial assets).

(ii) Derecognition other than modification of terms and conditions

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the financial assets have expired, or when they have been transferred and either (i) the Bank transferred substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

Collateral furnished by the Bank under repurchase agreements are not derecognised as the Bank retains substantially all risks and rewards on the basis of the pre-determined repurchase price, and hence the criteria for derecognition are not met.

(e) Reclassification of financial assets

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

However, it will be inappropriate to reclassify financial assets that have been designated at FVTPL, or equity instruments that have been designated as FVOCI even when there is a change in business model. Such designations are irrevocable.

(3) REPURCHASE AGREEMENTS

Securities purchased under resale agreements are securities which the Bank has purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the statement of financial position.

Conversely, obligations on securities sold under repurchase agreements are securities which the Bank has sold from its portfolio, with a commitment to repurchase at future dates. Such financing and the obligation to repurchase the securities is reflected as a liability on the statement of financial position.

The difference between sale and repurchase price as well as purchase and resale price are amortised as profit income and profit expense respectively on an effective yield method.

(4) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives are initially recognised at fair value on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the income statement. Cash collateral held in relation to derivative transactions are carried at amortised cost.

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

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualified as a hedging instrument, and if so, the nature of the item being hedged. The Bank designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or (2) hedges of a net investment in a foreign operation (net investment hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Bank documents at the inception of the hedging transaction, the risk management objective and strategy and the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items.

(A) SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(4) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

The Bank has applied the following Phase 1 reliefs provided by the Amendments to MFRS 9 and MFRS 7 'Interest Rate Benchmark Reform' for the hedging instruments used in the Bank's hedging strategies which reference IBOR and has not yet transitioned to an alternative benchmark rate:

- When considering the 'highly probable' requirement, the Bank has assumed that the IBOR profit rate on which the Bank's hedged borrowings is based does not change as a result of IBOR reform.

- In assessing whether the hedge is expected to be highly effective on a forward-looking basis, the Bank has assumed that the IBOR profit rate on which the cash flows of the hedged borrowings and the profit rate swap that hedges are based is not altered by IBOR reform.

- The Bank has not recycled the cash flow hedge reserve for designated hedges that are subject to the IBOR reform.

The Bank ceases to apply the reliefs provided by the Phase 1 amendments at the earlier of (a) when there is no longer uncertainty arising from IBOR reform over the timing and amount of the IBOR-linked cash flows of the hedged item, and (b) when the hedging relationship to which the reliefs are applied is discontinued.

The Bank has applied the following reliefs provided by the Amendments to MFRS 9 and MFRS 7 'Interest Rate Benchmark Reform - Phase 2':

- Hedge designation: When the Phase 1 amendments cease to apply, the Bank will amend its hedge designation to reflect changes which are required by IBOR reform, but only to make one or more of the following changes:

  (a) Designating an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;

  (b) Amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or

  (c) Amending the description of the hedging instrument.

The Bank amends its hedge documentation to reflect this change in designation by the end of the reporting period in which the changes are made. These amendments to the hedge documentation does not require the Bank to discontinue its hedge relationships.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 10 to the financial statements.

(a) Fair value hedge

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

The Bank applies fair value hedge accounting for hedging fixed profit risk on financing and advances, financial assets at FVOCI and financial investments at amortised cost. The gain or loss relating to the effective portion of profit rate swaps hedging on financing and advances and financial investments at amortised cost is recognised in income statement within other operating income. The gain or loss relating to the ineffective portion is recognised in income statement within net gain or loss on fair value hedges.

For fair value hedge of financial assets designated as FVOCI, any changes in fair value of the hedged financial assets at FVOCI are recycled from FVOCI reserve to income statement, while the changes in fair value of the derivatives that is related to the effective portion of the hedge is recognised in income statement within other operating income. The ineffective portion of the aforesaid hedging derivatives is recognised in income statement with net gain or loss on fair value changes of derivatives.

For financial instruments measured at amortised cost, if the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective profit method is used is amortised to the income statement over the period to maturity and recorded as other operating income. Effective profit rate amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement.

(b) Derivatives that do not qualify for hedge accounting

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

(A) SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(5) INTANGIBLE ASSETS - COMPUTER SOFTWARE LICENSES

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software licenses are subsequently carried at cost less accumulated amortisation and impairment losses. The costs are amortised over the estimated useful lives of 5 to 10 years.

At the end of the reporting period, the Bank assesses whether there is any indication of impairment on computer software licenses. Where an indication of impairment exists, the carrying amount of the asset is written down to its recoverable amount. Refer to accounting policy Note 20 on impairment of non-financial assets.

Gains and losses arising from derecognition of computer software licenses are measured as the difference between net disposal proceeds and the carrying amount of the computer software licenses and are recognised in income statement when the asset is derecognised.

(6) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

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

Renovations	10%
Office equipment and furniture	20%
Computer equipment	14⅓% to 33⅓%
Motor vehicles	20%

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

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

At the end of the reporting period, the Bank assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is written down to its recoverable amount. Refer to accounting policy Note 20 on impairment of non-financial assets.

(7) FINANCIAL LIABILITIES

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

(a) Financial liabilities at FVTPL

This category comprises two sub-categories: financial liabilities as held-for-trading, and financial liabilities designated at FVTPL upon initial recognition.

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated as hedges. Refer to accounting policy Note 4 on hedge accounting.

The financial liabilities measured at FVTPL upon initial recognition are trading derivatives and financial liabilities designated at fair value.

(A) SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(7) FINANCIAL LIABILITIES (CONTINUED)

(b) Other financial liabilities measured at amortised cost

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

Other financial liabilities measured at amortised cost are deposits from customers, deposits and placements of banks and other financial institutions, investment accounts, bills and acceptances payable, recourse obligation on financing sold to Cagamas, lease liabilities and other financial liabilities.

(c) Borrowings measured at amortised cost

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

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

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

(8) INVESTMENT ACCOUNT ('IA')

IA is defined by the application of Shariah contracts as investment with non-principal guaranteed feature. Under the Islamic Financial Services Act 2013, the priority payment for IA upon liquidation of Islamic Financial Institution ('IFI') is treated separately from Islamic deposit, in accordance with the rights and obligations accrued to the investment account holders. IA is further categorised to Restricted Investment Account ('RA') and Unrestricted Investment Account ('UA').

RA refers to a type of investment account where the Investment Account Holder ('IAH') provides a specific investment mandate to the IFI such as purpose, asset class, economic sector and period for investment while UA refers to a type of investment account where the IAH provides the IFI with the mandate to make the ultimate investment decision without specifying any particular restrictions or conditions.

IA are contracts based on the Shariah concept below:

(a) Mudharabah between two parties, customer and the Bank, to finance a business venture where the customer provides capital and the business venture is managed solely by the Bank. The profit of the business venture will be shared based on pre-agreed ratios with the Bank as Mudharib (manager or manager of funds), and losses shall be borne solely by customers.

(b) Wakalah Bi Al-Istithmar refers to a contract where a party (muwakkil) appoints another party as his agent (wakil) to perform a particular task, in matters that may be delegated, either voluntarily or with imposition of a fee. The fee shall be recognised based on agreement. Profit generated/losses incurred is based on net distributable income calculated. Net distributable income is derived after deducting Wakalah fee, direct expenses and provisions (if any). Losses (if any) will solely be borne by the investors unless such losses is due to the Bank's misconduct, negligence or breach of specified terms in the contract between the investors and the Bank.

(c) Details of the IA are as disclosed in Note 18 to the financial statements.

(9) RECOURSE OBLIGATION ON FINANCING SOLD TO CAGAMAS

In the normal course of banking operations, the Bank sells financing to Cagamas but undertake to administer the financing on behalf of Cagamas and to buy back any financing which are regarded as defective. Such financing transactions and the obligation to buy back the financing are reflected as a liability on the statement of financial position and accounted for in accordance with accounting policy Note 7(b).

(10) LEASES - WHERE THE BANK IS THE LESSEE

The Bank recognises leases as right-of-use ('ROU') asset, with a corresponding liability at the date on which the leased asset is available for use (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

SUMMARY OF MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

(A) SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(10) LEASES - WHERE THE BANK IS THE LESSEE (CONTINUED)

(a) Lease term

In determining the lease term, the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Bank reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Bank, and affects whether the Bank is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities (refer to (d) below).

(b) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Bank is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

(c) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Bank under residual value guarantees;
- The exercise price of a purchase and extension options if the Bank is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Bank exercising that option.

Lease payments are discounted using the profit rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of profit on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in income statement in the period in which the condition that triggers those payments occurs.

Finance expense on the lease liability is presented within the other finance expenses in the income statement.

(d) Reassessment of lease liabilities

The Bank is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

(e) Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise information technology equipment and small items of office furniture. Payments associated with short term leases of information technology and all leases of low-value assets are recognised on a straight-line basis as an expense in income statement.

SUMMARY OF MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

(A) SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(11) LEASES - WHERE THE BANK IS THE LESSOR

As a lessor, the Bank determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(a) Operating lease

When assets are leased out under an operating lease, the asset is included in the statements of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

(b) Finance lease

When assets are leased out under a finance lease, the present value of the lease payment is recognised as a receivable. The receivable is subject to MFRS 9 impairment (refer to accounting policy Note 19 on impairment of financial assets). The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the ‘net investment’ method so as to reflect a constant periodic rate of return.

(12) PROVISIONS

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

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

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

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

(13) FINANCIAL GUARANTEE CONTRACTS

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

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value.

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

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 ‘Financial Instruments’ and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 ‘Revenue from Contracts with Customers’, where appropriate.

(14) GOVERNMENT GRANTS

Financing under a government scheme is recognised and measured in accordance with MFRS 9 ‘Financial Instruments’, with the benefit at below market rate, which is measured as the difference between the initial carrying amount or fair value of the financing and the amount received.

Financial contribution under a government scheme is measured in accordance with the amount received. The benefit of a financing under a government scheme or a financial contribution under a government scheme that addresses identified costs or expenses incurred by the Bank is recognised in the income statement in the same financial period when the costs or expenses are recognised, when the required conditions are fulfilled in accordance with MFRS 120 ‘Accounting for Government Grants and Disclosure of Government Assistance’.

(A) SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(15) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

(16) SHARE CAPITAL

(a) Classification

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

(b) Share issue cost

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

(c) Dividend distribution

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

(17) CASH AND CASH EQUIVALENTS

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

(18) REVENUE RECOGNITION

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

<u>Bai’ Bithaman Ajil</u>
A contract of sale of an asset in which the payment of price is deferred either to be paid in lump-sum or instalment basis within an agreed period of time. Income is recognised on effective profit rate basis over the expected life of the contract based on outstanding financing amount.

<u>Ijarah</u>
A contract that transfers ownership of a permitted usufruct and/or service for a specified period in exchange for a specified consideration. The Bank is the owner of the assets throughout the tenure of the Ijarah financing.

<u>Murabahah</u>
A contract of sale where the assets cost and profit margin shall be made transparent and agreed upon between buyer and seller. Income is recognised on effective profit rate basis over the expected life of the contract based on outstanding financing amounts.

<u>Musyarakah</u>
Partnership between two or more parties, which may take effect through contractual relationship or by operation of Islamic law, whereby all contracting parties will share the profit and bear loss from the partnership.

<u>Qard</u>
A contract of lending a fungible asset to a customer who is about to return an equivalent replacement. No income from financing shall be generated from the transaction.

(A) SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(18) REVENUE RECOGNITION (CONTINUED)

(b) Fees and commissions are recognised as income on an accrual basis over a period of time when all conditions precedent are fulfilled. Commitment fees and guarantee fees for financing and advances that are likely to be drawdown are deferred (together with related direct costs) and income which forms an integral part of the effective profit rate of a financial instrument is recognised as an adjustment to the effective profit rate of the financial instrument.

(c) Corporate advisory fees are recognised as income based on fulfilment of the performance obligation.

(d) Dividends are recognised when the shareholders' right to receive payment is established. Dividend income received from financial assets at FVTPL and FVOCI are recognised as other operating income in income statement.

(e) Income from bancatakaful agreement is recognised based on time apportionment method throughout the exclusive service agreement period.

(19) IMPAIRMENT OF FINANCIAL ASSETS

Under MFRS 9, impairment model requires the recognition of expected credit loss (‘ECL’) for all financial assets, except for financial assets classified or designated as FVTPL and equity securities classified under FVOCI, which are not subject to impairment assessment. Off-balance sheet items that are subject to ECL include financial guarantees and undrawn financing commitments.

The general approach is adopted by the Bank. ECL will be assessed using an approach which classifies financial assets into three stages which reflects the change in credit quality of the financial assets since initial recognition:

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

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

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

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

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

(iii) Stage 3: Lifetime ECL – credit impaired

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

Generally, all financial assets that are 90 days past due or more are classified under Stage 3. The Bank considers the following as constituting an event of default:

(1) Quantitative criteria
- The borrower is past due more than 90 days on any material credit obligation to the Bank.

(2) Qualitative criteria
- Legal action has been initiated by the Bank for recovery purposes;
- Borrower is a bankrupt;
- Borrower has been assigned to external collection agency.

(A) SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(19) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Significant increase in credit risk ('SICR')

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

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

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

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

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

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

In determining the ECL, management will evaluate a range of possible outcomes, taking into account past events, current conditions/trends and economic outlooks. Additional consideration through structured management overlays have been considered and reflected to ensure adequacy of ECL. The structured management overlays are subject to robust review and governance process.

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

(20) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

The impairment loss is charged to income statement. Any subsequent increase in recoverable amount is recognised in income statement.

(A) SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(21) EMPLOYEE BENEFITS

(a) Short-term employee benefits

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

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

(b) Defined contribution plans

A defined contribution plan is a pension plan under which the Bank pays fixed contributions to the national pension scheme. The Bank's contributions to defined contribution plans are charged to income statement in the period to which they relate. Once the contributions have been paid, the Bank has no further legal or constructive obligations.

(c) Termination benefits

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

(d) Share-based compensation

The fair value of the shares offered is recognised as an expense in the income statement over the vesting periods of the grant with a corresponding increase to capital contribution by holding company within equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares granted that are expected to vest. At each reporting date, the Bank will review and revise the estimates of the number of shares granted and shares that are expected to vest. The impact of the revision of original estimates, if any, will be recognised in the income statement, with a corresponding adjustment to capital contribution by holding company in equity.

(22) CURRENT AND DEFERRED INCOME TAXES

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

Current tax expense is determined according to the tax laws of each jurisdiction in which the Bank operates and include all taxes based upon the taxable profits.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

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

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

Deferred income tax related to the fair value remeasurement of debt instruments at FVOCI, which is charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with deferred gain or loss.

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

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

SUMMARY OF MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

(A) SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(23) CURRENCY CONVERSION AND TRANSLATION

(a) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia, which is the Bank's functional and presentation currency.

(b) Transactions and balances

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

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at FVTPL are recognised in income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as at FVOCI, are recognised in OCI.

(24) SEGMENT REPORTING

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

All transactions between operating segments are conducted based on mutually agreed allocation bases, with intra-segment revenue and costs being eliminated. Income and expenses directly associated with each segment are included in determining business segment performance.

(25) ZAKAT

This represents business zakat which is an obligatory amount payable by the Bank to comply with the principles of Shariah and as approved by the Shariah Committee. The Bank only pays zakat on its business and does not pay zakat on behalf of depositors or shareholders. Zakat provision is calculated based on the 'Working Capital Method', at 2.5% on the adjusted net assets of the Bank.

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(1) Fair value of financial instruments

For financial instruments measured at fair value, where the fair values cannot be derived from active markets, these fair values are determined using a variety of valuation techniques, including the use of mathematical models. Whilst the Bank generally uses widely recognised valuation models with market observable inputs, judgment is required where market observable data are not available. Such judgment normally incorporate assumptions that other market participants would use in their valuations, including assumptions about profit rate yield curves, exchange rates, discounted cash flows method, option pricing models, credit models and other relevant valuation models. The valuation of financial instruments is described in more detail in Note 44(g)(i) to the financial statements.

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

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

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

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

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

ECL models and methodologies shall be reviewed periodically and any issue identified shall subject to further analysis. Where applicable, the finding/weakness which is significant may warrant management ECL overlay adjustment or model risk adjustment. The overlays/model risk adjustment shall be subjected to robust review and governance process.

The Bank has exercised judgment in the provision of management overlay for ECL of financing which is estimated and adapted based on information on-hand. Management overlay is made in circumstances where the Bank believes that existing inputs, assumptions and modelling process have not capture existing or expected risk factors relevant to the financing portfolio. Examples of such circumstances include emerging risks in the local or global macroeconomic, microeconomic or political events, and natural disasters that have not been considered in the modelling process.

The Bank has made management overlay for potential deterioration in credit risks of its large corporate, retail and small and medium enterprises ('SME') portfolios. The factors associated with potential deterioration in credit risks include economic uncertainty due to geopolitical tensions, rising inflation, rapidly increasing profit rates, alongside other factors, which may have potential ramifications to the economy. Additionally, the deterioration in credit profile has yet to be fully reflected in modelling data due to the masking effects of observed defaults owing to various relief assistances to support businesses and individuals, hence management overlay is provided.

As at 31 December 2023, total management overlay is estimated at RM27 million (2022: RM116 million).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

1 GENERAL INFORMATION

RHB Islamic Bank Berhad, is a licensed Islamic bank under the Islamic Financial Services Act 2013, a limited liability company domiciled in Malaysia, and is principally engaged in the Islamic banking business and is committed to offer customers a comprehensive range of products and services in accordance with its Constitution and Shariah principles.

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

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

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 27 February 2024.

2 CASH AND SHORT-TERM FUNDS

	2023	2022
	RM'000	RM'000
Cash and balances with banks and other financial institutions	**137,448**	130,021
Money at call and deposit placements maturing within one month	**5,664,086**	7,037,706
	5,801,534	7,167,727

3 SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	2023	2022
	RM'000	RM'000
Malaysian Government Investment Issues	**287,477**	199,093
Corporate sukuk	**1,157,674**	377,958
	1,445,151	577,051

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2023	2022
	RM'000	RM'000
Licensed Islamic banks	**92,225**	-

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (‘FVTPL’)

	2023	2022
	RM'000	RM'000
Mandatory measured at fair value		
Money market instruments:		
Malaysian Government Investment Issues	**165,042**	91,997
BNM Monetary Notes	**2,636**	-
	167,678	91,997

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

	2023	2022
	RM'000	RM'000
At fair value		
Debt instruments	**5,937,797**	5,700,547
Money market instruments:		
Malaysian Government Investment Issues	**2,028,223**	1,840,246
Islamic Cagamas bonds	**560,095**	-
Unquoted securities:		
In Malaysia		
Corporate sukuk	**3,349,479**	3,860,301
	5,937,797	5,700,547

Movement in allowance for credit losses recognised in FVOCI reserve

2023	**12-month ECL (Stage 1) RM'000**	**Lifetime ECL not credit impaired (Stage 2) RM'000**	**Lifetime ECL credit impaired (Stage 3) RM'000**	**Total RM'000**
Balance as at the beginning of the financial year	**6,279**	**-**	**-**	**6,279**
Changes in credit risk	**(2,565)**	**-**	**-**	**(2,565)**
Purchases and origination	**813**	**-**	**-**	**813**
Changes to model methodologies	**(1,189)**	**-**	**-**	**(1,189)**
Derecognition and disposal	**(1,181)**	**-**	**-**	**(1,181)**
Balance as at the end of the financial year	**2,157**	**-**	**-**	**2,157**
2022				
Balance as at the beginning of the financial year	2,337	-	-	2,337
Changes in credit risk	2,588	-	-	2,588
Purchases and origination	1,984	-	-	1,984
Derecognition and disposal	(630)	-	-	(630)
Balance as at the end of the financial year	6,279	-	-	6,279

7 FINANCIAL INVESTMENTS AT AMORTISED COST

	2023	2022
	RM'000	RM'000
At amortised cost		
Money market instruments:		
Malaysian Government Investment Issues	**1,659,548**	2,217,425
BNM Monetary Notes	**853,733**	-
Islamic Cagamas bonds	**503,848**	338,771
Sukuk Perumahan Kerajaan	**-**	10,064
Islamic Khazanah bonds	**41,617**	127,665
Unquoted securities:		
In Malaysia		
Corporate sukuk	**5,898,402**	4,837,478
Outside Malaysia		
Corporate sukuk	**30,417**	30,420
	8,987,565	7,561,823
Fair value changes arising from fair value hedge	**(3,276)**	-
	8,984,289	7,561,823
Allowance for credit losses	**(5,514)**	(18,826)
	8,978,775	7,542,997

Included in financial investments at amortised cost are exposures to RA as part of arrangement between the Bank and its holding company, RHB Bank and other investors ('the investors').

Gross exposure to RA financing as at 31 December 2023 is RM1,425,189,000 (2022: RM1,401,085,000), of which RM1,004,023,000 (2022: RM1,008,105,000) is funded by RHB Bank.

The portfolio expected credit losses for financial investments at amortised cost relating to RA is borne solely by RHB Bank and the investors and the amount recognised in the financial statements of RHB Bank is RM534,516,000 as at 31 December 2023 (2022: RM534,632,000).

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

	2023	2022
	RM'000	RM'000
Balance as at the beginning of the financial year	**1,168,813**	1,105,024
Purchases and origination	**66,412**	63,789
Balance as at the end of the financial year	**1,235,225**	1,168,813

The credit impaired financial investments at amortised cost relate to certain exposures to RA, of which exposure with RHB Bank and the investor amounted to RM740,022,000 and RM421,166,000 (2022: RM741,106,000 and RM392,980,000) respectively.

7 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

(b) Movement in allowance for credit losses

2023	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
Balance as at the beginning of the financial year	**16,673**	**2,153**	**-**	**18,826**
Transferred to 12-month ECL (Stage 1)	**2,153**	**(2,153)**	**-**	**-**
Changes in credit risk	**(10,421)**	**614**	**-**	**(9,807)**
Purchases and origination	**2,608**	**-**	**-**	**2,608**
Changes to model methodologies	**(2,652)**	**(614)**	**-**	**(3,266)**
Derecognition and disposal	**(2,847)**	**-**	**-**	**(2,847)**
Balance as at the end of the financial year	**5,514**	**-**	**-**	**5,514**
2022				
Balance as at the beginning of the financial year	4,312	1,777	-	6,089
Changes in credit risk	9,694	(119)	-	9,575
Purchases and origination	4,538	495	-	5,033
Derecognition and disposal	(1,871)	-	-	(1,871)
Balance as at the end of the financial year	16,673	2,153	-	18,826

RHB ISLAMIC BANK BERHAD
(Incorporated in Malaysia)
Registration No. 200501003283 (680329-V)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

8 FINANCING AND ADVANCES

(i) By type and Shariah concepts

	Bai' Bithaman Ajil ('BBA') RM'000	Ijarah * RM'000	Murabahah RM'000	Musyarakah RM'000	Qard RM'000	Others RM'000	Total RM'000
2023							
At amortised cost							
Cashline	-	-	1,446,887	-	40,286	-	1,487,173
Term financing:							
- Housing financing	205,436	-	18,048,304	14,378,395	-	391	32,632,526
- Syndicated term financing	-	-	3,657,145	-	-	19,251	3,676,396
- Hire purchase receivables	-	10,729,885	-	-	-	-	10,729,885
- Other term financing	99	90,423	31,526,415	-	-	10	31,616,947
Bills receivables	-	-	425,249	-	-	-	425,249
Trust receipts	-	-	85,560	-	-	-	85,560
Claims on customers under acceptance credits	-	-	1,311,712	-	-	-	1,311,712
Share margin financing	-	-	9,431	-	-	-	9,431
Staff financing	739	-	15,821	-	-	-	16,560
Credit/charge card receivables	-	-	-	-	-	366,999	366,999
Revolving financing	-	-	1,661,726	-	-	-	1,661,726
Gross financing and advances	206,274	10,820,308	58,188,250	14,378,395	40,286	386,651	84,020,164
Fair value changes arising from fair value hedge							(57,324)
							83,962,840
Allowance for credit losses on financing and advances							(642,713)
Net financing and advances							83,320,127

* The Bank is the owner of the assets throughout the tenure of the Ijarah financing. The ownership of the assets will be transferred to the customers via sale at the end of the Ijarah financing.

RHB ISLAMIC BANK BERHAD
(Incorporated in Malaysia)
Registration No. 200501003283 (680329-V)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

8 FINANCING AND ADVANCES (CONTINUED)

(i) By type and Shariah concepts (continued)

	Bai' Bithaman Ajil ('BBA')	Ijarah *	Murabahah	Musyarakah	Qard	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2022							
At amortised cost							
Cashline	-	-	1,219,549	-	27,963	-	1,247,512
Term financing:							
- Housing financing	239,585	-	14,892,595	13,667,347	-	198	28,799,725
- Syndicated term financing	-	-	5,209,468	-	-	19,181	5,228,649
- Hire purchase receivables	-	9,923,780	-	-	-	-	9,923,780
- Other term financing	579	88,070	31,743,225	-	-	25	31,831,899
Bills receivables	-	-	322,098	-	-	-	322,098
Trust receipts	-	-	67,708	-	-	-	67,708
Claims on customers under acceptance credits	-	-	1,399,155	-	-	-	1,399,155
Share margin financing	-	-	9,902	-	-	-	9,902
Staff financing	1,093	-	13,775	-	-	-	14,868
Credit/charge card receivables	-	-	-	-	-	302,280	302,280
Revolving financing	-	-	2,577,115	-	-	-	2,577,115
Gross financing and advances	241,257	10,011,850	57,454,590	13,667,347	27,963	321,684	81,724,691
Fair value changes arising from fair value hedge							(91,847)
							81,632,844
Allowance for credit losses on financing and advances							(782,582)
Net financing and advances							80,850,262

* The Bank is the owner of the assets throughout the tenure of the Ijarah financing. The ownership of the assets will be transferred to the customers via sale at the end of the Ijarah financing.

8 FINANCING AND ADVANCES (CONTINUED)

(i) By type and Shariah concepts (continued)

(a) Included in financing and advances are exposures to RA and UA as part of arrangement between the Bank and its holding company, RHB Bank and other investors ('the investors').

As at 31 December 2023, gross exposure to RA financing funded by RHB Bank is RM5,037,480,000 (2022: RM7,238,222,000) and gross exposure to UA financing funded by the investors is RM13,500,000 (2022: RM802,978,000).

The portfolio expected credit losses for financing and advances relating to RA and UA is borne solely by RHB Bank and the investors and the amount recognised in the financial statements of RHB Bank is RM15,229,000 (2022: RM20,852,000).

(b) Included in term financing is housing financing sold to Cagamas amounting to RM1,659,523,000 as at 31 December 2023 (2022: RM1,820,766,000).

(c) Movement of Qard financing

	2023	2022
	RM'000	RM'000
Balance as at the beginning of the financial year	**27,963**	28,178
New disbursement	**33,556**	19,874
Repayment	**(21,233)**	(20,089)
Balance as at the end of the financial year	**40,286**	27,963
Sources of Qard fund:		
- Depositors' fund	**40,286**	27,963
Uses of Qard fund:		
- Personal use	**327**	614
- Business purpose	**39,959**	27,349
	40,286	27,963

(ii) By type of customer

	2023	2022
Domestic non-bank financial institutions	**1,895,851**	1,878,937
Domestic business enterprises:		
- Small and medium enterprises	**10,038,789**	8,295,698
- Others	**11,823,727**	16,247,314
Government and statutory bodies	**6,479,612**	6,139,471
Individuals	**53,339,326**	48,743,314
Other domestic entities	**131,556**	135,061
Foreign entities	**311,303**	284,896
	84,020,164	81,724,691

(iii) By profit rate sensitivity

	2023	2022
Fixed rate:		
- Housing financing	**15,821**	14,868
- Hire purchase receivables	**363,604**	674,513
- Other fixed rate financing	**10,191,424**	9,953,873
Variable rate:		
- Base financing rate-plus	**57,792,784**	51,617,837
- Cost-plus	**15,500,617**	19,369,819
- Other variable rates	**155,914**	93,781
	84,020,164	81,724,691

8 FINANCING AND ADVANCES (CONTINUED)

		2023	2022
		RM'000	RM'000
(iv)	By economic sector		
	Agriculture, hunting, forestry and fishing	**1,971,479**	1,879,454
	Mining and quarrying	**105,333**	108,058
	Manufacturing	**2,814,974**	2,729,512
	Electricity, gas and water	**1,415,797**	1,062,196
	Construction	**2,329,913**	4,642,441
	Wholesale and retail trade and restaurant and hotel	**4,341,983**	3,660,055
	Transport, storage and communication	**3,733,236**	5,953,005
	Finance, insurance, real estate and business services	**7,014,469**	6,079,740
	Education, health and others	**6,642,350**	6,582,020
	Household sector	**53,640,393**	49,018,402
	Others	**10,237**	9,808
		84,020,164	81,724,691
(v)	By purpose		
	Purchase of securities	**5,358,476**	5,955,084
	Purchase of transport vehicles	**10,723,066**	9,873,672
	Purchase of landed property:		
	- Residential	**31,446,805**	27,707,282
	- Non-residential	**5,604,458**	5,606,685
	Purchase of property, plant and equipment other than land and building	**652,851**	710,750
	Personal use	**5,938,503**	5,156,803
	Credit card	**366,999**	302,280
	Construction	**1,028,438**	941,953
	Working capital	**17,153,276**	18,838,276
	Merger and acquisition	**709,162**	1,471,708
	Other purposes	**5,038,130**	5,160,198
		84,020,164	81,724,691
(vi)	By geographical distribution		
	Malaysia	**84,020,164**	81,724,691
(vii)	By remaining contractual maturities		
	Maturing within one year	**10,171,561**	8,457,670
	One to three years	**2,336,742**	5,420,536
	Three to five years	**6,490,165**	6,386,156
	Over five years	**65,021,696**	61,460,329
		84,020,164	81,724,691

8 FINANCING AND ADVANCES (CONTINUED)

(viii) By stages

2023	**12-month ECL (Stage 1) RM'000**	**Lifetime ECL not credit impaired (Stage 2) RM'000**	**Lifetime ECL credit impaired (Stage 3) RM'000**	**Total RM'000**
Balance as at the beginning of the financial year	**77,096,705**	**4,027,498**	**600,488**	**81,724,691**
Transfer to 12-month ECL (Stage 1)	**858,120**	**(837,517)**	**(20,603)**	**-**
Transfer to lifetime ECL not credit impaired (Stage 2)	**(1,712,319)**	**1,784,202**	**(71,883)**	**-**
Transfer to lifetime ECL credit impaired (Stage 3)	**(224,775)**	**(338,182)**	**562,957**	**-**
Purchases and origination	**19,847,843**	**492,750**	**408,648**	**20,749,241**
Derecognition	**(17,161,527)**	**(1,029,487)**	**(81,645)**	**(18,272,659)**
Amount written off	**-**	**-**	**(187,218)**	**(187,218)**
Other movements	**-**	**-**	**6,109**	**6,109**
Balance as at the end of the financial year	**78,704,047**	**4,099,264**	**1,216,853**	**84,020,164**

2022	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
Balance as at the beginning of the financial year	70,490,053	3,992,327	385,800	74,868,180
Transfer to 12-month ECL (Stage 1)	1,281,006	(1,269,138)	(11,868)	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(1,783,022)	1,801,968	(18,946)	-
Transfer to lifetime ECL credit impaired (Stage 3)	(242,601)	(145,387)	387,988	-
Purchases and origination	22,217,296	661,212	52,482	22,930,990
Derecognition	(14,866,027)	(1,013,484)	(90,088)	(15,969,599)
Amount written off	-	-	(105,466)	(105,466)
Other movements	-	-	586	586
Balance as at the end of the financial year	77,096,705	4,027,498	600,488	81,724,691

8 FINANCING AND ADVANCES (CONTINUED)

(ix) Impaired financing and advances

	2023	2022
	RM'000	RM'000
(a) By economic sector		
Agriculture, hunting, forestry and fishing	**-**	729
Mining and quarrying	**5,248**	4,833
Manufacturing	**22,571**	21,122
Electricity, gas and water	**5,781**	9,954
Construction	**53,955**	58,085
Wholesale and retail trade and restaurant and hotel	**67,882**	47,800
Transport, storage and communication	**460,777**	14,284
Finance, insurance, real estate and business services	**64,751**	39,879
Education, health and others	**94,787**	82,623
Household sector	**441,101**	321,179
	1,216,853	600,488
(b) By purpose		
Purchase of securities	**1,235**	1,673
Purchase of transport vehicles	**61,988**	46,276
Purchase of landed property:		
- Residential	**337,861**	236,701
- Non-residential	**162,904**	154,347
Purchase of property, plant and equipment other than land and building	**2,796**	2,803
Personal use	**36,116**	29,837
Credit card	**3,700**	3,216
Working capital	**567,633**	85,086
Other purposes	**42,620**	40,549
	1,216,853	600,488
(c) By geographical distribution		
Malaysia	**1,216,853**	600,488

8 FINANCING AND ADVANCES (CONTINUED)

(ix) Impaired financing and advances (continued)

(d) Movement in allowance for credit losses

	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
2023				
Balance as at the beginning of the financial year	**156,445**	**374,072**	**252,065**	**782,582**
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	**59,298**	**(52,584)**	**(6,714)**	**-**
- Transferred to lifetime ECL not credit impaired (Stage 2)	**(6,750)**	**27,317**	**(20,567)**	**-**
- Transferred to lifetime ECL credit impaired (Stage 3)	**(921)**	**(40,271)**	**41,192**	**-**
	51,627	**(65,538)**	**13,911**	**-**
Changes in credit risk	**(97,305)**	**(120,055)**	**229,378**	**12,018**
Purchases and origination	**22,689**	**4,983**	**3,987**	**31,659**
Bad debts written off	**-**	**-**	**(127,100)**	**(127,100)**
Changes to model methodologies	**(15,024)**	**(14,716)**	**6,141**	**(23,599)**
Derecognition	**(8,266)**	**(7,263)**	**(23,427)**	**(38,956)**
Other movements	**-**	**-**	**6,109**	**6,109**
Balance as at the end of the financial year	**110,166**	**171,483**	**361,064**	**642,713**
2022				
Balance as at the beginning of the financial year	170,709	252,606	183,176	606,491
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	47,653	(42,848)	(4,805)	-
- Transferred to lifetime ECL not credit impaired (Stage 2)	(5,976)	12,793	(6,817)	-
- Transferred to lifetime ECL credit impaired (Stage 3)	(2,965)	(6,699)	9,664	-
	38,712	(36,754)	(1,958)	-
Changes in credit risk	(62,225)	174,676	148,855	261,306
Purchases and origination	26,322	5,017	5,256	36,595
Bad debts written off	-	-	(62,422)	(62,422)
Changes to model methodologies	(4,079)	(16,222)	(143)	(20,444)
Derecognition	(12,994)	(5,251)	(21,285)	(39,530)
Other movements	-	-	586	586
Balance as at the end of the financial year	156,445	374,072	252,065	782,582

Included in allowance for credit losses for the Bank as at 31 December 2023 is expected credit losses for financing commitments and financial guarantee contracts amounting to RM13,403,000 (2022: RM13,406,000).

9 OTHER ASSETS

	2023	2022
	RM'000	RM'000
Prepayments	29,303	26,241
Deposits	912	1,104
Amount due from a related company	112	91
Other receivables	89,647	69,192
	119,974	96,628

10 DERIVATIVE ASSETS/(LIABILITIES)

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

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

	2023	2022
	RM'000	RM'000
Derivative assets:		
- Trading derivatives	112,779	211,007
- Fair value hedging derivatives	74,413	113,755
	187,192	324,762
Derivative liabilities:		
- Trading derivatives	139,954	248,860
- Fair value hedging derivatives	6,480	7,392
	146,434	256,252

10 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
2023			
Trading derivatives:			
Foreign exchange related contracts:			
- Forwards	**14,410,642**	**94,846**	**107,554**
- Cross currency profit rate swaps	**1,816,829**	**11,899**	**26,366**
Profit rate related contracts:			
- Swaps	**534,973**	**4,560**	**4,560**
Commodity related contracts:			
- Options	**142,688**	**1,474**	**1,474**
Fair value hedging derivatives:			
Profit rate related contracts:			
- Swaps	**4,000,000**	**74,413**	**6,480**
		187,192	**146,434**
2022			
Trading derivatives:			
Foreign exchange related contracts:			
- Forwards	13,763,168	187,848	225,852
- Cross currency profit rate swaps	990,489	18,827	18,676
Commodity related contracts:			
- Options	228,613	4,332	4,332
Fair value hedging derivatives:			
Profit rate related contracts:			
- Swaps	3,800,000	113,755	7,392
		324,762	256,252

10 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

(i) Fair value hedges

Fair value hedges are used by the Bank for protection against the changes in fair value of financial assets and financial liabilities due to movements in market profit rates. The Bank uses profit rate swaps to hedge against profit rate risk of specific identified fixed rate long term, portfolio homogenous pools of financing and advances, financial assets measured at FVOCI and financial investments measured at amortised cost.

The Bank’s hedge accounting policy only allows for effective hedge relationship to be established. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessment to ensure that an economic relationship exists between the hedged item and hedging instrument. The Bank determines whether an economic relationship exists between hedged item and the hedging instrument by considering qualitative characteristics of these items and wherever necessary, supported by quantitative analysis. Under qualitative assessment, the Bank will perform assessment by comparing the changes in the fair value of the hedge to changes in the fair value of the hypothetical derivative.

Only the profit rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Bank. The profit rate risk component is determined as the changes in fair value of long-term fixed rate financial investment (e.g. bonds, financing and advances) arising from changes in benchmarks rates such as 3-month KLIBOR rate. Such changes are usually the largest component of the overall change in fair value. This strategy is designated as a fair value hedge and its effectiveness is assessed with reference to the effectiveness requirements as set out in MFRS 9, which include demonstrating economic relationship, assessing the effect of credit risk and calculating hedge ratio.

The Bank establishes the hedge ratio by aligning the principal amount of the hedged instrument to the extent of its hedged item.

The Bank has identified the following possible sources of ineffectiveness:
i. Counterparty credit risk which impact the fair value of the profit rate swaps but not the hedged items; or
ii. Mismatches in terms of the hedged items and hedging instruments such as voluntary discontinuance, maturity date and disposal of hedged item.

The following table sets out the maturity profile and average price of the hedging instruments used in fair value hedges:

	2023		2022	
	Nominal amount	**Average fixed profit rate**	Nominal amount	Average fixed profit rate
	RM'000	**%**	RM'000	%
Profit rate related contracts				
Three to twelve months	**500,000**	**3.93%**	500,000	3.88%
One to five years	**3,500,000**	**2.87%**	3,300,000	2.89%
Total	**4,000,000**		3,800,000	

10 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

(i) Fair value hedges (continued)

The amounts relating to items designated as hedging instruments are as follows:

	2023	2022
	RM'000	RM'000
Profit rate swaps		
Nominal amount	**4,000,000**	3,800,000
Fair value assets	**74,413**	113,755
Fair value liabilities	**6,480**	7,392
Hedge effectiveness recognised in income statement	**(39,953)**	97,846

The amounts relating to items designated as hedged items are as follows:

		2023			2022	
	Carrying value	**Fair value hedge adjustments***	**Hedge effectiveness recognised in income statement**	Carrying value	Fair value hedge adjustments*	Hedge effectiveness recognised in income statement
	RM'000	**RM'000**	**RM'000**	RM'000	RM'000	RM'000
Fixed rate financing and advances	**2,809,609**	**(57,324)**	**34,523**	3,310,989	(91,847)	(90,059)
Financial assets at FVOCI	**507,166**	**(8,375)**	**7,492**	498,632	(15,867)	(8,599)
Financial investments at amortised cost	**721,120**	**(3,276)**	**(3,276)**	-	-	-
	4,037,895	**(68,975)**	**38,739**	3,809,621	(107,714)	(98,658)

* All hedging instruments are included in derivative assets and liabilities line items in the statement of financial position.

11 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA ('BNM')

The non-profit bearing statutory deposits are maintained with BNM in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009. The amount is determined at a set percentage of total eligible liabilities.

12 DEFERRED TAX ASSETS/(LIABILITIES)

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

	2023	2022
	RM'000	RM'000
Deferred tax assets	**82,137**	137,537
Deferred tax assets:		
- Settled more than twelve months	**57,096**	103,403
- Settled within twelve months	**25,774**	34,823
Deferred tax liabilities:		
- Settled more than twelve months	**(446)**	(426)
- Settled within twelve months	**(287)**	(263)
	82,137	137,537

12 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

	Note	Intangible assets - computer software license RM'000	Property, plant and equipment and right-of-use assets RM'000	Financial assets at FVOCI RM'000	Expected credit losses RM'000	Provisions RM'000	Total RM'000
2023							
Balance as at the beginning of the financial year		**(340)**	**(349)**	**37,279**	**67,876**	**33,071**	**137,537**
Transfer (to)/from income statement	35	**(185)**	**141**	**-**	**(19,289)**	**(10,890)**	**(30,223)**
Transfer to equity		**-**	**-**	**(25,177)**	**-**	**-**	**(25,177)**
Balance as at the end of the financial year		**(525)**	**(208)**	**12,102**	**48,587**	**22,181**	**82,137**
2022							
Balance as at the beginning of the financial year		(552)	64	8,847	55,162	47,339	110,860
Transfer (to)/from income statement	35	212	(413)	-	12,714	(14,268)	(1,755)
Transfer from equity		-	-	28,432	-	-	28,432
Balance as at the end of the financial year		(340)	(349)	37,279	67,876	33,071	137,537

13 RIGHT-OF-USE ASSETS

	Note	2023	2022
		RM'000	RM'000
Properties			
Balance as at the beginning of the financial year		**1,264**	2,528
Additions during the year		**1,583**	350
Depreciation charge for the financial year	33	**(1,151)**	(1,594)
Modification		**(508)**	(20)
Balance as at the end of the financial year		**1,188**	1,264

14 PROPERTY, PLANT AND EQUIPMENT

	Note	Renovations	Office equipment and furniture	Computer equipment	Motor vehicles	Total
		RM'000	RM'000	RM'000	RM'000	RM'000
2023						
Cost						
Balance as at the beginning of the financial year		17,626	8,621	15,962	1,404	43,613
Additions		63	539	924	-	1,526
Disposals		-	-	-	(534)	(534)
Written off		(2,197)	(607)	(836)	-	(3,640)
Balance as at the end of the financial year		15,492	8,553	16,050	870	40,965
Less: Accumulated depreciation						
Balance as at the beginning of the financial year		16,194	8,091	11,876	1,248	37,409
Charge for the financial year	33	303	168	1,474	57	2,002
Disposals		-	-	-	(534)	(534)
Written off		(2,197)	(607)	(836)	-	(3,640)
Balance as at the end of the financial year		14,300	7,652	12,514	771	35,237
Net book value as at the end of the financial year		1,192	901	3,536	99	5,728

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Renovations	Office equipment and furniture	Computer equipment	Motor vehicles	Total
		RM'000	RM'000	RM'000	RM'000	RM'000
2022						
Cost						
Balance as at the beginning of the financial year		17,598	8,518	12,240	1,404	39,760
Additions		31	135	3,839	-	4,005
Written off		(3)	(32)	(117)	-	(152)
Balance as at the end of the financial year		17,626	8,621	15,962	1,404	43,613
Less: Accumulated depreciation						
Balance as at the beginning of the financial year		15,693	7,961	11,463	1,191	36,308
Charge for the financial year	33	504	162	530	57	1,253
Written off		(3)	(32)	(117)	-	(152)
Balance as at the end of the financial year		16,194	8,091	11,876	1,248	37,409
Net book value as at the end of the financial year		1,432	530	4,086	156	6,204

15 INTANGIBLE ASSETS

	Note	2023 RM'000	2022 RM'000
Computer software license			
Cost			
Balance as at the beginning of the financial year		**20,235**	19,517
Additions		**1,737**	1,986
Written off		**(4)**	(1,268)
Balance as at the end of the financial year		**21,968**	20,235
Less: Accumulated amortisation			
Balance as at the beginning of the financial year		**15,668**	15,989
Charge for the financial year	33	**1,118**	947
Written off		**(4)**	(1,268)
Balance as at the end of the financial year		**16,782**	15,668
Net book value as at the end of the financial year		**5,186**	4,567

16 DEPOSITS FROM CUSTOMERS

	2023 RM'000	2022 RM'000
Savings Deposits:		
- Qard	**1,381,073**	1,510,397
- Commodity Murabahah	**1,264,636**	995,415
Demand Deposits:		
- Qard	**6,867,723**	5,982,666
- Commodity Murabahah	**4,082,360**	3,448,658
Term Deposits:		
- Commodity Murabahah	**55,031,898**	54,237,696
Specific Investment Account:		
- Commodity Murabahah	**13,556,744**	12,058,549
General Investment Account:		
- Mudharabah	**77**	209
	82,184,511	78,233,590

(a) The maturity structure of investment accounts and term deposits are as follows:

	2023	2022
Due within six months	**55,243,958**	52,809,960
Six months to one year	**11,716,121**	11,569,333
One year to three years	**611,876**	778,256
Three years to five years	**1,016,764**	1,138,905
	68,588,719	66,296,454

(b) By type of customer

	2023	2022
Government and statutory bodies	**14,985,261**	15,717,516
Business enterprises	**34,722,633**	33,781,777
Individuals	**31,760,604**	27,925,437
Others	**716,013**	808,860
	82,184,511	78,233,590

17 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Note	**2023**	2022
		RM'000	RM'000
Non-Mudharabah Funds:			
- Licensed banks		**6,407,500**	5,652,451
- BNM/Other central bank	(a)	**507,538**	193,536
		6,915,038	5,845,987
Mudharabah Funds:			
- Other financial institutions		**74,268**	279,366
		6,989,306	6,125,353

(a) Included in deposits and placements by BNM is an amount received under the Government scheme as part of the COVID-19 relief measures for the purpose of financing to SMEs at a concessionary rate and with six-year maturity period.

18 INVESTMENT ACCOUNTS

	2023			2022		
	Mudharabah Restricted Investment Account	**Wakalah Unrestricted Investment Account**	**Total**	Mudharabah Restricted Investment Account	Wakalah Unrestricted Investment Account	Total
	RM'000	**RM'000**	**RM'000**	RM'000	RM'000	RM'000
(a) Movement in investment accounts						
Funding inflows/(outflows) - Principal:						
Balance as at the beginning of the financial year	**8,672,307**	**802,978**	**9,475,285**	10,421,432	220,670	10,642,102
New placement during the financial year	**655,396**	**691,876**	**1,347,272**	1,231,886	1,024,116	2,256,002
Accretion during the financial year	**72,791**	**-**	**72,791**	44,094	-	44,094
Redemption during the financial year	**(2,808,825)**	**(1,481,354)**	**(4,290,179)**	(3,025,105)	(441,808)	(3,466,913)
Balance as at the end of the financial year	**6,591,669**	**13,500**	**6,605,169**	8,672,307	802,978	9,475,285
Profit attributable to investment account holders - Total profit payable:						
Balance as at the beginning of the financial year	**106,569**	**15,408**	**121,977**	152,727	101	152,828
Profit distributed to investment account holders during the financial year	**307,915**	**14,860**	**322,775**	312,633	20,634	333,267
Profit paid to investment account holders during the financial year	**(253,149)**	**(30,168)**	**(283,317)**	(358,791)	(5,327)	(364,118)
Balance as at the end of the financial year	**161,335**	**100**	**161,435**	106,569	15,408	121,977
Net balance as at the end of the financial year	**6,753,004**	**13,600**	**6,766,604**	8,778,876	818,386	9,597,262
(b) Investment assets (principal)						
- Personal financing (Note 8(i)(a))	**1,000,000**	**2,700**	**1,002,700**	1,000,000	642,382	1,642,382
- Housing financing (Note 8(i)(a))	**-**	**10,800**	**10,800**	-	160,596	160,596
- Other term financing (Note 8(i)(a))	**4,037,480**	**-**	**4,037,480**	6,238,222	-	6,238,222
- Short-term funds	**129,000**	**-**	**129,000**	33,000	-	33,000
- Unquoted securities (Note 7)	**1,425,189**	**-**	**1,425,189**	1,401,085	-	1,401,085
	6,591,669	**13,500**	**6,605,169**	8,672,307	802,978	9,475,285

As at 31 December 2023, the amount of the restricted investment account placed by the holding company, RHB Bank, amounted to RM6,258,830,000 (2022: RM8,351,236,000).

(c) Type of customer						
- Licensed banks	**6,753,004**	**-**	**6,753,004**	8,778,876	-	8,778,876
- Business enterprises	**-**	**13,600**	**13,600**	-	818,386	818,386
	6,753,004	**13,600**	**6,766,604**	8,778,876	818,386	9,597,262

18 INVESTMENT ACCOUNTS (CONTINUED)

	2023			2022		
	Average profit sharing ratio %	**Average rate of return %**	**Performance incentive fee %**	Average profit sharing ratio %	Average rate of return %	Performance incentive fee %
(d) Maturity profile, profit sharing and rate of return						
(i) Mudharabah restricted investment account						
- Below one year	**-**	**-**	**-**	89	5.40	-
- Between one to two years	**91**	**3.50**	**-**	85	3.63	-
- Between two to five years	**81**	**3.50**	**-**	85	3.96	-
- More than five years	**89**	**4.63**	**-**	90	4.18	-
(ii) Wakalah unrestricted investment account						
- Below one year	**8.85**	**4.00**	**4.85**	7.49	3.00	4.49

19 OTHER LIABILITIES

	Note	**2023**	2022
		RM'000	RM'000
Sundry creditors		**14,353**	14,869
Amount due to holding company	(a)	**1,641,546**	828,560
Amount due to other related companies	(a)	**4,144**	598
Contract liability	(b)	**58,656**	99,411
Short-term employee benefits		**5,221**	4,447
Accrual for operational expenses		**26,601**	34,272
Structured deposits		**53,023**	41,020
Other accruals and payables	(c)	**74,203**	108,788
		1,877,747	1,131,965

(a) Included in amount due to holding company is an amount of RM1,180.6 million (2022: RM1,174.4 million) relating to part of COVID-19 Government relief measures that has been channeled from BNM to the Bank through RHB Bank, for the purpose of financing to SMEs at a concessionary rate and with maturity period ranging between five to eight and a half years.

Other than the above, the remaining amount due to holding company and amount due to other related companies are unsecured, non-profit bearing and repayable within the normal credit period.

(b) Contract liability represents the recognition of bancatakaful fee income and fee advances received but yet to be recognised in the income statement. During the current financial year, an amount of RM40,755,000 (2022: RM30,272,000) has been recognised in the income statement.

(c) Included in the other accruals and payables is undistributed charity funds amounting to RMNil (2022: RMNil). The funds are sourced from ta'widh (late payment charges).

Movement of sources and uses of charity funds are as follows:

	2023	2022
	RM'000	RM'000
Undistributed funds as at the beginning of the financial year	**-**	73
Uses of funds during the financial year:		
Reversed during the financial year	**-**	(73)
Undistributed funds as at the end of the financial year	**-**	-

20 RECOURSE OBLIGATION ON FINANCING SOLD TO CAGAMAS BERHAD ('CAGAMAS')

Recourse obligation on financing sold to Cagamas represents those acquired from the originators and sold to Cagamas with recourse. Under the agreement, the Bank undertakes to administer the financing on behalf of Cagamas and to buy back any financing which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the originators. Such financing transactions and the obligation to buy back the financing are reflected as a liability on the statement of financial position. The financing are not derecognised from the statement of financial position.

21 PROVISION FOR TAXATION AND ZAKAT

	2023	2022
	RM'000	RM'000
Tax expense	**30,885**	103,844
Zakat	**10,000**	8,000
	40,885	111,844

22 LEASE LIABILITIES

	2023	2022
	RM'000	RM'000
Lease liabilities	**1,186**	1,307
Scheduled repayment of lease liabilities:		
- Within one year	**591**	986
- One year to three years	**595**	321
	1,186	1,307

23 BORROWINGS

	2023	2022
	RM'000	RM'000
Unsecured		
Term financing:		
- United States Dollar ('USD')	**809,238**	-
Scheduled repayment of borrowings:		
- One year to three years	**809,238**	-

The USD term financing bears profit at 6.21% (2022: Nil) per annum.

24 SUBORDINATED OBLIGATIONS

	2023	2022
	RM'000	RM'000
4.32% RM500 million Tier II Subordinated Sukuk Murabahah 2019/2029	**502,426**	502,426
4.06% RM250 million Tier II Subordinated Sukuk Murabahah 2022/2032	**251,947**	252,002
	754,373	754,428

As at statement of financial position date, the Bank has in place a RM5 billion Subordinated Sukuk Murabahah programme.

The details of the issuance to date are as follows:

Tranche	**Principal RM'million**	**Maturity date**	**Profit rate**	**Profit payment**
2019/2029	500	21 May 2029 (Callable in 2024)	4.32% per annum chargeable to 21 May 2029	Accrued and payable semi-annually in arrears
2022/2032	250	21 April 2032 (Callable in 2027)	4.06% per annum chargeable to 21 April 2032	Accrued and payable semi-annually in arrears

The Bank did not have any defaults of principal and profit or other breaches with respect to its subordinated obligations during the financial years ended 31 December 2023 and 2022.

25 SHARE CAPITAL

	2023	2022
	RM'000	RM'000
Issued and fully paid:		
Balance as at the beginning/end of the financial year	**1,673,424**	1,673,424

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

26 RESERVES

	Note	2023	2022
		RM'000	RM'000
FVOCI reserve	(a)	**(36,175)**	(111,780)
Regulatory reserve	(b)	**640,210**	203,906
Capital contribution by holding company	(c)	**798**	205
Retained profits		**4,201,068**	4,177,805
		4,805,901	4,270,136

(a) FVOCI reserve represents the cumulative gains and losses arising on the revaluation of investments in debt instruments classified as FVOCI, net of cumulative loss allowance recognised on these investments and cumulative gain/loss reclassified to income statement upon disposal or reclassification of these investments.

(b) Regulatory reserve represents the Bank's compliance with BNM's Revised Policy Documents on Financial Reporting for Islamic Banking Institutions with effect from 29 April 2022, whereby the Bank must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

(c) Capital contribution by holding company represents the cost of the ordinary shares of RHB Bank in respect of SGS awarded to eligible employees of the Bank.

27 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	2023	2022
	RM'000	RM'000
Income derived from investment of:		
(i) General investment deposits	**3**	11
(ii) Other deposits	**4,299,464**	3,467,608
	4,299,467	3,467,619

(i) Income derived from investment of general investment deposits:

	2023	2022
	RM'000	RM'000
Financing and advances	**3**	9
Financial assets at FVOCI	**-**	1
Money at call and deposits with banks and other financial institutions	**-**	1
	3	11

	2023	2022
	RM'000	RM'000
(ii) Income derived from investment of other deposits:		
Financing and advances	**3,613,614**	2,891,439
Securities purchased under resale agreements	**9,965**	40,925
Financial assets at FVTPL	**10,614**	3,880
Financial assets at FVOCI	**209,738**	197,620
Financial investments at amortised cost	**254,514**	131,270
Money at call and deposits with banks and other financial institutions	**151,363**	170,348
Total finance income and hibah	**4,249,808**	3,435,482
Other operating income (Note a)	**49,656**	32,126
	4,299,464	3,467,608
Of which:		
Financing income earned on impaired financing	**23,973**	17,744

(a) Other operating income comprise of:

	2023	2022
Commission	**14,182**	13,105
Guarantee fees	**4,415**	4,224
Net (loss)/gain on revaluation of financial assets at FVTPL	**(399)**	836
Net gain on disposal of financial assets at FVTPL	**3,182**	306
Net gain on disposal of debt instruments of financial assets at FVOCI	**28,261**	13,655
Net gain arising from derecognition of financial investments at amortised cost	**15**	-
	49,656	32,126

28 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	2023	2022
	RM'000	RM'000
Financing and advances	**330,925**	401,942
Financial investments at amortised cost	**91,413**	74,379
Money at call and deposits with banks and other financial institutions	**6,320**	5,182
Total finance income and hibah	**428,658**	481,503

29 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	2023	2022
	RM'000	RM'000
Financing and advances	**71,287**	60,428
Securities purchased under resale agreements	**197**	855
Financial assets at FVTPL	**209**	81
Financial assets at FVOCI	**4,138**	4,130
Financial investments at amortised cost	**5,021**	2,744
Money at call and deposits with banks and other financial institutions	**2,986**	3,560
Total finance income and hibah	**83,838**	71,798
Other operating income (Note a)	**258,991**	144,185
	342,829	215,983
Of which:		
Financing income earned on impaired financing	**473**	371

(a) Other operating income comprise of:

	2023	2022
Commission	**58,433**	48,054
Service charges and fees	**102,034**	91,757
Guarantee fees and underwriting fees	**87**	88
Foreign exchange profit	**81,327**	32,321
Net (loss)/gain on revaluation of financial assets at FVTPL	**(8)**	17
Net gain on disposal of financial assets at FVTPL	**63**	6
Net gain on disposal of debt instruments of financial assets at FVOCI	**558**	285
Net loss on fair value hedges (Note 10)	**(1,214)**	(812)
Net gain/(loss) on revaluation of derivatives	**23,717**	(24,617)
Gain on disposal of property, plant and equipment	**60**	-
(Loss)/gain on modification of right-of-use assets	**(10)**	1
Other non-operating loss	**(6,056)**	(2,915)
	258,991	144,185

30 ALLOWANCE FOR CREDIT LOSSES ON FINANCIAL ASSETS

	2023 RM'000	2022 RM'000
Charge/(Writeback)		
Financing and advances:		
- Net (writeback)/charge	**(18,878)**	237,927
- Bad debts recovered	**(27,506)**	(36,502)
- Bad debts written off	**57,439**	42,878
	11,055	244,303
Financial assets at FVOCI	**(4,122)**	3,942
Financial investments at amortised cost	**(13,312)**	12,737
Other financial assets	**23**	70
	(6,356)	261,052

31 INCOME ATTRIBUTABLE TO DEPOSITORS

	2023 RM'000	2022 RM'000
Deposits from customers:		
- Mudharabah funds	**29,940**	19,311
- Non-Mudharabah funds	**2,624,197**	1,552,172
Deposits and placements of banks and other financial institutions:		
- Non-Mudharabah funds	**209,573**	174,749
Others:		
- Subordinated obligations	**31,750**	32,568
- Recourse obligation on financing sold to Cagamas	**55,921**	29,810
- Borrowings	**4,839**	-
- Others	**1,999**	1,115
	2,958,219	1,809,725

32 PERSONNEL EXPENSES

	Note	2023 RM'000	2022 RM'000
Salaries, allowances and bonuses		**23,179**	21,726
Contributions to Employees' Provident Fund		**3,527**	3,558
Share-based expenses	(a)	**593**	205
Other staff related costs		**2,180**	1,967
		29,479	27,456

(a) The SGS was established and implemented by the holding company, RHB Bank in June 2022. The SGS is intended to motivate employees, attract talents and retain key employees through the grant of the ordinary shares in RHB Bank for eligible employees, which include certain employees of the Bank. The SGS shall be in force for a period of nine years commencing from the effective implementation date of the SGS, and the vesting period for each grant offered will be 3 years from the offer date.

Included in the personnel expenses is the Managing Director's remuneration as disclosed in Note 34.

33 OTHER OVERHEADS AND EXPENDITURES

	2023	2022
	RM'000	RM'000
Establishment costs		
Property, plant and equipment:		
- Depreciation	**2,002**	1,253
Computer software license		
- Amortisation	**1,118**	947
Right-of-use assets:		
- Depreciation	**1,151**	1,594
Information technology expenses	**1,706**	2,223
Repair and maintenance	**377**	146
Rental of premises	**812**	346
Water and electricity	**468**	464
Rental of equipment	**4**	7
Printing and stationeries	**7,966**	8,272
Takaful	**10,912**	10,137
Others	**1,893**	1,857
	28,409	27,246
Marketing expenses		
Advertisement and publicity	**2,876**	634
Sales commission	**16,155**	14,353
Travelling expenses	**275**	209
Motor vehicle expenses	**72**	80
Others	**12,018**	5,283
	31,396	20,559
Administration and general expenses		
Auditors' remuneration:		
Audit		
- Statutory audit	**222**	232
- Limited review	**59**	59
Other audit related	**100**	-
Communication expenses	**8,001**	8,825
Legal and professional fee	**5,655**	4,737
Management fee	**553,623**	522,819
Others	**11,885**	9,764
	579,545	546,436
	639,350	594,241

Included in the administration and general expenses of the Bank are other Director’s remuneration as disclosed in Note 34.

34 REMUNERATION OF MANAGING DIRECTOR, NON-EXECUTIVE DIRECTORS AND SHARIAH COMMITTEE MEMBERS

2023

	Salary and other remuneration	Benefits-in-kind (based on an estimated monetary value)	Bonus	Total
	RM'000	RM'000	RM'000	RM'000
Managing Director				
Dato' Adissadikin Ali	1,765 (i)	7	966	2,738

(i) Inclusive of share-based expenses of RM254,000.

In addition to the above, during the financial year ended 31 December 2023, the Managing Director of the Bank who led the achievement of the RHB Banking Group's short and long term business objectives, was awarded a sum of RM375,000 (inclusive of the employer's EPF contribution) (2022: RM448,000) under the Cash Deferred Scheme.

	Fees	Benefits-in-kind (based on an estimated monetary value)	Other remuneration	Total
	RM'000	RM'000	RM'000	RM'000
Non-executive Directors				
Dato' Mohamad Nasir Ab Latif	260	18	79	357
Dato' Foong Chee Meng	160	-	44	204
Ong Ai Lin	160	-	123	283
Hizamuddin bin Jamalluddin	160	-	22	182
Dato' Abd Rahman Dato' Md Khalid	160	-	114	274
	900	18	382	1,300

	Fees
	RM'000
Shariah Committee	
Azizi Che Seman (Chairman)	92
Shabnam Mohamad Mokhtar	98
Dr. Md. Nurdin Ngadimon	98
Dr. Abdul Rahman A Shukor	96
Mohd Zubir Awang	90
	474

34 REMUNERATION OF MANAGING DIRECTOR, NON-EXECUTIVE DIRECTORS AND SHARIAH COMMITTEE MEMBERS (CONTINUED)

2022

	Salary and other remuneration	Benefits-in-kind (based on an estimated monetary value)	Bonus	Total
	RM'000	RM'000	RM'000	RM'000
Managing Director				
Dato' Adissadikin Ali	1,535 (i)	7	924	2,466

(i) Inclusive of share-based expenses of RM86,000.

	Fees	Benefits-in-kind (based on an estimated monetary value)	Other remuneration	Total
	RM'000	RM'000	RM'000	RM'000
Non-executive Directors				
Dato' Mohamad Nasir Ab Latif	232	25	63	320
Dato' Abd Rahman Dato' Md Khalid	152	-	113	265
Dato' Foong Chee Meng	152	-	45	197
Ong Ai Lin	152	-	113	265
Hizamuddin bin Jamalluddin	152	-	22	174
	840	25	356	1,221

	Fees
	RM'000
Shariah Committee	
Dr. Ahmad Basri Ibrahim	120
Assoc. Prof. Dr. Kamaruzaman Noordin	96
Mohd Fadhly Md. Yusoff	24
Wan Abdul Rahim Kamil Wan Mohamed Ali	25
Shabnam Mohamad Mokhtar	97
Dr. Md. Nurdin Ngadimon	97
Dr. Abdul Rahman A Shukor	65
	524

Note:
During the financial year, Directors of the Bank are covered under the Directors' Liability Takaful in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors of the Bank subject to the term of the policy. The total amount of Directors' Liability Takaful effected for the Directors of the Bank was RM200.0 million (2022: RM200.0 million). The total amount of premium paid for the Directors' Liability Takaful by the Bank was RM488,000 (2022: RM488,000).

35 TAXATION

	2023	2022
	RM'000	RM'000
Malaysian income tax		
- Current tax	238,367	376,676
Deferred tax (Note 12)	31,616	3,743
	269,983	380,419
Under/(Over) provision in respect of prior financial years		
- Income tax	4,442	(342)
- Deferred tax (Note 12)	(1,393)	(1,988)
	3,049	(2,330)
Tax expense	273,032	378,089

The numerical reconciliation between the effective tax rate and the applicable statutory income tax rate are as follows:

	2023	2022
	%	%
Tax at Malaysian statutory income tax rate	24.0	33.0
Tax effects in respect of:		
Different tax rate in chargeable income for the first RM100 million (Note(i))	-	(0.8)
Under/(Over) provision in respect of prior financial years	0.3	(0.2)
Temporary differences not recognised in prior financial years	-	0.3
Non-allowable expenses	-	1.0
Non-taxable income	(0.1)	(0.1)
Effective tax rate	24.2	33.2

(i) In order to support the Government's initiative to assist parties affected by the pandemic, it has been proposed in Budget 2022 that for year of assessment ('YA') 2022, a special one-off tax which is called 'Cukai Makmur' will be imposed on non-micro, small and medium enterprise companies which generate high profits during the period of the pandemic. Chargeable income in excess of RM100.0 million will be charged an income tax rate of 33% for YA 2022.

36 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	2023	2022
Net profit for the financial year (RM'000)	844,455	753,275
Weighted average number of ordinary shares in issue ('000)	1,673,424	1,673,424
Basic earnings per share (sen)	50.46	45.01

37 INCOME TAX EFFECTS RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

2023	**Before tax RM'000**	**Tax effects RM'000**	**Net of tax RM'000**
Financial assets at FVOCI:			
- Net fair value gain, net amount transfer to income statement and changes in expected credit losses	**100,782**	**(25,177)**	**75,605**
2022			
Financial assets at FVOCI:			
- Net fair value loss, net amount transfer to income statement and changes in expected credit losses	(114,526)	28,432	(86,094)

38 DIVIDENDS

Dividends declared by the Bank are as follows:

	2023		2022	
	Dividend per share sen	**Total dividend RM'000**	Dividend per share sen	Total dividend RM'000
Interim dividend - 2022	**-**	**-**	6.0	100,406
Second interim dividend - 2022	**-**	**-**	15.0	251,014
Interim dividend - 2023	**8.0**	**133,874**	-	-
Second interim dividend - 2023	**13.0**	**217,545**	-	-
	21.0	**351,419**	21.0	351,420

The financial statements for the current financial year do not reflect the second single-tier interim dividend. This dividend payment will be accounted for in the shareholder's equity as an appropriation of retained profits in the financial year ending 31 December 2024.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2023.

Dividend recognised as distribution to equity holder of the Bank:

	2023		2022	
	Dividend per share sen	**Total dividend RM'000**	Dividend per share sen	Total dividend RM'000
Interim dividend - 2023	**8.0**	**133,874**	-	-
Second interim dividend - 2022	**15.0**	**251,014**	-	-
Interim dividend - 2022	**-**	**-**	6.0	100,406
Interim dividend - 2021	**-**	**-**	14.0	234,279
	23.0	**384,888**	20.0	334,685

39 RELATED PARTY TRANSACTIONS

(a) Related parties and relationships

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

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

(b) Significant related party balances and transactions

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances.

Other related parties of the Bank comprise of transactions or balances with the companies in the RHB Bank Group.

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

39 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Holding company	EPF and EPF Group of companies	Key management personnel	Other related companies
	RM'000	RM'000	RM'000	RM'000
2023				
Income				
Commission	-	-	-	1,676
Income derived from investment of depositors' funds	10,162	7,079	-	-
Net loss on revaluation of derivatives	(203,737)	-	-	-
Other income	38	-	-	116
	(193,537)	7,079	-	1,792
Expenditure				
Profit expense on deposits and placements	160,544	16	22	7,227
Profit expense on investment account	269,567	-	-	-
Reimbursement of operating expenses to holding company	553,623	-	-	-
Other expenses	669	-	-	4,801
	984,403	16	22	12,028
Amounts due from				
Cash and short-term funds	925	-	-	-
Securities purchased under resale agreements	1,445,151	-	-	-
Financial assets at FVOCI	-	99,902	-	-
Financing and advances	-	59,782	-	-
Derivative assets	146,447	-	-	-
Other assets	-	-	-	112
	1,592,523	159,684	-	112
Amounts due to				
Demand and investment deposits	-	187,826	7,025	185,601
Deposits and placements of banks and other financial institutions	6,334,180	-	-	2,494
Investment accounts	6,258,830	-	-	-
Derivative liabilities	70,444	-	-	-
Other liabilities	1,641,546	-	-	4,144
	14,305,000	187,826	7,025	192,239

39 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Holding company	EPF and EPF Group of companies	Key management personnel	Other related companies
	RM'000	RM'000	RM'000	RM'000
2022				
Income				
Commission	-	-	-	71
Income derived from investment of depositors' funds	41,780	13,326	-	-
Net gain on revaluation of derivatives	81,515			
Other income	56	-	-	99
	123,351	13,326	-	170
Expenditure				
Profit expense on deposits and placements	116,767	14	65	3,832
Profit expense on investment account	280,668	-	-	-
Reimbursement of operating expenses to holding company	522,819	-	-	-
Other expenses	526	-	-	3,398
	920,780	14	65	7,230
Amounts due from				
Cash and short-term funds	3,610	-	-	-
Securities purchased under resale agreements	577,051	-	-	-
Financial assets at FVOCI	-	5,130	-	-
Financial investments at amortised cost	-	10,012	-	-
Financing and advances	-	344,160	-	-
Derivative assets	306,581	-	-	-
Other assets	-	-	-	91
	887,242	359,302	-	91
Amounts due to				
Demand and investment deposits	-	228,592	6,319	185,279
Deposits and placements of banks and other financial institutions	4,114,289	-	-	-
Investment accounts	8,351,236	-	-	-
Derivative liabilities	45,708	-	-	-
Other liabilities	828,560	-	-	598
	13,339,793	228,592	6,319	185,877

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel

The remuneration of Directors and other members of key management are as follows:

	Note	**2023**	2022
		RM'000	RM'000
Short-term employee benefits:			
- Fees		**900**	840
- Salary and other remuneration	(i)	**2,901**	2,849
- Defined contribution plan	(i)	**333**	328
- Share-based expenses	(ii)	**254**	86
- Benefits-in-kind		**25**	32
		4,413	4,135

(i) Inclusive of Cash Deferred Scheme and the related employer's EPF contribution totalling RM375,000 (2022: RM448,000) for the Bank. The payout under this Cash Deferred Scheme was based on the achievement of the Group's short and long-term business objectives.

(ii) As at 31 December 2023, the total number of shares awarded to the Managing Director and key management personnel amounted to 90,000 (2022: 90,000).

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

(d) Credit exposures arising from transactions with connected parties

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

	2023	2022
Outstanding credit exposure with connected parties (RM'000)	**3,437,938**	5,257,433
Percentage of outstanding credit exposures with connected parties as proportion of total credit exposures (%)	**3.69**	5.81
Percentage of outstanding credit exposures with connected parties which is impaired or in default (%)	**0.01**	-

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

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Intercompany charges

Breakdown of intercompany charges by type of services received and geographical distribution as per BNM's Policy Document on Financial Reporting for Islamic Banking Institutions issued on 29 April 2022 are as follows:

2023	**Profit expense on deposits and placements RM'000**	**Profit expense on investment account RM'000**	**Reimbursement of operating expenses to holding company RM'000**	**Other expenses RM'000**
Malaysia	**167,771**	**269,567**	**553,623**	**5,470**
2022				
Malaysia	120,599	280,668	522,819	3,924

40 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to customers.

	2023	2022
	RM'000	RM'000
Contingent liabilities		
Transaction-related contingent items	354,714	381,269
Short-term self-liquidating trade related contingencies	264,074	264,229
	618,788	645,498
Commitments		
Irrevocable commitments to extend credit:		
- Maturity less than one year	695,930	207,642
- Maturity more than one year	9,214,441	10,024,361
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	2,503,444	2,681,811
	12,413,815	12,913,814
Derivative financial instruments		
Foreign exchange related contracts^:		
- Less than one year	14,410,642	13,763,168
- One year to less than five years	1,816,829	990,489
Profit rate related contracts^:		
- Less than one year	2,040,000	1,130,000
- One year to less than five years	3,912,400	3,300,000
- More than five years	122,573	-
Commodity related contracts^:		
- Less than one year	56,144	100,122
- One year to less than five years	86,544	128,491
	22,445,132	19,412,270
	35,477,735	32,971,582

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

41 CAPITAL COMMITMENTS

	2023	2022
	RM'000	RM'000
Capital expenditure for property, plant and equipment:		
- Authorised and contracted for	4,728	5,233

42 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 Bank has determined RHB Bank's Group Management Committee as its chief operating decision-maker.

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

(a) Wholesale Banking

(i) Treasury

Treasury operation is involved in money market operation and securities trading on behalf of the Bank and also for the Bank's customers. The division also provides solutions to serve investment needs of the Bank and the Bank’s customers.

(ii) Corporate and Investment Banking

Corporate and Investment Banking caters to financing and managing relationship of corporate customers including public listed corporations and its related entities, multinational corporations, financial institutions, government and state owned entities as well as high net worth individual related to the above. The division also generates fee-based income from private debt securities issuances (‘PDS’), financing restructuring and syndication as well as general and project advisory services.

(iii) Commercial Banking

Commercial Banking offers a wide range of business solutions ranging from financing, deposits, cash management solutions, trade finance, FX and remittance among others for Commercial customers (Mid-size to Large-Size Private Companies).

(b) Community Banking ('CB')

CB comprise Retail Banking and Small and Medium Enterprises ('SME's) Banking.

(i) Retail Banking

Retail Banking focuses on providing products and services to individual customers. The products and services offered to customers include term financing (house and shop house financing), Islamic automobile financing business with concentration on the financing of high demand and popular passenger motor vehicles, deposit portfolios (savings and current account), credit cards, remittance services, investment products (term deposit/investment account) and bancatakaful products.

(ii) SME Banking

SME Banking focuses on providing financing solutions to SMEs and family-owned enterprises, as well as trade and cash management solutions for SMEs.

42 SEGMENT REPORTING (CONTINUED)

2023

	Wholesale Banking	Community Banking	Others	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	1,968,869	3,045,920	56,165	5,070,954
Inter-segment revenue	486,123	(486,123)	-	-
Segment revenue	2,454,992	2,559,797	56,165	5,070,954
Depositors' payout	(2,037,975)	(1,243,019)	-	(3,280,994)
Net income	417,017	1,316,778	56,165	1,789,960
Operating overheads	(124,240)	(544,589)	-	(668,829)
Including:				
Depreciation of property, plant and equipment and right-of-use assets	(987)	(2,166)	-	(3,153)
Amortisation of computer software	(471)	(647)	-	(1,118)
Allowance for credit losses on financial assets	109,199	(102,843)	-	6,356
Profit before zakat and taxation	401,976	669,346	56,165	1,127,487
Zakat				(10,000)
Taxation				(273,032)
Net profit for the financial year				844,455

42 SEGMENT REPORTING (CONTINUED)

2023

	Wholesale Banking RM'000	Community Banking RM'000	Total RM'000
Segment assets	44,502,440	61,454,791	105,957,231
Deferred tax assets			82,137
Unallocated assets			1,631,824
Total assets			107,671,192
Segment liabilities	56,438,360	42,833,689	99,272,049
Provision for taxation and zakat			40,885
Unallocated liabilities			1,878,933
Total liabilities			101,191,867
Other segment items:			
Capital expenditure	1	4,845	4,846

42 SEGMENT REPORTING (CONTINUED)

2022

	Wholesale Banking RM'000	Community Banking RM'000	Others RM'000	Total RM'000
External revenue	1,624,057	2,369,223	171,825	4,165,105
Inter-segment revenue	457,275	(457,275)	-	-
Segment revenue	2,081,332	1,911,948	171,825	4,165,105
Depositors' payout	(1,453,249)	(689,743)	-	(2,142,992)
Net income	628,083	1,222,205	171,825	2,022,113
Operating overheads	(114,718)	(506,979)	-	(621,697)
Including:				
Depreciation of property, plant and equipment and right-of-use assets	(785)	(2,062)	-	(2,847)
Amortisation of computer software	(425)	(522)	-	(947)
Allowance for credit losses on financial assets	(125,500)	(135,552)	-	(261,052)
Profit before zakat and taxation	387,865	579,674	171,825	1,139,364
Zakat				(8,000)
Taxation				(378,089)
Net profit for the financial year				753,275

42 SEGMENT REPORTING (CONTINUED)

2022

	Wholesale Banking	Community Banking	Total
	RM'000	RM'000	RM'000
Segment assets	46,240,379	56,106,158	102,346,537
Deferred tax assets			137,537
Unallocated assets			1,443,969
Total assets			103,928,043
Segment liabilities	59,270,821	37,468,546	96,739,367
Provision for taxation and zakat			111,844
Unallocated liabilities			1,133,272
Total liabilities			97,984,483
Other segment items:			
Capital expenditure	-	6,341	6,341

43 CAPITAL ADEQUACY RATIO

BNM guidelines on capital adequacy requires 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 Bank are as follows:

	2023	2022
	RM'000	RM'000
Common Equity Tier-I ('CET-I') Capital/Tier-I Capital		
Share capital	**1,673,424**	1,673,424
Retained profits	**4,201,068**	4,177,805
Other reserve	**798**	205
FVOCI reserve	**(38,332)**	(118,059)
	5,836,958	5,733,375
Less:		
Deferred tax assets	**(70,560)**	(100,598)
Intangible assets (include associated deferred tax liabilities)	**(4,661)**	(4,227)
Other deductions*	**(595)**	(941)
Total CET-I/Total Tier-I Capital	**5,761,142**	5,627,609
Tier-II Capital		
Subordinated obligations	**750,000**	750,000
Surplus eligible provisions over expected losses	**154,065**	140,835
General provisions^	**80,942**	55,462
Total Tier-II Capital	**985,007**	946,297
Total Capital	**6,746,149**	6,573,906
Capital ratios		
Before proposed dividends:		
CET-I capital ratio	**16.125%**	17.828%
Tier-I capital ratio	**16.125%**	17.828%
Total capital ratio	**18.882%**	20.826%
After proposed dividends:		
CET-I capital ratio	**15.516%**	17.033%
Tier-I capital ratio	**15.516%**	17.033%
Total capital ratio	**18.273%**	20.031%

* Pursuant to the Basel II Market Risk para 5.18 and 5.19 – Valuation Adjustments, the Capital Adequacy Framework for Islamic Banks (Basel II - Risk Weighted Assets) calculation shall account for the ageing, liquidity and holding back adjustments/reserves on its trading portfolio.

^ Pursuant to BNM's policy document on Financial Reporting for Islamic Banking Institutions, 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 reserve, to the extent they are ascribed to non-credit-impaired exposures, determined under standardised approach for credit risk.

Includes the qualifying regulatory reserve of the Bank of RM68,476,000 (2022: RM34,664,000).

43 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	2023	2022
	RM'000	RM'000
Credit risk	**35,235,833**	33,635,942
Credit risk absorbed by PSIA +	**(3,082,919)**	(5,355,297)
Market risk	**187,131**	170,490
Operational risk	**3,387,790**	3,114,515
Total risk-weighted assets	**35,727,835**	31,565,650

The total risk-weighted assets of the Bank are computed based on BNM's Capital Adequacy Framework for Islamic Banks ('CAFIB'): Internal Ratings Based Approach for Credit and Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk (Basel II).

+ In accordance with BNM's 'Guidelines on the Recognition and Measurement of Profit Sharing Investment Account ('PSIA') as Risk Absorbent', the credit risk weighted assets funded by the Restricted Investment Account and Unrestricted Investment Account which qualifies as risk absorbent are excluded from the capital adequacy ratio calculation.

44 FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

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

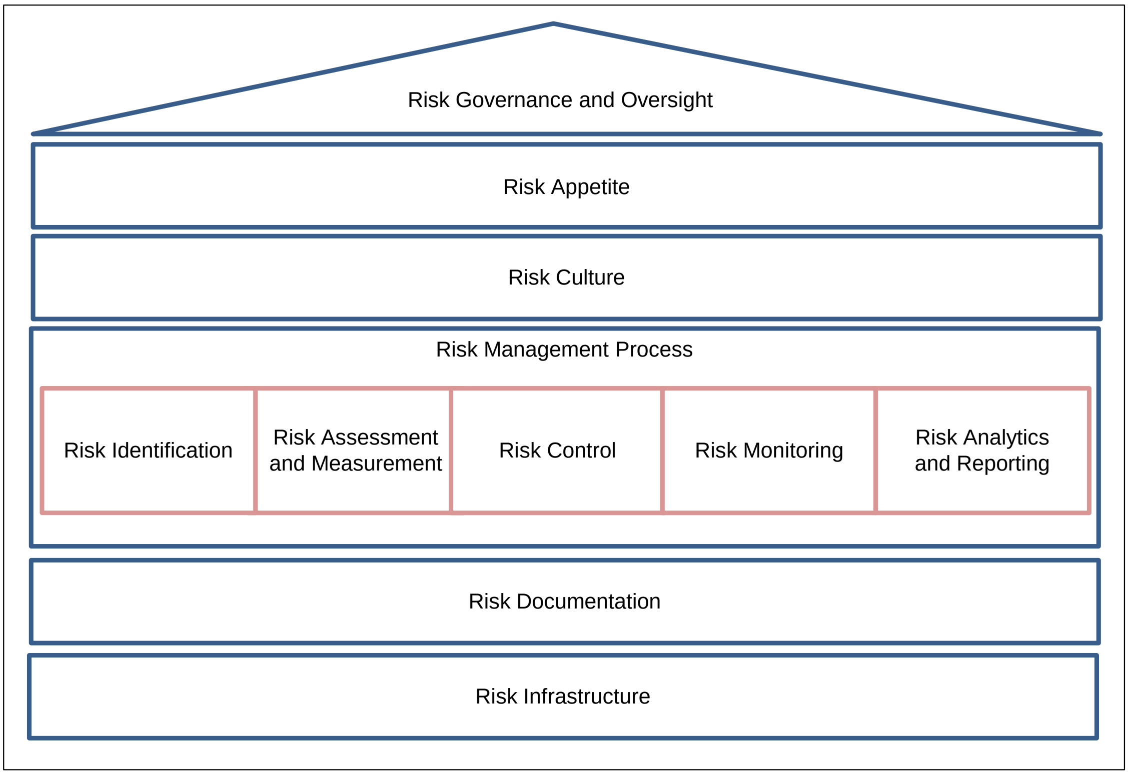
Effective risk management is fundamental to being able to drive sustainable growth and shareholder's value, while maintaining competitive advantage, and is thus a central part of the proactive risk management of the Bank's operating environment.

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

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

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

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



44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Key features of the framework are:

<u>Risk Governance and Oversight</u>

The Board of Directors sits at the apex of the risk governance structure and is ultimately responsible for the Group's/respective entities' risk management strategy, appetite, framework and oversight of risk management activities.

In order to manage the businesses and risks across all subsidiaries in an integrated basis, Group level committees are established to ensure consistency in practices. However, the Group maintains entity-specific committees to allow for greater flexibility and agility in managing specific regulatory and business requirements. Each Board Risk Committee which reports directly to the respective Boards provides oversight and assists the respective Boards to review the Group's overall risk management philosophy, frameworks, policies and models, and risk issues relevant and unique to its business.

The responsibility for the supervision of the day-to-day management of enterprise risk and capital matters is delegated to the Group Capital and Risk Committee ('GCRC') comprising senior management of the Group and which reports to the relevant board committees and the Group Management Committee ('GMC'). The Investment Bank Risk Management Committee ('IBRMC') is responsible for oversight of risk management matters relating to RHB Investment Bank Group's business whilst the Group Asset and Liability Committee ('Group ALCO') oversees market risk, liquidity risk and balance sheet management.

The Group Chief Risk Officer ('GCRO') who reports directly to the Group Managing Director, is responsible for the risk management function. The main roles and responsibilities of GCRO are:

1. Facilitating the setting of the strategic direction and overall policy on management and control of risks of the Group;
2. Ensuring industry best practices in risk management are adopted across the Group, including the setting of risk management parameters and risk models;
3. Developing proactive, balanced and risk attuned culture within the Group; and
4. Advising senior management, management level committees, board level risk committees and Board of Directors of the Group's entities on risk issues and their possible impact on the Group in the achievement of its objectives and strategies.

GCRO is supported by the entities' chief risk officers and various teams within risk management function:

1. The entities' chief risk officers main function is to assess and manage the enterprise risk and liaise with regulators in the respective country/entity under their purview. They are supported by their respective risk management teams with support from the risk management function from the Group.
2. The risk management function are teams who specialise in the respective risks and responsible for the active oversight of the Group-wide risk management function and support the respective entities/chief risk officers. Group Risk and Credit Management consist of Group Credit Risk Management, Group Market Risk Management, Group Asset and Liability Management, Group Operational Risk Management, Group Technology and Cyber Risk Management, Group Shariah Risk Management, Risk Strategy & Transformation and Enterprise Risk Management, Group Credit Management, Investment Banking and Regional Risk and Insurance Risk Management.

<u>Risk Appetite</u>

The Board of Directors sets the risk appetite and tolerance level that are consistent with the Group and each entity's overall business objectives and desired risk profile. It describes the types and level of risks the Group is prepared to accept in delivering its business strategies, and reported through various metrics that enable the Group to manage capital resources and shareholders' expectations.

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Key features of the framework are (continued):

Risk Culture

The Group subscribes to the principle of ‘Risk and Compliance is Everyone’s Responsibility’ and risk management is managed via a ‘three lines of defence’ model. Business/functional units of the respective operating entities in the Group are collectively responsible for identifying, managing and reporting risk.

The approach is based on the ‘three lines of defence’ model as depicted below:

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

Risk Management Process

The risk management process identifies, assesses and measures, controls, monitors and reports/analyses risk. This ensures that risk exposures are adequately managed and that the expected return compensates for the risk taken.

- Identification: The identification and analysis of the existing and potential risks is a continuing process, in order to facilitate and proactive and timely identification of risk within the Group’s business operations, including emerging risks. This ensures that risks can be managed and controlled within the risk appetite of the Group and specific entity, where necessary.
- Assessment and Measurement: Risks are measured, assessed and aggregated using comprehensive qualitative and quantitative risk measurement methodologies, and the process also serves as an important tool as it provides an assessment of capital adequacy and solvency.
- Controlling: Risks identified during the risk identification process must be adequately managed and mitigated to control the risk of loss. This is also to ensure risk exposures are managed within the Group’s or entity’s risk appetite.
- Monitoring: Effective monitoring process ensures that the Group is aware of the condition of its exposures vis-à-vis its approved appetite and to facilitate early identification of potential problem on a timely basis by using continuous and on-going monitoring of risk exposures and risk control/mitigation measures.
- Analytics and Reporting: Risk analysis and reports are prepared by the respective entities and at a consolidated level as well as business level; and are regularly escalated to the senior management and relevant Boards of the Group’s entities to ensure that the risks identified remain within the established appetite and to support an informed decision-making process.

Reporting and analytics are also being continuously enhanced to provide risk intelligence to relevant stakeholders within the Group to facilitate more effective decision making.

Risk Documentation

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Key features of the framework are (continued):

Risk Infrastructure

The Group has organised its resources and talents into specific functions, and invested in the technology, including data management to support the Group's risk management activities. Staff have clear roles and responsibilities, given access to relevant and up-to-date risk information, and the latitude to continuously enhance competency through learning and development programs.

Risk systems and tools are designed to provide accessibility of risk information that complement the risk management process. The availability of data for analytics and monitoring, and dashboards and reporting assists in continuously enhancing risk management capabilities. The Group's Risk Management Report has evolved to be more analytically-driven with dashboards that include elements of quantitative and qualitative forward looking projections.

Effective risk management requires the Group to continuously review its risk management capabilities to effectively manage risk and to improve risk management practices across the Group. Therefore, the Group has embarked on transformation journeys striving for improvements for better efficiency and effectiveness.

Major Areas of Risk

As a banking institution with key activities covering retail, business banking, corporate banking and advisory services, treasury products and services, and securities and futures related business, the Group is subject to business risks which are inherent in the financial services industry. Generally, these business risks can be broadly classified as follows:

(i) Credit risk - the risk of loss arising from customers' or counterparties' failure to fulfil their financial and contractual obligations in accordance to the agreed terms. It stems primarily from the Bank's lending/financing, trade finance, placement, underwritings, investment, hedging and trading activities from both on- and off-balance sheet transactions. Credit risk does not typically happen in isolation and presence of other risks may also arise depending on certain risk events (e.g. fluctuation of interest rate, foreign exchange).

(ii) Market risk - the risk of losses arising from adverse movements in market drivers, such as profit rates, credit spreads, equity prices, currency exchange rates and commodity prices. Under this definition, market risk will constitute:

- the profit rate and equity risks pertaining to financial instruments in the trading book; and
- foreign exchange risk and commodities risk in the trading and banking books.

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

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

(v) Technology and Cyber risk - Technology risk is the business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an enterprise while Cyber risk refers to threats or vulnerabilities emanating from the connectivity of internal infrastructure to external networks such as the Internet.

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Major Areas of Risk (continued)

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

Credit risk

- The Bank abides to the Board approved credit policy which supports the development of a strong credit culture and with the objective of maintaining a well-diversified portfolio that addresses credit risk, and mitigates concern for unexpected losses.
- Regulatory requirement and industry best practices are incorporated into the approved policy.
- Group Credit Committee ('GCC') is responsible for ensuring adherence to the Board approved credit risk appetite as well as the effectiveness of credit risk management. GCC is the senior management committee empowered to approve or reject all financial investments, counterparty credit and lending/financing up to the defined threshold limits.
- Group Investment Underwriting Committee (‘GIUC’) deliberates, approves and rejects stockbroking/equities/futures business related proposals such as equity underwriting, equity derivatives and structured products, and share margin financing.
- GCC and GIUC submit to the Board Credit Committee (‘BCC’) for affirmation or veto if the financing facilities exceed a pre-defined threshold.
- The Bank also ensures that internal processes and credit underwriting standards are adhered to before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being evaluated by Group Credit Management/Group Retail Credit prior to submission to the relevant committees for approval. With the exception of credit applications for consumer and approved products under program lending/financing which can be auto approved by financing origination system or business units’ supervisors, all other credit facilities are subject to independent assessment by a team of dedicated and experienced credit evaluators in Head Office. For proper checks and controls, joint or escalated approval is required for all discretionary lending between business and independent credit underwriters, except for end-financing which can only be singly assessed by independent reviewers. Financing which are beyond the delegated lending authority limits will be escalated to the relevant committees for approval.
- Internal credit rating models are an integral part of the Bank’s credit risk management, decision-making process, and regulatory capital calculations.
- Clients’ accounts are reviewed at regular intervals and weakening credits are transferred to Loan Recovery for more effective management.
- Counterparty, industry and product exposure limits/directions are set and risk reward relationships are mapped with the aim of maintaining a diverse credit profile and track the changing risk concentrations in response to market changes and external events.
- The Bank applies the Internal Ratings-Based (‘IRB’) approach for credit risk, whereby more advanced Basel II approaches and key program components are implemented, which includes (i) enhancing the returns of the Bank using established credit risk framework and methodologies, (ii) implementing and using empirical credit scoring models for consumer financing and credit rating models for business financing, and (iii) designing and implementing modelling of expected and unexpected losses.
- The Bank has embarked on an end-to-end credit transformation journey to support business growth while protecting the asset quality. It covers the core business segments from Group Community Banking (i.e. retail and small lending/financing portfolios) and Group Wholesales Banking (i.e. non-retail portfolios). To date, business improvements have been observed in credit approval, turnaround time, asset quality and collection/recovery, through the implementation/pilot run.

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Major Areas of Risk (continued)

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

Market risk

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

Liquidity risk

- The Group ALCO plays a fundamental role in the asset and liability management of the Bank, and establishes strategies to assist in controlling and reducing any potential exposures to liquidity risk.
- The liquidity risk management process involves establishing liquidity risk management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.
- Minimum liquid assets buffer, capping on large depositor concentration and sufficient long term funding are available to meet obligations and aligned to Liquidity Coverage Ratio and Net Stable Funding Ratio to ensure adequate cover for withdrawals arising from unexpected levels of demand.
- Defined liquidity management ratios are maintained and monitored.
- The Bank has established Group Liquidity Incident Management Plan Guideline to manage any potential adverse liquidity incidences, and which can be implemented on a timely basis so that appropriate actions can be taken to mitigate against any unexpected market developments.

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Major Areas of Risk (continued)

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

Operational risk

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

- The Bank's operational risk management system has integrated applications to support the operational risk management process (i.e. assessment, reporting, database/library).

- The Bank has Business Continuity Management ('BCM') programme for the major critical business operations and activities at the Head Office, data centre, and branches' locations. The BCM programme is subject to regular testing to validate adequacy and preparedness of all resources to support critical and essential services in the event of disruption. There are ongoing continuous improvement initiatives to build operational resilience to ensure sustainability of critical services.

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

- Regular operational risk reporting is made to senior management, relevant committees and board to facilitate the identification of adverse operational lapses, taking of prompt corrective actions, and ensuring appropriate risk mitigations are implemented.

Technology & Cyber Risk

- The Group Technology & Cyber Risk Management function is responsible for the establishment of group-wide technology and cyber risk management framework, policy and guideline, as well as providing guidance and consultation to the business and functional units on technology and cyber risk areas.

- There is a continuous enhancement of existing Group policies, procedures and internal control measures in line with regulatory requirements; with regular independent assessment on areas pertaining to technology and cyber risks to prevent and/or minimise unexpected losses.

- Development of policies and mitigating controls are made reference to industry standards such as ISO/IEC:27001:2013, COBIT 5 and the NIST Cyber Security Framework.

- Regular technology and cyber risk reporting is made to senior management, relevant senior management and board committees to facilitate a risk informed decision by proactively identifying emerging technology and cyber threats, assessment on the effectiveness of the controls implemented and the recommendation of new appropriate controls.

- Subscription to threat intelligence service providers for the latest cyber threats incidence, threat actors, exploit techniques and modus operandi in compromising an organisation.

- Continuous education and awareness on technology and cyber risks to Board, business and functional units, new recruits and third party service providers via Computer Based Training, classroom training and regular email broadcast communication.

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category

	At amortised cost	At fair value through profit and loss	At fair value through other comprehensive income	Total
	RM'000	RM'000	RM'000	RM'000
2023				
Assets				
Cash and short-term funds	5,801,534	-	-	5,801,534
Securities purchased under resale agreements	1,445,151	-	-	1,445,151
Deposits and placements with banks and other financial institutions	92,225	-	-	92,225
Financial assets at FVTPL	-	167,678	-	167,678
Financial assets at FVOCI				
- Debt instruments	-	-	5,937,797	5,937,797
Financial investments at amortised cost	8,978,775	-	-	8,978,775
Financing and advances	83,320,127	-	-	83,320,127
Other financial assets	56,587	-	-	56,587
Derivative assets	-	187,192	-	187,192
	99,694,399	354,870	5,937,797	105,987,066
Liabilities				
Deposits from customers	82,184,511	-	-	82,184,511
Deposits and placements of banks and other financial institutions	6,989,306	-	-	6,989,306
Investment accounts	6,766,604	-	-	6,766,604
Bills and acceptances payable	9,842	-	-	9,842
Other financial liabilities	1,765,240	-	-	1,765,240
Derivative liabilities	-	146,434	-	146,434
Recourse obligation on financing sold to Cagamas	1,611,741	-	-	1,611,741
Lease liabilities	1,186	-	-	1,186
Borrowings	809,238	-	-	809,238
Subordinated obligations	754,373	-	-	754,373
	100,892,041	146,434	-	101,038,475

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

	At amortised cost	At fair value through profit and loss	At fair value through other comprehensive income	Total
	RM'000	RM'000	RM'000	RM'000
2022				
Assets				
Cash and short-term funds	7,167,727	-	-	7,167,727
Securities purchased under resale agreements	577,051	-	-	577,051
Financial assets at FVTPL	-	91,997	-	91,997
Financial assets at FVOCI				
- Debt instruments	-	-	5,700,547	5,700,547
Financial investments at amortised cost	7,542,997	-	-	7,542,997
Financing and advances	80,850,262	-	-	80,850,262
Other financial assets	57,863	-	-	57,863
Derivative assets	-	324,762	-	324,762
	96,195,900	416,759	5,700,547	102,313,206
Liabilities				
Deposits from customers	78,233,590	-	-	78,233,590
Deposits and placements of banks and other financial institutions	6,125,353	-	-	6,125,353
Investment accounts	9,597,262	-	-	9,597,262
Bills and acceptances payable	7,421	-	-	7,421
Other financial liabilities	1,002,944	-	-	1,002,944
Derivative liabilities	-	256,252	-	256,252
Recourse obligation on financing sold to Cagamas	1,765,061	-	-	1,765,061
Lease liabilities	1,307	-	-	1,307
Subordinated obligations	754,428	-	-	754,428
	97,487,366	256,252	-	97,743,618

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk

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

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

(i) Profit rate sensitivity analysis

The profit rate sensitivity results below shows the impact on profit after tax and reserve of financial assets and financial liabilities bearing floating profit rate and fixed rate financial assets and financial liabilities:

	Impact on profit after tax RM'000	Impact on reserve RM'000
Increase/(Decrease)		
2023		
+100 bps	**162,566**	**(151,580)**
-100 bps	**(162,121)**	**165,257**
2022		
+100 bps	139,273	(157,156)
-100 bps	(139,061)	172,690

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

(i) Impact on the profit after tax is the sum of valuation changes on profit rate instruments held in the trading portfolio and earnings movement for all short-term profit rate sensitive assets and liabilities (with maturity or re-pricing tenure of up to one year) that is not held in the trading portfolio. Earnings movement for the short- term profit rate sensitive assets and liabilities uses a set of risk weights with its respective time band to simulate the 100 bps (2022: 100 bps) profit rate change impact. For assets and liabilities with non-fixed maturity e.g. current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of these profit bearing assets and liabilities.

(ii) Impact on reserve represents the changes in fair values of profit rate instruments held in the FVOCI portfolio arising from the shift in the profit rate.

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Foreign currency sensitivity analysis

The foreign currency sensitivity represents the effect of the appreciation or depreciation of the foreign currency rates, while other variables remain constant.

	Impact on profit after tax RM'000
Increase/(Decrease)	
2023	
+10%	**(4,258)**
-10%	**4,258**
2022	
+10%	(4,124)
-10%	4,124

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

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Profit rate risk

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

	Non-trading book								
2023	**Up to 1 month**	**>1 - 3 months**	**>3 - 6 months**	**>6 - 12 months**	**>1 - 3 years**	**Over 3 years**	**Non-profit sensitive**	**Trading book**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
ASSETS									
Cash and short-term funds	**5,660,318**	**-**	**-**	**-**	**-**	**-**	**141,216**	**-**	**5,801,534**
Securities purchased under resale agreements	**965,161**	**475,802**	**-**	**-**	**-**	**-**	**4,188**	**-**	**1,445,151**
Deposits and placements with banks and other financial institutions	**-**	**91,932**	**-**	**-**	**-**	**-**	**293**	**-**	**92,225**
Financial assets at FVTPL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**167,678**	**167,678**
Financial assets at FVOCI	**-**	**-**	**15,027**	**25,069**	**1,068,834**	**4,769,357**	**59,510**	**-**	**5,937,797**
Financial investments at amortised cost	**1,249,993**	**2,044,523**	**789,437**	**1,436,741**	**906,998**	**2,436,350**	**114,733**	**-**	**8,978,775**
Financing and advances	**67,707,200**	**4,024,305**	**1,114,640**	**258,179**	**641,864**	**8,936,931**	**637,008**	**-**	**83,320,127**
Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**119,974**	**-**	**119,974**
Derivative assets	**-**	**-**	**-**	**-**	**8,748**	**65,665**	**-**	**112,779**	**187,192**
Statutory deposits with BNM	**-**	**-**	**-**	**-**	**-**	**-**	**1,526,500**	**-**	**1,526,500**
Deferred tax assets	**-**	**-**	**-**	**-**	**-**	**-**	**82,137**	**-**	**82,137**
Right-of-use assets	**-**	**-**	**-**	**-**	**-**	**-**	**1,188**	**-**	**1,188**
Property, plant and equipment	**-**	**-**	**-**	**-**	**-**	**-**	**5,728**	**-**	**5,728**
Intangible assets	**-**	**-**	**-**	**-**	**-**	**-**	**5,186**	**-**	**5,186**
TOTAL ASSETS	**75,582,672**	**6,636,562**	**1,919,104**	**1,719,989**	**2,626,444**	**16,208,303**	**2,697,661**	**280,457**	**107,671,192**

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Profit rate risk (continued)

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

	Non-trading book								
2023	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 6 months RM'000**	**>6 - 12 months RM'000**	**>1 - 3 years RM'000**	**Over 3 years RM'000**	**Non-profit sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
LIABILITIES									
Deposits from customers	15,377,347	20,115,238	19,139,701	11,620,207	602,812	1,012,960	14,316,246	-	82,184,511
Deposits and placements of banks and other financial institutions	2,378,793	2,667,388	1,527,657	129,387	65,857	186,302	33,922	-	6,989,306
Investment accounts	303,500	1,310,000	500,000	1,031,000	660,193	2,800,476	161,435	-	6,766,604
Bills and acceptances payable	9,842	-	-	-	-	-	-	-	9,842
Other liabilities	-	-	-	-	-	-	1,877,747	-	1,877,747
Derivative liabilities	-	-	-	1,753	4,554	173	-	139,954	146,434
Recourse obligation on financing sold to Cagamas	-	-	-	900,000	700,000	-	11,741	-	1,611,741
Provision for tax and zakat	-	-	-	-	-	-	40,885	-	40,885
Lease liabilities	71	123	131	266	595	-	-	-	1,186
Borrowings	-	804,399	-	-	-	-	4,839	-	809,238
Subordinated obligations	-	-	500,000	-	-	250,000	4,373	-	754,373
TOTAL LIABILITIES	18,069,553	24,897,148	21,667,489	13,682,613	2,034,011	4,249,911	16,451,188	139,954	101,191,867
TOTAL EQUITY	-	-	-	-	-	-	6,479,325	-	6,479,325
TOTAL LIABILITIES AND EQUITY	18,069,553	24,897,148	21,667,489	13,682,613	2,034,011	4,249,911	22,930,513	139,954	107,671,192
On-balance sheet profit sensitivity gap	57,513,119	(18,260,586)	(19,748,385)	(11,962,624)	592,433	11,958,392			
Off-balance sheet profit sensitivity gap	-	-	-	500,000	164,000	1,200,400			
TOTAL PROFIT-SENSITIVITY GAP	57,513,119	(18,260,586)	(19,748,385)	(11,462,624)	756,433	13,158,792			

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Profit rate risk (continued)

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

2022	Non-trading book: Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	>1 - 3 years	Over 3 years	Non-profit sensitive	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS									
Cash and short-term funds	7,029,834	-	-	-	-	-	137,893	-	7,167,727
Securities purchased under resale agreements	196,835	-	376,800	-	-	-	3,416	-	577,051
Financial assets at FVTPL	-	-	-	-	-	-	-	91,997	91,997
Financial assets at FVOCI	-	40,031	30,109	60,234	533,795	4,976,433	59,945	-	5,700,547
Financial investments at amortised cost	17,002	171,540	255,662	2,184,342	1,718,251	3,148,462	47,738	-	7,542,997
Financing and advances	68,586,912	1,071,875	415,258	100,994	644,560	10,121,295	(90,632)	-	80,850,262
Other assets	-	-	-	-	-	-	96,628	-	96,628
Derivative assets	-	-	-	-	16,158	97,597	-	211,007	324,762
Statutory deposits with BNM	-	-	-	-	-	-	1,426,500	-	1,426,500
Deferred tax assets	-	-	-	-	-	-	137,537	-	137,537
Right-of-use assets	-	-	-	-	-	-	1,264	-	1,264
Property, plant and equipment	-	-	-	-	-	-	6,204	-	6,204
Intangible assets	-	-	-	-	-	-	4,567	-	4,567
TOTAL ASSETS	75,830,583	1,283,446	1,077,829	2,345,570	2,912,764	18,343,787	1,831,060	303,004	103,928,043

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Profit rate risk (continued)

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

	Non-trading book								
2022	Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	>1 - 3 years	Over 3 years	Non-profit sensitive	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES									
Deposits from customers	21,143,279	16,796,390	14,517,415	11,495,002	767,906	1,134,663	12,378,935	-	78,233,590
Deposits and placements of banks and other financial institutions	1,390,577	2,432,341	2,100,600	11,737	41,443	135,147	13,508	-	6,125,353
Investment accounts	76,442	826,536	200,000	890,500	3,607,575	3,874,232	121,977	-	9,597,262
Bills and acceptances payable	7,421	-	-	-	-	-	-	-	7,421
Other liabilities	-	-	-	-	-	-	1,131,965	-	1,131,965
Derivative liabilities	-	-	-	932	3,853	2,607	-	248,860	256,252
Recourse obligation on financing sold to Cagamas	-	-	-	749,951	1,000,000	-	15,110	-	1,765,061
Provision for tax and zakat	-	-	-	-	-	-	111,844	-	111,844
Lease liabilities	125	197	269	395	321	-	-	-	1,307
Subordinated obligations	-	-	-	-	500,000	250,000	4,428	-	754,428
TOTAL LIABILITIES	22,617,844	20,055,464	16,818,284	13,148,517	5,921,098	5,396,649	13,777,767	248,860	97,984,483
TOTAL EQUITY	-	-	-	-	-	-	5,943,560	-	5,943,560
TOTAL LIABILITIES AND EQUITY	22,617,844	20,055,464	16,818,284	13,148,517	5,921,098	5,396,649	19,721,327	248,860	103,928,043
On-balance sheet profit sensitivity gap	53,212,739	(18,772,018)	(15,740,455)	(10,802,947)	(3,008,334)	12,947,138			
Off-balance sheet profit sensitivity gap	-	-	-	(500,000)	(185,000)	1,485,000			
TOTAL PROFIT-SENSITIVITY GAP	53,212,739	(18,772,018)	(15,740,455)	(11,302,947)	(3,193,334)	14,432,138			

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk

Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds upon maturity, extensions of credit and working capital needs. The Bank has adopted BNM's liquidity standard on Liquidity Coverage Ratio ('LCR'), to ensure maintenance of adequate stock of unencumbered high-quality liquid assets to survive the liquidity needs for 30 calendar day under liquidity stress condition. In July 2019, BNM has issued the final Net Stable Funding Ratio ('NSFR') policy document, which was effective from 1 July 2020 and banking institutions are expected to maintain a minimal NSFR of 100% at the consolidated level i.e. at RHB Banking Group level.

Both the LCR and NSFR at the Bank level have been maintained at above 100% since its adoption.

The Bank seeks to project, monitor and manage its liquidity needs under normal as well as adverse circumstances. The Bank did not have any defaults of principal and profit or other breaches with respect to its borrowings and subordinated obligations during the financial years ended 31 December 2023 and 2022.

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity:

2023	Up to 1 week	1 week to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	4,790,243	1,011,291	-	-	-	-	-	5,801,534
Securities purchased under resale agreements	287,477	680,127	477,547	-	-	-	-	1,445,151
Deposits and placements with banks and other financial institutions	-	-	92,225	-	-	-	-	92,225
Financial assets at FVTPL	-	2,636	1,797	-	-	163,245	-	167,678
Financial assets at FVOCI	-	16,832	24,875	32,831	25,069	5,838,190	-	5,937,797
Financial investments at amortised cost	-	873,954	176,115	143,406	1,111,400	6,673,900	-	8,978,775
Financing and advances	1,171,250	9,728,713	4,047,466	1,139,368	283,113	66,950,217	-	83,320,127
Other assets	-	56,191	-	-	-	-	63,783	119,974
Derivative assets	10,306	22,738	42,030	15,851	4,503	91,764	-	187,192
Statutory deposits with BNM	-	-	-	-	-	-	1,526,500	1,526,500
Deferred tax assets	-	-	-	-	-	-	82,137	82,137
Right-of-use assets	-	-	-	-	-	-	1,188	1,188
Property, plant and equipment	-	-	-	-	-	-	5,728	5,728
Intangible assets	-	-	-	-	-	-	5,186	5,186
TOTAL ASSETS	6,259,276	12,392,482	4,862,055	1,331,456	1,424,085	79,717,316	1,684,522	107,671,192

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

2023	Up to 1 week	1 week to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES								
Deposits from customers	17,516,034	11,627,712	20,364,766	19,331,238	11,716,121	1,628,640	-	82,184,511
Deposits and placements of banks and other financial institutions	1,281,417	1,111,220	2,680,077	1,533,620	130,804	252,168	-	6,989,306
Investment accounts	3,009	300,590	1,320,729	500,837	1,031,000	3,610,439	-	6,766,604
Bills and acceptances payable	9,842	-	-	-	-	-	-	9,842
Other liabilities	-	1,656,328	14,749	-	39,160	55,003	112,507	1,877,747
Derivative liabilities	16,319	24,358	43,870	21,922	3,422	36,543	-	146,434
Recourse obligation on financing sold to Cagamas	-	-	7,841	3,900	900,000	700,000	-	1,611,741
Provision for taxation and zakat	-	-	-	-	-	-	40,885	40,885
Lease liabilities	-	71	123	131	266	595	-	1,186
Borrowings	-	-	4,839	-	-	804,399	-	809,238
Subordinated obligations	-	-	-	504,373	-	250,000	-	754,373
TOTAL LIABILITIES	18,826,621	14,720,279	24,436,994	21,896,021	13,820,773	7,337,787	153,392	101,191,867
TOTAL EQUITY	-	-	-	-	-	-	6,479,325	6,479,325
TOTAL LIABILITIES AND EQUITY	18,826,621	14,720,279	24,436,994	21,896,021	13,820,773	7,337,787	6,632,717	107,671,192

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

2022	Up to 1 week	1 week to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	2,979,819	4,187,908	-	-	-	-	-	7,167,727
Securities purchased under resale agreements	-	199,093	-	377,958	-	-	-	577,051
Financial assets at FVTPL	-	-	-	-	-	91,997	-	91,997
Financial assets at FVOCI	-	-	40,497	30,201	60,995	5,568,854	-	5,700,547
Financial investments at amortised cost	-	14,086	174,225	256,250	2,177,803	4,920,633	-	7,542,997
Financing and advances	1,741,240	4,540,630	1,074,559	433,512	325,323	72,734,998	-	80,850,262
Other assets	6,528	52,071	-	-	-	-	38,029	96,628
Derivative assets	188	36,867	138,673	10,773	3,244	135,017	-	324,762
Statutory deposits with BNM	-	-	-	-	-	-	1,426,500	1,426,500
Deferred tax assets	-	-	-	-	-	-	137,537	137,537
Right-of-use assets	-	-	-	-	-	-	1,264	1,264
Property, plant and equipment	-	-	-	-	-	-	6,204	6,204
Intangible assets	-	-	-	-	-	-	4,567	4,567
TOTAL ASSETS	4,727,775	9,030,655	1,427,954	1,108,694	2,567,365	83,451,499	1,614,101	103,928,043

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

2022	Up to 1 week	1 week to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES								
Deposits from customers	18,374,339	14,794,465	16,932,290	14,646,002	11,569,333	1,917,161	-	78,233,590
Deposits and placements of banks and other financial institutions	202,233	1,190,703	2,435,897	2,108,184	11,737	176,599	-	6,125,353
Investment accounts	5,001	71,496	853,258	207,412	943,627	7,516,468	-	9,597,262
Bills and acceptances payable	7,421	-	-	-	-	-	-	7,421
Other liabilities	-	894,790	15,673	-	44,925	47,556	129,021	1,131,965
Derivative liabilities	5,225	66,390	138,235	16,198	2,632	27,572	-	256,252
Recourse obligation on financing sold to Cagamas	-	-	7,840	5,266	751,955	1,000,000	-	1,765,061
Provision for taxation and zakat	-	-	-	-	-	-	111,844	111,844
Lease liabilities	-	125	197	269	395	321	-	1,307
Subordinated obligations	-	-	-	4,428	-	750,000	-	754,428
TOTAL LIABILITIES	18,594,219	17,017,969	20,383,390	16,987,759	13,324,604	11,435,677	240,865	97,984,483
TOTAL EQUITY	-	-	-	-	-	-	5,943,560	5,943,560
TOTAL LIABILITIES AND EQUITY	18,594,219	17,017,969	20,383,390	16,987,759	13,324,604	11,435,677	6,184,425	103,928,043

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk (continued)

The following table presents the cash outflows for the Bank's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statement of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and profit payments:

2023	Up to 1 month	1 to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES							
Deposits from customers	29,169,095	40,116,383	12,052,394	656,545	1,177,092	-	83,171,509
Deposits and placements of banks and other financial institutions	2,394,865	4,240,798	134,226	66,838	77,389	109,380	7,023,496
Investment accounts	303,947	1,859,327	1,066,366	701,201	2,441,059	1,160,409	7,532,309
Bills and acceptances payable	9,842	-	-	-	-	-	9,842
Other financial liabilities	1,656,328	14,749	39,160	55,003	-	-	1,765,240
Derivative liabilities:							
- Gross settled derivatives:							
- Inflow	(2,674,139)	(3,128,090)	(1,454,492)	(214,292)	(1,309,718)	-	(8,780,731)
- Outflow	2,713,785	3,160,008	1,458,969	191,025	1,362,888	-	8,886,675
- Net settled derivatives	142	1,249	3,140	8,906	4,798	-	18,235
Recourse obligation on financing sold to Cagamas	-	32,575	932,575	752,415	-	-	1,717,565
Lease liabilities	79	283	295	661	-	-	1,318
Borrowings	-	24,926	24,926	854,257	-	-	904,109
Subordinated obligations	-	515,875	5,075	5,075	260,150	-	786,175
TOTAL FINANCIAL LIABILITIES	33,573,944	46,838,083	14,262,634	3,077,634	4,013,658	1,269,789	103,035,742

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk (continued)

The following table presents the cash outflows for the Bank's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statement of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and profit payments (continued):

2023	Up to 1 month	1 to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Transaction-related contingent items	23,504	106,187	47,991	146,648	28,177	2,207	354,714
Short-term self-liquidating trade-related contingencies	7,927	256,147	-	-	-	-	264,074
Irrecoverable commitments to extend credit	2,325	185,966	507,639	2,017,710	2,106,950	5,089,781	9,910,371
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	68,356	686,828	240,251	951,417	66,417	490,175	2,503,444
TOTAL COMMITMENTS AND CONTINGENCIES	102,112	1,235,128	795,881	3,115,775	2,201,544	5,582,163	13,032,603

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44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk (continued)

The following table presents the cash outflows for the Bank's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statement of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and profit payments (continued):

2022	Up to 1 month	1 to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES							
Deposits from customers	33,201,971	31,864,600	11,883,995	891,437	1,374,173	-	79,216,176
Deposits and placements of banks and other financial institutions	1,393,427	4,578,575	12,163	42,469	87,995	47,433	6,162,062
Investment accounts	76,711	1,118,996	943,791	3,803,311	2,076,874	2,762,617	10,782,300
Bills and acceptances payable	7,421	-	-	-	-	-	7,421
Other financial liabilities	894,790	15,673	44,925	47,556	-	-	1,002,944
Derivative liabilities:							
- Gross settled derivatives:							
- Inflow	(3,349,397)	(3,815,666)	(95,394)	(35,901)	(520,539)	-	(7,816,897)
- Outflow	3,420,818	3,960,393	99,730	50,693	503,509	-	8,035,143
- Net settled derivatives	452	1,995	3,296	7,734	586	-	14,063
Recourse obligation on financing sold to Cagamas	-	29,656	779,608	1,045,063	-	-	1,854,327
Lease liabilities	140	529	449	366	-	-	1,484
Subordinated obligations	-	15,875	15,875	515,875	260,800	-	808,425
TOTAL FINANCIAL LIABILITIES	35,646,333	37,770,626	13,688,438	6,368,603	3,783,398	2,810,050	100,067,448

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44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk (continued)

The following table presents the cash outflows for the Bank's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statement of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and profit payments (continued):

2022	Up to 1 month	1 to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Transaction-related contingent items	22,178	76,948	118,700	120,072	34,715	8,656	381,269
Short-term self-liquidating trade-related contingencies	5,783	255,893	2,553	-	-	-	264,229
Irrecoverable commitments to extend credit	3,335	25,455	178,852	2,524,417	1,892,783	5,607,161	10,232,003
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	123,568	659,224	1,016,627	137,349	98,817	646,226	2,681,811
TOTAL COMMITMENTS AND CONTINGENCIES	154,864	1,017,520	1,316,732	2,781,838	2,026,315	6,262,043	13,559,312

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk at the statement of financial position is the amounts on the statement of financial position as well as off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

The table below shows the credit exposure of the Bank that are subject to impairment:

	2023	2022
	RM'000	RM'000
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds (exclude cash in hand)	**5,792,218**	7,155,710
Securities purchased under resale agreements	**1,445,151**	577,051
Deposits and placements with banks and other financial institutions	**92,225**	-
Financial assets at FVOCI	**5,937,797**	5,700,547
Financial investments at amortised cost	**8,978,775**	7,542,997
Financing and advances	**83,320,127**	80,850,262
Other financial assets	**56,587**	57,863
	105,622,880	101,884,430
Credit risk exposure relating to off-balance sheet assets:		
Commitments and contingencies	**13,032,603**	13,559,312
Total maximum credit risk exposure that are subject to impairment	**118,655,483**	115,443,742

The table below shows the credit exposure of the Bank that are not subject to impairment:

	2023	2022
	RM'000	RM'000
Financial assets at FVTPL	**167,678**	91,997
Derivative assets	**187,192**	324,762
	354,870	416,759

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit risk (continued)

(ii) Collaterals

The tangible securities acceptable by the Bank; such as cash deposits, shares and unit trusts, land and buildings and vessels.

The Bank also accepts non-tangible securities as credit support, such as guarantees from individuals, corporates and institutions, charge over lease, debentures, assignment of contract proceeds, negative pledge and letter of awareness/comfort/support which are subject to internal guidelines on eligibility.

The outstanding balance for financing and advances for which no allowances is recognised because of collateral as at 31 December 2023 amounted to RM64.5 million (2022: RM45.6 million).

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for financing and advances balances as at 31 December 2023 for the Bank is 70.9% (2022: 83.4%). The financial effect of collateral held for the remaining on-balance sheet assets are insignificant.

The following table shows the financing and advances that are credit-impaired and related collateral held:

2023	**Gross impaired outstanding**	**Credit losses**	**Net carrying amount**	**Collateral value over gross outstanding**
	RM'000	**RM'000**	**RM'000**	**%**
Financing and advances	**1,216,853**	**(361,064)**	**855,789**	**76.0**
2022				
Financing and advances	600,488	(252,065)	348,423	77.1

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit risk (continued)

(iii) Credit exposure by stage

Financial assets of the Bank is classified into three stages as below:

Stages	**Description**
Stage 1: 12 months ECL - not credit impaired	For credit exposures where there has not been a significant 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.
Stage 2: Lifetime ECL - not credit impaired	For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, the ECL associated with the probability of default events occurring within the lifetime ECL will be recognised.
Stage 3: Lifetime ECL - credit impaired	Financial assets are assessed as credit impaired when one or more objective evidence of defaults that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL will be recognised.

For further details on the stages, refer to accounting policy Note 19.

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit risk (continued)

(iv) Credit quality

The Bank assesses credit quality of financing and advances using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers' judgement.

Credit quality description is summarised as follows:

Credit Quality	Description
Sovereign	Exposures directly from government bodies including exposure guaranteed by government
Good	Exposures exhibit strong capacity to meet financial commitments with no cause of concern to the Bank
Fair	Exposures exhibit fairly acceptable capacity to meet financial commitments and may require varying degrees of concern to the Bank
No Rating	Counterparties which do not satisfy the criteria to be rated based on internal credit grading system
Credit Impaired	When one or more objective evidence of defaults that have a detrimental impact on the estimated future cash flows have occurred

The credit quality of financial assets other than financing and advances are determined based on the ratings of counterparties as defined by Moody’s or equivalent ratings of other international rating agencies as defined below:

Credit Quality	Ratings
Sovereign	Sovereign credit rating
Good	Aaa to A3
Fair	Baa1 to Baa3
No Rating	Unrated
Credit Impaired	Default

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision:

	Gross Carrying Amount						
2023	**Sovereign**	**Good**	**Fair**	**No rating**	**Credit-impaired**	**Total**	**Provision for credit loss**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
General Approach							
Short-term funds (exclude cash)	3,316,538	2,219,446	69	256,345	-	5,792,398	(180)
Stage 1	3,316,538	2,219,446	69	256,345	-	5,792,398	(180)
Stage 2	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-
Securities purchased under resale agreements	-	1,445,151	-	-	-	1,445,151	-
Stage 1	-	1,445,151	-	-	-	1,445,151	-
Stage 2	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	-	92,225	-	92,225	-
Stage 1	-	-	-	92,225	-	92,225	-
Stage 2	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-
Financial assets at FVOCI	3,532,668	2,405,129	-	-	-	5,937,797	(2,157)
Stage 1	3,465,949	2,405,129	-	-	-	5,871,078	(2,157)
Stage 2	66,719	-	-	-	-	66,719	-
Stage 3	-	-	-	-	-	-	-
Financial investments at amortised cost	3,460,250	661,685	-	3,630,405	1,235,225	8,987,565	(5,514)
Stage 1	3,399,047	661,685	-	3,630,405	-	7,691,137	(5,514)
Stage 2	61,203	-	-	-	-	61,203	-
Stage 3	-	-	-	-	1,235,225	1,235,225	-
Financing and advances	6,128,844	67,815,470	8,369,760	489,237	1,216,853	84,020,164	(642,713)
Stage 1	6,128,844	64,694,324	7,428,718	452,161	-	78,704,047	(110,166)
Stage 2	-	3,121,146	941,042	37,076	-	4,099,264	(171,483)
Stage 3	-	-	-	-	1,216,853	1,216,853	(361,064)
	16,438,300	74,546,881	8,369,829	4,468,212	2,452,078	106,275,300	(650,564)

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision (continued):

2022	Gross Carrying Amount Sovereign RM'000	Good RM'000	Fair RM'000	No rating RM'000	Credit-impaired RM'000	Total RM'000	Provision for credit loss RM'000
General Approach							
Short-term funds (exclude cash)	4,602,746	2,350,148	105,810	97,163	-	7,155,867	(157)
Stage 1	4,602,746	2,350,148	105,810	97,163	-	7,155,867	(157)
Stage 2	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-
Securities purchased under resale agreements	-	577,051	-	-	-	577,051	-
Stage 1	-	577,051	-	-	-	577,051	-
Stage 2	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-
Financial assets at FVOCI	4,276,094	1,424,453	-	-	-	5,700,547	(6,279)
Stage 1	4,220,512	1,424,453	-	-	-	5,644,965	(6,279)
Stage 2	55,582	-	-	-	-	55,582	-
Stage 3	-	-	-	-	-	-	-
Financial investments at amortised cost	3,462,018	524,021	-	2,406,971	1,168,813	7,561,823	(18,826)
Stage 1	3,451,596	524,021	-	2,167,857	-	6,143,474	(16,673)
Stage 2	10,422	-	-	239,114	-	249,536	(2,153)
Stage 3	-	-	-	-	1,168,813	1,168,813	-
Financing and advances	6,139,471	65,474,996	9,222,565	287,171	600,488	81,724,691	(782,582)
Stage 1	6,139,471	62,931,589	7,921,695	103,950	-	77,096,705	(156,445)
Stage 2	-	2,543,407	1,300,870	183,221	-	4,027,498	(374,072)
Stage 3	-	-	-	-	600,488	600,488	(252,065)
	18,480,329	70,350,669	9,328,375	2,791,305	1,769,301	102,719,979	(807,844)

Other financial assets for the Bank of RM56,587,000 (2022: RM57,863,000) are non-rated and short-term in nature, of which no provision for credit loss is provided.

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Bank's financial assets, including commitments and contingencies, are set out below:

2023	Short-term funds, and deposits and placements with banks and other financial institutions ^	Securities purchased under resale agreements	Financial assets at FVTPL	Financial assets at FVOCI	Financial investments at amortised cost @	Financing and advances #	Other financial assets *	Commitments and contingencies	Total
	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	-	-	-	151,757	159,989	1,971,420	-	535,589	2,818,755
Mining and quarrying	-	-	-	52,176	1,235,225	104,180	-	81,643	1,473,224
Manufacturing	-	-	-	82,556	125,872	2,807,637	1,686	1,033,291	4,051,042
Electricity, gas and water	-	-	-	397,069	75,214	1,414,567	-	295,754	2,182,604
Construction	-	-	-	511,149	1,317,238	2,286,991	1	1,267,319	5,382,698
Wholesale and retail trade and restaurant and hotel	-	-	-	61,594	61,203	4,319,656	2,909	1,660,384	6,105,746
Transport, storage and communication	-	-	-	245,646	806,661	3,630,710	8	705,454	5,388,479
Finance, insurance, real estate and business services	5,884,623	1,445,151	2,636	1,529,170	2,966,354	6,995,509	165,875	1,322,320	20,311,638
Education, health and others	-	-	165,042	2,906,680	2,239,809	6,651,899	73,300	1,661,634	13,698,364
Household sector	-	-	-	-	-	53,476,531	-	4,469,215	57,945,746
	5,884,623	1,445,151	167,678	5,937,797	8,987,565	83,659,100	243,779	13,032,603	119,358,296

^ Excludes stage 1 expected credit losses amounting to RM180,000.
@ Excludes stage 1 and stage 2 expected credit losses amounting to RM5,514,000 and negative fair value changes amounting to RM3,276,000.
# Excludes stage 1 and stage 2 expected credit losses amounting to RM281,649,000 and negative fair value changes amounting to RM57,324,000.
* Other financial assets include other assets amounting to RM56,587,000 and derivative assets amounting to RM187,192,000.

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Bank's financial assets, including commitments and contingencies, are set out below (continued):

2022	Short-term funds, and deposits and placements with banks and other financial institutions ^	Securities purchased under resale agreements	Financial assets at FVTPL	Financial assets at FVOCI	Financial investments at amortised cost @	Financing and advances #	Other financial assets *	Commitments and contingencies	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	-	-	-	147,138	179,851	1,879,385	4	499,065	2,705,443
Mining and quarrying	-	-	-	57,750	-	107,204	-	68,382	233,336
Manufacturing	-	-	-	50,438	-	2,718,207	5,730	889,443	3,663,818
Electricity, gas and water	-	-	-	470,266	211,788	1,057,180	15	192,542	1,931,791
Construction	-	-	-	280,251	869,564	4,598,272	2,083	1,499,665	7,249,835
Wholesale and retail trade and restaurant and hotel	-	-	-	75,668	10,422	3,643,240	436	1,323,073	5,052,839
Transport, storage and communication	-	-	-	621,174	111,654	5,939,234	1	837,509	7,509,572
Finance, insurance, real estate and business services	7,155,867	577,051	-	745,289	3,249,262	6,062,393	324,356	1,469,647	19,583,865
Education, health and others	-	-	91,997	3,252,573	2,929,282	6,591,828	50,000	2,055,016	14,970,696
Household sector	-	-	-	-	-	48,875,683	-	4,724,970	53,600,653
	7,155,867	577,051	91,997	5,700,547	7,561,823	81,472,626	382,625	13,559,312	116,501,848

^ Excludes stage 1 expected credit losses amounting to RM157,000.
@ Excludes stage 1 and stage 2 expected credit losses amounting to RM18,826,000.
# Excludes stage 1 and stage 2 expected credit losses amounting to RM530,517,000 and negative fair value changes amounting to RM91,847,000.
* Other financial assets include other assets amounting to RM57,863,000 and derivative assets amounting to RM324,762,000.

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit risk (continued)

(iv Credit quality (continued)

Credit risk exposure analysed by geographical in respect of the Bank's financial assets, including commitments and contingencies, are set out below:

2023	Short-term funds, and deposits and placements with banks and other financial institutions ^	Securities purchased under resale agreements	Financial assets at FVTPL	Financial assets at FVOCI	Financial investments at amortised costs @	Financing and advances #	Other financial assets *	Commitments and contingencies	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Southeast Asia	5,826,579	1,445,151	167,678	5,937,797	8,957,149	83,487,624	243,772	13,032,603	119,098,353
Malaysia	5,712,665	1,445,151	167,678	5,937,797	8,957,149	83,391,232	243,744	13,032,603	118,888,019
Other Southeast Asia	113,914	-	-	-	-	96,392	28	-	210,334
Other Asia	1,464	-	-	-	-	147,796	-	-	149,260
Europe	6,195	-	-	-	30,416	15,929	-	-	52,540
America	50,385	-	-	-	-	6,267	8	-	56,660
Africa	-	-	-	-	-	1,484	-	-	1,484
	5,884,623	1,445,151	167,678	5,937,797	8,987,565	83,659,100	243,780	13,032,603	119,358,297

^ Excludes stage 1 expected credit losses amounting to RM180,000.
@ Excludes stage 1 and stage 2 expected credit losses amounting to RM5,514,000 and negative fair value changes amounting to RM3,276,000.
# Excludes stage 1 and stage 2 expected credit losses amounting to RM281,649,000 and negative fair value changes amounting to RM57,324,000.
* Other financial assets include other assets amounting to RM56,587,000 and derivative assets amounting to RM187,192,000.

RHB ISLAMIC BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit risk (continued)

(iv Credit quality (continued)

Credit risk exposure analysed by geographical in respect of the Bank's financial assets, including commitments and contingencies, are set out below (continued):

2022	Short-term funds, and deposits and placements with banks and other financial institutions ^	Securities purchased under resale agreements	Financial assets at FVTPL	Financial assets at FVOCI	Financial investments at amortised costs @	Financing and advances #	Other financial assets *	Commitments and contingencies	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Southeast Asia	7,114,940	577,051	91,997	5,700,547	7,531,403	81,303,911	382,625	13,559,312	116,261,786
Malaysia	7,008,309	577,051	91,997	5,700,547	7,531,403	81,213,782	381,882	13,559,312	116,064,283
Other Southeast Asia	106,631	-	-	-	-	90,129	743	-	197,503
Other Asia	2,352	-	-	-	-	146,358	-	-	148,710
Europe	7,012	-	-	-	30,420	16,066	-	-	53,498
America	31,563	-	-	-	-	4,769	-	-	36,332
Africa	-	-	-	-	-	1,522	-	-	1,522
	7,155,867	577,051	91,997	5,700,547	7,561,823	81,472,626	382,625	13,559,312	116,501,848

^ Excludes stage 1 expected credit losses amounting to RM157,000.
@ Excludes stage 1 and stage 2 expected credit losses amounting to RM18,826,000.
# Excludes stage 1 and stage 2 expected credit losses amounting to RM530,517,000 and negative fair value changes amounting to RM91,847,000.
* Other financial assets include other assets amounting to RM57,863,000 and derivative assets amounting to RM324,762,000.

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit risk (continued)

(v) Write-off policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Bank’s recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank’s enforcement activities will be written back as bad debts recovered in the income statement.

The contractual amount outstanding on financing and advances and securities portfolio that were written off during the financial year ended 31 December 2023, and are still subject to enforcement activities was RM28.6 million (2022: RM10.9 million) for the Bank.

(vi) Modification of contractual cash flows

Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognised, the resulting modification loss is recognised as net modification loss in the income statement, with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the Bank would not otherwise consider, the instrument is considered to be credit impaired and is considered forborne.

ECL for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk. These assets are assessed to determine whether there has been a significant increase in credit risk subsequent to the modification.

Although financing and advances may be modified for non-credit reasons, a significant increase in credit risk may occur. The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from stage 3 or stage 2 to stage 1. This is only the case for assets which have been monitored for consecutive six months' observation period or more.

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit risk (continued)

(vii) Sensitivity analysis

The Bank has performed ECL sensitivity assessment on financing and advances based on the changes in key variables, such as private consumption, unemployment rates, inflation, industrial production and KLIBOR-3M, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the ECL of the Bank.

The table below outlines the effect of ECL on the changes in key variables used while other variables remain constant:

		← Increase/(Decrease) in ECL →	
2023	**Changes**	**RM'000**	**RM'000**
(a) Retail			
Private consumption	+/- 100bps	**(6,751)**	**7,084**
Unemployment rates	+/- 20bps	**4,085**	**(4,049)**
Inflation	+/- 50bps	**3,986**	**(3,820)**
(b) Non-retail			
Private consumption	+/- 100bps	**(2,853)**	**3,057**
Industrial production	+/- 100bps	**(4,211)**	**4,186**
2022			
(a) Retail			
Private consumption	+/- 100bps	(5,148)	5,351
Unemployment rates	+/- 10bps	1,460	(1,455)
Inflation	+/- 50bps	2,800	(2,746)
(b) Non-retail			
Private consumption	+/- 100bps	(5,228)	4,878
KLIBOR-3M	+/- 25bps	7,826	(7,610)

Retail comprises substantially household sector as disclosed in Note 8(iv) under financing and advances by economic sector.

Non-retail comprises other than household sector as disclosed in Note 8(iv) under financing and advances by economic sector.

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value of financial instruments

The Bank analyses its 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 significant inputs are not based on observable market data.

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2023				
Financial assets				
Financial assets at FVTPL:				
- money market instruments	**-**	**167,678**	**-**	**167,678**
Financial assets at FVOCI:	**-**	**5,937,797**	**-**	**5,937,797**
- money market instruments	**-**	**2,588,318**	**-**	**2,588,318**
- unquoted securities	**-**	**3,349,479**	**-**	**3,349,479**
Derivative assets	**-**	**187,192**	**-**	**187,192**
	-	**6,292,667**	**-**	**6,292,667**
Financial liabilities				
Derivative liabilities	**-**	**146,434**	**-**	**146,434**
2022				
Financial assets				
Financial assets at FVTPL:				
- money market instruments	-	91,997	-	91,997
Financial assets at FVOCI:	-	5,700,547	-	5,700,547
- money market instruments	-	1,840,246	-	1,840,246
- unquoted securities	-	3,860,301	-	3,860,301
Derivative assets	-	324,762	-	324,762
	-	6,117,306	-	6,117,306
Financial liabilities				
Derivative liabilities	-	256,252	-	256,252

There were no transfers between Level 1 and 2 during the financial year.

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value of financial instruments (continued)

(i) Valuation techniques

Financial instruments are classified as Level 1 if their values are 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 is 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.

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 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 non-transferable and non-tradable perpetual sukuk and impaired securities.

45 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair value of each financial assets and liabilities presented on the statement of financial position of the Bank approximates the carrying amount as at the reporting date, except for the following:

	Carrying value	Fair value
2023	**RM'000**	**RM'000**
Financial assets		
Financial investments at amortised cost	**8,978,775**	**8,944,465**
Financing and advances	**83,320,127**	**83,290,213**
Financial liabilities		
Deposits from customers	**82,184,511**	**82,409,483**
Deposits and placements of banks and other financial institutions	**6,989,306**	**6,948,739**
Investment accounts	**6,766,604**	**6,851,316**
Recourse obligation on financing sold to Cagamas	**1,611,741**	**1,648,968**
Borrowings	**809,238**	**846,880**
Subordinated obligations	**754,373**	**755,348**
2022		
Financial assets		
Financial investments at amortised cost	7,542,997	7,493,863
Financing and advances	80,850,262	80,943,470
Financial liabilities		
Deposits from customers	78,233,590	78,600,452
Deposits and placements of banks and other financial institutions	6,125,353	6,104,568
Investment accounts	9,597,262	9,606,038
Recourse obligation on financing sold to Cagamas	1,765,061	1,757,931
Subordinated obligations	754,428	751,251

45 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The following table analyses within the fair value hierarchy of the Bank's assets and liabilities not measured at fair value but for which fair value is disclosed:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2023				
Financial assets				
Financial investments at amortised cost	**-**	**4,921,567**	**4,022,898**	**8,944,465**
Financing and advances	**-**	**83,290,213**	**-**	**83,290,213**
Financial liabilities				
Deposits from customers	**-**	**82,409,483**	**-**	**82,409,483**
Deposits and placements of banks and other financial institutions	**-**	**6,948,739**	**-**	**6,948,739**
Investment accounts	**-**	**6,851,316**	**-**	**6,851,316**
Recourse obligation on financing sold to Cagamas	**-**	**1,648,968**	**-**	**1,648,968**
Borrowings	**-**	**846,880**	**-**	**846,880**
Subordinated obligations	**-**	**755,348**	**-**	**755,348**
2022				
Financial assets				
Financial investments at amortised cost	-	3,732,717	3,761,146	7,493,863
Financing and advances	-	80,943,470	-	80,943,470
Financial liabilities				
Deposits from customers	-	78,600,452	-	78,600,452
Deposits and placements of banks and other financial institutions	-	6,104,568	-	6,104,568
Investment accounts	-	9,606,038	-	9,606,038
Recourse obligation on financing sold to Cagamas	-	1,757,931	-	1,757,931
Subordinated obligations	-	751,251	-	751,251

45 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The fair values are based on the following methodologies and assumptions:

(i) Cash and short-term funds and deposits and placements with banks and other financial institutions

For cash and short-term funds and deposits and placements with banks and other financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities of six months and above, estimated fair value is based on discounted cash flows using prevailing money market profit rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

(ii) Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using prevailing market rates for the remaining term to maturity.

(iii) Financial assets at FVTPL, financial assets at FVOCI and financial investments at amortised cost

The estimated fair value for financial assets at FVTPL, financial assets at FVOCI and financial investments at amortised cost is based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been assessed by reference to market indicative yield or net tangible asset backing of the investee. Where discounted cash flow technique is used, the estimated future cash flows are discounted using the prevailing market rates for a similar instrument at the date of statement of financial position.

(iv) Financing and advances

For floating rate financing, the carrying value is generally a reasonable estimate of fair value.

For fixed rate financing, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risk and maturities.

The fair values of impaired financing are represented by their carrying value, net of impairment allowance.

(v) Other assets and liabilities

The carrying value less any estimated impairment allowance for financial assets and liabilities included in 'other assets and liabilities' are assumed to approximate their fair values as these items are not materially sensitive to the shift in market profit rates.

(vi) Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposits with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

(vii) Deposits and placements of banks and other financial institutions, investment accounts and bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions, investment accounts and bills and acceptances payable with maturities of less than six months approximate the carrying values. For items with maturities of six months and above, the fair values are estimated based on discounted cash flows using prevailing money market profit rates with similar remaining period to maturity.

45 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The fair values are based on the following methodologies and assumptions (continued):

(viii) Recourse obligation on financing sold to Cagamas

For amounts due to Cagamas with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair values. For amounts due to Cagamas with maturities of more than one year, fair value is estimated based on discounted cash flows using prevailing money market profit rates with similar remaining period to maturity.

(ix) Lease liabilities

The estimated fair value of lease liabilities with maturities of less than six months approximate the carrying values. For other lease liabilities with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates of incremental borrowings.

(x) Borrowings

For floating rate borrowings, the carrying value is generally a reasonable estimate of fair value.

The estimated fair values of other borrowings with maturities of less than six months approximate the carrying values. For other borrowings with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

(xi) Subordinated obligations

The estimated fair value of subordinated obligations is generally based on quoted and observable market prices at the date of statement of financial position.

(xii) Credit related commitments and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

(xiii) Foreign exchange and profit rate related contracts

The fair values of foreign exchange and profit rate related contracts are the estimated amounts the Bank would receive to sell or pay to transfer the contracts at the date of statement of financial position.

46 IBOR REFORM

The Bank holds the following financial instruments which are referenced to the current benchmark profit rates and have yet to transition to an alternative profit rate benchmark:

	Nominal amount	
	Assets	**Liabilities**
2023	**RM'000**	**RM'000**
(a) Derivative asset/liabilities		
i. Profit rate swaps Kuala Lumpur Interbank Offered Rate ('KLIBOR')	**3,068,200**	**1,344,200**

	Carrying amount	
	Assets	**Liabilities**
2023	**RM'000**	**RM'000**
(b) Investment accounts		
KLIBOR	**-**	**4,977,668**
(c) Other liabilities		
i. Structured deposits KLIBOR	**-**	**8,000**

	Nominal amount	
	Assets	Liabilities
2022	RM'000	RM'000
(a) Derivative asset/liabilities		
i. Profit rate swaps KLIBOR	2,300,000	1,500,000

	Carrying amount	
	Assets	Liabilities
2022	RM'000	RM'000
(b) Deposits and placement with banks and other financial institutions		
KLIBOR	-	1,604,242
(c) Financing and advances		
KLIBOR	4,170,593	-
(d) Investment accounts		
KLIBOR	-	7,404,488

RHB ISLAMIC BANK BERHAD
(Incorporated in Malaysia)
Registration No. 200501003283 (680329-V)

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Mohamad Nasir Ab Latif and Dato' Adissadikin Ali, being two of the Directors of RHB Islamic Bank Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 6 to 118 are drawn up so as to give a true and fair view of the financial position of the Bank as at 31 December 2023 and financial performance of the Bank for the financial year ended on 31 December 2023 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

DATO' MOHAMAD NASIR AB LATIF
CHAIRMAN

DATO' ADISSADIKIN ALI
CHIEF EXECUTIVE OFFICER/
MANAGING DIRECTOR

Kuala Lumpur
27 February 2024

STATUTORY DECLARATION PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Khairul Hakeem Mohamed Sahari, the Officer primarily responsible for the financial management of RHB Islamic Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 6 to 118 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

KHAIRUL HAKEEM MOHAMED SAHARI
(MIA Membership No: 44413)

Subscribed and solemnly declared by the abovenamed Khairul Hakeem Mohamed Sahari at Kuala Lumpur in Malaysia on 27 February 2024.

Before me:

PESURUHJAYA SUMPAH
No. W 540
Dr. T. YOKHESWAREM
PhD., MBA.
MALAYSIA

COMMISSIONER FOR OATHS
Kuala Lumpur

Unit A11-1 & 2, Megan Avenue 1,
No. 189, Jalan Tun Razak,
50400 Kuala Lumpur.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF RHB ISLAMIC BANK BERHAD
(Incorporated in Malaysia)
Registration No. 200501003283 (680329-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of RHB Islamic Bank Berhad ("the Bank") give a true and fair view of the financial position of the Bank as at 31 December 2023, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Bank, which comprise the statement of financial position as at 31 December 2023, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, comprising a summary of material accounting policies and other explanatory information, as set out on pages 6 to 118.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report and Report of the Shariah Committee, but does not include the financial statements of the Bank and our auditors' report thereon.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, Menara TH 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF RHB ISLAMIC BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 200501003283 (680329-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our opinion on the financial statements of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Bank, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF RHB ISLAMIC BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 200501003283 (680329-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Bank, including the disclosures, and whether the financial statements of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF RHB ISLAMIC BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 200501003283 (680329-V)

OTHER MATTERS

This report is made solely to the member of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

ONG CHING CHUAN
02907/11/2025 J
Chartered Accountant

Kuala Lumpur
27 February 2024