

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

INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	As at 31 December 2023 RM'000	As at 31 December 2022 RM'000
ASSETS			
Cash and short-term funds		5,801,534	7,167,727
Securities purchased under resale agreements	9	1,445,151	577,051
Deposits and placements with banks and other financial institutions	10	92,225	-
Financial assets at fair value through profit or loss ('FVTPL')	11	167,678	91,997
Financial assets at fair value through other comprehensive income ('FVOCI')	12	5,937,797	5,700,547
Financial investments at amortised cost	13	8,978,775	7,542,997
Financing and advances	14	83,320,127	80,850,262
Other assets	15	119,974	96,628
Derivative assets		187,192	324,762
Statutory deposits		1,526,500	1,426,500
Deferred tax assets		82,137	137,537
Right-of-use assets		1,188	1,264
Property, plant and equipment		5,728	6,204
Intangible assets		5,186	4,567
TOTAL ASSETS		107,671,192	103,928,043
LIABILITIES AND EQUITY			
Deposits from customers	16	82,184,511	78,233,590
Deposits and placements of banks and other financial institutions	17	6,989,306	6,125,353
Investment accounts	18	6,766,604	9,597,262
Bills and acceptances payable		9,842	7,421
Other liabilities	19	1,877,747	1,131,965
Derivative liabilities		146,434	256,252
Recourse obligation on financing sold to Cagamas Berhad ('Cagamas')		1,611,741	1,765,061
Provision for taxation and zakat		40,885	111,844
Lease liabilities		1,186	1,307
Borrowings		809,238	-
Subordinated obligations		754,373	754,428
TOTAL LIABILITIES		101,191,867	97,984,483
Share capital		1,673,424	1,673,424
Reserves		4,805,901	4,270,136
TOTAL EQUITY		6,479,325	5,943,560
TOTAL LIABILITIES AND EQUITY		107,671,192	103,928,043
COMMITMENTS AND CONTINGENCIES	28	35,477,735	32,971,582

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2022.

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

INTERIM FINANCIAL STATEMENTS
AUDITED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	4th Quarter Ended		Twelve Months Ended	
		31 December	31 December	31 December	31 December
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	20	1,129,619	1,073,074	4,299,467	3,467,619
Income derived from investment of investment account funds	21	85,094	134,030	428,658	481,503
Income derived from investment of shareholders' funds	22	101,726	73,148	342,829	215,983
Allowance for credit losses on financial assets	23	18,936	(99,509)	6,356	(261,052)
Total distributable income		1,335,375	1,180,743	5,077,310	3,904,053
Income attributable to depositors	24	(786,078)	(565,956)	(2,958,219)	(1,809,725)
Profit distributed to investment account holders		(64,448)	(94,425)	(322,775)	(333,267)
		484,849	520,362	1,796,316	1,761,061
Personnel expenses	25	(6,258)	(6,660)	(29,479)	(27,456)
Other overheads and expenditures	26	(163,529)	(173,282)	(639,350)	(594,241)
Profit before taxation and zakat		315,062	340,420	1,127,487	1,139,364
Taxation and zakat		(77,434)	(114,803)	(283,032)	(386,089)
Net profit for the financial period/year		237,628	225,617	844,455	753,275
Basic earnings per share (sen)	27	14.20	13.48	50.46	45.01

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2022.

RHB ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	<u>4th Quarter Ended</u>		<u>Twelve Months Ended</u>	
	31 December	31 December	31 December	31 December
	2023	2022	2023	2022
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Net profit for the financial period/year	237,628	225,617	844,455	753,275
Other comprehensive income/(loss) in respect of:				
Items that will be reclassified subsequently to profit or loss:				
Debt instruments measured at FVOCI:				
- Unrealised net gain/(loss) on revaluation	48,083	89,902	133,723	(104,528)
- Net transfer to income statement on disposal	(12,136)	-	(28,819)	(13,940)
- Changes in expected credit losses	(221)	2,645	(4,122)	3,942
Income tax relating to components of other comprehensive (income)/loss	(8,627)	(21,577)	(25,177)	28,432
Other comprehensive income/(loss), net of tax, for the financial period/year	27,099	70,970	75,605	(86,094)
Total comprehensive income for the financial period/year	264,727	296,587	920,060	667,181

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2022.

RHB ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	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	RM'000
Balance as at 1 January 2023	1,673,424	(111,780)	203,906	205	4,177,805	5,943,560
Net profit for the financial year	-	-	-	-	844,455	844,455
Other comprehensive income/(loss):						
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	-	(4,122)	-	-	-	(4,122)
Income tax relating to components of other comprehensive income	-	(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	-	-	-	-	(384,888)	(384,888)
Share-based payment expenses	-	-	-	593	-	593
Transfer to regulatory reserve	-	-	436,304	-	(436,304)	-
Balance as at 31 December 2023	1,673,424	(36,175)	640,210	798	4,201,068	6,479,325

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2022.

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

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

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

	<u>Twelve Months Ended</u>	
	<u>31 December</u> <u>2023</u> RM'000	<u>31 December</u> <u>2022</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	1,127,487	1,139,364
Adjustments for non-cash items	<u>(601,505)</u>	<u>(72,642)</u>
Operating profit before changes in working capital	525,982	1,066,722
Changes in working capital:		
Net changes in operating assets	(3,518,418)	(3,675,045)
Net changes in operating liabilities	<u>2,513,533</u>	<u>4,583,439</u>
Cash (used in)/generated from operations	(478,903)	1,975,116
Profit paid	(31,853)	(32,805)
Net tax and zakat paid	<u>(323,768)</u>	<u>(366,175)</u>
Net cash (used in)/generated from operating activities	<u>(834,524)</u>	<u>1,576,136</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Purchase	(1,526)	(4,005)
- Proceeds from disposal	60	-
Purchase of intangible assets	(1,737)	(1,986)
Net purchase of financial assets at FVOCI and financial investments at amortised cost	<u>(1,377,362)</u>	<u>(2,446,702)</u>
Investment income received from financial assets at FVOCI and financial investments at amortised cost	416,208	318,752
Net cash used in investing activities	<u>(964,357)</u>	<u>(2,133,941)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown of borrowings	819,280	-
Principal lease payment	(1,704)	(1,591)
Dividend paid	(384,888)	(334,685)
Issuance of subordinated sukuk	-	250,000
Redemption of subordinated sukuk	-	(250,000)
Net cash generated from/(used in) financing activities	<u>432,688</u>	<u>(336,276)</u>
Net decrease in cash and cash equivalents	(1,366,193)	(894,081)
Cash and cash equivalents at the beginning of the financial year	<u>7,167,727</u>	<u>8,061,808</u>
Cash and cash equivalents at the end of the financial year	<u>5,801,534</u>	<u>7,167,727</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds	<u>5,801,534</u>	<u>7,167,727</u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2022.

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

1 BASIS OF PREPARATION

The interim financial statements are audited and have been prepared in compliance with Malaysian Financial Reporting Standard ('MFRS') 134, 'Interim Financial Reporting' issued by Malaysian Accounting Standards Board ('MASB') and should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2022.

The accounting policies and presentation adopted by the Bank for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2022, except for the adoption of the following accounting standards, annual improvements and amendments to MFRS during the current financial year:

(a) Accounting standards, annual improvements and amendments to MFRS which are effective and applicable for the Bank for financial year beginning on or after 1 January 2023:

- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates
- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

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

2 AUDITORS' REPORT

The auditors' report for the financial year ended 31 December 2022 was not subject to any qualification.

3 SEASONAL OR CYCLICAL ITEMS

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

4 EXCEPTIONAL OR UNUSUAL ITEMS

There were no exceptional or unusual items for the financial year ended 31 December 2023.

5 CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in prior financial years that have a material effect for the financial year ended 31 December 2023.

6 CHANGES IN DEBT AND EQUITY SECURITIES

There were no issuances and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the financial year ended 31 December 2023.

7 DIVIDEND PAID/DECLARED

- (a) A second single-tier interim dividend of 15.0 sen per share in respect of the financial year ended 31 December 2022, amounting to RM251,014,000 was paid on 27 March 2023;
- (b) A single-tier interim dividend of 8.0 sen per share in respect of the financial year ended 31 December 2023, amounting to RM133,874,000 was paid on 26 September 2023; and
- (c) The Directors declared a second single-tier interim dividend of 13.0 sen per share amounting to RM217,545,000 in respect of the financial year ended 31 December 2023. The financial statements for the current financial year do not reflect this second single-tier interim dividend. This dividend payment will be accounted for in the shareholder's equity as an appropriation of retained profits in the financial year ending 31 December 2024.

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NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
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8 INVESTMENT ACCOUNTS ('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:

- 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.
- 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.
- Details of the IA are as disclosed in Note 18.

9 SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	As at 31 December 2023	As at 31 December 2022
At amortised cost	RM'000	RM'000
Malaysian Government Investment Issues	287,477	199,093
Corporate sukuk	1,157,674	377,958
	1,445,151	577,051

10 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2023	As at 31 December 2022
	RM'000	RM'000
Licensed Islamic banks	92,225	-

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**NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

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

	As at 31 December 2023	As at 31 December 2022
	RM'000	RM'000
Mandatory measured at fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	165,042	91,997
Bank Negara Malaysia ('BNM') Monetary Notes	2,636	-
	167,678	91,997

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

	As at 31 December 2023	As at 31 December 2022
	RM'000	RM'000
At fair value		
Debt instruments	5,937,797	5,700,547
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	2,028,223	1,840,246
Islamic Cagamas bonds	560,095	-
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	3,349,479	3,860,301
	5,937,797	5,700,547

(a) Movement in allowance for credit losses recognised in FVOCI reserve

	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
31 December 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
31 December 2022				
Balance as at the beginning of the financial year	2,337	-	-	2,337
Changes in credit risk	2,588	-	-	2,588
Purchases and origination	1,984	-	-	1,984
Derecognition and disposal	(630)	-	-	(630)
Balance as at the end of the financial year	6,279	-	-	6,279

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

13 FINANCIAL INVESTMENTS AT AMORTISED COST

	As at 31 December 2023 RM'000	As at 31 December 2022 RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	1,659,548	2,217,425
BNM Monetary Notes	853,733	-
Islamic Cagamas bonds	503,848	338,771
Sukuk Perumahan Kerajaan	-	10,064
Islamic Khazanah bonds	41,617	127,665
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	5,898,402	4,837,478
<u>Outside Malaysia</u>		
Corporate sukuk	30,417	30,420
	8,987,565	7,561,823
Fair value changes arising from fair value hedge	(3,276)	-
	8,984,289	7,561,823
Allowance for credit losses	(5,514)	(18,826)
	8,978,775	7,542,997

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

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

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

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

	As at 31 December 2023 RM'000	As at 31 December 2022 RM'000
Balance as at the beginning of the financial year	1,168,813	1,105,024
Purchases and origination	66,412	63,789
Balance as at the end of the financial year	1,235,225	1,168,813

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

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

13 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

(b) Movement in allowance for credit losses

	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
31 December 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>
31 December 2022				
Balance as at the beginning of the financial year	4,312	1,777	-	6,089
Changes in credit risk	9,694	(119)	-	9,575
Purchases and origination	4,538	495	-	5,033
Derecognition and disposal	(1,871)	-	-	(1,871)
Balance as at the end of the financial year	<u>16,673</u>	<u>2,153</u>	<u>-</u>	<u>18,826</u>

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

14 FINANCING AND ADVANCES

31 December 2023	Bai'						
	Bithaman						
At amortised cost	Ajil ('BBA')	Ijarah *	Murabahah	Musyarakah	Qard	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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.

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14 FINANCING AND ADVANCES (CONTINUED)

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

* 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.

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14 FINANCING AND ADVANCES (CONTINUED)

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

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

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

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

- (c) Movement of Qard financing

	As at 31 December 2023	As at 31 December 2022
	RM'000	RM'000
Balance as at the beginning of the financial year	27,963	28,178
New disbursement	33,556	19,874
Repayment	(21,233)	(20,089)
Balance as at the end of the financial year	<u>40,286</u>	<u>27,963</u>
Sources of Qard fund:		
- Depositors' fund	<u>40,286</u>	<u>27,963</u>
Uses of Qard fund:		
- Personal use	327	614
- Business purpose	39,959	27,349
	<u>40,286</u>	<u>27,963</u>

- (i) By type of customer

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

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14 FINANCING AND ADVANCES (CONTINUED)

	As at 31 December 2023 RM'000	As at 31 December 2022 RM'000
(ii) By profit rate sensitivity		
Fixed rate:		
- Housing financing	15,821	14,868
- Hire-purchase receivables	363,604	674,513
- Other fixed rate financing	10,191,424	9,953,873
Variable rate:		
- Base financing rate-plus	57,792,784	51,617,837
- Cost-plus	15,500,617	19,369,819
- Other variable rates	155,914	93,781
	84,020,164	81,724,691
(iii) By economic sector		
Agriculture, hunting, forestry and fishing	1,971,479	1,879,454
Mining and quarrying	105,333	108,058
Manufacturing	2,814,974	2,729,512
Electricity, gas and water	1,415,797	1,062,196
Construction	2,329,913	4,642,441
Wholesale and retail trade and restaurant and hotel	4,341,983	3,660,055
Transport, storage and communication	3,733,236	5,953,005
Finance, insurance, real estate and business services	7,014,469	6,079,740
Education, health and others	6,642,350	6,582,020
Household sector	53,640,393	49,018,402
Others	10,237	9,808
	84,020,164	81,724,691
(iv) By purpose		
Purchase of securities	5,358,476	5,955,084
Purchase of transport vehicles	10,723,066	9,873,672
Purchase of landed property:		
- Residential	31,446,805	27,707,282
- Non-residential	5,604,458	5,606,685
Purchase of property, plant and equipment other than land and building	652,851	710,750
Personal use	5,938,503	5,156,803
Credit card	366,999	302,280
Construction	1,028,438	941,953
Working capital	17,153,276	18,838,276
Merger and acquisition	709,162	1,471,708
Other purposes	5,038,130	5,160,198
	84,020,164	81,724,691

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14 FINANCING AND ADVANCES (CONTINUED)

	As at 31 December 2023 RM'000	As at 31 December 2022 RM'000
(v) By geographical distribution		
In Malaysia	84,020,164	81,724,691
(vi) By remaining contractual maturities		
Maturing within one year	10,171,561	8,457,670
One year to three years	2,336,742	5,420,536
Three years to five years	6,490,165	6,386,156
Over five years	65,021,696	61,460,329
	84,020,164	81,724,691
(vii) Impaired financing and advances		
(a) Movement in impaired financing and advances		
Balance as at the beginning of the financial year	600,488	385,800
Transfer to 12-month ECL (Stage 1)	(20,603)	(11,868)
Transfer to lifetime ECL not credit impaired (Stage 2)	(71,883)	(18,946)
Transfer to lifetime ECL credit impaired (Stage 3)	562,957	387,988
Purchases and origination	408,648	52,482
Derecognition	(81,645)	(90,088)
Amount written off	(187,218)	(105,466)
Other movements	6,109	586
Balance as at the end of the financial year	1,216,853	600,488
(b) By economic sector		
Agriculture, hunting, forestry and fishing	-	729
Mining and quarrying	5,248	4,833
Manufacturing	22,571	21,122
Electricity, gas and water	5,781	9,954
Construction	53,955	58,085
Wholesale and retail trade and restaurant and hotel	67,882	47,800
Transport, storage and communication	460,777	14,284
Finance, insurance, real estate and business services	64,751	39,879
Education, health and others	94,787	82,623
Household sector	441,101	321,179
	1,216,853	600,488

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14 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

	As at 31 December 2023	As at 31 December 2022
	RM'000	RM'000
(c) By purpose		
Purchase of securities	1,235	1,673
Purchase of transport vehicles	61,988	46,276
Purchase of landed property:		
- Residential	337,861	236,701
- Non-residential	162,904	154,347
Purchase of property, plant and equipment other than land and building	2,796	2,803
Personal use	36,116	29,837
Credit card	3,700	3,216
Working capital	567,633	85,086
Other purposes	42,620	40,549
	<u>1,216,853</u>	<u>600,488</u>
(d) By geographical distribution		
In Malaysia	<u>1,216,853</u>	<u>600,488</u>

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14 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

(e) Movement in allowance for credit losses

	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
31 December 2023	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of the financial year	156,445	374,072	252,065	782,582
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	59,298	(52,584)	(6,714)	-
- Transferred to lifetime ECL not credit impaired (Stage 2)	(6,750)	27,317	(20,567)	-
- Transferred to lifetime ECL credit impaired (Stage 3)	(921)	(40,271)	41,192	-
	51,627	(65,538)	13,911	-
Changes in credit risk	(97,305)	(120,055)	229,378	12,018
Purchases and origination	22,689	4,983	3,987	31,659
Bad debts written off	-	-	(127,100)	(127,100)
Changes to model methodologies	(15,024)	(14,716)	6,141	(23,599)
Derecognition	(8,266)	(7,263)	(23,427)	(38,956)
Other movements	-	-	6,109	6,109
Balance as at the end of the financial year	110,166	171,483	361,064	642,713

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14 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

(e) Movement in allowance for credit losses (continued)

	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
31 December 2022	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of the financial year	170,709	252,606	183,176	606,491
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	47,653	(42,848)	(4,805)	-
- Transferred to lifetime ECL not credit impaired (Stage 2)	(5,976)	12,793	(6,817)	-
- Transferred to lifetime ECL credit impaired (Stage 3)	(2,965)	(6,699)	9,664	-
	38,712	(36,754)	(1,958)	-
Changes in credit risk	(62,225)	174,676	148,855	261,306
Purchases and origination	26,322	5,017	5,256	36,595
Bad debts written off	-	-	(62,422)	(62,422)
Changes to model methodologies	(4,079)	(16,222)	(143)	(20,444)
Derecognition	(12,994)	(5,251)	(21,285)	(39,530)
Other movements	-	-	586	586
Balance as at the end of the financial year	<u>156,445</u>	<u>374,072</u>	<u>252,065</u>	<u>782,582</u>

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15 OTHER ASSETS

	As at 31 December 2023 RM'000	As at 31 December 2022 RM'000
Prepayments	29,303	26,241
Deposits	912	1,104
Amount from a related companies	112	91
Other receivables	89,647	69,192
	119,974	96,628

16 DEPOSITS FROM CUSTOMERS

	As at 31 December 2023 RM'000	As at 31 December 2022 RM'000
<u>Savings Deposits</u>		
Qard	1,381,073	1,510,397
Commodity Murabahah	1,264,636	995,415
<u>Demand Deposits</u>		
Qard	6,867,723	5,982,666
Commodity Murabahah	4,082,360	3,448,658
<u>Term Deposits</u>		
Commodity Murabahah	55,031,898	54,237,696
<u>Specific Investment Account</u>		
Commodity Murabahah	13,556,744	12,058,549
<u>General Investment Account</u>		
Mudharabah	77	209
	82,184,511	78,233,590

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

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

(b) The deposits are sourced from the following classes of customers:

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

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17 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Note	As at 31 December 2023 RM'000	As at 31 December 2022 RM'000
<u>Non-Mudharabah Funds:</u>			
Licensed banks		6,407,500	5,652,451
BNM/Other central bank	(a)	<u>507,538</u>	<u>193,536</u>
		6,915,038	5,845,987
<u>Mudharabah Funds:</u>			
Other financial institutions		<u>74,268</u>	<u>279,366</u>
		6,989,306	6,125,353

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

18 INVESTMENT ACCOUNTS

	Note	As at 31 December 2023 RM'000	As at 31 December 2022 RM'000
Mudharabah Restricted Investment Account	(a)	6,753,004	8,778,876
Wakalah Unrestricted Investment Account	(b)	<u>13,600</u>	<u>818,386</u>
		6,766,604	9,597,262

(a) Mudharabah Restricted Investment Account

By type of counterparty:

Licensed banks	<u>6,753,004</u>	<u>8,778,876</u>
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Investment assets (principal):

Personal financing (Note 14(a))	1,000,000	1,000,000
Other term financing (Note 14(a))	4,037,480	6,238,222
Short-term funds	129,000	33,000
Unquoted securities (Note 13)	<u>1,425,189</u>	<u>1,401,085</u>
	6,591,669	8,672,307

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

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18 INVESTMENT ACCOUNTS (CONTINUED)

	As at	As at
	31 December	31 December
	2023	2022
	RM'000	RM'000
(b) Wakalah Unrestricted Investment Account		
<u>By type of counterparty:</u>		
Business enterprises	13,600	818,386
<u>Investment asset (principal):</u>		
Personal financing (Note 14(a))	2,700	642,382
Housing financing (Note 14(a))	10,800	160,596
	13,500	802,978

19 OTHER LIABILITIES

	As at	As at
	31 December	31 December
	2023	2022
	RM'000	RM'000
Sundry creditors	14,353	14,869
Amount due to holding company	1,641,546	828,560
Amount due to other related companies	4,144	598
Contract liability	58,656	99,411
Short-term employee benefits	5,221	4,447
Accrual for operational expenses	26,601	34,272
Structured deposits	53,023	41,020
Other accruals and payables	74,203	108,788
	1,877,747	1,131,965

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20 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	4th Quarter Ended		Twelve Months Ended	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) General investment deposits	1	3	3	11
(ii) Other deposits	1,129,618	1,073,071	4,299,464	3,467,608
	1,129,619	1,073,074	4,299,467	3,467,619
(i) Income derived from investment of general investment deposits:				
Financing and advances	1	2	3	9
Financial assets at FVOCI	-	1	-	1
Money at call and deposits with banks and other financial institutions	-	-	-	1
Total finance income and hibah	1	3	3	11
(ii) Income derived from investment of other deposits:				
Financing and advances	944,909	908,420	3,613,614	2,891,439
Securities purchased under resale agreements	5,348	6,094	9,965	40,925
Financial assets at FVTPL	3,316	889	10,614	3,880
Financial assets at FVOCI	53,242	51,432	209,738	197,620
Financial investments at amortised cost	68,287	46,318	254,514	131,270
Money at call and deposits with banks and other financial institutions	37,433	54,295	151,363	170,348
Total finance income and hibah	1,112,535	1,067,448	4,249,808	3,435,482
Other operating income (Note a)	17,083	5,623	49,656	32,126
	1,129,618	1,073,071	4,299,464	3,467,608
Of which:				
Financing income earned on impaired financing	6,584	4,454	23,973	17,744
(a) Other operating income comprise of:				
Fee income:				
- Commission	3,183	3,039	14,182	13,105
- Guarantee fees	1,081	1,522	4,415	4,224
	4,264	4,561	18,597	17,329
Net (loss)/gain on revaluation of financial assets at FVTPL	1,984	1,041	(399)	836
Net gain/(loss) on disposal of financial assets at FVTPL	(1,067)	18	3,182	306
Net gain on disposal of debt instruments of financial assets at FVOCI	11,902	3	28,261	13,655
Net gain arising from derecognition of financial investments at amortised cost	-	-	15	-
	17,083	5,623	49,656	32,126

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21 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	<u>4th Quarter Ended</u>		<u>Twelve Months Ended</u>	
	31 December 2023 RM'000	31 December 2022 RM'000	31 December 2023 RM'000	31 December 2022 RM'000
Financing and advances	60,722	111,970	330,925	401,942
Financial investments at amortised cost	23,419	21,387	91,413	74,379
Money at call and deposits with banks and other financial institutions	953	673	6,320	5,182
Total finance income and hibah	85,094	134,030	428,658	481,503

22 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	<u>4th Quarter Ended</u>		<u>Twelve Months Ended</u>	
	31 December 2023 RM'000	31 December 2022 RM'000	31 December 2023 RM'000	31 December 2022 RM'000
Financing and advances	18,518	18,595	71,287	60,428
Securities purchased under resale agreements	106	120	197	855
Financial assets at FVTPL	65	18	209	81
Financial assets at FVOCI	1,044	1,046	4,138	4,130
Financial investments at amortised cost	1,339	952	5,021	2,744
Money at call and deposits with banks and other financial institutions	733	1,112	2,986	3,560
Total finance income and hibah	21,805	21,843	83,838	71,798
Other operating income (Note a)	79,921	51,305	258,991	144,185
	101,726	73,148	342,829	215,983

Of which:

Financing income earned on impaired financing	129	91	473	371
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(a) Other operating income comprise of:

Fee income:				
- Commission	12,841	12,298	58,433	48,054
- Service charges and fees	34,998	24,045	102,034	91,757
- Guarantee fees	21	31	87	88
	47,860	36,374	160,554	139,899
Net (loss)/gain on revaluation of financial assets at FVTPL	39	21	(8)	17
Net gain/(loss) on disposal of financial assets at FVTPL	(21)	-	63	6
Net gain/(loss) on disposal of debt instruments of financial investments at FVOCI	235	(3)	558	285
Net gain/(loss) on revaluation of derivatives	8,262	198	23,717	(24,617)
Net (loss)/gain on fair value hedges	(2,530)	217	(1,214)	(812)
Other income:				
- Foreign exchange gain	27,796	15,468	81,327	32,321
- Gain on disposal of property, plant and equipment	-	-	60	-
- (Loss)/gain on modification of right-of-use assets	-	-	(10)	1
- Other non-operating loss	(1,720)	(970)	(6,056)	(2,915)
	79,921	51,305	258,991	144,185

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23 ALLOWANCE FOR CREDIT LOSSES ON FINANCIAL ASSETS

	<u>4th Quarter Ended</u>		<u>Twelve Months Ended</u>	
	31 December	31 December	31 December	31 December
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
<u>Charge/(Writeback)</u>				
Financing and advances:				
- Net (writeback)/charge	(25,391)	82,591	(18,878)	237,927
- Bad debts recovered	(8,147)	(7,551)	(27,506)	(36,502)
- Bad debts written off	17,122	11,858	57,439	42,878
	(16,416)	86,898	11,055	244,303
Financial assets at FVOCI	(221)	2,645	(4,122)	3,942
Financial investments at amortised cost	(2,302)	9,880	(13,312)	12,737
Other financial assets	3	86	23	70
	<u>(18,936)</u>	<u>99,509</u>	<u>(6,356)</u>	<u>261,052</u>

24 INCOME ATTRIBUTABLE TO DEPOSITORS

	<u>4th Quarter Ended</u>		<u>Twelve Months Ended</u>	
	31 December	31 December	31 December	31 December
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Deposits from customers:				
- Mudharabah funds	8,869	5,461	29,940	19,311
- Non-Mudharabah funds	684,928	487,311	2,624,197	1,552,172
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah funds	67,444	51,539	209,573	174,749
Others:				
- Subordinated obligations	8,003	8,002	31,750	32,568
- Recourse obligation on financing sold to Cagamas	11,436	13,165	55,921	29,810
- Borrowings	4,839	-	4,839	-
- Others	559	478	1,999	1,115
	<u>786,078</u>	<u>565,956</u>	<u>2,958,219</u>	<u>1,809,725</u>

25 PERSONNEL EXPENSES

	Note	<u>4th Quarter Ended</u>		<u>Twelve Months Ended</u>	
		31 December	31 December	31 December	31 December
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses		4,711	5,040	23,179	21,726
Contributions to Employees' Provident Fund		780	820	3,527	3,558
Share-based expenses	(a)	194	103	593	205
Other staff related costs		573	697	2,180	1,967
		<u>6,258</u>	<u>6,660</u>	<u>29,479</u>	<u>27,456</u>

- (a) The Share Grant Scheme ('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.

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26 OTHER OVERHEADS AND EXPENDITURES

	4th Quarter Ended		Twelve Months Ended	
	31 December	31 December	31 December	31 December
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
<u>Establishment costs</u>				
Property, plant and equipment:				
- Depreciation	409	372	2,002	1,253
Computer software license:				
- Amortisation	284	256	1,118	947
Right-of-use assets:				
- Depreciation	248	399	1,151	1,594
Information technology expenses	330	563	1,706	2,223
Repair and maintenance	26	36	377	146
Rental of premises	157	117	812	346
Water and electricity	117	128	468	464
Rental of equipment	-	1	4	7
Printing and stationeries	1,615	4,569	7,966	8,272
Takaful	2,714	2,528	10,912	10,137
Others	476	539	1,893	1,857
	6,376	9,508	28,409	27,246
<u>Marketing expenses</u>				
Advertisement and publicity	2,079	239	2,876	634
Sales commission	4,457	4,121	16,155	14,353
Travelling expenses	76	92	275	209
Motor vehicle expenses	23	30	72	80
Others	2,390	3,271	12,018	5,283
	9,025	7,753	31,396	20,559
<u>Administration and general expenses</u>				
Communication expenses	1,743	4,140	8,001	8,825
Legal and professional fee	2,830	1,148	6,036	5,028
Management fee	140,510	147,538	553,686	522,875
Others	3,045	3,195	11,822	9,708
	148,128	156,021	579,545	546,436
	163,529	173,282	639,350	594,241

27 EARNINGS PER SHARE

	4th Quarter Ended		Twelve Months Ended	
	31 December	31 December	31 December	31 December
	2023	2022	2023	2022
Net profit for the financial period/year (RM'000)	237,628	225,617	844,455	753,275
Weighted average number of ordinary shares in issue ('000)	1,673,424	1,673,424	1,673,424	1,673,424
Basic earnings per share (sen)	14.20	13.48	50.46	45.01

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28 COMMITMENTS AND CONTINGENCIES

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

	As at 31 December 2023 <u>RM'000</u>	As at 31 December 2022 <u>RM'000</u>
Contingent liabilities		
Transaction-related contingent items	354,714	381,269
Short-term self-liquidating trade related contingencies	<u>264,074</u>	<u>264,229</u>
	<u>618,788</u>	<u>645,498</u>
Commitments		
Irrevocable commitments to extend credit:		
- Maturity less than one year	695,930	207,642
- Maturity more than one year	9,214,441	10,024,361
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	<u>2,503,444</u>	<u>2,681,811</u>
	<u>12,413,815</u>	<u>12,913,814</u>
Derivative financial instruments		
Foreign exchange related contracts [^] :		
- Less than one year	14,410,642	13,763,168
- One year to less than five years	1,816,829	990,489
Profit rate related contracts [^] :		
- Less than one year	2,040,000	1,130,000
- One year to less than five years	3,912,400	3,300,000
- More than five years	122,573	-
Commodity related contracts [^] :		
- Less than one year	56,144	100,122
- One year to less than five years	86,544	128,491
	<u>22,445,132</u>	<u>19,412,270</u>
	<u>35,477,735</u>	<u>32,971,582</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 or derivative liabilities.

29 CAPITAL COMMITMENTS

	As at 31 December 2023 <u>RM'000</u>	As at 31 December 2022 <u>RM'000</u>
Capital expenditure for property, plant and equipment:		
- Authorised and contracted for	<u>4,728</u>	<u>5,233</u>

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30 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:

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>31 December 2023</u>				
<u>Financial assets</u>				
Financial assets at FVTPL:				
- money market instruments	-	167,678	-	167,678
Financial assets at FVOCI:				
- money market instruments	-	5,937,797	-	5,937,797
- unquoted securities	-	2,588,318	-	2,588,318
	-	3,349,479	-	3,349,479
Derivative assets	-	187,192	-	187,192
	-	6,292,667	-	6,292,667
<u>Financial liabilities</u>				
Derivative liabilities	-	146,434	-	146,434
<u>31 December 2022</u>				
<u>Financial assets</u>				
Financial assets at FVTPL:				
- money market instruments	-	91,997	-	91,997
Financial assets at FVOCI:				
- money market instruments	-	5,700,547	-	5,700,547
- unquoted securities	-	1,840,246	-	1,840,246
	-	3,860,301	-	3,860,301
Derivative assets	-	324,762	-	324,762
	-	6,117,306	-	6,117,306
<u>Financial liabilities</u>				
Derivative liabilities	-	256,252	-	256,252

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30 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(i) Valuation techniques and sensitivity analysis

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 are readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. This 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.

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31 CAPITAL ADEQUACY

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:

	As at 31 December 2023	As at 31 December 2022
	RM'000	RM'000
<u>Common Equity Tier-I ('CET-I') Capital /Tier-I Capital</u>		
Share capital	1,673,424	1,673,424
Retained profits	4,201,068	4,177,805
Other reserve	798	205
FVOCI reserve	(38,332)	(118,059)
	5,836,958	5,733,375
Less:		
Deferred tax assets	(70,560)	(100,598)
Intangible assets (include associated deferred tax liabilities)	(4,661)	(4,227)
Other deductions*	(595)	(941)
Total CET-I/Total Tier-I Capital	5,761,142	5,627,609
<u>Tier-II Capital</u>		
Subordinated obligations	750,000	750,000
Surplus eligible provisions over expected losses	154,065	140,835
General provisions^	80,942	55,462
Total Tier-II Capital	985,007	946,297
Total Capital	6,746,149	6,573,906
<u>Capital Ratios</u>		
Before proposed dividends:		
CET-I Capital Ratio	16.125%	17.828%
Tier-I Capital Ratio	16.125%	17.828%
Total Capital Ratio	18.882%	20.826%
After proposed dividends:		
CET-I Capital Ratio	15.516%	17.033%
Tier-I Capital Ratio	15.516%	17.033%
Total Capital Ratio	18.273%	20.031%

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

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31 CAPITAL ADEQUACY (CONTINUED)

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

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

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

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

The total risk-weighted assets of 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.

32 CREDIT EXPOSURES ARISING FROM TRANSACTIONS WITH CONNECTED PARTIES

	As at 31 December 2023	As at 31 December 2022
	RM'000	RM'000
Outstanding credit exposures with connected parties (RM'000)	<u>3,437,938</u>	<u>5,257,433</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	<u>3.69</u>	<u>5.81</u>
Percentage of outstanding credit exposures with connected parties which is impaired or in default (%)	<u>0.01</u>	<u>-</u>

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

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33 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

34 EVENTS SUBSEQUENT TO BALANCE SHEET DATE

There were no significant events subsequent to the balance sheet date that have not been reflected in the financial statements.

35 CHANGES IN PROFIT FOR THE QUARTER

The Bank reported a pre-tax profit of RM315.0 million for the current quarter, 19.3% higher as compared to the preceding quarter ended 30 September 2023 of RM264.0 million. The higher profit was mainly attributed to higher allowance for credit losses written back by RM47.6 million and higher non funding income by RM24.6 million, partly offset by lower net funding income by RM14.1 million and higher overhead expenses by RM7.1 million.

36 PERFORMANCE REVIEW

For the financial year ended 31 December 2023, the Bank recorded a pre-tax profit of RM1,127.5 million, 1.0% lower than previous corresponding year of RM1,139.4 million. The lower profit was mainly due to lower net funding income by RM364.5 million and higher overhead expenses by RM47.1 million, partly offset by higher allowance for credit losses written back by RM267.4 million and higher non funding income by RM132.3 million.

37 PROSPECTS FOR FINANCIAL YEAR 2024

Global economic growth is expected to accelerate in 2024, supported by easing of monetary policy trends and China's potential economic recovery. Similarly, Malaysia's growth momentum is expected to improve in 2024 with GDP projected to grow at 4.6%, underpinned by revival of external sector, including manufacturing and exports, as well as strong domestic demand arising from robust consumer and investment spending. Nevertheless, the Bank remains vigilant as risk from external factors persists, such as uncertainty of monetary policy stance in the US, inflationary pressures and escalation of geopolitical conflicts.

For the banking sector, demand for credit is expected to improve in the current year in tandem with better economic growth prospect. Overall, the sector is anticipated to remain resilient, bolstered by robust capital and liquidity positions, adequate level of provisioning, as well as conducive monetary policy.

In the dynamic banking landscape of 2024, the Bank, through its TWP24 strategy, continues to prioritise on achieving quality growth, driving service excellence and improving efficiency.