

RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

Registration No. 200501003283 (680329-V)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

STATUTORY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

CONTENTS	PAGES
DIRECTORS' REPORT	1 - 4
REPORT OF THE SHARIAH COMMITTEE	5
STATEMENT OF FINANCIAL POSITION	6
INCOME STATEMENT	7
STATEMENT OF COMPREHENSIVE INCOME	8
STATEMENT OF CHANGES IN EQUITY	9 - 10
STATEMENT OF CASH FLOWS	11 - 12
SUMMARY OF MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS	13 - 28
NOTES TO THE FINANCIAL STATEMENTS	29 - 120
STATEMENT BY DIRECTORS	121
STATUTORY DECLARATION	121
INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF RHB ISLAMIC BANK BERHAD	122 - 125

REGISTERED OFFICE:

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

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 2024.

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	1,063,534
Zakat	(12,000)
Taxation	(241,756)
Net profit for the financial year	<u>809,778</u>

DIVIDENDS

The dividends paid by the Bank since 31 December 2023 were as follows:

	RM'000
In respect of financial year ended 31 December 2023:	
- Second single-tier interim dividend of 13.0 sen per share, paid on 27 March 2024	217,545
In respect of financial year ended 31 December 2024:	
- Single-tier interim dividend of 8.0 sen per share, paid on 26 September 2024	<u>133,874</u>
	<u>351,419</u>

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 2024. 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 2025.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2024.

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

In accordance with Clause 75 of the Bank's Constitution, Dato' Foong Chee Meng and Hizamuddin bin Jamalluddin 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 1.1.2024	DRP/ Transmission	As at 31.12.2024
Holding company			
RHB Bank Berhad			
Ong Ai Lin	28,488	583 #	-
			29,071

These ordinary shares were acquired pursuant to the Dividend Reinvestment Plan ('DRP') of RHB Bank Berhad ('RHB Bank').

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
Grant 1 - 4 July 2022	5.71	4,685	3 July 2025
Grant 2 - 22 May 2023	5.50	5,385	30 June 2026
Grant 3 - 4 March 2024	5.62	4,635	30 June 2027
Grant 3A - 1 July 2024	5.50	142	30 June 2027

The movement of the SGS shares applicable to Eligible Employees of the Bank during the financial year ended 31 December 2024 are as follows:

Award date	Number of SGS shares Unit'000			As at 31.12.2024
	As at 1.1.2024	Awarded	Forfeited	
Grant 1 - 4 July 2022	215	-	-	215
Grant 2 - 22 May 2023	200	-	-	200
Grant 3 - 4 March 2024	-	215	-	215

As at 31 December 2024, SGS shares awarded to the Managing Director and key management personnel of the Bank are as follows:

Award date	Number of SGS shares awarded Unit'000	
	Dato' Adissadikin Ali	Key management personnel
Grant 1 - 4 July 2022	90	-
Grant 2 - 22 May 2023	90	-
Grant 3 - 4 March 2024	90	-

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

Total Directors' remuneration for the Bank for the financial year ended 31 December 2024 is RM4,221,000.

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 in Note 39 to the financial statements.

AUDITORS' REMUNERATION

Total auditors' remuneration for the Bank for the financial year ended 31 December 2024 is RM300,000.

HOLDING COMPANY

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

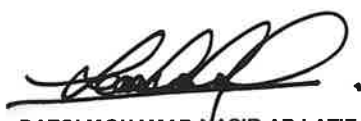
ZAKAT OBLIGATION

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
26 February 2025

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 ten (10) 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 2024.

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 2024.

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 2024 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 2024 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
26 February 2025

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	Note	2024 RM'000	2023 RM'000
ASSETS			
Cash and short-term funds	2	1,221,961	5,801,534
Securities purchased under resale agreements	3	2,698,958	1,445,151
Deposits and placements with banks and other financial institutions	4	224,224	92,225
Financial assets at fair value through profit or loss ('FVTPL')	5	135,168	167,678
Financial assets at fair value through other comprehensive income ('FVOCI')	6	7,828,798	5,937,797
Financial investments at amortised cost	7	9,920,794	8,978,775
Financing and advances	8	90,125,549	83,320,127
Other assets	9	151,993	119,974
Derivative assets	10	602,317	187,192
Statutory deposits with Bank Negara Malaysia ('BNM')	11	1,582,000	1,526,500
Deferred tax assets	12	83,650	82,137
Right-of-use assets	13	1,070	1,188
Property, plant and equipment	14	4,739	5,728
Intangible assets	15	4,565	5,186
TOTAL ASSETS		114,585,786	107,671,192
LIABILITIES AND EQUITY			
Deposits from customers	16	88,606,492	82,184,511
Deposits and placements of banks and other financial institutions	17	7,573,936	6,989,306
Investment accounts	18	5,899,679	6,766,604
Bills and acceptances payable		2,705	9,842
Other liabilities	19	2,308,882	1,877,747
Derivative liabilities	10	444,374	146,434
Recourse obligation on financing sold to Cagamas Berhad ('Cagamas')	20	1,204,334	1,611,741
Provision for taxation and zakat	21	63,237	40,885
Lease liabilities	22	1,080	1,186
Borrowings	23	786,022	809,238
Subordinated obligations	24	757,152	754,373
TOTAL LIABILITIES		107,647,893	101,191,867
Share capital	25	1,673,424	1,673,424
Reserves	26	5,264,469	4,805,901
TOTAL EQUITY		6,937,893	6,479,325
TOTAL LIABILITIES AND EQUITY		114,585,786	107,671,192
COMMITMENTS AND CONTINGENCIES			
	40	63,432,984	35,477,735

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

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	Note	2024 RM'000	2023 RM'000
Income derived from investment of depositors' funds	27	4,591,855	4,299,467
Income derived from investment of investment account funds	28	319,118	428,658
Income derived from investment of shareholders' funds	29	429,267	342,829
Allowance for credit losses on financial assets	30	(161,296)	6,356
Total distributable income		5,178,944	5,077,310
Income attributable to depositors	31	(3,141,556)	(2,958,219)
Profit distributed to investment account holders		(229,151)	(322,775)
		1,808,237	1,796,316
Personnel expenses	32	(25,340)	(29,479)
Other overheads and expenditures	33	(719,363)	(639,350)
Profit before zakat and taxation		1,063,534	1,127,487
Zakat		(12,000)	(10,000)
Taxation	35	(241,756)	(273,032)
Net profit for the financial year		809,778	844,455
Earnings per share (sen):			
- Basic	36	48.39	50.46

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

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024**

	Note	2024 RM'000	2023 RM'000
Net profit for the financial year		809,778	844,455
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 on revaluation		19,800	133,723
- Net transfer to income statement on disposal		(20,115)	(28,819)
- Changes in expected credit losses	6	(529)	(4,122)
Income tax relating to components of other comprehensive loss/(income)	12,37	76	(25,177)
Other comprehensive (loss)/income, net of tax for the financial year		(768)	75,605
Total comprehensive income for the financial year		809,010	920,060

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

2024	Note	Non-distributable			Distributable	Total	
		Share capital	FVOCI reserve	Regulatory reserve	Capital contribution by holding company		Retained profits
		RM'000	RM'000	RM'000	RM'000		RM'000
Balance as at 1 January 2024		1,673,424	(36,175)	640,210	798	4,201,068	6,479,325
Net profit for the financial year		-	-	-	-	809,778	809,778
Debt instruments measured at FVOCI:							
- Unrealised net gain on revaluation		-	19,800	-	-	-	19,800
- Net transfer to income statement on disposal		-	(20,115)	-	-	-	(20,115)
- Changes in expected credit losses	6	-	(529)	-	-	-	(529)
Income tax relating to components of other comprehensive loss	12,37	-	76	-	-	-	76
Other comprehensive loss, net of tax, for the financial year		-	(768)	-	-	-	(768)
Total comprehensive income/(loss) for the financial year		-	(768)	-	-	809,778	809,010
Dividend paid	38	-	-	-	-	(351,419)	(351,419)
Share-based payment expenses	32	-	-	-	977	-	977
Transfer from regulatory reserve		-	-	(106,453)	-	106,453	-
Balance as at 31 December 2024		1,673,424	(36,943)	533,757	1,775	4,765,880	6,937,893

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

	Note	Share capital	Non-distributable			Distributable	Total
			FVOCI reserve	Regulatory reserve	Capital contribution by holding company	Retained profits	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2023</u>							
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		<u>1,673,424</u>	<u>(36,175)</u>	<u>640,210</u>	<u>798</u>	<u>4,201,068</u>	<u>6,479,325</u>

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	Note	2024 RM'000	2023 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat and taxation		1,063,534	1,127,487
Adjustments for:			
Property, plant and equipment			
- Depreciation	33	1,578	2,002
- Gain on disposal	29	-	(60)
Right-of-use assets			
- Depreciation	33	1,016	1,151
- Loss on modification	29	-	10
Amortisation of computer software license	33	1,106	1,118
Income from:			
- Investment on financial assets at FVTPL		(13,807)	(10,823)
- Investment on financial assets at FVOCI		(255,241)	(213,876)
- Investment on financial investments at amortised cost		(359,002)	(350,948)
Net gain on disposal of financial assets at FVOCI		(20,115)	(28,819)
Net loss/(gain) on disposal of financial assets at FVTPL		925	(3,245)
Net gain arising from derecognition of financial investments at amortised cost		(13)	(15)
Net (gain)/loss on fair value hedges	29	(780)	1,214
Net gain on derecognition of hedging	29	(468)	-
Net gain on revaluation of derivatives	29	(37,212)	(23,717)
Net unrealised foreign exchange gain		(33,901)	(34,284)
Unrealised loss on revaluation of financial assets at FVTPL		518	407
Allowance for credit losses on financing and advances		213,939	38,561
Net allowance made/(written back) on financial assets at FVOCI, financial investments at amortised cost and other financial assets		1,256	(17,411)
Financing expense on borrowings, subordinated obligations and lease liabilities		80,245	36,637
Share-based payment expenses	32	977	593
Operating profit before working capital changes		644,555	525,982
(Increase)/Decrease in operating assets:			
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than one month		(803,564)	(115,566)
Securities purchased under resale agreements		(1,253,807)	(868,100)
Financing and advances		(7,023,902)	(2,508,214)
Financial assets at FVTPL		44,874	(62,020)
Other assets		(409,712)	135,482
Statutory deposits with BNM		(55,500)	(100,000)
		(9,501,611)	(3,518,418)
Increase/(Decrease) in operating liabilities:			
Deposits from customers		6,441,006	3,993,591
Deposits and placements of banks and other financial institutions		584,630	863,953
Investment accounts		(866,925)	(2,830,658)
Bills and acceptances payable		(7,137)	2,421
Other liabilities		1,335,986	(175,440)
Amount due to holding company		(606,013)	812,986
Recourse obligation on financing sold to Cagamas		(407,407)	(153,320)
		6,474,140	2,513,533
Cash used in operations		(2,382,916)	(478,903)
Profit paid		(78,424)	(31,853)
Net tax and zakat paid		(232,841)	(323,768)
Net cash used in operating activities		(2,694,181)	(834,524)

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

	Note	2024 RM'000	2023 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchase of financial assets at FVOCI and financial investments at amortised cost		(2,709,245)	(1,377,362)
Property, plant and equipment			
- Purchase	14	(1,091)	(1,526)
- Proceeds from disposal		502	60
Intangible assets:			
- Purchase	15	(494)	(1,737)
- Proceeds from disposal		9	-
Investment income received from financial assets at FVOCI and financial investments at amortised cost		508,334	416,208
Net cash used in investing activities		(2,201,985)	(964,357)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net drawdown of borrowings		-	819,280
Principal lease payment		(1,004)	(1,704)
Dividend paid		(351,419)	(384,888)
Issuance of subordinated sukuk		500,000	-
Redemption of subordinated sukuk		(500,000)	-
Net cash (used in)/generated from financing activities		(352,423)	432,688
Net decrease in cash and cash equivalents		(5,248,589)	(1,366,193)
Cash and cash equivalents at the beginning of the financial year		5,801,534	7,167,727
Cash and cash equivalents at the end of the financial year		552,945	5,801,534

Cash and cash equivalents for the financial year comprise cash and short-term funds of RM1,221,961,000 as disclosed in Note 2, excluding cash and short-term funds with original maturity of more than one month of RM669,016,000.

	← Cash Changes →			← Non-Cash Changes →			
	Balance as at the beginning of the financial year RM'000	Net cash flow from financing activities RM'000	Net cash flow from operating activities RM'000	Additions to lease liabilities RM'000	Foreign exchange differences RM'000	Accrued profit and amortisation RM'000	Balance as at the end of the financial year RM'000
2024							
Lease liabilities	1,186	(1,004)	(62)	898	-	62	1,080
Borrowings	809,238	-	(49,930)	-	(22,258)	48,972	786,022
Subordinated obligations	754,373	-	(28,432)	-	-	31,211	757,152
	1,564,797	(1,004)	(78,424)	898	(22,258)	80,245	1,544,254
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

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 2024**

(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 2024 are as follows:

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

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

The first amendment, '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 that an entity is required to comply with only after the reporting period).

The second amendment, '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) Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback'

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.

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 2024 (CONTINUED)**

(A) SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

- (i) 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.

- (ii) Amendments to the Classification and Measurement of Financial Instruments - Amendments to MFRS 9 and MFRS 7 - effective 1 January 2026

The amendments include the following:

- Clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- Clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest ('SPPI') criterion;
- Add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- Update the disclosures for equity instruments designated at fair value through other comprehensive income ('FVOCI').

- (iii) MFRS 18 'Presentation and Disclosure in Financial Statements' - effective 1 January 2027

This is the new standard on presentation and disclosure in financial statements, which replaces IAS 1, with a focus on updates to the statement of profit or loss.

The key new concepts introduced in MFRS 18 relate to:

- The structure of the statement of profit or loss with defined subtotals;
- Requirement to determine the most useful structure summary for presenting expenses in the statement of profit or loss;
- Required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

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, except for the adoption of MFRS 18 and MFRS 9 amendments, of which there will be further enhanced disclosures going forward. The Bank is in the process of reviewing the financial impact arising from the requirements of these standards and expect the process to be completed prior to the effective date.

**SUMMARY OF MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

(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'.

**SUMMARY OF MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

(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.

**SUMMARY OF MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

(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.

**SUMMARY OF MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

(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, financial investments at amortised cost, recourse obligation on financing sold to Cagamas and subordinated obligations. The gain or loss relating to the effective portion of profit rate swaps hedging on financing and advances, financial investments at amortised cost, recourse obligation on financing sold to Cagamas and subordinated obligations are 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.

**SUMMARY OF MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

(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. These 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.

**SUMMARY OF MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

(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) Structured deposits

Derivatives embedded in financial liabilities and in non-financial host contracts are treated as separate derivatives and recorded at fair value if their economic characteristic and risk are not closely related at those of the host contract and the hybrid contract is not itself held for trading or designated at FVTPL. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the income statement.

(d) 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 rate 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 2024 (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 2024 (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'.

**SUMMARY OF MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

(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).

Bai' Bithaman Ajil

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.

Ijarah

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.

Murabahah

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.

Musyarakah

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.

Qard

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.

**SUMMARY OF MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

(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; and/or
- Margin of financing shall be classified as impaired where the force selling ratio is triggered and after a period of time after force selling has commenced or where margin of finance exceeds a set threshold above the force selling ratio.

(2) Qualitative criteria

- Legal action has been initiated by the Bank for recovery purposes;
- Borrower is a bankrupt; and/or
- Borrower has been assigned to external collection agency.

**SUMMARY OF MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

(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.

**SUMMARY OF MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

(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 2024 (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.

**SUMMARY OF MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

(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(h)(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 2024, total management overlay is estimated at RM12 million (2023: RM27 million).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

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 26 February 2025.

2 CASH AND SHORT-TERM FUNDS

	<u>2024</u>	<u>2023</u>
	RM'000	RM'000
Cash and balances with banks and other financial institutions	202,916	137,448
Money at call and deposit placements maturing within one month	1,019,045	5,664,086
	<u>1,221,961</u>	<u>5,801,534</u>

3 SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	<u>2024</u>	<u>2023</u>
	RM'000	RM'000
Malaysian Government Investment Issues	967,507	287,477
Corporate sukuk	1,731,451	1,157,674
	<u>2,698,958</u>	<u>1,445,151</u>

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>2024</u>	<u>2023</u>
	RM'000	RM'000
Licensed Islamic banks	<u>224,224</u>	<u>92,225</u>

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

	<u>2024</u>	<u>2023</u>
	RM'000	RM'000
Mandatory measured at fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	135,168	165,042
BNM Monetary Notes	-	2,636
	<u>135,168</u>	<u>167,678</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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

	2024 RM'000	2023 RM'000
At fair value		
Debt instruments	7,828,798	5,937,797
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	3,448,824	2,028,223
Islamic Cagamas bonds	559,401	560,095
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	3,820,573	3,349,479
	7,828,798	5,937,797

Movement in allowance for credit losses recognised in FVOCI reserve

	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
2024				
Balance as at the beginning of the financial year	2,157	-	-	2,157
Changes in credit risk	(315)	-	-	(315)
Purchases and origination	450	-	-	450
Derecognition and disposal	(664)	-	-	(664)
Balance as at the end of the financial year	1,628	-	-	1,628
2023				
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

7 FINANCIAL INVESTMENTS AT AMORTISED COST

	<u>2024</u> <u>RM'000</u>	<u>2023</u> <u>RM'000</u>
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	2,005,330	1,659,548
BNM Monetary Notes	-	853,733
Islamic Cagamas bonds	466,251	503,848
Islamic Khazanah bonds	43,414	41,617
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	7,385,310	5,898,402
<u>Outside Malaysia</u>		
Corporate sukuk	30,408	30,417
	<u>9,930,713</u>	<u>8,987,565</u>
Fair value changes arising from fair value hedge	(2,458)	(3,276)
	<u>9,928,255</u>	<u>8,984,289</u>
Allowance for credit losses	(7,461)	(5,514)
	<u><u>9,920,794</u></u>	<u><u>8,978,775</u></u>

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 2024 is RM1,423,014,000 (2023: RM1,425,189,000), of which RM973,023,000 (2023: RM1,004,023,000) 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 RM534,533,000 as at 31 December 2024 (2023: RM534,516,000).

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

	<u>2024</u> <u>RM'000</u>	<u>2023</u> <u>RM'000</u>
Balance as at the beginning of the financial year	1,235,225	1,168,813
Purchases and origination	68,966	66,412
Balance as at the end of the financial year	<u><u>1,304,191</u></u>	<u><u>1,235,225</u></u>

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 RM449,991,000 (2023: RM740,022,000 and RM421,166,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

7 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

(b) Movement in allowance for credit losses

	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
2024				
Balance as at the beginning of the financial year	5,514	-	-	5,514
Changes in credit risk	1,182	-	-	1,182
Purchases and origination	2,056	-	-	2,056
Derecognition and disposal	(1,291)	-	-	(1,291)
Balance as at the end of the financial year	<u>7,461</u>	<u>-</u>	<u>-</u>	<u>7,461</u>
2023				
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	<u>5,514</u>	<u>-</u>	<u>-</u>	<u>5,514</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

8 FINANCING AND ADVANCES

	Bai' Bithaman Ajil ('BBA') RM'000	Ijarah * RM'000	Murabahah RM'000	Musyarakah RM'000	Qard RM'000	Others RM'000	Total RM'000
(i) By type and Shariah concepts							
2024							
At amortised cost							
Cashline	-	-	1,577,552	-	32,880	-	1,610,432
Term financing:							
- Housing financing	176,958	-	20,905,321	16,110,327	-	539	37,193,145
- Syndicated term financing	-	-	2,203,832	-	-	-	2,203,832
- Hire purchase receivables	-	12,063,031	-	-	-	-	12,063,031
- Other term financing	99	90,397	32,320,488	-	-	10	32,410,994
Bills receivables	-	-	1,540,862	-	-	-	1,540,862
Trust receipts	-	-	41,318	-	-	-	41,318
Claims on customers under acceptance credits	-	-	412,398	-	-	-	412,398
Share margin financing	-	-	21,803	-	-	-	21,803
Staff financing	532	-	27,448	-	-	-	27,980
Credit/charge card receivables	-	-	-	-	-	451,784	451,784
Revolving financing	-	-	2,812,480	-	-	-	2,812,480
Gross financing and advances	177,589	12,153,428	61,863,502	16,110,327	32,880	452,333	90,790,059
Fair value changes arising from fair value hedge							(41,775)
							90,748,284
Allowance for credit losses on financing and advances							(622,735)
Net financing and advances							90,125,549

* 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

8 FINANCING AND ADVANCES (CONTINUED)

	Bai' Bithaman Ajil ('BBA') RM'000	Ijarah * RM'000	Murabahah RM'000	Musyarakah RM'000	Qard RM'000	Others RM'000	Total RM'000
(i) By type and Shariah concepts (continued)							
<u>2023</u>							
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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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 2024, gross exposure to RA financing funded by RHB Bank is RM3,559,192,000 (2023: RM5,037,480,000) and gross exposure to UA financing funded by the investors is RM685,100,000 (2023: RM13,500,000).

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 RM8,485,000 as at 31 December 2024 (2023: RM15,229,000).

- (b) Included in term financing is housing financing sold to Cagamas amounting to RM1,167,827,000 as at 31 December 2024 (2023: RM1,659,523,000).

(c) Movement of Qard financing

	2024	2023
	RM'000	RM'000
Balance as at the beginning of the financial year	40,286	27,963
New disbursement	25,610	33,556
Repayment	(33,016)	(21,233)
Balance as at the end of the financial year	32,880	40,286
Sources of Qard fund:		
- Depositors' fund	32,880	40,286
Uses of Qard fund:		
- Personal use	342	327
- Business purpose	32,538	39,959
	32,880	40,286

(ii) By type of customer

Domestic non-bank financial institutions	2,023,207	1,895,851
Domestic business enterprises:		
- Small and medium enterprises	10,370,679	10,038,789
- Others	10,608,539	11,823,727
Government and statutory bodies	6,868,830	6,479,612
Individuals	60,031,201	53,339,326
Other domestic entities	111,573	131,556
Foreign entities	776,030	311,303
	90,790,059	84,020,164

(iii) By profit rate sensitivity

Fixed rate:		
- Housing financing	27,448	15,821
- Hire purchase receivables	190,269	363,604
- Other fixed rate financing	10,220,725	10,191,424
Variable rate:		
- Base financing rate-plus	66,722,057	57,948,698
- Cost-plus	13,629,560	15,500,617
	90,790,059	84,020,164

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

8 FINANCING AND ADVANCES (CONTINUED)

	<u>2024</u>	<u>2023</u>
	RM'000	RM'000
(iv) By economic sector		
Agriculture, hunting, forestry and fishing	1,777,543	1,971,479
Mining and quarrying	103,731	105,333
Manufacturing	2,954,530	2,814,974
Electricity, gas and water	222,392	1,415,797
Construction	3,663,746	2,329,913
Wholesale and retail trade and restaurant and hotel	4,815,320	4,341,983
Transport, storage and communication	2,468,511	3,733,236
Finance, insurance, real estate and business services	7,253,112	7,014,469
Education, health and others	7,131,013	6,642,350
Household sector	60,400,161	53,640,393
Others	-	10,237
	<u>90,790,059</u>	<u>84,020,164</u>
(v) By purpose		
Purchase of securities	5,341,379	5,358,476
Purchase of transport vehicles	12,073,179	10,723,066
Purchase of landed property:		
- Residential	35,804,145	31,446,805
- Non-residential	5,766,709	5,604,458
Purchase of property, plant and equipment other than land and building	258,525	652,851
Personal use	6,803,551	5,938,503
Credit card	451,784	366,999
Construction	1,467,639	1,028,438
Working capital	16,844,420	17,153,276
Merger and acquisition	87,273	709,162
Other purposes	5,891,455	5,038,130
	<u>90,790,059</u>	<u>84,020,164</u>
(vi) By geographical distribution		
Malaysia	<u>90,790,059</u>	<u>84,020,164</u>
(vii) By remaining contractual maturities		
Maturing within one year	9,792,188	10,171,561
One year to three years	2,996,578	2,336,742
Three years to five years	8,238,889	6,490,165
Over five years	69,762,404	65,021,696
	<u>90,790,059</u>	<u>84,020,164</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

8 FINANCING AND ADVANCES (CONTINUED)

(viii) By stages

	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
2024				
Balance as at the beginning of the financial year	78,704,047	4,099,264	1,216,853	84,020,164
Transfer to 12-month ECL (Stage 1)	1,514,964	(1,474,165)	(40,799)	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(1,840,065)	2,369,399	(529,334)	-
Transfer to lifetime ECL credit impaired (Stage 3)	(182,576)	(258,882)	441,458	-
Purchases and origination	23,806,266	751,164	81,400	24,638,830
Derecognition	(16,641,057)	(910,836)	(74,696)	(17,626,589)
Amount written off	-	-	(231,794)	(231,794)
Other movements	-	-	(10,552)	(10,552)
Balance as at the end of the financial year	<u>85,361,579</u>	<u>4,575,944</u>	<u>852,536</u>	<u>90,790,059</u>
2023				
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	<u>78,704,047</u>	<u>4,099,264</u>	<u>1,216,853</u>	<u>84,020,164</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

8 FINANCING AND ADVANCES (CONTINUED)

(ix) Impaired financing and advances

	2024	2023
	RM'000	RM'000
(a) By economic sector		
Agriculture, hunting, forestry and fishing	3,892	-
Mining and quarrying	2,489	5,248
Manufacturing	26,436	22,571
Electricity, gas and water	6,123	5,781
Construction	15,663	53,955
Wholesale and retail trade and restaurant and hotel	96,755	67,882
Transport, storage and communication	20,681	460,777
Finance, insurance, real estate and business services	67,287	64,751
Education, health and others	88,742	94,787
Household sector	524,468	441,101
	852,536	1,216,853
(b) By purpose		
Purchase of securities	888	1,235
Purchase of transport vehicles	55,109	61,988
Purchase of landed property:		
- Residential	412,048	337,861
- Non-residential	155,400	162,904
Purchase of property, plant and equipment other than land and building	6	2,796
Personal use	50,194	36,116
Credit card	4,149	3,700
Working capital	166,528	567,633
Merger and acquisition	108	-
Other purposes	8,106	42,620
	852,536	1,216,853
(c) By geographical distribution		
Malaysia	852,536	1,216,853

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

8 FINANCING AND ADVANCES (CONTINUED)

(ix) Impaired financing and advances (continued)

(d) Movement in allowance for credit losses

Note	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
<u>2024</u>				
Balance as at the beginning of the financial year	110,166	171,483	361,064	642,713
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	68,856	(53,885)	(14,971)	-
- Transferred to lifetime ECL not credit impaired (Stage 2)	(10,017)	120,866	(110,849)	-
- Transferred to lifetime ECL credit impaired (Stage 3)	(1,176)	(18,013)	19,189	-
	57,663	48,968	(106,631)	-
Changes in credit risk	(55,876)	16,499	191,794	152,417
Purchases and origination	27,029	8,107	7,074	42,210
Bad debts written off	-	-	(158,884)	(158,884)
Derecognition	(5,029)	(8,946)	(31,194)	(45,169)
Other movements	-	-	(10,552)	(10,552)
Balance as at the end of the financial year	<u>133,953</u>	<u>236,111</u>	<u>252,671</u>	<u>622,735</u>
<u>2023</u>				
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	<u>110,166</u>	<u>171,483</u>	<u>361,064</u>	<u>642,713</u>

Included in allowance for credit losses for the Bank as at 31 December 2024 is expected credit losses for financing commitments and financial guarantee contracts amounting to RM23,429,000 (2023: RM13,403,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

9 OTHER ASSETS

	<u>2024</u>	<u>2023</u>
	RM'000	RM'000
Prepayments	37,272	29,303
Deposits	914	912
Amount due from other related companies	116	112
Other receivables	113,691	89,647
	<u>151,993</u>	<u>119,974</u>

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:

	<u>2024</u>	<u>2023</u>
	RM'000	RM'000
Derivative assets:		
- Trading derivatives	546,464	112,779
- Fair value hedging derivatives	55,853	74,413
	<u>602,317</u>	<u>187,192</u>
Derivative liabilities:		
- Trading derivatives	441,358	139,954
- Fair value hedging derivatives	3,016	6,480
	<u>444,374</u>	<u>146,434</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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
2024			
<u>Trading derivatives:</u>			
Foreign exchange related contracts:			
- Forwards	35,659,976	508,319	364,589
- Cross currency profit rate swaps	1,779,943	7,047	45,744
Profit rate related contracts:			
- Swaps	4,092,709	29,300	29,227
Commodity related contracts:			
- Options	136,721	1,798	1,798
<u>Fair value hedging derivatives:</u>			
Profit rate related contracts:			
- Swaps	4,930,000	55,853	3,016
		<u>602,317</u>	<u>444,374</u>
2023			
<u>Trading derivatives:</u>			
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
<u>Fair value hedging derivatives:</u>			
Profit rate related contracts:			
- Swaps	4,000,000	74,413	6,480
		<u>187,192</u>	<u>146,434</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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, financial investments measured at amortised cost, recourse obligation on financing sold to Cagamas and subordinated obligations.

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:

	2024		2023	
	Nominal amount	Average fixed profit rate	Nominal amount	Average fixed profit rate
	RM'000	%	RM'000	%
Profit rate related contracts				
Three to twelve months	655,000	2.80%	500,000	3.93%
One to five years	4,275,000	3.12%	3,500,000	2.87%
Total	<u>4,930,000</u>		<u>4,000,000</u>	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

10 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

(i) Fair value hedges (continued)

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

	2024 RM'000	2023 RM'000
Profit rate swaps		
Nominal amount	4,930,000	4,000,000
Fair value assets	55,853	74,413
Fair value liabilities	3,016	6,480
Hedge effectiveness recognised in income statement	<u>(17,910)</u>	<u>(39,953)</u>

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

	Carrying value RM'000	2024 Fair value hedge adjustments* RM'000	Hedge effectiveness recognised in income statement RM'000	Carrying value RM'000	2023 Fair value hedge adjustments* RM'000	Hedge effectiveness recognised in income statement RM'000
Financing and advances	2,308,049	(41,775)	15,549	2,809,609	(57,324)	34,523
Financial assets at FVOCI	841,607	(2,074)	5,833	507,166	(8,375)	7,492
Financial investments at amortised cost	718,753	(2,458)	818	721,120	(3,276)	(3,276)
Recourse obligation on financing sold to Cagamas	600,000	697	(697)	-	-	-
Subordinated obligations	502,337	2,813	(2,813)	-	-	-
			<u>18,690</u>			<u>38,739</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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:

	<u>2024</u>	<u>2023</u>
	RM'000	RM'000
Deferred tax assets	<u>83,650</u>	<u>82,137</u>
Deferred tax assets:		
- Settled more than twelve months	60,176	57,096
- Settled within twelve months	24,533	25,774
Deferred tax liabilities:		
- Settled more than twelve months	(651)	(446)
- Settled within twelve months	<u>(408)</u>	<u>(287)</u>
	<u>83,650</u>	<u>82,137</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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
2024							
Balance as at the beginning of the financial year		(525)	(208)	12,102	48,587	22,181	82,137
Transfer from/(to) income statement	35	(137)	(189)	-	13,928	(12,165)	1,437
Transfer from equity		-	-	76	-	-	76
Balance as at the end of the financial year		<u>(662)</u>	<u>(397)</u>	<u>12,178</u>	<u>62,515</u>	<u>10,016</u>	<u>83,650</u>
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		<u>(525)</u>	<u>(208)</u>	<u>12,102</u>	<u>48,587</u>	<u>22,181</u>	<u>82,137</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 RIGHT-OF-USE ASSETS

	Note	2024 RM'000	2023 RM'000
<u>Properties</u>			
Balance as at the beginning of the financial year		1,188	1,264
Additions		898	1,583
Depreciation charge for the financial year	33	(1,016)	(1,151)
Modification		-	(508)
Balance as at the end of the financial year		<u>1,070</u>	<u>1,188</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

14 PROPERTY, PLANT AND EQUIPMENT

	Note	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
2024						
<u>Cost</u>						
Balance as at the beginning of the financial year		15,492	8,553	16,050	870	40,965
Additions		34	24	1,033	-	1,091
Disposals		(4,915)	(2,402)	(1,257)	-	(8,574)
Written off		(699)	(1,594)	(719)	-	(3,012)
Balance as at the end of the financial year		9,912	4,581	15,107	870	30,470
<u>Less: Accumulated depreciation</u>						
Balance as at the beginning of the financial year		14,300	7,652	12,514	771	35,237
Charge for the financial year	33	125	161	1,234	58	1,578
Disposals		(4,518)	(2,367)	(1,187)	-	(8,072)
Written off		(699)	(1,594)	(719)	-	(3,012)
Balance as at the end of the financial year		9,208	3,852	11,842	829	25,731
Net book value as at the end of the financial year		704	729	3,265	41	4,739

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
<u>2023</u>						
<u>Cost</u>						
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		<u>15,492</u>	<u>8,553</u>	<u>16,050</u>	<u>870</u>	<u>40,965</u>
<u>Less: Accumulated depreciation</u>						
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		<u>14,300</u>	<u>7,652</u>	<u>12,514</u>	<u>771</u>	<u>35,237</u>
Net book value as at the end of the financial year		<u>1,192</u>	<u>901</u>	<u>3,536</u>	<u>99</u>	<u>5,728</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

15 INTANGIBLE ASSETS

	Note	2024 RM'000	2023 RM'000
Computer software license			
<u>Cost</u>			
Balance as at the beginning of the financial year		21,968	20,235
Additions		494	1,737
Disposal		(32)	-
Written off		(69)	(4)
Balance as at the end of the financial year		22,361	21,968
<u>Less: Accumulated amortisation</u>			
Balance as at the beginning of the financial year		16,782	15,668
Charge for the financial year	33	1,106	1,118
Disposal		(23)	-
Written off		(69)	(4)
Balance as at the end of the financial year		17,796	16,782
Net book value as at the end of the financial year		4,565	5,186

16 DEPOSITS FROM CUSTOMERS

	2024 RM'000	2023 RM'000
Savings Deposits:		
- Qard	1,309,272	1,381,073
- Commodity Murabahah	1,561,607	1,264,636
Demand Deposits:		
- Qard	7,594,906	6,867,723
- Commodity Murabahah	5,239,474	4,082,360
Term Deposits:		
- Commodity Murabahah	58,106,005	55,031,898
Specific Investment Account:		
- Commodity Murabahah	14,795,149	13,556,744
General Investment Account:		
- Mudharabah	79	77
	88,606,492	82,184,511

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

Due within six months	56,426,333	55,243,958
Six months to one year	14,977,133	11,716,121
One year to three years	1,440,593	611,876
Three years to five years	57,174	1,016,764
	72,901,233	68,588,719

(b) By type of customer

Government and statutory bodies	17,386,619	14,985,261
Business enterprises	36,144,751	34,722,633
Individuals	34,488,381	31,760,604
Others	586,741	716,013
	88,606,492	82,184,511

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

17 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Note	2024 RM'000	2023 RM'000
Non-Mudharabah Funds:			
- Licensed banks		6,391,214	6,407,500
- BNM/Other central bank	(a)	1,021,253	507,538
		<u>7,412,467</u>	<u>6,915,038</u>
Mudharabah Funds:			
- Other financial institutions		161,469	74,268
		<u>7,573,936</u>	<u>6,989,306</u>

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

18 INVESTMENT ACCOUNTS

	2024				2023			
	Mudharabah Restricted Investment Account RM'000	Wakalah Restricted Investment Account RM'000	Wakalah Unrestricted Investment Account RM'000	Total RM'000	Mudharabah Restricted Investment Account RM'000	Wakalah Restricted Investment Account RM'000	Wakalah Unrestricted Investment Account RM'000	Total RM'000
(a) Movement in investment accounts								
<u>Funding inflows/(outflows) - Principal:</u>								
Balance as at the beginning of the financial year	5,591,669	1,000,000	13,500	6,605,169	7,972,307	700,000	802,978	9,475,285
New placement during the financial year	1,181,909	500,000	722,642	2,404,551	355,396	300,000	691,876	1,347,272
Accretion during the financial year	101,615	-	-	101,615	72,791	-	-	72,791
Redemption during the financial year	(3,392,987)	-	(51,042)	(3,444,029)	(2,808,825)	-	(1,481,354)	(4,290,179)
Balance as at the end of the financial year	3,482,206	1,500,000	685,100	5,667,306	5,591,669	1,000,000	13,500	6,605,169
<u>Profit attributable to investment account holders - Total profit payable:</u>								
Balance as at the beginning of the financial year	159,747	1,588	100	161,435	106,247	322	15,408	121,977
Profit distributed to investment account holders during the financial year	174,349	44,177	10,625	229,151	265,969	41,946	14,860	322,775
Profit paid to investment account holders during the financial year	(115,165)	(41,954)	(1,094)	(158,213)	(212,469)	(40,680)	(30,168)	(283,317)
Balance as at the end of the financial year	218,931	3,811	9,631	232,373	159,747	1,588	100	161,435
Net balance as at the end of the financial year	3,701,137	1,503,811	694,731	5,899,679	5,751,416	1,001,588	13,600	6,766,604
(b) Investment assets (principal)								
- Personal financing (Note 8(i)(a))	-	1,500,000	548,080	2,048,080	-	1,000,000	2,700	1,002,700
- Housing financing (Note 8(i)(a))	-	-	137,020	137,020	-	-	10,800	10,800
- Other term financing (Note 8(i)(a))	2,059,192	-	-	2,059,192	4,037,480	-	-	4,037,480
- Short-term funds	-	-	-	-	129,000	-	-	129,000
- Unquoted securities (Note 7)	1,423,014	-	-	1,423,014	1,425,189	-	-	1,425,189
	3,482,206	1,500,000	685,100	5,667,306	5,591,669	1,000,000	13,500	6,605,169
As at 31 December 2024, the amount of the restricted investment account placed by the holding company, RHB Bank, amounted to RM4,640,875,000 (2023: RM6,258,830,000).								
(c) Type of customer								
- Licensed banks	3,701,137	1,503,811	-	5,204,948	5,751,416	1,001,588	-	6,753,004
- Business enterprises	-	-	694,731	694,731	-	-	13,600	13,600
	3,701,137	1,503,811	694,731	5,899,679	5,751,416	1,001,588	13,600	6,766,604

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

18 INVESTMENT ACCOUNTS (CONTINUED)

	Average profit sharing ratio %	2024 Average rate of return %	Performance incentive fee %	Average profit sharing ratio %	2023 Average rate of return %	Performance incentive fee %
(d) Maturity profile, profit sharing and rate of return						
(i) Restricted investment account						
- Below one year	6.06	4.05	2.01	6.33	4.20	2.13
- Between one to two years	-	-	-	91	3.50	-
- Between two to five years	86	3.64	-	81	3.50	-
- More than five years	90	4.64	-	89	4.63	-
(ii) Unrestricted investment account						
- Below one year	8.83	3.94	4.89	8.85	4.00	4.85

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

19 OTHER LIABILITIES

	Note	2024 RM'000	2023 RM'000
Sundry creditors		19,793	14,353
Amount due to holding company	(a)	1,035,533	1,641,546
Amount due to other related companies	(a)	761	4,144
Contract liability	(b)	22,624	58,656
Short-term employee benefits		5,126	5,221
Accrual for operational expenses		10,893	26,601
Cash collateral pledged for derivative transactions		32,893	-
Structured deposits	(c)	999,420	53,023
Other accruals and payables		181,839	74,203
		2,308,882	1,877,747

(a) Included in amount due to holding company is an amount of RM1,180.6 million (2023: RM1,180.6 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 RM36,032,000 (2023: RM40,755,000) has been recognised in the income statement.

(c) The maturity structure of structured deposits are as follows:

	2024 RM'000	2023 RM'000
- One year to three years	28,573	4,029
- More than three years	970,847	48,994
	999,420	53,023

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

	2024 RM'000	2023 RM'000
Tax expense	51,237	30,885
Zakat	12,000	10,000
	63,237	40,885

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

22 LEASE LIABILITIES

	<u>2024</u>	<u>2023</u>
	<u>RM'000</u>	<u>RM'000</u>
Lease liabilities	<u>1,080</u>	<u>1,186</u>
Scheduled repayment of lease liabilities:		
- Within one year	739	591
- One year to three years	<u>341</u>	<u>595</u>
	<u>1,080</u>	<u>1,186</u>

23 BORROWINGS

	<u>2024</u>	<u>2023</u>
	<u>RM'000</u>	<u>RM'000</u>
Unsecured		
Term financing:		
- United States Dollar ('USD')	<u>786,022</u>	<u>809,238</u>
Scheduled repayment of borrowings:		
- Within one year	786,022	-
- One year to three years	<u>-</u>	<u>809,238</u>
	<u>786,022</u>	<u>809,238</u>

The USD term financing bears profit at 6.22% (2023: 6.21%) per annum.

24 SUBORDINATED OBLIGATIONS

	<u>2024</u>	<u>2023</u>
	<u>RM'000</u>	<u>RM'000</u>
4.32% RM500 million Tier II Subordinated Sukuk Murabahah 2019/2029	-	502,426
4.06% RM250 million Tier II Subordinated Sukuk Murabahah 2022/2032	252,002	251,947
4.00% RM500 million Tier II Subordinated Sukuk Murabahah 2024/2034	<u>502,337</u>	<u>-</u>
	754,339	754,373
Fair value changes arising from fair value hedges	<u>2,813</u>	<u>-</u>
	<u>757,152</u>	<u>754,373</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

24 SUBORDINATED OBLIGATIONS (CONTINUED)

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
2024/2034	500	15 May 2034 (Callable in 2029)	4.00% per annum chargeable to 15 May 2034	Accrued and payable semi-annually in arrears

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

25 SHARE CAPITAL

	<u>2024</u>	<u>2023</u>
	RM'000	RM'000
Issued and fully paid:		
Balance as at the beginning/end of the financial year	<u>1,673,424</u>	<u>1,673,424</u>

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

26 RESERVES

	<u>Note</u>	<u>2024</u>	<u>2023</u>
		RM'000	RM'000
FVOCI reserve	(a)	(36,943)	(36,175)
Regulatory reserve	(b)	533,757	640,210
Capital contribution by holding company	(c)	1,775	798
Retained profits		<u>4,765,880</u>	<u>4,201,068</u>
		<u>5,264,469</u>	<u>4,805,901</u>

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

27 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	<u>2024</u>	<u>2023</u>
	RM'000	RM'000
Income derived from investment of:		
(i) General investment deposits	3	3
(ii) Other deposits	<u>4,591,852</u>	<u>4,299,464</u>
	<u>4,591,855</u>	<u>4,299,467</u>

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

	<u>2024</u>	<u>2023</u>
	RM'000	RM'000
Financing and advances	3	3
Total finance income and hibah	<u>3</u>	<u>3</u>

	<u>2024</u>	<u>2023</u>
	RM'000	RM'000
(ii) Income derived from investment of other deposits:		
Financing and advances	3,943,113	3,613,614
Securities purchased under resale agreements	36,176	9,965
Financial assets at FVTPL	13,550	10,614
Financial assets at FVOCI	250,484	209,738
Financial investments at amortised cost	259,956	254,514
Money at call and deposits with banks and other financial institutions	<u>49,962</u>	<u>151,363</u>
Total finance income and hibah	4,553,241	4,249,808
Other operating income (Note a)	<u>38,611</u>	<u>49,656</u>
	<u>4,591,852</u>	<u>4,299,464</u>

Of which:

Financing income earned on impaired financing	<u>32,456</u>	<u>23,973</u>
---	---------------	---------------

(a) Other operating income comprise of:

Commission	11,083	14,182
Guarantee fees	9,191	4,415
Net loss on revaluation of financial assets at FVTPL	(508)	(399)
Net (loss)/gain on disposal of financial assets at FVTPL	(908)	3,182
Net gain on disposal of debt instruments of financial assets at FVOCI	19,740	28,261
Net gain arising from derecognition of financial investments at amortised cost	13	15
	<u>38,611</u>	<u>49,656</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

28 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	<u>2024</u>	<u>2023</u>
	RM'000	RM'000
Financing and advances	223,180	330,925
Financial investments at amortised cost	94,109	91,413
Money at call and deposits with banks and other financial institutions	1,829	6,320
Total finance income and hibah	<u>319,118</u>	<u>428,658</u>

29 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	<u>2024</u>	<u>2023</u>
	RM'000	RM'000
Financing and advances	74,888	71,287
Securities purchased under resale agreements	687	197
Financial assets at FVTPL	257	209
Financial assets at FVOCI	4,757	4,138
Financial investments at amortised cost	4,937	5,021
Money at call and deposits with banks and other financial institutions	949	2,986
Total finance income and hibah	86,475	83,838
Other operating income (Note a)	342,792	258,991
	<u>429,267</u>	<u>342,829</u>

Of which:

Financing income earned on impaired financing	<u>616</u>	<u>473</u>
---	------------	------------

(a) Other operating income comprise of:

Commission	59,046	58,433
Service charges and fees	107,051	102,034
Guarantee fees and underwriting fees	175	87
Foreign exchange profit	151,536	81,327
Net loss on revaluation of financial assets at FVTPL	(10)	(8)
Net (loss)/gain on disposal of financial assets at FVTPL	(17)	63
Net gain on disposal of debt instruments of financial assets at FVOCI	375	558
Net gain/(loss) on fair value hedges (Note 10)	780	(1,214)
Net gain on revaluation of derivatives	37,212	23,717
Net gain on derecognition of hedging	468	-
Gain on disposal of property, plant and equipment	-	60
Loss on modification of right-of-use assets	-	(10)
Other non-operating loss	(13,824)	(6,056)
	<u>342,792</u>	<u>258,991</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

30 ALLOWANCE FOR CREDIT LOSSES ON FINANCIAL ASSETS

	2024 RM'000	2023 RM'000
<u>Charge/(Writeback)</u>		
Financing and advances:		
- Net charge/(writeback)	149,458	(18,878)
- Bad debts recovered	(53,899)	(27,506)
- Bad debts written off	64,481	57,439
	160,040	11,055
Financial assets at FVOCI	(529)	(4,122)
Financial investments at amortised cost	1,947	(13,312)
Other financial assets	(162)	23
	161,296	(6,356)

31 INCOME ATTRIBUTABLE TO DEPOSITORS

	2024 RM'000	2023 RM'000
Deposits from customers:		
- Mudharabah funds	43,164	29,940
- Non-Mudharabah funds	2,717,391	2,624,197
Deposits and placements of banks and other financial institutions:		
- Non-Mudharabah funds	214,760	209,573
Others:		
- Subordinated obligations	31,211	31,750
- Recourse obligation on financing sold to Cagamas	57,025	55,921
- Borrowings	48,972	4,839
- Others	29,033	1,999
	3,141,556	2,958,219

32 PERSONNEL EXPENSES

	Note	2024 RM'000	2023 RM'000
Salaries, allowances and bonuses		18,944	23,179
Contributions to Employees' Provident Fund		2,965	3,527
Share-based expenses	(a)	977	593
Other staff related costs		2,454	2,180
		25,340	29,479

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

33 OTHER OVERHEADS AND EXPENDITURES

	<u>2024</u>	<u>2023</u>
	RM'000	RM'000
<u>Establishment costs</u>		
Property, plant and equipment:		
- Depreciation	1,578	2,002
Computer software license		
- Amortisation	1,106	1,118
Right-of-use assets:		
- Depreciation	1,016	1,151
Information technology expenses	1,734	1,706
Repair and maintenance	111	377
Rental of premises	690	812
Water and electricity	330	468
Rental of equipment	3	4
Printing and stationeries	5,850	7,966
Takaful	11,627	10,912
Others	2,628	1,893
	<u>26,673</u>	<u>28,409</u>
<u>Marketing expenses</u>		
Advertisement and publicity	1,670	2,876
Sales commission	20,357	16,155
Travelling expenses	268	275
Motor vehicle expenses	80	72
Others	10,070	12,018
	<u>32,445</u>	<u>31,396</u>
<u>Administration and general expenses</u>		
Auditors' remuneration:		
Audit		
- Statutory audit	233	222
- Limited review	67	59
Other audit related	-	100
Communication expenses	9,019	8,001
Legal and professional fee	9,579	5,655
Management fee	629,708	553,623
Others	11,639	11,885
	<u>660,245</u>	<u>579,545</u>
	<u>719,363</u>	<u>639,350</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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

2024

	Salary and other remuneration RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
Managing Director				
Dato' Adissadikin Ali	1,948 ⁽ⁱ⁾	7	1,104	3,059

(i) Inclusive of share-based expenses of RM421,000.

	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000
Non-executive Directors				
Dato' Mohamad Nasir Ab Latif	260	18	82	360
Dato' Foong Chee Meng	160	-	55	215
Ong Ai Lin	160	-	129	289
Hizamuddin bin Jamalluddin	160	-	138	298
	740	18	404	1,162

Shariah Committee

	Fees RM'000
Azizi Che Seman (Chairman)	120
Dr. Md. Nurdin Ngadimon	96
Dr. Abdul Rahman A Shukor	96
Mohd Zubir Awang	96
Assoc. Prof Dr. Siti Salwani Razali (Appointed on 19 April 2024)	67
Shabnam Mohamad Mokhtar (Resigned on 30 April 2024)	34
	509

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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

2023

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

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

In 2023, the Managing Director of the Bank was awarded a sum of RM375,000 (inclusive of the employer's EPF contribution) under the Cash Deferred Scheme.

	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000
<u>Non-executive Directors</u>				
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
	<u>900</u>	<u>18</u>	<u>382</u>	<u>1,300</u>
				<u>Fees</u> 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
	<u>474</u>

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 (2023: RM200.0 million). The total amount of premium paid for the Directors' Liability Takaful by the Bank was RM476,000 (2023: RM488,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

35 TAXATION

	<u>2024</u> RM'000	<u>2023</u> RM'000
Malaysian income tax		
- Current tax	257,041	238,367
Deferred tax (Note 12)	(1,659)	31,616
	<u>255,382</u>	<u>269,983</u>
(Over)/Under provision in respect of prior financial years		
- Income tax	(13,848)	4,442
- Deferred tax (Note 12)	222	(1,393)
	<u>(13,626)</u>	<u>3,049</u>
Tax expense	<u>241,756</u>	<u>273,032</u>

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

	<u>2024</u> %	<u>2023</u> %
Tax at Malaysian statutory income tax rate	24.0	24.0
Tax effects in respect of:		
(Over)/Under provision in respect of prior financial years	(1.3)	0.3
Non-taxable income	-	(0.1)
Effective tax rate	<u>22.7</u>	<u>24.2</u>

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.

	<u>2024</u>	<u>2023</u>
Net profit for the financial year (RM'000)	<u>809,778</u>	<u>844,455</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,673,424</u>	<u>1,673,424</u>
Basic earnings per share (sen)	<u>48.39</u>	<u>50.46</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

37 INCOME TAX EFFECTS RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Before tax <u>RM'000</u>	Tax effects <u>RM'000</u>	Net of tax <u>RM'000</u>
<u>2024</u>			
Financial assets at FVOCI:			
- Net fair value loss, net amount transfer to income statement and changes in expected credit losses	<u>(844)</u>	<u>76</u>	<u>(768)</u>
<u>2023</u>			
Financial assets at FVOCI:			
- Net fair value gain, net amount transfer to income statement and changes in expected credit losses	<u>100,782</u>	<u>(25,177)</u>	<u>75,605</u>

38 DIVIDENDS

Dividends declared by the Bank are as follows:

	<u>2024</u>		<u>2023</u>	
	Dividend per share sen	Total dividend RM'000	Dividend per share sen	Total dividend RM'000
Single-tier interim dividend - 2023	-	-	8.0	133,874
Second single-tier interim dividend - 2023	-	-	13.0	217,545
Single-tier interim dividend - 2024	8.0	133,874	-	-
Second single-tier interim dividend - 2024	13.0	217,545	-	-
	<u>21.0</u>	<u>351,419</u>	<u>21.0</u>	<u>351,419</u>

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 2025.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2024.

Dividend recognised as distribution to equity holder of the Bank:

	<u>2024</u>		<u>2023</u>	
	Dividend per share sen	Total dividend RM'000	Dividend per share sen	Total dividend RM'000
Single-tier interim dividend - 2024	8.0	133,874	-	-
Second single-tier interim dividend - 2023	13.0	217,545	-	-
Single-tier interim dividend - 2023	-	-	8.0	133,874
Second single-tier interim dividend - 2022	-	-	15.0	251,014
	<u>21.0</u>	<u>351,419</u>	<u>23.0</u>	<u>384,888</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

39 RELATED PARTY TRANSACTIONS

(a) Related parties and relationships

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

<u>Related parties</u>	<u>Relationship</u>
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 and associates of RHB Bank Berhad as disclosed in its financial statements	Subsidiaries and associates 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: <ul style="list-style-type: none"> - 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

39 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Holding company RM'000	EPF and EPF Group of companies RM'000	Key management personnel RM'000	Other related companies RM'000
2024				
<u>Income</u>				
Commission	-	-	-	2,843
Income derived from investment of depositors' funds	36,863	14,050	-	-
Net gain on revaluation of derivatives	108,855	-	-	-
Other income	35	-	-	116
	<u>145,753</u>	<u>14,050</u>	<u>-</u>	<u>2,959</u>
<u>Expenditure</u>				
Profit expense on deposits and placements	188,169	54	76	7,017
Profit expense on investment account	177,452	-	-	-
Reimbursement of operating expenses to holding company	629,708	-	-	-
Other expenses	572	-	-	8,886
	<u>995,901</u>	<u>54</u>	<u>76</u>	<u>15,903</u>
<u>Amounts due from</u>				
Cash and short-term funds	-	-	-	6
Securities purchased under resale agreements	2,698,958	-	-	-
Financial assets at FVOCI	-	119,111	-	-
Financial investments at amortised cost	-	11,258	-	-
Financing and advances	-	621,130	-	-
Derivative assets	448,224	-	-	-
Other assets	-	-	-	116
	<u>3,147,182</u>	<u>751,499</u>	<u>-</u>	<u>122</u>
<u>Amounts due to</u>				
Demand and investment deposits	-	829,872	4,091	199,148
Deposits and placements of banks and other financial institutions	6,294,171	-	-	5,014
Investment accounts	4,640,875	-	-	-
Derivative liabilities	240,341	-	-	-
Other liabilities	1,035,533	-	-	761
	<u>12,210,920</u>	<u>829,872</u>	<u>4,091</u>	<u>204,923</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

39 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Holding company RM'000	EPF and EPF Group of companies RM'000	Key management personnel RM'000	Other related companies RM'000
<u>2023</u>				
<u>Income</u>				
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
	<u>(193,537)</u>	<u>7,079</u>	<u>-</u>	<u>1,792</u>
<u>Expenditure</u>				
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
	<u>984,403</u>	<u>16</u>	<u>22</u>	<u>12,028</u>
<u>Amounts due from</u>				
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
	<u>1,592,523</u>	<u>159,684</u>	<u>-</u>	<u>112</u>
<u>Amounts due to</u>				
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
	<u>14,305,000</u>	<u>187,826</u>	<u>7,025</u>	<u>192,239</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel

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

	Note	2024 RM'000	2023 RM'000
Short-term employee benefits:			
- Fees		740	900
- Salary and other remuneration	(i)	2,726	2,901
- Defined contribution plan	(i)	309	333
- Share-based expenses	(ii)	421	254
- Benefits-in-kind		25	25
		4,221	4,413

(i) Inclusive of Cash Deferred Scheme for the Bank of RM375,000 in 2023.

(ii) As at 31 December 2024, the total number of shares awarded to the Managing Director and key management personnel amounted to 270,000 (2023: 180,000).

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:

	2024	2023
Outstanding credit exposure with connected parties (RM'000)	3,864,576	3,437,938
Percentage of outstanding credit exposures with connected parties as proportion of total credit exposures (%)	3.79	3.69
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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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:

	Profit expense on deposits and placements	Profit expense on investment account	Reimbursement of operating expenses to holding company	Other expenses
	RM'000	RM'000	RM'000	RM'000
2024				
Malaysia	<u>195,186</u>	<u>177,452</u>	<u>629,708</u>	<u>9,458</u>
2023				
Malaysia	<u>167,771</u>	<u>269,567</u>	<u>553,623</u>	<u>5,470</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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.

	2024 RM'000	2023 RM'000
Contingent liabilities		
Transaction-related contingent items	669,444	354,714
Short-term self-liquidating trade related contingencies	268,789	264,074
	<u>938,233</u>	<u>618,788</u>
Commitments		
Irrevocable commitments to extend credit:		
- Maturity less than one year	1,429,431	695,930
- Maturity more than one year	8,818,880	9,214,441
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	2,882,091	2,503,444
	<u>13,130,402</u>	<u>12,413,815</u>
Derivative financial instruments		
Foreign exchange related contracts [^] :		
- Less than one year	36,442,116	14,410,642
- One year to less than five years	997,803	1,816,829
Profit rate related contracts [^] :		
- Less than one year	655,000	500,000
- One year to less than five years	8,167,709	3,912,400
- More than five years	200,000	122,573
Commodity related contracts [^] :		
- Less than one year	36,080	56,144
- One year to less than five years	100,641	86,544
	<u>46,599,349</u>	<u>20,905,132</u>
Securities financing transactions *		
- Less than one year	2,765,000	1,540,000
	<u>63,432,984</u>	<u>35,477,735</u>

[^] 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.

* In accordance with BNM's Capital Adequacy Framework for Islamic Banks (Basel II – Risk Weighted Assets) ('CAFIB-RWA'), securities under a Sell and Buy Back Agreement ('SBBA') are undertaken based on outright purchase and sale transactions. Positions held under both SBBA and Reverse SBBA shall be subject to capital requirements based on the risk profile incurred by the parties involved, as outlined in Appendix XVIII of CAFIB-RWA.

41 CAPITAL COMMITMENTS

	2024 RM'000	2023 RM'000
Capital expenditure for property, plant and equipment:		
- Authorised and contracted for	4,513	4,728

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

42 SEGMENT REPORTING (CONTINUED)

2024

	Wholesale Banking RM'000	Community Banking RM'000	Others RM'000	Total RM'000
External revenue	1,909,957	3,393,518	36,765	5,340,240
Inter-segment revenue	559,342	(559,342)	-	-
Segment revenue	2,469,299	2,834,176	36,765	5,340,240
Depositors' payout	(1,984,266)	(1,386,441)	-	(3,370,707)
Net income	485,033	1,447,735	36,765	1,969,533
Operating overheads	(145,215)	(599,488)	-	(744,703)
Including:				
Depreciation of property, plant and equipment and right-of-use assets	(488)	(2,106)	-	(2,594)
Amortisation of computer software	(424)	(682)	-	(1,106)
Allowance for credit losses on financial assets	13,979	(175,275)	-	(161,296)
Profit before zakat and taxation	353,797	672,972	36,765	1,063,534
Zakat				(12,000)
Taxation				(241,756)
Net profit for the financial year				809,778

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

42 SEGMENT REPORTING (CONTINUED)

2024

	Wholesale Banking RM'000	Community Banking RM'000	Total RM'000
Segment assets	44,197,411	68,572,508	112,769,919
Deferred tax assets			83,650
Unallocated assets			1,732,217
Total assets			114,585,786
Segment liabilities	57,813,205	47,461,488	105,274,693
Provision for taxation and zakat			63,237
Unallocated liabilities			2,309,963
Total liabilities			107,647,893
Other segment items:			
Capital expenditure	1	2,482	2,483

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

42 SEGMENT REPORTING (CONTINUED)

2023

	Wholesale Banking RM'000	Community Banking RM'000	Others RM'000	Total 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

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:

	2024	2023
	RM'000	RM'000
Common Equity Tier I ('CET I') Capital/Tier I Capital		
Share capital	1,673,424	1,673,424
Retained profits	4,765,880	4,201,068
Other reserve	1,775	798
FVOCI reserve	(38,571)	(38,332)
	6,402,508	5,836,958
Less:		
Deferred tax assets	(72,134)	(70,560)
Intangible assets (include associated deferred tax liabilities)	(3,903)	(4,661)
Other deductions*	(352)	(595)
Total CET I/Total Tier I Capital	6,326,119	5,761,142
Tier II Capital		
Subordinated obligations	749,761	750,000
Surplus eligible provisions over expected losses	170,789	154,065
General provisions^	86,689	80,942
Total Tier II Capital	1,007,239	985,007
Total Capital	7,333,358	6,746,149
Capital ratios		
Before proposed dividends:		
CET I capital ratio	16.028%	16.125%
Tier I capital ratio	16.028%	16.125%
Total capital ratio	18.580%	18.882%
After proposed dividends:		
CET I capital ratio	15.477%	15.516%
Tier I capital ratio	15.477%	15.516%
Total capital ratio	18.029%	18.273%

* 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 RM68,891,000 (2023: RM68,476,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

43 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	2024	2023
	RM'000	RM'000
Credit risk	38,636,523	35,235,833
Credit risk absorbed by PSIA ⁺	(3,236,571)	(3,082,919)
Market risk	533,669	187,131
Operational risk	3,534,619	3,387,790
Total risk-weighted assets	<u>39,468,240</u>	<u>35,727,835</u>

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

44 FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

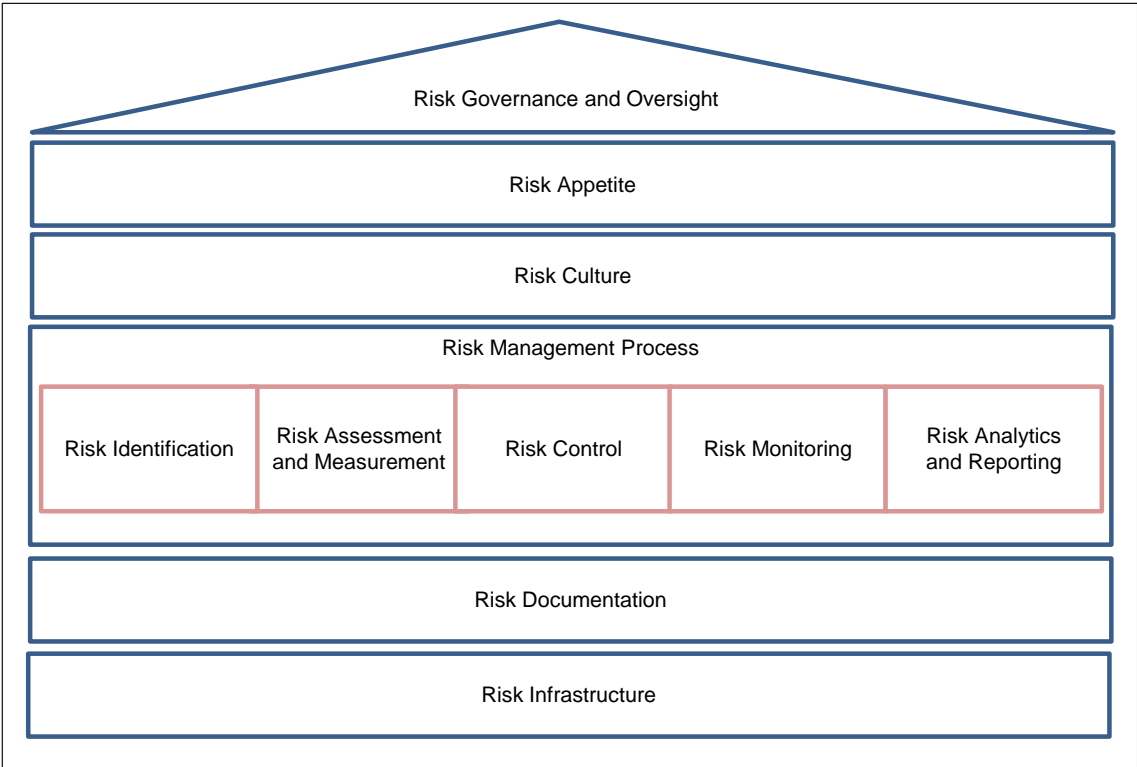
Risk is inherent in the Bank’s activities and is managed through a process of on-going identification, measurement and monitoring, subject to limits and other controls. Besides credit risk, the Bank is exposed to a range of other risk types such as market, liquidity, operational, legal, Shariah, strategic 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 shareholders’ 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 Bank, with risk management aimed towards loss minimisation and protection against unexpected losses which may occur through, principally, the failure of effective checks and balances 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:



NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Key features of the framework are:

Risk Governance and Oversight

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.

Group-level committees have been established to oversee the management of risks across all entities/subsidiaries on an integrated basis. These committees serve a critical function in setting strategic direction, establishing governance frameworks and promoting best practices. However, the Group maintains entity-specific committees to facilitate focused deliberation on entity specific issues e.g. the Board Risk Committee ('BRC') of RHB Bank Berhad, RHB Islamic Bank Berhad and RHB Investment Bank Berhad. These BRCs report directly to their respective Board, provides oversight and assists in reviewing the Group's overall risk management philosophy, frameworks, policies and models, as well as 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. The GCRC 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 while 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 main function of entities' chief risk officers - 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 comprises of the 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 Wholesale Banking Credit Management, Group Community Banking Credit Management, Enterprise Risk Management, Group Wholesale Credit Risk Management, Group Climate Risk Management, Group Community Banking Credit Risk Management, Group Market Risk Management, Group Asset and Liability Management, Group Non-Financial Risk Management, Group Technology and Cyber Risk Management, Group Shariah Risk Management, Risk Strategy, Transformation and Enterprise Risk Insights, Investment Banking and Regional Risk and Insurance Risk Management.

Risk Appetite

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 defined risk appetite and risk tolerance are periodically reviewed by the Management and the Board in line with the Group's business strategies and operating environment. Such review includes identifying and setting new risk appetite metrics for the business entity or removal of risk appetite metrics that are no longer applicable as well as updates on the risk appetite thresholds to be in line with the Group's business strategy and risk posture.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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	<ul style="list-style-type: none"> Responsible for managing day-to-day risks and compliance issues Business Risk and Compliance Officer/Business Risk Officer/Business Compliance Officer/equivalent is to assist business/functional unit in day-to-day risks and compliance matters
SECOND LINE Group Risk Management & Group Compliance	<ul style="list-style-type: none"> Responsible for oversight, establishing governance and providing support to business/functional unit on risk and compliance matters
THIRD LINE Group Internal Audit	<ul style="list-style-type: none"> Provide independent assurance to the Board of Directors that risk and compliance management functions effectively as designed

In 2024, a differentiated approach was employed in cultivating the desired risk culture behaviours leveraging on behaviour analytics and insights. This equipped the Business Risk and Compliance Officer/Business Risk Officer/Business Compliance Officer with sharper monitoring of risk culture metrics and dashboards, enabling them to prevent and correct the undesired behaviours. Additionally, the Group has developed Machine Learning based behavioural analytics model with early warning capabilities to strengthen oversight of the second Line of Defence and overlay existing controls at the first line of defence. These were complimented by targeted messaging via trainings, awareness campaigns and roadshows to shape the desired risk culture behaviours.

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 emerging risk trend 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.

In addition, risk management seeks to ensure that risk decisions are consistent with strategic business objectives and within the risk appetite.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Key features of the framework are (continued):

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.

Risk Infrastructure

The Group has organised its resources and talents into dedicated risk management functions, and invested in technology, including data management to support the Group's risk management activities. Staff have been assigned clear roles and responsibilities, provided access to relevant and up-to-date risk information, and given the latitude to continuously enhance their 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, including 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 to achieve better efficiency and effectiveness.

As part of its PROGRESS 27 effort, Group Risk & Credit Management has put in place a comprehensive three-year strategic plan and initiatives centred around resiliency, agility, regulatory demand, and RHB's three-year growth strategy aligned with multi-year cost optimisation efforts.

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 Group's and the Bank's lending/financing, trade finance placement, underwriting, investment, hedging and trading activities from both on- and off-balance sheet transactions. Credit risk does not typically happen in isolation as depending on certain risk events (e.g. fluctuation of interest/profit rate, foreign exchange) presence of other risks may also arise.
- (ii) Market risk - the risk of losses arising from adverse movements in market drivers, such as interest/profit rates, credit spreads, equity prices, currency exchange rates and commodity prices. Under this definition, market risk will constitute:
 - the interest/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 liquid assets 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 or the Internet.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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 Wholesale Banking Credit Management and Group Community Banking Credit Management 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 loan/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. Loans/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 loans/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 of 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 and collection/recovery, through the implementation/pilot run; and enhanced early warning capabilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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 perform 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 Market 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 Guidelines 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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 Non-Financial 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 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: 27001:2022 Control Objectives for Information and Related Technology (COBIT) 5 and the National Institute of Standards and Technology (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.
- In addition to the above, amongst others, the key risk management tools and mechanisms to manage Technology & Cyber Risk in RHB Group are:
 - (i) Subscription to threat intelligence service providers for the latest cyber threats incidence, threat actors, exploit techniques and modus operandi in compromising an organisation.
 - (ii) Periodic assessment of existing cybersecurity mitigation controls via Red Team assessment and compromise assessment.
 - (iii) Regular phishing simulations using different themes targeting internal staff to foster a culture of cybersecurity awareness.
 - (iv) 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 through dissemination of best practices bulletin.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category

	At amortised cost RM'000	At fair value through profit and loss RM'000	At fair value through other comprehensive income RM'000	Total RM'000
2024				
Assets				
Cash and short-term funds	1,221,961	-	-	1,221,961
Securities purchased under resale agreements	2,698,958	-	-	2,698,958
Deposits and placements with banks and other financial institutions	224,224	-	-	224,224
Financial assets at FVTPL	-	135,168	-	135,168
Financial assets at FVOCI				
- Debt instruments	-	-	7,828,798	7,828,798
Financial investments at amortised cost	9,920,794	-	-	9,920,794
Financing and advances	90,125,549	-	-	90,125,549
Other financial assets	56,995	-	-	56,995
Derivative assets	-	602,317	-	602,317
	<u>104,248,481</u>	<u>737,485</u>	<u>7,828,798</u>	<u>112,814,764</u>
Liabilities				
Deposits from customers	88,606,492	-	-	88,606,492
Deposits and placements of banks and other financial institutions	7,573,936	-	-	7,573,936
Investment accounts	5,899,679	-	-	5,899,679
Bills and acceptances payable	2,705	-	-	2,705
Other financial liabilities	2,271,053	-	-	2,271,053
Derivative liabilities	-	444,374	-	444,374
Recourse obligation on financing sold to Cagamas	1,204,334	-	-	1,204,334
Lease liabilities	1,080	-	-	1,080
Borrowings	786,022	-	-	786,022
Subordinated obligations	757,152	-	-	757,152
	<u>107,102,453</u>	<u>444,374</u>	<u>-</u>	<u>107,546,827</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

	At amortised cost RM'000	At fair value through profit and loss RM'000	At fair value through other comprehensive income RM'000	Total RM'000
<u>2023</u>				
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
	<u>99,694,399</u>	<u>354,870</u>	<u>5,937,797</u>	<u>105,987,066</u>
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
	<u>100,892,041</u>	<u>146,434</u>	<u>-</u>	<u>101,038,475</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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 reserves of financial assets and financial liabilities bearing floating profit rates and fixed rate financial assets and financial liabilities:

	<u>Impact on</u> <u>profit after tax</u> <u>RM'000</u>	<u>Impact</u> <u>on reserve</u> <u>RM'000</u>
<u>Increase/(Decrease)</u>		
<u>2024</u>		
+100 bps	151,588	(208,958)
-100 bps	<u>(151,244)</u>	<u>233,198</u>
<u>2023</u>		
+100 bps	162,566	(151,580)
-100 bps	<u>(162,121)</u>	<u>165,257</u>

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 (2023: 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 reserves represent the changes in fair values of profit rate instruments held in the FVOCI portfolio arising from the shift in the profit rate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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.

	Change in currency rates	
	+10%	-10%
Impact on profit after tax	RM'000	RM'000
<u>2024</u>		
United States Dollar ('USD')	(5,422)	5,422
Australian Dollar ('AUD')	(532)	532
Others	2,329	(2,329)
	<u>(3,625)</u>	<u>3,625</u>
<u>2023</u>		
USD	(2,831)	2,831
AUD	(328)	328
Others	(1,099)	1,099
	<u>(4,258)</u>	<u>4,258</u>

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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							Trading book	Total
	Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	>1 - 3 years	Over 3 years	Non-profit sensitive		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2024									
ASSETS									
Cash and short-term funds	1,018,163	-	-	-	-	-	203,798	-	1,221,961
Securities purchased under resale agreements	2,002,619	191,260	504,095	-	-	-	984	-	2,698,958
Deposits and placements with banks and other financial institutions	-	223,470	-	-	-	-	754	-	224,224
Financial assets at FVTPL	-	-	-	-	-	-	-	135,168	135,168
Financial assets at FVOCI	-	125,171	175,177	220,588	1,423,492	5,796,975	87,395	-	7,828,798
Financial investments at amortised cost	172,220	1,721,313	761,119	1,807,137	1,334,107	3,958,782	166,116	-	9,920,794
Financing and advances	76,506,330	2,894,122	999,375	114,931	454,185	8,817,307	339,299	-	90,125,549
Other assets	-	-	-	-	-	-	151,993	-	151,993
Derivative assets	-	-	2,744	390	46,949	5,770	-	546,464	602,317
Statutory deposits with BNM	-	-	-	-	-	-	1,582,000	-	1,582,000
Deferred tax assets	-	-	-	-	-	-	83,650	-	83,650
Right-of-use assets	-	-	-	-	-	-	1,070	-	1,070
Property, plant and equipment	-	-	-	-	-	-	4,739	-	4,739
Intangible assets	-	-	-	-	-	-	4,565	-	4,565
TOTAL ASSETS	79,699,332	5,155,336	2,442,510	2,143,046	3,258,733	18,578,834	2,626,363	681,632	114,585,786

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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						Trading book	Total
	Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	>1 - 3 years	Over 3 years		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2024								
LIABILITIES								
Deposits from customers	17,926,392	20,110,583	17,768,088	14,854,491	1,431,549	55,040	16,460,349	88,606,492
Deposits and placements of banks and other financial institutions	1,927,702	3,965,768	1,047,988	134,979	61,838	394,048	41,613	7,573,936
Investment accounts	185,000	300,100	-	2,101,193	768,000	2,313,013	232,373	5,899,679
Bills and acceptances payable	2,705	-	-	-	-	-	-	2,705
Other liabilities	9,696	10,236	4,158	3,687	74,750	917,056	1,289,299	2,308,882
Derivative liabilities	-	-	-	690	1,493	833	-	441,358
Recourse obligation on financing sold to Cagamas	-	-	-	100,000	1,100,000	-	4,334	1,204,334
Provision for taxation and zakat	-	-	-	-	-	-	63,237	63,237
Lease liabilities	71	124	188	356	341	-	-	1,080
Borrowings	-	782,141	-	-	-	-	3,881	786,022
Subordinated obligations	-	-	-	-	250,000	500,000	7,152	757,152
TOTAL LIABILITIES	20,051,566	25,168,952	18,820,422	17,195,396	3,687,971	4,179,990	18,102,238	107,647,893
TOTAL EQUITY	-	-	-	-	-	-	6,937,893	6,937,893
TOTAL LIABILITIES AND EQUITY	20,051,566	25,168,952	18,820,422	17,195,396	3,687,971	4,179,990	25,040,131	114,585,786
On-balance sheet profit sensitivity gap	59,647,766	(20,013,616)	(16,377,912)	(15,052,350)	(429,238)	14,398,844		
Off-balance sheet profit sensitivity gap	931,000	1,799,000	(430,000)	(225,000)	(1,588,000)	(487,000)		
TOTAL PROFIT-SENSITIVITY GAP	60,578,766	(18,214,616)	(16,807,912)	(15,277,350)	(2,017,238)	13,911,844		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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							Trading book	Total
	Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	>1 - 3 years	Over 3 years	Non-profit sensitive	book	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2023									
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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						Trading book	Total
	Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	>1 - 3 years	Over 3 years	Non-profit sensitive	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2023								
LIABILITIES								
Deposits from customers	15,377,347	20,115,238	19,139,701	11,620,207	602,812	1,012,960	14,316,246	-
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	-
Investment accounts	303,500	1,310,000	500,000	1,031,000	660,193	2,800,476	161,435	-
Bills and acceptances payable	9,842	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	8,000	42,049	1,827,698	-
Derivative liabilities	-	-	-	1,753	4,554	173	-	139,954
Recourse obligation on financing sold to Cagamas	-	-	-	900,000	700,000	-	11,741	-
Provision for taxation and zakat	-	-	-	-	-	-	40,885	-
Lease liabilities	71	123	131	266	595	-	-	-
Borrowings	-	804,399	-	-	-	-	4,839	-
Subordinated obligations	-	-	500,000	-	-	250,000	4,373	-
TOTAL LIABILITIES	18,069,553	24,897,148	21,667,489	13,682,613	2,042,011	4,291,960	16,401,139	139,954
TOTAL EQUITY	-	-	-	-	-	-	6,479,325	-
TOTAL LIABILITIES AND EQUITY	18,069,553	24,897,148	21,667,489	13,682,613	2,042,011	4,291,960	22,880,464	139,954
On-balance sheet profit sensitivity gap	57,513,119	(18,260,586)	(19,748,385)	(11,962,624)	584,433	11,916,343		
Off-balance sheet profit sensitivity gap	1,444,000	2,556,000	-	(500,000)	(1,000,000)	(2,500,000)		
TOTAL PROFIT-SENSITIVITY GAP	58,957,119	(15,704,586)	(19,748,385)	(12,462,624)	(415,567)	9,416,343		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk

Liquidity obligations arise from withdrawals of deposits, repayments of funds upon maturity, extensions of credit and working capital needs etc. The Bank has adopted the 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; as well as Net Stable Funding Ratio ('NSFR') which requires the maintenance of stable funding profile to support their assets and off-balance sheet activities. Both the LCR and NSFR at the Bank level has 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, senior debt securities and subordinated obligations during the financial years ended 31 December 2024 and 2023.

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

2024	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
<u>ASSETS</u>								
Cash and short-term funds	552,945	669,016	-	-	-	-	-	1,221,961
Securities purchased under resale agreements	1,667,528	336,010	191,278	504,142	-	-	-	2,698,958
Deposits and placements with banks and other financial institutions	-	-	224,224	-	-	-	-	224,224
Financial assets at FVTPL	-	1,185	312	181	-	133,490	-	135,168
Financial assets at FVOCI	-	20,080	176,501	191,162	220,588	7,220,467	-	7,828,798
Financial investments at amortised cost	814	16,059	57,876	127,519	236,910	9,481,616	-	9,920,794
Financing and advances	1,227,208	10,741,523	2,914,831	1,029,771	157,066	74,055,150	-	90,125,549
Other assets	429	57,114	-	-	-	-	94,450	151,993
Derivative assets	40,104	138,438	188,489	76,564	67,897	90,825	-	602,317
Statutory deposits with BNM	-	-	-	-	-	-	1,582,000	1,582,000
Deferred tax assets	-	-	-	-	-	-	83,650	83,650
Right-of-use assets	-	-	-	-	-	-	1,070	1,070
Property, plant and equipment	-	-	-	-	-	-	4,739	4,739
Intangible assets	-	-	-	-	-	-	4,565	4,565
TOTAL ASSETS	3,489,028	11,979,425	3,753,511	1,929,339	682,461	90,981,548	1,770,474	114,585,786

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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):

2024	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<u>LIABILITIES</u>								
Deposits from customers	22,599,151	11,188,854	20,403,048	17,940,539	14,977,133	1,497,767	-	88,606,492
Deposits and placements of banks and other financial institutions	854,862	1,088,047	3,988,403	1,050,572	136,152	455,900	-	7,573,936
Investment accounts	110,219	77,109	418,942	94	2,212,302	3,081,013	-	5,899,679
Bills and acceptances payable	2,705	-	-	-	-	-	-	2,705
Other liabilities	53,799	1,134,724	34,979	5,887	24,087	1,017,577	37,829	2,308,882
Derivative liabilities	40,903	80,341	109,567	70,345	102,925	40,293	-	444,374
Recourse obligation on financing sold to Cagamas	-	697	1,619	2,018	100,000	1,100,000	-	1,204,334
Provision for taxation and zakat	-	-	-	-	-	-	63,237	63,237
Lease liabilities	-	71	124	188	356	341	-	1,080
Borrowings	-	-	3,881	-	782,141	-	-	786,022
Subordinated obligations	-	2,813	-	4,339	-	750,000	-	757,152
TOTAL LIABILITIES	23,661,639	13,572,656	24,960,563	19,073,982	18,335,096	7,942,891	101,066	107,647,893
TOTAL EQUITY	-	-	-	-	-	-	6,937,893	6,937,893
TOTAL LIABILITIES AND EQUITY	23,661,639	13,572,656	24,960,563	19,073,982	18,335,096	7,942,891	7,038,959	114,585,786

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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):

<u>2023</u>	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<u>ASSETS</u>								
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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):

<u>2023</u>	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<u>LIABILITIES</u>								
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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:

2024	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
<u>LIABILITIES</u>							
Deposits from customers	33,813,088	38,724,021	15,421,186	1,573,843	65,863	-	89,598,001
Deposits and placements of banks and other financial institutions	1,943,062	5,082,684	139,083	63,465	141,157	254,161	7,623,612
Investment accounts	188,037	458,129	2,301,857	817,262	2,225,758	554,598	6,545,641
Bills and acceptances payable	2,705	-	-	-	-	-	2,705
Other financial liabilities	1,188,523	40,866	24,087	99,110	1,082,889	145	2,435,620
Derivative liabilities:							
- Gross settled derivatives:							
- Inflow	(4,693,430)	(8,666,614)	(3,766,719)	(503,547)	-	-	(17,630,310)
- Outflow	4,814,273	8,855,351	3,871,934	528,054	-	-	18,069,612
- Net settled derivatives	(1,657)	(21,258)	(23,051)	(78,696)	2,433	-	(122,229)
Recourse obligation on financing sold to Cagamas	697	23,833	123,833	1,163,071	-	-	1,311,434
Lease liabilities	79	348	398	386	-	-	1,211
Borrowings	-	21,107	803,247	-	-	-	824,354
Subordinated obligations	2,813	15,075	15,075	325,225	530,000	-	888,188
TOTAL FINANCIAL LIABILITIES	37,258,190	44,533,542	18,910,930	3,988,173	4,048,100	808,904	109,547,839

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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):

<u>2024</u>	<u>Up to 1 month RM'000</u>	<u>1 to 6 months RM'000</u>	<u>6 to 12 months RM'000</u>	<u>1 to 3 years RM'000</u>	<u>3 to 5 years RM'000</u>	<u>Over 5 years RM'000</u>	<u>Total RM'000</u>
Transaction-related contingent items	23,356	223,768	128,878	236,464	39,997	16,981	669,444
Short-term self-liquidating trade-related contingencies	10,762	258,027	-	-	-	-	268,789
Irrecoverable commitments to extend credit	1,700	653,701	774,030	1,554,289	1,683,445	5,581,146	10,248,311
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	77,064	882,555	922,050	411,885	83,759	504,778	2,882,091
TOTAL COMMITMENTS AND CONTINGENCIES	112,882	2,018,051	1,824,958	2,202,638	1,807,201	6,102,905	14,068,635

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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 RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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):

<u>2023</u>	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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:

	2024	2023
	RM'000	RM'000
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds (exclude cash in hand)	1,218,455	5,792,218
Securities purchased under resale agreements	2,698,958	1,445,151
Deposits and placements with banks and other financial institutions	224,224	92,225
Financial assets at FVOCI	7,828,798	5,937,797
Financial investments at amortised cost	9,920,794	8,978,775
Financing and advances	90,125,549	83,320,127
Other financial assets	56,995	56,587
	112,073,773	105,622,880
Credit risk exposure relating to off-balance sheet assets:		
Commitments and contingencies	14,068,635	13,032,603
Total maximum credit risk exposure that are subject to impairment	126,142,408	118,655,483

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

	2024	2023
	RM'000	RM'000
Financial assets at FVTPL	135,168	167,678
Derivative assets	602,317	187,192
	737,485	354,870

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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 2024 amounted to RM62.9 million (2023: RM64.5 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 2024 for the Bank is 71.7% (2023: 70.9%). 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:

	Gross impaired outstanding	Credit losses	Net carrying amount	Collateral value over gross outstanding
<u>2024</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>%</u>
Financing and advances	<u>852,536</u>	<u>(252,671)</u>	<u>599,865</u>	<u>80.9</u>
<u>2023</u>				
Financing and advances	<u>1,216,853</u>	<u>(361,064)</u>	<u>855,789</u>	<u>76.0</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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:

<u>Stages</u>	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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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:

<u>Credit Quality</u>	<u>Description</u>
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:

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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						Provision for credit loss RM'000
<u>2024</u>	Sovereign	Good	Fair	No rating	Credit- impaired	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
General Approach							
Short-term funds (exclude cash)	313,190	902,712	1,710	861	-	1,218,473	(18)
Stage 1	313,190	902,712	1,710	861	-	1,218,473	(18)
Stage 2	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-
Securities purchased under resale agreements	-	2,698,958	-	-	-	2,698,958	-
Stage 1	-	2,698,958	-	-	-	2,698,958	-
Stage 2	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	-	224,224	-	224,224	-
Stage 1	-	-	-	224,224	-	224,224	-
Stage 2	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-
Financial assets at FVOCI	5,434,156	2,394,642	-	-	-	7,828,798	(1,628)
Stage 1	5,408,710	2,394,642	-	-	-	7,803,352	(1,628)
Stage 2	25,446	-	-	-	-	25,446	-
Stage 3	-	-	-	-	-	-	-
Financial investments at amortised cost	3,973,759	606,088	-	4,046,675	1,304,191	9,930,713	(7,461)
Stage 1	3,938,072	606,088	-	4,046,675	-	8,590,835	(7,461)
Stage 2	35,687	-	-	-	-	35,687	-
Stage 3	-	-	-	-	1,304,191	1,304,191	-
Financing and advances	6,518,136	71,932,547	10,770,234	716,606	852,536	90,790,059	(622,735)
Stage 1	6,518,136	69,095,553	9,189,887	558,003	-	85,361,579	(133,953)
Stage 2	-	2,836,994	1,580,347	158,603	-	4,575,944	(236,111)
Stage 3	-	-	-	-	852,536	852,536	(252,671)
	16,239,241	78,534,947	10,771,944	4,988,366	2,156,727	112,691,225	(631,842)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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):

	Gross Carrying Amount						Provision for credit loss
<u>2023</u>	Sovereign	Good	Fair	No rating	Credit-impaired	Total	
	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)

Other financial assets for the Bank of RM56,995,000 (2023: RM56,587,000) are non-rated and short-term in nature, of which no provision for credit loss is provided.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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:

	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
<u>2024</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	-	-	-	50,110	136,002	1,776,020	12	546,784	2,508,928
Mining and quarrying	-	-	-	40,347	1,304,191	102,844	-	88,576	1,535,958
Manufacturing	-	-	-	72,133	-	2,944,980	955	982,859	4,000,927
Electricity, gas and water	-	-	-	343,962	386,008	222,238	-	187,384	1,139,592
Construction	-	-	-	663,021	1,467,512	3,657,604	1,754	2,167,930	7,957,821
Wholesale and retail trade and restaurant and hotel	-	-	-	61,281	10,303	4,787,917	2,227	1,798,345	6,660,073
Transport, storage and communication	-	-	-	369,289	872,740	2,460,643	269	907,316	4,610,257
Finance, insurance, real estate and business services	1,442,697	2,698,958	-	1,660,457	1,952,378	7,239,628	500,292	1,703,214	17,197,624
Education, health and others	-	-	135,168	4,568,198	3,801,579	7,130,720	153,744	1,296,969	17,086,378
Household sector	-	-	-	-	-	60,214,794	59	4,389,258	64,604,111
	<u>1,442,697</u>	<u>2,698,958</u>	<u>135,168</u>	<u>7,828,798</u>	<u>9,930,713</u>	<u>90,537,388</u>	<u>659,312</u>	<u>14,068,635</u>	<u>127,301,669</u>

[^] Excludes stage 1 expected credit losses amounting to RM18,000.

[@] Excludes stage 1 expected credit losses amounting to RM7,461,000 and negative fair value changes amounting to RM2,458,000.

[#] Excludes stage 1 and stage 2 expected credit losses amounting to RM370,064,000 and negative fair value changes amounting to RM41,775,000.

^{*} Other financial assets include other assets amounting to RM56,995,000 and derivative assets amounting to RM602,317,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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):

	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
<u>2023</u>									
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
	<u>5,884,623</u>	<u>1,445,151</u>	<u>167,678</u>	<u>5,937,797</u>	<u>8,987,565</u>	<u>83,659,100</u>	<u>243,779</u>	<u>13,032,603</u>	<u>119,358,296</u>

[^] 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (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:

2024	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	1,389,570	2,698,958	135,168	7,828,798	9,900,305	89,985,936	659,295	14,068,635	126,666,665
Malaysia	1,385,715	2,698,958	135,168	7,828,798	9,900,305	89,894,168	659,245	14,068,635	126,570,992
Other Southeast Asia	3,855	-	-	-	-	91,768	50	-	95,673
Other Asia	5,366	-	-	-	-	118,799	-	-	124,165
Europe	15,266	-	-	-	30,408	424,444	-	-	470,118
America	32,495	-	-	-	-	5,947	17	-	38,459
Africa	-	-	-	-	-	2,262	-	-	2,262
	1,442,697	2,698,958	135,168	7,828,798	9,930,713	90,537,388	659,312	14,068,635	127,301,669

[^] Excludes stage 1 expected credit losses amounting to RM18,000.

[@] Excludes stage 1 expected credit losses amounting to RM7,461,000 and negative fair value changes amounting to RM2,458,000.

[#] Excludes stage 1 and stage 2 expected credit losses amounting to RM370,064,000 and negative fair value changes amounting to RM41,775,000.

^{*} Other financial assets include other assets amounting to RM56,995,000 and derivative assets amounting to RM602,317,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (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):

	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
<u>2023</u>	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	243,771	13,032,603	119,098,352
Malaysia	5,712,665	1,445,151	167,678	5,937,797	8,957,149	83,391,232	243,743	13,032,603	118,888,018
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
	<u>5,884,623</u>	<u>1,445,151</u>	<u>167,678</u>	<u>5,937,797</u>	<u>8,987,565</u>	<u>83,659,100</u>	<u>243,779</u>	<u>13,032,603</u>	<u>119,358,296</u>

[^] 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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 2024, and are still subject to enforcement activities was RM7.5 million (2023: RM28.6 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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 and industrial production, 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:

<u>2024</u>	Changes	← Increase/(Decrease) in ECL →	
		<u>RM'000</u>	<u>RM'000</u>
(a) Retail			
Private consumption	+/- 50bps	(3,478)	3,637
Unemployment rates	+/- 10bps	2,288	(2,320)
Inflation	+/- 50bps	<u>4,253</u>	<u>(4,106)</u>
(b) Non-retail			
Private consumption	+/- 50bps	(2,488)	2,537
Industrial production	+/- 100bps	<u>(4,978)</u>	<u>5,630</u>
<u>2023</u>			
(a) Retail			
Private consumption	+/- 100bps	(6,751)	7,084
Unemployment rates	+/- 20bps	4,085	(4,049)
Inflation	+/- 50bps	<u>3,986</u>	<u>(3,820)</u>
(b) Non-retail			
Private consumption	+/- 100bps	(2,853)	3,057
Industrial production	+/- 100bps	<u>(4,211)</u>	<u>4,186</u>

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Offsetting Financial Assets and Financial Liabilities

The Bank reports financial assets and financial liabilities on a net basis on the balance sheet only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The following table shows the impact of netting arrangement on:

- (i) all financial assets and liabilities that are reported on the balance sheet; and
- (ii) all derivative financial instruments and reverse repurchase agreement and borrowing arrangements (offsetting arrangement and financial collateral) but do not qualify for netting.

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts of recognised financial assets/ financial liabilities RM'000	Related amounts not set off in the statement of financial position		Net amount RM'000
		Financial instruments RM'000	Financial collateral RM'000	
2024				
Financial assets				
Derivative assets	602,317	(2,574)	(30,653)	569,090
Financial liabilities				
Derivative liabilities	444,374	(2,574)	-	441,800

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(h) 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
2024				
Financial assets				
Financial assets at FVTPL:				
- money market instruments	-	135,168	-	135,168
Financial assets at FVOCI:	-	7,828,798	-	7,828,798
- money market instruments	-	4,008,225	-	4,008,225
- unquoted securities	-	3,820,573	-	3,820,573
Derivative assets	-	602,317	-	602,317
	-	8,566,283	-	8,566,283
Financial liabilities				
Derivative liabilities	-	444,374	-	444,374
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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

44 FINANCIAL RISK MANAGEMENT (CONTINUED)

(h) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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:

	<u>Carrying value</u>	<u>Fair value</u>
	RM'000	RM'000
2024		
<u>Financial assets</u>		
Financial investments at amortised cost	9,920,794	9,853,637
Financing and advances	<u>90,125,549</u>	<u>89,887,562</u>
<u>Financial liabilities</u>		
Deposits from customers	88,606,492	88,899,831
Deposits and placements of banks and other financial institutions	7,573,936	7,486,133
Investment accounts	5,899,679	5,970,240
Recourse obligation on financing sold to Cagamas	1,204,334	1,255,722
Borrowings	786,022	796,872
Subordinated obligations	<u>757,152</u>	<u>752,071</u>
2023		
<u>Financial assets</u>		
Financial investments at amortised cost	8,978,775	8,944,465
Financing and advances	<u>83,320,127</u>	<u>83,290,213</u>
<u>Financial liabilities</u>		
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	<u>754,373</u>	<u>755,348</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<u>2024</u>				
<u>Financial assets</u>				
Financial investments at amortised cost	-	9,853,637	-	9,853,637
Financing and advances	-	89,887,562	-	89,887,562
<u>Financial liabilities</u>				
Deposits from customers	-	88,899,831	-	88,899,831
Deposits and placements of banks and other financial institutions	-	7,486,133	-	7,486,133
Investment accounts	-	5,970,240	-	5,970,240
Recourse obligation on financing sold to Cagamas	-	1,255,722	-	1,255,722
Borrowings	-	796,872	-	796,872
Subordinated obligations	-	752,071	-	752,071
<u>2023</u>				
<u>Financial assets</u>				
Financial investments at amortised cost	-	8,944,465	-	8,944,465
Financing and advances	-	83,290,213	-	83,290,213
<u>Financial liabilities</u>				
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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
		RM'000	RM'000
2024			
(a) Derivative asset/liabilities			
Profit rate swaps			
Kuala Lumpur Interbank Offered Rate ('KLIBOR')		5,153,285	2,703,285
Cross currency swaps			
KLIBOR		-	819,175
		Carrying amount	
		Assets	Liabilities
		RM'000	RM'000
2024			
(b) Investment accounts			
KLIBOR		-	3,999,206
(c) Other liabilities			
Structured deposits			
KLIBOR		-	921,100
		Nominal amount	
		Assets	Liabilities
		RM'000	RM'000
2023			
(a) Derivative asset/liabilities			
Profit rate swaps			
KLIBOR		3,068,200	1,344,200
		Carrying amount	
		Assets	Liabilities
		RM'000	RM'000
2023			
(b) Investment accounts			
KLIBOR		-	4,977,668
(c) Other liabilities			
Structured deposits			
KLIBOR		-	8,000

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 120 are drawn up so as to give a true and fair view of the financial position of the Bank as at 31 December 2024 and financial performance of the Bank for the financial year ended on 31 December 2024 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
26 February 2025

**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 120 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 26 February 2025.

Before me:



COMMISSIONER FOR OATHS
Kuala Lumpur

120, JALAN TUN SAMBANTHAN,
50470 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 2024, 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 2024, 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, including a summary of material accounting policies, as set out on pages 6 to 120.

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.



**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.



**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.

A handwritten signature in black ink, appearing to read 'PwC' followed by some less legible characters.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Mohamed Zharif Bin Md Agil'.

MOHAMED ZHARIF BIN MD AGIL
03795/10/2025 J
Chartered Accountant

Kuala Lumpur
26 February 2025