Together we drive *sustainable growth*

FINANCIAL REPORT 2022

STATUTORY

FINANCIAL STATEMENTS

Responsibility Statement by the Board of Directors

The Directors are responsible in ensuring that the audited financial statements of the Group and the Bank are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act 2016 in Malaysia, Bank Negara Malaysia's Guidelines and the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for ensuring that the annual audited financial statements of the Group and the Bank are prepared with reasonable accuracy from the accounting records of the Group and the Bank so as to give a true and fair view of the financial position of the Group and the Bank as at 31 December 2022 and of the financial performance and cash flows of the Group and the Bank for the financial year ended 31 December 2022.

The audited financial statements are prepared on the going concern basis and the Directors have ensured that appropriate and relevant accounting policies are applied on a consistent basis and accounting judgements and estimates made are reasonable and fair so as to enable the preparation of the financial statements of the Group and the Bank.

The Directors have also taken the necessary steps to safeguard the assets of the Group and the Bank to prevent and detect fraud and other irregularities.

Directors' Report

The Directors submit herewith their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are commercial banking and finance related business and the provision of related services. The Group is involved in commercial banking and finance related business, Islamic banking, investment banking, stock broking, leasing, offshore banking, offshore trust services, property investment, general insurance, unit trust management, asset management, nominee and custodian services.

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

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit before taxation and zakat	4,170,784	3,509,556
Taxation and zakat	(1,458,763)	(1,026,055)
Net profit for the financial year	2,712,021	2,483,501
Attributable to:		
– Equity holders of the Bank	2,707,688	2,483,501
– Non-controlling interests	4,333	–
	2,712,021	2,483,501

DIVIDENDS

The dividends paid by the Bank since 31 December 2021 were as follows:

	RM'000
In respect of financial year ended 31 December 2021:	
– Single-tier final dividend of 25.0 sen per share, consists of cash portion of 15.0 sen per share and an electable portion of 10.0 sen per share, paid on 16 June 2022	1,035,730
In respect of financial year ended 31 December 2022:	
– Single-tier interim dividend of 15.0 sen per share, consists of cash portion of 10.0 sen per share and an electable portion of 5.0 sen per share, paid on 7 November 2022	631,811
	1,667,541

The shareholders of the Bank have been granted an option by the Board of Directors to elect to reinvest the electable portion of the final dividend and interim dividend for financial years ended 31 December 2021 and 31 December 2022 respectively into new ordinary shares of the Bank in accordance with the approved Dividend Reinvestment Plan ('DRP') of the Bank. The reinvestment rate subsequent to the completion of the DRP for the abovementioned final dividend and interim dividend was 86.3% and 83.3% respectively.

A second interim single-tier dividend of 25.0 sen per share in respect of the financial year ended 31 December 2022, amounting RM1,061,843,000, consisting of cash portion of 20.0 sen per share and an electable portion of 5.0 sen per share has been declared by the Board of Directors. The second interim single-tier dividend was approved by the Board of Directors on 31 January 2023. The Board of Directors, in its absolute discretion, recommends that the shareholders of the Bank be given an option to elect to reinvest the electable portion of the second interim single-tier dividend into new ordinary shares in the Bank in accordance with the approved DRP of the Bank.

The financial statements for the current financial year do not reflect this second interim single-tier dividend. This dividend payment will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2023.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2022.

Directors' Report

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

During the financial year, the Bank increased its issued and paid up share capital from 4,142,918,508 to 4,247,373,628 via:

(a) Issuance of 69,158,646 new ordinary shares arising from the DRP relating to the electable final dividend of 10.0 sen per share in respect of the financial year ended 31 December 2021 on 16 June 2022; and

(b) Issuance of 35,296,474 new ordinary shares arising from the DRP relating to the electable interim dividend of 5.0 sen per share in respect of the financial year ended 31 December 2022 on 7 November 2022.

The new ordinary shares issued during the financial year rank *pari passu* in all respects with the existing shares of the Bank.

BAD AND DOUBTFUL DEBTS AND FINANCING

Before the financial statements of the Group and 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 debts and financing and the making of allowance for impaired debts and financing, and satisfied themselves that all known bad debts and financing have been written off and that adequate allowance had been made for impaired debts and financing.

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

CURRENT ASSETS

Before the financial statements of the Group and the Bank were made out, the Directors took reasonable steps to ensure that any current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and 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 Group and the Bank misleading.

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 Group and 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 Group and 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 Group and 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 Group and 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 Group and the Bank to meet their 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 Group and 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 Group and 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 Group or the Bank for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 59 to the financial statements.

EVENT SUBSEQUENT TO THE FINANCIAL YEAR END

Event subsequent to the financial year end is disclosed in Note 60 to the financial statements.

DIRECTORS

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:

Tan Sri Ahmad Badri Mohd Zahir	
Tan Sri Ong Leong Huat @ Wong Joo Hwa	
Tan Sri Dr Rebecca Fatima Sta Maria	
Ong Ai Lin	
Lim Cheng Teck	
Sharifatu Laila Syed Ali	
Dato' Mohamad Nasir Ab Latif	
Donald Joshua Jaganathan	
Datuk Iain John Lo	
Mohd Rashid Mohamad	(Appointed on 1 April 2022)
Dato' Khairussaleh Ramli	(Resigned on 25 March 2022)

Pursuant to Clause 94 of the Bank's Constitution, Tan Sri Ong Leong Huat @ Wong Joo Hwa, Ong Ai Lin, Dato' Mohamad Nasir Ab Latif and Donald Joshua Jaganathan retire at the forthcoming Annual General Meeting of the Bank and being eligible, offer themselves for re-election.

By way of relief order dated 17 February 2023 granted by the Companies Commission of Malaysia, the names of Directors of subsidiaries as required under Section 253(2) of the Malaysian Companies Act 2016 have not been disclosed in this Report. Their names are set out in the respective subsidiaries' Directors' Report or financial statements and the said information is deemed incorporated herein by such reference and shall form part hereof.

Directors' Report

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 1.1.2022	DRP/ Transmission	Sold	As at 31.12.2022
Bank				
Tan Sri Ong Leong Huat @ Wong Joo Hwa:				
– Indirect*	32,578	921[#]	–	**33,499**
– Indirect^	421,715,757	12,481,649[#]	–	**434,197,406**
Ong Ai Lin:				
– Direct	25,955	2,237[#@]	–	**28,192**

Notes:

* *The interest is held through family members.*
^ *Deemed interest pursuant to Section 8(4) of the Companies Act 2016 by virtue of shares held through OSK Holdings Berhad.*
[#] *These ordinary shares were acquired pursuant to the DRP of the Bank.*
[@] *Transmission of shares being an executor of late mother's estate.*

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

SHARE GRANT SCHEME ('SGS')

The Bank has on 2 June 2022 implemented the SGS, which was approved by the shareholders at an extraordinary general meeting held on 27 April 2022.

The SGS is intended to motivate employees, attract talents and retain key employees through the grant of the ordinary shares in the Bank ('RHB Bank Share(s)') of up to 2% of the total number of issued shares of the Bank (excluding treasury shares, if any) at any point in time during the duration of the SGS for employees and Executive Directors of the Bank and its subsidiaries (excluding subsidiaries which are dormant) 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.

Further details of the SGS are set out in Note 59(2) to the financial statements.

Details of the SGS shares awarded are as follows:

Award date	Fair value RM	Awarded Unit'000	Vesting period/ date
4 July 2022	5.71	4,685	3 years from 4 July 2022

The movement of the SGS shares during the financial year ended 31 December 2022 are as follows:

	Number of SGS shares (Units'000)			
	As at 1.1.2022 Unit'000	Awarded Unit'000	Forfeited Unit'000	As at 31.12.2022 Unit'000
4 July 2022	–	4,685	(128)	4,557

SHARE GRANT SCHEME ('SGS') (CONTINUED)

As at 31 December 2022, SGS shares awarded to Group Managing Director and key management personnel are as follows:

	Award date	Number of SGS shares awarded Unit'000
Mohd Rashid Mohamad	4 July 2022	280
Key management personnel	4 July 2022	970

DIRECTORS' BENEFITS

Total directors' remuneration for the Group and the Bank for the financial year ended 31 December 2022 are RM10,685,000 and RM9,115,000 respectively.

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 43 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 or its subsidiaries 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 53 to the financial statements.

SUBSIDIARIES

Details of subsidiaries are set out in Note 15 to the financial statements.

AUDITORS' REMUNERATION

Total auditors' remuneration for the Group and the Bank for the financial year ended 31 December 2022 are RM8,813,000 and RM5,660,000 respectively.

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:

TAN SRI AHMAD BADRI MOHD ZAHIR
CHAIRMAN

MOHD RASHID MOHAMAD
GROUP MANAGING DIRECTOR

Kuala Lumpur
27 February 2023

Statements of Financial Position

As At 31 December 2022

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
ASSETS					
Cash and short term funds	2	**19,134,835**	19,831,323	**11,494,906**	10,409,623
Securities purchased under resale agreements		**101,258**	–	**890,539**	–
Deposits and placements with banks and other financial institutions	3	**652,365**	3,486,773	**6,740,026**	7,886,688
Investment account due from designated financial institutions	4	**–**	–	**8,351,236**	10,213,639
Financial assets at fair value through profit or loss ('FVTPL')	5	**3,089,411**	2,778,239	**1,080,766**	840,410
Financial assets at fair value through other comprehensive income ('FVOCI')	6	**38,973,689**	41,140,873	**32,992,301**	34,955,501
Financial investments at amortised cost	7	**27,006,708**	17,961,511	**18,264,654**	11,009,290
Loans, advances and financing	8	**208,378,584**	194,896,614	**121,101,501**	115,045,103
Clients' and brokers' balances	9	**741,140**	879,595	**–**	–
Reinsurance assets	10	**505,600**	435,342	**–**	–
Other assets	11	**1,441,036**	1,728,260	**1,912,440**	1,842,709
Derivative assets	12	**1,960,479**	718,615	**1,987,476**	798,836
Statutory deposits	13	**3,429,582**	635,012	**1,686,475**	356,687
Tax recoverable		**121,033**	131,283	**–**	61,942
Deferred tax assets	14	**625,092**	377,825	**472,759**	234,795
Investments in subsidiaries	15	**–**	–	**4,661,589**	4,648,681
Investments in associates and joint venture	16	**25**	12	**–**	–
Right-of-use assets	17	**152,305**	174,482	**92,372**	91,368
Property, plant and equipment	18	**1,060,577**	1,016,824	**811,414**	762,684
Goodwill	19	**2,654,122**	2,654,122	**1,714,913**	1,714,913
Intangible assets	20	**760,340**	694,753	**647,903**	603,134
TOTAL ASSETS		**310,788,181**	289,541,458	**214,903,270**	201,476,003

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

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
LIABILITIES AND EQUITY					
Deposits from customers	21	**227,159,762**	218,732,585	**136,089,471**	137,552,576
Deposits and placements of banks and other financial institutions	22	**24,593,869**	23,406,827	**32,445,462**	25,669,599
Obligations on securities sold under repurchase agreements	23	**7,298,911**	2,066,068	**7,875,962**	4,867,026
Investment accounts	24	**1,246,026**	581,291	**–**	–
Bills and acceptances payable		**249,679**	210,119	**242,258**	201,832
Clients' and brokers' balances	25	**776,789**	948,511	**–**	–
General insurance contract liabilities	26	**1,171,546**	1,068,687	**–**	–
Other liabilities	27	**4,075,904**	4,046,582	**2,868,404**	2,387,373
Derivative liabilities	12	**1,939,391**	887,926	**2,018,925**	938,061
Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')	28	**4,786,746**	2,259,895	**3,021,685**	1,506,310
Provision for taxation and zakat	29	**396,041**	124,163	**261,391**	–
Deferred tax liabilities	14	**2,187**	55	**–**	–
Lease liabilities	30	**160,632**	182,607	**93,974**	92,935
Borrowings	31	**1,476,185**	127,380	**1,263,576**	–
Senior debt securities	32	**3,841,190**	3,646,369	**3,841,190**	3,646,369
Subordinated obligations	33	**2,867,083**	3,221,882	**2,011,558**	2,265,134
TOTAL LIABILITIES		**282,041,941**	261,510,947	**192,033,856**	179,127,215
Share capital	34	**8,145,585**	7,612,612	**8,145,585**	7,612,612
Reserves	35	**20,569,508**	20,385,716	**14,723,829**	14,736,176
		28,715,093	27,998,328	**22,869,414**	22,348,788
Non-controlling interests ('NCI')	36	**31,147**	32,183	**–**	–
TOTAL EQUITY		**28,746,240**	28,030,511	**22,869,414**	22,348,788
TOTAL LIABILITIES AND EQUITY		**310,788,181**	289,541,458	**214,903,270**	201,476,003
COMMITMENTS AND CONTINGENCIES	50	**206,796,408**	157,777,145	**199,316,377**	154,105,883

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

Income Statements
For The Financial Year Ended 31 December 2022

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest income	37	**7,382,030**	6,328,493	**7,355,988**	6,242,587
Interest expense	38	**(3,207,534)**	(2,266,464)	**(3,112,774)**	(2,193,936)
Net interest income		**4,174,496**	4,062,029	**4,243,214**	4,048,651
Other operating income	39	**1,736,201**	1,876,441	**1,570,800**	1,179,730
Income from Islamic Banking business	40	**2,398,056**	2,095,091	**(460)**	5,450
Modification loss	41	**–**	(244,895)	**–**	(126,374)
Net income		**8,308,753**	7,788,666	**5,813,554**	5,107,457
Other operating expenses	42	**(3,716,807)**	(3,522,385)	**(2,393,986)**	(2,451,164)
Operating profit before allowances		**4,591,946**	4,266,281	**3,419,568**	2,656,293
Allowance for credit losses on financial assets	44	**(421,175)**	(737,214)	**89,988**	(110,125)
Impairment losses made on other non-financial assets	45	**(43)**	(314)	**–**	–
		4,170,728	3,528,753	**3,509,556**	2,546,168
Share of results of associates		**25**	–	**–**	–
Share of results of joint venture		**31**	–	**–**	–
Profit before taxation and zakat		**4,170,784**	3,528,753	**3,509,556**	2,546,168
Taxation and zakat	46	**(1,458,763)**	(905,621)	**(1,026,055)**	(563,780)
Net profit for the financial year		**2,712,021**	2,623,132	**2,483,501**	1,982,388
Attributable to:					
– Equity holders of the Bank		**2,707,688**	2,618,388	**2,483,501**	1,982,388
– NCI		**4,333**	4,744	**–**	–
		2,712,021	2,623,132	**2,483,501**	1,982,388
Earnings per share (sen)					
– Profit attributable to equity holders of the Bank					
– Basic	47	**64.7**	64.7		
– Diluted	47	**64.7**	64.7		

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

Statements of Comprehensive Income

For The Financial Year Ended 31 December 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Net profit for the financial year		**2,712,021**	2,623,132	**2,483,501**	1,982,388
Other comprehensive income/(loss) in respect of:					
(i) Items that will not be reclassified to profit or loss:					
(a) Actuarial gain on defined benefit plan of subsidiaries		**1,717**	751	**–**	–
(b) Equity instruments designated at FVOCI					
– Unrealised net (loss)/gain on revaluation		**(19,644)**	31,074	**(21,725)**	29,642
(ii) Items that will be reclassified subsequently to profit or loss:					
(a) Foreign currency translation reserves					
– Currency translation differences		**127,378**	47,675	**68,065**	3,396
– Realisation of translation reserves	59(1)	**(347)**	–	**–**	–
(b) Debt instruments measured at FVOCI					
– Unrealised net loss on revaluation		**(1,236,526)**	(1,452,925)	**(1,125,512)**	(1,197,601)
– Net transfer to income statements on disposal		**(59,804)**	(419,799)	**(45,864)**	(327,955)
– Changes in expected credit losses and exchange differences	6	**15,018**	(890)	**11,262**	(1,226)
Income tax relating to components of other comprehensive loss	14,48	**311,472**	448,743	**281,130**	366,133
Other comprehensive loss, net of tax, for the financial year		**(860,736)**	(1,345,371)	**(832,644)**	(1,127,611)
Total comprehensive income for the financial year		**1,851,285**	1,277,761	**1,650,857**	854,777
Total comprehensive income attributable to:					
– Equity holders of the Bank		**1,846,996**	1,273,007	**1,650,857**	854,777
– NCI		**4,289**	4,754	**–**	–
		1,851,285	1,277,761	**1,650,857**	854,777

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

Statements of Changes in Equity

For The Financial Year Ended 31 December 2022

		← Attributable to equity holders of the Bank →										
Group	Note	Share Capital RM'000	Statutory Reserves RM'000	Regulatory Reserves RM'000	FVOCI Reserves RM'000	Translation Reserves RM'000	Other Reserves RM'000	Share-Based Payment Reserves RM'000	Retained Profits RM'000	Total Shareholders' Equity RM'000	Non-controlling Interests RM'000	Total Equity RM'000
Balance as at 1 January 2022		7,612,612	104,645	328,129	443,003	562,410	23,331	-	18,924,198	27,998,328	32,183	28,030,511
Net profit for the financial year		-	-	-	-	-	-	-	2,707,688	2,707,688	4,333	2,712,021
Foreign currency translation reserves:												
- Currency translation differences		-	6,015	-	-	121,428	-	-	-	127,443	(65)	127,378
- Realisation of translation reserves	59(1)	-	-	-	-	(347)	-	-	-	(347)	-	(347)
Financial assets measured at FVOCI:												
- Equity instruments												
- Unrealised net loss on revaluation		-	-	-	(19,644)	-	-	-	-	(19,644)	-	(19,644)
- Debt instruments												
- Unrealised net loss on revaluation		-	-	-	(1,236,526)	-	-	-	-	(1,236,526)	-	(1,236,526)
- Net transfer to income statements on disposal		-	-	-	(59,804)	-	-	-	-	(59,804)	-	(59,804)
- Changes in expected credit losses and exchange differences		-	-	-	15,018	-	-	-	-	15,018	-	15,018
Actuarial gain on defined benefit plan of subsidiaries		-	-	-	-	-	-	-	1,698	1,698	19	1,717
Income tax relating to components of other comprehensive loss	14,48	-	-	-	311,241	-	-	-	229	311,470	2	311,472
Other comprehensive (loss)/ income, net of tax, for the financial year		-	6,015	-	(989,715)	121,081	-	-	1,927	(860,692)	(44)	(860,736)
Total comprehensive income/ (loss) for the financial year		-	6,015	-	(989,715)	121,081	-	-	2,709,615	1,846,996	4,289	1,851,285
Dividends paid	49	-	-	-	-	-	-	-	(1,667,541)	(1,667,541)	(5,300)	(1,672,841)
Shares issued pursuant to DRP	34	532,973	-	-	-	-	-	-	-	532,973	-	532,973
Share-based payment expenses	42	-	-	-	-	-	-	4,337	-	4,337	-	4,337
Transfer to statutory reserves		-	543	-	-	-	-	-	(543)	-	-	-
Transfer to regulatory reserves		-	-	554,016	-	-	-	-	(554,016)	-	-	-
Disposal of a subsidiary		-	-	-	-	-	-	-	-	-	(25)	(25)
Balance as at 31 December 2022		8,145,585	111,203	882,145	(546,712)	683,491	23,331	4,337	19,411,713	28,715,093	31,147	28,746,240

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

Group	Note	Attributable to equity holders of the Bank Share Capital RM'000	Statutory Reserves RM'000	Regulatory Reserves RM'000	FVOCI Reserves RM'000	Translation Reserves RM'000	Other Reserves RM'000	Retained Profits RM'000	Total Shareholders' Equity RM'000	Non-controlling Interests RM'000	Total Equity RM'000
Balance as at 1 January 2021		6,994,103	515	51,672	1,855,531	518,376	23,331	17,580,307	27,023,835	32,729	27,056,564
Net profit for the financial year		-	-	-	-	-	-	2,618,388	2,618,388	4,744	2,623,132
Foreign currency translation reserves:											
- Currency translation differences		-	3,590	-	23	44,034	-	-	47,647	28	47,675
Financial assets measured at FVOCI:											
- Equity instruments											
- Net gain on disposal		-	-	-	(19,444)	-	-	19,444	-	-	-
- Unrealised net gain on revaluation		-	-	-	31,074	-	-	-	31,074	-	31,074
- Debt instruments											
- Unrealised net loss on revaluation		-	-	-	(1,452,925)	-	-	-	(1,452,925)	-	(1,452,925)
- Net transfer to income statements on disposal		-	-	-	(419,799)	-	-	-	(419,799)	-	(419,799)
- Changes in expected credit losses and exchange differences		-	-	-	(890)	-	-	-	(890)	-	(890)
Actuarial gain/(loss) on defined benefit plan of subsidiaries		-	-	-	-	-	-	767	767	(16)	751
Income tax relating to components of other comprehensive loss/(income)	14,48	-	-	-	449,433	-	-	(688)	448,745	(2)	448,743
Other comprehensive (loss)/income, net of tax, for the financial year		-	3,590	-	(1,412,528)	44,034	-	19,523	(1,345,381)	10	(1,345,371)
Total comprehensive income/(loss) for the financial year		-	3,590	-	(1,412,528)	44,034	-	2,637,911	1,273,007	4,754	1,277,761
Dividends paid	49	-	-	-	-	-	-	(917,023)	(917,023)	(5,300)	(922,323)
Shares issued pursuant to DRP	34	618,509	-	-	-	-	-	-	618,509	-	618,509
Transfer to statutory reserves		-	100,540	-	-	-	-	(100,540)	-	-	-
Transfer to regulatory reserves		-	-	276,457	-	-	-	(276,457)	-	-	-
Balance as at 31 December 2021		7,612,612	104,645	328,129	443,003	562,410	23,331	18,924,198	27,998,328	32,183	28,030,511

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

Statements of Changes in Equity
For The Financial Year Ended 31 December 2022

Bank	Note	Share Capital RM'000	Non-distributable: Regulatory Reserves RM'000	Non-distributable: FVOCI Reserves RM'000	Non-distributable: Translation Reserves RM'000	Non-distributable: Share-Based Payment Reserves RM'000	Distributable: Retained Profits RM'000	Total Equity RM'000
Balance as at 1 January 2022		7,612,612	227,289	429,544	353,068	–	13,726,275	22,348,788
Net profit for the financial year		–	–	–	–	–	2,483,501	2,483,501
Foreign currency translation reserves:								
– Currency translation differences		–	–	–	68,065	–	–	68,065
Financial assets measured at FVOCI:								
– Equity instruments								
– Unrealised net loss on revaluation		–	–	(21,725)	–	–	–	(21,725)
– Debt instruments								
– Unrealised net loss on revaluation		–	–	(1,125,512)	–	–	–	(1,125,512)
– Net transfer to income statements on disposal		–	–	(45,864)	–	–	–	(45,864)
– Changes in expected credit losses and exchange differences		–	–	11,262	–	–	–	11,262
Income tax relating to components of other comprehensive loss	14,48	–	–	281,130	–	–	–	281,130
Other comprehensive (loss)/income, net of tax, for the financial year		–	–	(900,709)	68,065	–	–	(832,644)
Total comprehensive income/(loss) for the financial year		–	–	(900,709)	68,065	–	2,483,501	1,650,857
Dividends paid	49	–	–	–	–	–	(1,667,541)	(1,667,541)
Shares issued pursuant to DRP	34	532,973	–	–	–	–	–	532,973
Share–based payment expenses	42	–	–	–	–	4,337	–	4,337
Transfer to regulatory reserves		–	334,365	–	–	–	(334,365)	–
Balance as at 31 December 2022		8,145,585	561,654	(471,165)	421,133	4,337	14,207,870	22,869,414

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

Bank	Note	Share Capital RM'000	← Non-distributable: Regulatory Reserves RM'000	FVOCI Reserves RM'000	Translation Reserves RM'000 →	Distributable: Retained Profits RM'000	Total Equity RM'000
Balance as at 1 January 2021		6,994,103	–	1,578,045	349,672	12,870,705	21,792,525
Net profit for the financial year		–	–	–	–	1,982,388	1,982,388
Foreign currency translation reserves:							
– Currency translation differences		–	–	–	3,396	–	3,396
Financial assets measured at FVOCI:							
– Equity instruments							
– Net gain on disposal		–	–	(17,494)	–	17,494	–
– Unrealised net gain on revaluation		–	–	29,642	–	–	29,642
– Debt instruments							
– Unrealised net loss on revaluation		–	–	(1,197,601)	–	–	(1,197,601)
– Net transfer to income statements on disposal		–	–	(327,955)	–	–	(327,955)
– Changes in expected credit losses and exchange differences		–	–	(1,226)	–	–	(1,226)
Income tax relating to components of other comprehensive loss	14,48	–	–	366,133	–	–	366,133
Other comprehensive (loss)/income, net of tax, for the financial year		–	–	(1,148,501)	3,396	17,494	(1,127,611)
Total comprehensive income/(loss) for the financial year		–	–	(1,148,501)	3,396	1,999,882	854,777
Dividends paid	49	–	–	–	–	(917,023)	(917,023)
Shares issued pursuant to DRP	34	618,509	–	–	–	–	618,509
Transfer to regulatory reserves		–	227,289	–	–	(227,289)	–
Balance as at 31 December 2021		7,612,612	227,289	429,544	353,068	13,726,275	22,348,788

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

Statements of Cash Flows

For The Financial Year Ended 31 December 2022

	Note	Group 2022 RM'000	Group 2021 RM'000
Cash flows from operating activities			
Profit before taxation and zakat		**4,170,784**	3,528,753
Adjustments for:			
Allowance for credit losses on loans, advances and financing		**675,351**	926,211
Allowance for credit losses on other financial assets		**(6,674)**	(12,160)
Property, plant and equipment:			
– Depreciation	42	**135,780**	122,342
– Gain on disposal		**(534)**	(16,722)
– Written off	42	**184**	443
– Impairment losses	45	**–**	193
Intangible assets:			
– Amortisation	42	**154,867**	128,511
– Written off	42	**–**	1,209
Right-of-use assets:			
– Depreciation	42	**71,448**	72,104
– Gain on modification		**(7)**	(38)
– Impairment losses	45	**–**	121
Impairment losses on investment in a joint venture	45	**43**	–
Share-based payment expenses	42	**4,337**	–
Net allowance made on financial assets at FVOCI and financial investments at amortised cost		**118,981**	174,486
Gain on disposal of subsidiaries		**(24,595)**	(752)
Net loss/(gain) arising from disposal/redemption of financial assets at FVTPL, financial assets at FVOCI and financial investments at amortised cost		**18,955**	(365,544)
Net loss/(gain) on fair value hedges	39	**1,159**	(11)
Net gain on derecognition of hedging	39	**(512)**	–
Net unrealised (gain)/loss on revaluation of financial assets at FVTPL and derivatives		**(250,780)**	75,956
Net unrealised foreign exchange loss/(gain)		**189,117**	(68,880)
Dividend income from financial assets at FVTPL and financial assets at FVOCI	39	**(42,266)**	(54,876)
Modification loss		**–**	244,895
Share of results of associates and joint venture		**(56)**	–
Interest/financing expense on borrowings, senior debt securities, subordinated obligations and lease liabilities		**241,279**	253,946
Interest income from financial assets at FVTPL, financial assets at FVOCI and financial investments at amortised cost		**(1,709,597)**	(1,537,483)
Investment income from financial assets at FVTPL, financial assets at FVOCI and financial investments at amortised cost		**(414,105)**	(403,152)
Operating profit before working capital changes		**3,333,159**	3,069,552
Decrease/(Increase) in operating assets:			
Securities purchased under resale agreements		**(101,258)**	–
Deposits and placements with banks and other financial institutions		**2,877,739**	2,741,780
Financial assets at FVTPL		**(318,156)**	1,679,479
Loans, advances and financing		**(13,899,787)**	(13,369,630)
Clients' and brokers' balances		**139,696**	464,368
Other assets		**(822,950)**	597,010
Statutory deposits		**(2,779,946)**	(9,312)
		(14,904,662)	(7,896,305)

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

	Note	Group 2022 RM'000	Group 2021 RM'000
Cash flows from operating activities (continued)			
Increase/(Decrease) in operating liabilities:			
Deposits from customers		**8,112,476**	14,896,587
Deposits and placements of banks and other financial institutions		**1,138,265**	2,325,201
Obligations on securities sold under repurchase agreements		**5,230,217**	1,090,031
Investment accounts		**664,735**	581,291
Bills and acceptances payable		**39,266**	22,623
Clients' and brokers' balances		**(171,722)**	(223,419)
Other liabilities		**1,205,973**	(494,768)
Recourse obligation on loans sold to Cagamas		**2,526,851**	(763,865)
		18,746,061	17,433,681
Cash generated from operations		**7,174,558**	12,606,928
Interest paid		**(235,322)**	(254,927)
Net tax and zakat paid		**(1,110,186)**	(749,187)
Net cash generated from operating activities		**5,829,050**	11,602,814
Cash flows from investing activities			
Net purchase of financial assets at FVOCI and financial investments at amortised cost		**(7,954,631)**	(1,723,260)
Property, plant and equipment:			
– Purchase	18	**(183,864)**	(127,619)
– Proceeds from disposal		**540**	23,977
Intangible assets:			
– Purchase	20	**(205,538)**	(191,640)
Financial assets at FVOCI and financial investments at amortised cost:			
– Interest income received		**1,603,208**	1,552,428
– Investment income received		**318,752**	415,516
Dividend income received from financial assets at FVTPL and financial assets at FVOCI	39	**42,266**	54,876
Net cash inflow from disposal of subsidiaries	59(1),59(5)	**26,652**	494
Contingent consideration received arising from disposal of subsidiaries		**–**	219
Net cash (used in)/generated from investing activities		**(6,352,615)**	4,991
Cash flows from financing activities			
Net drawdown/(repayment) of borrowings		**1,320,835**	(522,955)
Proceeds from issuance of senior debt securities		**–**	2,075,557
Redemption of senior debt securities		**–**	(2,092,558)
Proceeds from issuance of subordinated notes/sukuk		**850,000**	500,000
Redemption of subordinated notes/sukuk		**(1,200,000)**	–
Dividends paid to equity holders of the Bank		**(1,134,568)**	(699,519)
Dividends paid to NCI		**(5,300)**	(5,300)
Principal lease payments		**(79,178)**	(71,990)
Net cash used in financing activities		**(248,211)**	(816,765)

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

Statements of Cash Flows
For The Financial Year Ended 31 December 2022

	Note	Group 2022 RM'000	Group 2021 RM'000
Net (decrease)/increase in cash and cash equivalents		**(771,776)**	10,791,040
Effects of exchange rate differences		**75,288**	135,998
Cash and cash equivalents:			
– at the beginning of the financial year		**19,831,323**	8,904,285
– at the end of the financial year		**19,134,835**	19,831,323
Cash and cash equivalents comprise the following:			
– Cash and short term funds	2	**19,134,835**	19,831,323

Group	Balance as at the beginning of the financial year RM'000	Cash Changes: Net cash flow from financing activities RM'000	Cash Changes: Net cash flow from operating activities RM'000	Non-Cash Changes: Foreign exchange movement/ other income RM'000	Non-Cash Changes: Net additions to lease liabilities RM'000	Non-Cash Changes: Accrued interest and amortisation RM'000	Balance as at the end of the financial year RM'000
2022							
Lease liabilities	**182,607**	**(79,178)**	**–**	**10,254**	**41,005**	**5,944**	**160,632**
Borrowings	**127,380**	**1,320,835**	**(11,782)**	**25,538**	**–**	**14,214**	**1,476,185**
Senior debt securities	**3,646,369**	**–**	**(94,057)**	**192,441**	**–**	**96,437**	**3,841,190**
Subordinated obligations	**3,221,882**	**(350,000)**	**(129,483)**	**–**	**–**	**124,684**	**2,867,083**
	7,178,238	**891,657**	**(235,322)**	**228,233**	**41,005**	**241,279**	**8,345,090**
2021							
Lease liabilities	154,188	(71,990)	(4,340)	473	97,516	6,760	182,607
Borrowings	634,630	(522,955)	(5,081)	12,925	–	7,861	127,380
Senior debt securities	3,545,150	(17,001)	(123,821)	127,554	–	114,487	3,646,369
Subordinated obligations	2,718,729	500,000	(121,685)	–	–	124,838	3,221,882
	7,052,697	(111,946)	(254,927)	140,952	97,516	253,946	7,178,238

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

	Note	Bank 2022 RM'000	Bank 2021 RM'000
Cash flows from operating activities			
Profit before taxation		**3,509,556**	2,546,168
Adjustments for:			
Allowance for credit losses on loans, advances and financing		**129,497**	259,344
Allowance for credit losses on other financial assets		**1,774**	(1,398)
Property, plant and equipment:			
– Depreciation	42	**112,067**	100,459
– Gain on disposal	39	**(424)**	(214)
– Written off	42	**61**	29
Intangible assets:			
– Amortisation	42	**131,505**	110,350
– Written off	42	**–**	1,209
Right-of-use assets:			
– Depreciation	42	**55,804**	55,299
Share–based payment expenses	42	**3,107**	–
Net allowance made on financial assets at FVOCI and financial investments at amortised cost		**103,962**	178,352
Net gain arising from disposal/redemption of financial assets at FVTPL, financial assets at FVOCI and financial investments at amortised cost		**(7,603)**	(244,810)
Net loss/(gain) on fair value hedges	39	**1,107**	(11)
Net gain on derecognition of hedging	39	**(512)**	–
Net unrealised (gain)/loss on revaluation of financial assets at FVTPL and derivatives		**(246,732)**	22,901
Net unrealised foreign exchange loss/(gain)		**192,204**	(60,995)
Loss on liquidation of subsidiaries	39	**6**	52
Dividend income from financial assets at FVOCI	39	**(3,673)**	(4,099)
Dividend income from subsidiaries	39	**(530,357)**	(247,903)
Modification loss		**–**	126,374
Interest expense on borrowings, senior debt securities, subordinated obligations and lease liabilities		**192,588**	198,699
Interest income from financial assets at FVTPL, financial assets at FVOCI and financial investments at amortised cost		**(1,644,139)**	(1,467,568)
Operating profit before working capital changes		**1,999,798**	1,572,238
Decrease/(Increase) in operating assets:			
Securities purchased under resale agreements		**(890,539)**	–
Deposits and placements with banks and other financial institutions		**1,171,012**	1,702,129
Investment accounts due from designated financial institutions		**1,862,403**	(1,372,781)
Financial assets at FVTPL		**(206,936)**	1,392,285
Loans, advances and financing		**(4,816,197)**	(5,759,756)
Other assets		**(1,062,789)**	342,140
Statutory deposits		**(1,322,299)**	(126,816)
		(5,265,345)	(3,822,799)

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

Statements of Cash Flows

For The Financial Year Ended 31 December 2022

	Note	Bank 2022 RM'000	Bank 2021 RM'000
Cash flows from operating activities (continued)			
Increase/(Decrease) in operating liabilities:			
Deposits from customers		**(2,984,390)**	2,984,024
Deposits and placements of banks and other financial institutions		**6,501,532**	1,052,455
Obligations on securities sold under repurchase agreements		**2,965,193**	123,471
Bills and acceptances payable		**36,586**	26,528
Other liabilities		**1,332,563**	(502,999)
Recourse obligation on loans sold to Cagamas		**1,515,375**	1,506,310
		9,366,859	5,189,789
Cash generated from operations		**6,101,312**	2,939,228
Interest paid		**(189,176)**	(204,988)
Net tax paid		**(659,748)**	(393,722)
Net cash generated from operating activities		**5,252,388**	2,340,518
Cash flows from investing activities			
Net purchase of financial assets at FVOCI and financial investments at amortised cost		**(5,911,724)**	(1,255,791)
Property, plant and equipment:			
– Purchase	18	**(152,549)**	(93,098)
– Proceeds from disposal		**471**	215
Intangible assets:			
– Purchase	20	**(181,260)**	(152,893)
Interest received from financial assets at FVOCI and financial investments at amortised cost		**1,586,691**	1,539,464
Dividend income received from subsidiaries		**530,585**	246,703
Dividend income received from financial assets at FVOCI	39	**3,673**	4,099
Proceeds received from liquidation of a subsidiary		**-**	527
Capital reduction in a subsidiary		**-**	267,773
Additional investment in a subsidiary		**(11,684)**	(15,645)
Net cash (used in)/generated from investing activities		**(4,135,797)**	541,354
Cash flows from financing activities			
Net drawdown/(repayment) of borrowings		**1,235,877**	(201,079)
Proceeds from issuance of senior debt securities		**-**	2,075,557
Redemption of senior debt securities		**-**	(2,092,558)
Proceeds from issuance of subordinated notes		**500,000**	500,000
Redemption of subordinated notes		**(750,000)**	-
Dividends paid to equity holders of the Bank		**(1,134,568)**	(699,519)
Principal lease payments		**(58,048)**	(55,310)
Net cash used in financing activities		**(206,739)**	(472,909)

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

	Note	Bank 2022 RM'000	Bank 2021 RM'000
Net increase in cash and cash equivalents		**909,852**	2,408,963
Effects of exchange rate differences		**175,431**	95,024
Cash and cash equivalents:			
– at the beginning of the financial year		**10,409,623**	7,905,636
– at the end of the financial year		**11,494,906**	10,409,623
Cash and cash equivalents comprise the following:			
– Cash and short term funds	2	**11,494,906**	10,409,623

		Cash Changes		Non-Cash Changes			
Bank	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	Foreign exchange movement RM'000	Net additions to lease liabilities RM'000	Accrued interest and amortisation RM'000	Balance as at the end of the financial year RM'000
2022							
Lease liabilities	**92,935**	**(58,048)**	**–**	**2,112**	**54,714**	**2,261**	**93,974**
Borrowings	**–**	**1,235,877**	**(8,150)**	**25,352**	**–**	**10,497**	**1,263,576**
Senior debt securities	**3,646,369**	**–**	**(94,057)**	**192,441**	**–**	**96,437**	**3,841,190**
Subordinated obligations	**2,265,134**	**(250,000)**	**(86,969)**	**–**	**–**	**83,393**	**2,011,558**
	6,004,438	**927,829**	**(189,176)**	**219,905**	**54,714**	**192,588**	**7,210,298**
2021							
Lease liabilities	77,356	(55,310)	(2,489)	121	70,768	2,489	92,935
Borrowings	201,101	(201,079)	(507)	–	–	485	–
Senior debt securities	3,545,150	(17,001)	(123,821)	127,554	–	114,487	3,646,369
Subordinated obligations	1,762,067	500,000	(78,171)	–	–	81,238	2,265,134
	5,585,674	226,610	(204,988)	127,675	70,768	198,699	6,004,438

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For The Financial Year Ended 31 December 2022

(A) SUMMARY OF SIGNIFICANT 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 years presented, unless otherwise stated.

(1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and 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 financial statements also incorporate those activities relating to Islamic banking which have been undertaken by the Group and the Bank. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic securities under the Shariah principles.

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 Group and 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 Group and 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 Group and the Bank's financial year beginning on or after 1 January 2022 are as follows:

(i) Amendment to MFRS 16 'COVID-19-Related Rent Concessions' beyond 30 June 2021

The 2021 amendment extends the applicable period of the practical expedient by one year to cover rent concessions that reduce lease payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

(ii) Amendments to MFRS 116 'Proceeds Before Intended Use'

The amendments prohibit an entity from deducting from the cost of a property, plant and equipment ('PPE') the proceeds received from selling items produced by the PPE before it is ready for its intended use. The sales proceeds should instead be recognised in the income statements.

(iii) Amendments to MFRS 3 'Reference to the Conceptual Framework'

The amendments replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the 2018 Conceptual Framework.

The amendments are not expected to change the current accounting for business combinations on acquisition date. In replacing all references to the Framework with the 2018 Conceptual Framework, the IASB did not intend to make significant changes to the requirements of IFRS Standards containing those references. Hence, the IASB introduced the new exception to the recognition principle for liabilities falling within the scope of IAS 37 and IC 21.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The relevant new accounting standards, annual improvements and amendments to published standards and interpretations to existing accounting standards that are effective for the Group and the Bank's financial year beginning on or after 1 January 2022 are as follows (continued):

(iii) Amendments to MFRS 3 'Reference to the Conceptual Framework' (continued)

Liabilities and contingent liabilities (whose existence could only be confirmed by an uncertain future event) that are within the scope of MFRS 137 or IC 21 shall be recognised as part of the business combination in accordance with the principles in the respective MFRS/IC. Accordingly, these liabilities and levies would not be recognised on acquisition date even though these would have met the definition of a liability according to the 2018 Conceptual Framework.

(iv) Annual Improvements to MFRS 1 'Subsidiary as First-time Adopter'

The amendments provide subsidiaries that adopt MFRS later than the parent an optional exemption to measure the cumulative translation differences for all their foreign operations which are aligned to the carrying amounts included in the parent's consolidated financial statements (adjusted for consolidation adjustments).

(v) Annual Improvements to Illustrative Example accompanying MFRS 16 'Leases: Lease Incentives'

The amendments removed the illustration on the reimbursement relating to leasehold improvements by the lessor to avoid potential confusion as the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in MFRS 16.

(vi) Annual Improvements to MFRS 9 'Fees in the '10 Percent' Test for Derecognition of Financial Liabilities'

When entities restructure their loans with the existing lenders, MFRS 9 requires management to quantitatively assess the significance of the difference between cash flows of the existing and new loans (commonly known as the '10% test').

This amendment to MFRS 9 clarifies that only fees paid or received between the borrower and the lender are included in the 10% test. Any fees paid to third parties should be excluded. This amendment will impact the result of the 10% test and accordingly affect the amount of gain or loss recognised in the income statements.

An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

(vii) Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract'

The amendments clarify that direct cost of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

The amendments shall be applied to contracts for which the entity has yet to fulfil all its obligations at the beginning of annual reporting period in which the amendments are first applied.

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions
For The Financial Year Ended 31 December 2022

(A) SUMMARY OF SIGNIFICANT 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 Group and the Bank but not yet effective

(i) Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates – effective 1 January 2023

Amendments on disclosure of accounting policies

The amendments to MFRS 101 require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications. The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements.

Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments on definition of accounting estimates

The amendments to MFRS 108, redefined accounting estimates as 'monetary amounts in financial statements that are subject to measurement uncertainty'. To distinguish from changes in accounting policies, the amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors. Examples of accounting estimates include expected credit losses; net realisable value of inventory; fair value of an asset or liability; depreciation for property, plant and equipment; and provision for warranty obligations.

(ii) Amendments to MFRS 112 on 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' – effective 1 January 2023

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

(iii) MFRS 17 'Insurance Contracts' and its amendments – effective 1 January 2023

Expected recovery of insurance acquisition cash flows

An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.

Reinsurance contracts held – recovery of losses

When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, it should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.

(A) SUMMARY OF SIGNIFICANT 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 Group and the Bank but not yet effective (continued)

(iii) MFRS 17 'Insurance Contracts' and its amendments – effective 1 January 2023 (continued)

Contractual service margin attributable to investment services

The amendment requires an entity that issues insurance contracts without direct participation features to recognise profit when it provides insurance coverage or any service relating to investment activities.

Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholders.

Other amendments include the following:

- Scope exclusions for some credit card (or similar) contracts, and some loan/financing contracts;
- Presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups (sub-portfolio) level;
- Entities are also allowed to apply the risk migration option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss;
- An accounting policy choice to change the estimate made in previous interim financial statements when applying MFRS 17; and
- Other minor amendments.

(iv) Amendment to MFRS 17 'Insurance Contracts': Initial application of MFRS 17 and MFRS 9 – Comparative information

This amendment relates to the classification of comparative information of financial assets on initial application of MFRS 17 (known as 'classification overlay'). The objective of the amendment is to provide an optional transition provision to reduce the one-time accounting mismatch on comparative information between insurance contract liabilities and related financial assets.

The amendment would be available for:

- any financial assets, including those held in respect of an activity that is unconnected to contracts within the scope of MFRS 17;
- entities that initially apply MFRS 9 at the same time as they apply MFRS 17; and
- entities that had already applied MFRS 9 before the initial application of MFRS 17 where those entities redesignate financial assets applying paragraph C29 of MFRS 17.

The transition option would:

- be available, on an instrument-by-instrument basis;
- allow an entity to present comparative information as if the classification and measurement requirements of MFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of MFRS 9. Any difference in the carrying amount of the financial asset at the transition date resulting from applying the classification overlay would be recognised in opening retained earnings (or other component of equity, as appropriate) at that date; and
- require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified applying MFRS 9.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions
For The Financial Year Ended 31 December 2022

(A) SUMMARY OF SIGNIFICANT 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 Group and the Bank but not yet effective (continued)

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

There are two amendments to MFRS 101:

- 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). In addition, the amendment clarifies that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), conversion option meeting the definition of an equity instrument in MFRS 132 'Financial Instruments: Presentation' does not impact the current or non-current classification of the convertible instrument.

- The second amendment, 'Non-current liabilities with covenants' specify that covenants of loan 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.

These amendments should be applied retrospectively.

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

The amendments clarify how companies should subsequently measure the leaseback liability that arises in a sale and leaseback transition. Although MFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place, it has not specified how to measure the sale and leaseback transaction when reporting after that date. Therefore, the amendments add subsequent measurement requirements for the lease liability arising from a sale and leaseback transaction by clarifying that a seller-lessee in a sale and leaseback transaction shall subsequently measure the leaseback liability by applying paragraphs 36 to 46 of MFRS 16. The amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction.

The adoption of the accounting standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective above are not expected to give rise to any material financial impact to the Group and the Bank, except for the adoption of MFRS 17, of which the cumulative impact upon adoption will be recognised in the retained earnings as at 1 January 2023, and with enhanced disclosures. The Group and the insurance subsidiary have yet to finalise the financial impact of the adoption of MFRS 17 and are now progressing with the implementation of the identified changes. Based on the preliminary assessments undertaken to-date, the Group and the insurance subsidiary expect a decrease in the insurance liabilities for remaining coverage which will result in an increase in the opening retained earnings as at 1 January 2023.

(2) BASIS OF CONSOLIDATION

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) BASIS OF CONSOLIDATION (CONTINUED)

(a) Subsidiaries (continued)

(i) Acquisition accounting

The Group applies the acquisition method to account for business combination. The consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to the Group or the Bank. Non-controlling interest is measured either at fair value or proportionate share of the acquiree's identifiable net assets at the acquisition date, determined on a case by case basis. At the end of a reporting period, non-controlling interest consists of the amount calculated on the date of combination and its share of changes in the subsidiary's equity since the date of combination.

Acquisition-related costs are expensed as incurred.

In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition date fair value and the resulting gain or loss is recognised in income statements.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in income statements. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the gain is recognised in income statements. Refer to accounting policy Note 7 on goodwill.

(ii) Predecessor accounting

The Group and the Bank apply predecessor accounting to account for business combinations under common control. Under the predecessor accounting, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to ensure uniform accounting policies of the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) of the acquired entity is recorded as an adjustment to retained earnings. No additional goodwill is recognised.

The acquired entity's results, assets and liabilities are consolidated as if both the acquirer and acquiree had always been combined. Consequently, the consolidated financial statements reflect both entities' full year results. The corresponding amounts for the previous year are restated to reflect the combined results of both entities.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attributed to non-controlling interest for prior years is not restated.

All material inter-company and intra-group transactions and balances are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions
For The Financial Year Ended 31 December 2022

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) BASIS OF CONSOLIDATION (CONTINUED)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity attributable to owners of the Group.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit and loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to income statements.

Gain or loss on disposal of subsidiaries included the carrying amount of goodwill relating to subsidiaries sold.

(d) Joint ventures

A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement. The Group's interest in a joint venture is accounted for in the financial statements by the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses in income statements and the Group's share of movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its joint venture because of a loss of joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in income statements. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to income statements.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to income statements where appropriate.

(e) Associates

Associates are those corporations or other entities in which the Group exercises significant influence, but which it does not control or jointly control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policies through representation on the Board but not power to exercise control over those policies.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) BASIS OF CONSOLIDATION (CONTINUED)

(e) Associates (continued)

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. Equity accounting involves recognising the Group's share of its associates' post-acquisition profits or losses in income statements, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition changes are adjusted against the cost of investment and include goodwill on acquisition, less accumulated impairment loss.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its amount.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its shares of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Dilution gains and losses arising in investments in associates are recognised in the income statements.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method of accounting, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

(3) INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

In the Bank's separate financial statements, investments in subsidiaries, associates and joint ventures are stated at cost less accumulated impairment losses. At the end of each reporting period, the Group and the Bank assess whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy Note 23 on impairment of non-financial assets.

On disposal of investments in subsidiaries, associates and joint ventures, the difference between disposal proceeds and the carrying amount of the investments is recognised in income statements.

(4) FINANCIAL ASSETS

(a) Classification

The Group and the Bank classify their 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 depends on the Group's and 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 Group and the Bank conduct 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 interest 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.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions
For The Financial Year Ended 31 December 2022

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) FINANCIAL ASSETS (CONTINUED)

(a) Classification (continued)

(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 Group and the Bank assess whether the financial assets' contractual cash flows represent SPPI. In applying the SPPI test, the Group and the Bank consider whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest 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 fair value through profit or loss.

(b) Recognition and derecognition

Financial assets are recognised when the Group and the Bank become parties 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 Group and the Bank commit to purchase and sell the assets.

(c) Measurement

At initial recognition, the Group and the Bank measure 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 FVTPL. Transaction costs of financial assets carried at FVTPL are expensed in the income statements.

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 loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Subsequent measurement of debt instruments depends on the Group's and 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 Group and the Bank classify 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 fair value through profit or loss ('FVTPL'), are measured at amortised cost. The carrying amount of these assets is adjusted for any expected credit losses that are recognised into income statements. The interest income is recognised into income statements using the effective interest rate method. Upon derecognition, any gain or loss will be recognised in income statements and presented under 'other operating income'.

(2) Financial assets through other comprehensive income ('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 interest, foreign exchange gains or losses and expected credit losses which are recognised in income statements.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) FINANCIAL ASSETS (CONTINUED)

(c) Measurement (continued)

(i) Debt instruments (continued)

(2) Financial assets through other comprehensive income ('FVOCI') (continued)

When these financial assets are derecognised, the cumulative gains or losses previously recognised in OCI is reclassified from equity to income statements and recognised in 'other operating income'. The interest income is recognised into income statements using the effective interest 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 profit or loss and presented in the income statements within 'net gain/(loss) arising from financial assets at FVTPL' in the period in which it arises. The interest income is recognised into income statements using the effective interest 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 interest in the issuers' net assets.

The Group and the Bank subsequently measure all equity instruments at FVTPL, except where the management has elected, at initial recognition, to irrevocably designate an equity instrument as FVOCI. The Group and 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 statements, including on disposal. Dividend, when representing a return on such investments, continue to be recognised in income statements as dividend income when the Group's and 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 statements.

(d) Derecognition and modification

(i) Derecognition due to modification of terms and conditions

The Group and the Bank sometimes renegotiate or otherwise modify the contractual cash flows of loans to customers. When this happens, the Group and the Bank assess whether or not the new terms are substantially different to the original terms. The Group and the Bank do 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 loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and
- Insertion of collaterals, other securities or credit enhancements that significantly affect the credit risk associated with the loan.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions
For The Financial Year Ended 31 December 2022

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) FINANCIAL ASSETS (CONTINUED)

(d) Derecognition and modification (continued)

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

If the terms are substantially different, the Group and the Bank derecognise the original financial assets and recognise a 'new' asset at fair value and recalculate a new effective interest 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 in credit risk has occurred. However, the Group and the Bank also assess 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 statements as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition. The Group and the Bank recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognise a modification gain or loss in income statements. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest 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 assets have expired, or when they have been transferred and either (i) the Group and the Bank transfer substantially all the risks and rewards of ownership, or (ii) the Group and the Bank neither transfer nor retain substantially all the risks and rewards of ownership and the Group and the Bank have not retained control.

Collateral furnished by the Group and the Bank under repurchase agreements are not derecognised as the Group and the Bank retain 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 policy

Reclassification of financial assets is required when, and only when, the Group and the Bank change their business model for managing the assets. In such cases, the Group and the Bank are 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.

(5) REPURCHASE AGREEMENTS

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

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Bank have 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 statements of financial position.

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) 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 statements. 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 Group and the Bank recognise profits on day one.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Bank designate 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 Group and the Bank document 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.

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 Group and the Bank have 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 Group's and the Bank's hedging strategies which reference IBOR and have not yet transitioned to an alternative benchmark rate:

- When considering the 'highly probable' requirement, the Group and the Bank have assumed that the IBOR interest rate on which the Group's and 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 Group and the Bank have assumed that the IBOR interest rate on which the cash flows of the hedged borrowings and the interest rate swap that hedges are based is not altered by IBOR reform.
- The Group and the Bank have not recycled the cash flow hedge reserve for designated hedges that are subject to the IBOR reform.

The Group and the Bank cease 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 Group and the Bank have 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 Group and 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.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions
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(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Group and the Bank have applied the following reliefs provided by the Amendments to MFRS 9 and MFRS 7 'Interest Rate Benchmark Reform – Phase 2' (continued):

- The Group and the Bank amend 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 do not require the Group and the Bank to discontinue its hedge relationships.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 12 to the financial statements.

(a) Fair value hedge

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

The Group and the Bank apply fair value hedge accounting for hedging fixed interest risk on loans, advances and financing and financial assets at FVOCI. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate loans, advances and financing is recognised in income statements within other operating income. The gain or loss relating to the ineffective portion is recognised in income statements 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 reserves to income statements, while the changes in fair value of the derivatives that is related to the effective portion of the hedge is recognised in income statements within other operating income. The ineffective portion of the aforesaid hedging derivatives is recognised in income statements 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 interest method is used is amortised to the income statements over the period to maturity and recorded as other operating income. Effective interest 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 statements.

(b) Net investment hedge

Net investment hedge is a hedge against the exposure to exchange rate fluctuations on the net assets of the Group's foreign operations/subsidiaries. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in the foreign currency translation reserve in equity via other comprehensive income while any gain or loss relating to the ineffective portion is recognised directly in the income statements. On disposal of the foreign operations/subsidiaries, the cumulative value of any such gains or losses recognised in equity is transferred to the income statements.

(c) 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 statements.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(7) GOODWILL

Goodwill arising on the acquisition of subsidiaries represents the excess of consideration transferred over the Group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of non-controlling interest in the acquiree.

Goodwill is stated at cost less accumulated impairment loss and is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment loss on goodwill (inclusive of impairment losses recognised in a previous interim period) is not reversed. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold. Refer to accounting policy Note 23 on impairment of non-financial assets.

Goodwill is allocated to Cash-Generating-Units ('CGUs') for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose, identified according to operating segment. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

(8) INTANGIBLE ASSETS

Intangible assets comprise separately identifiable intangible items arising from business combinations, computer software licenses and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life. Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Group and the Bank have a definite useful life. At each date of the statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Intangible assets with indefinite useful life are annually tested for impairment and whenever there is an indication that the asset may be impaired. Refer to accounting policy Note 23 on impairment of non-financial assets.

(a) 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 3 to 10 years.

(b) Other intangible assets

Other intangible assets consist of customer relationship, brands, trading rights and membership. Other intangible assets are initially recognised when they are separable or arose from contractual or other legal rights, and when the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, it is recognised where it is probable that future economic benefits attributable to the assets will flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using income approach methodologies such as the discounted cash flow method.

Other intangible assets with definite life are stated at cost less amortisation and allowance for impairment, if any, plus reversals of impairment, if any. They are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, generally over the following useful lives:

Customer relationship	10 years
Brand	3 to 10 years

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions
For The Financial Year Ended 31 December 2022

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(9) 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 Group and 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 statements during the financial period in which they are incurred.

Freehold land, buildings in progress and 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:

Leasehold land	Amortised over the period of the lease*
Buildings	2% to 3.33%
Renovations and improvements	10% to 11%
Computer equipment	14.28% to 33.33%
Furniture, fittings and equipment	10% to 20%
Motor vehicles	20%
Computer software	10% to 33.33%

* *The remaining period of the lease ranges from 3 to 861 years.*

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.

Leasehold land acquired prior to date of initial application of MFRS 16 'Leases' which is effective 1 January 2019, continues to be classified under property, plant and equipment.

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

At the end of the reporting period, the Group and the Bank assess 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 23 on impairment of non-financial assets.

(10) FINANCIAL LIABILITIES

Financial liabilities are measured at amortised cost, except for trading liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in income statements. Financial liabilities are de-recognised when extinguished.

(a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities as held-for-trading, and financial liabilities designated at fair value through profit or loss 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 6 on hedge accounting.

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(10) 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 interest rate.

Other financial liabilities measured at amortised cost are deposits from customers, deposits and placements of banks and other financial institutions, obligations on securities sold under repurchase agreements, investment accounts, bills and acceptances payable, clients' and brokers' balances, recourse obligation on loans sold to Cagamas, lease liabilities, general insurance contract liabilities and other financial liabilities.

(c) Borrowings measured at amortised cost

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

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

Borrowings measured at amortised cost are long term and short term borrowings from financial institutions, subordinated obligations and senior debt securities.

(11) INVESTMENT ACCOUNT ('IA')

IA is defined by the application of Shariah contracts as investment with non-principal guarantee 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 ('RIA') and Unrestricted Investment Account ('URIA').

RIA 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 URIA 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 its subsidiary, RHB Islamic Bank Sdn Bhd ('RHB Islamic Bank'), to finance a business venture where the customer provides capital and the business venture is managed solely by RHB Islamic Bank. The profit of the business venture will be shared based on pre-agreed ratios with RHB Islamic Bank as Mudharib (manager or manager of funds), and losses shall be borne solely by customers.

(b) Wakalah, a trust-based contract in which 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 RHB Islamic 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 24 to the financial statements.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions
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(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS

In the normal course of banking operations, the Group and the Bank sell loans to Cagamas but undertake to administer the loans on behalf of Cagamas and to buy back any loans which are regarded as defective. Such financing transactions and the obligation to buy back the loans are reflected as a liability on the statements of financial position and accounted for in accordance with accounting policy Note 10(b).

(13) LEASES – WHERE THE GROUP AND THE BANK IS THE LESSEE

The Group and the Bank recognise 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 Group and the Bank allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

(a) Lease term

In determining the lease term, the Group and the Bank consider 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 Group and the Bank reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Bank, and affects whether the Group and 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 Group and the Bank are 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 Group and the Bank under residual value guarantees;
- the exercise price of a purchase and extension options if the Group and the Bank are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising that option.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(13) LEASES – WHERE THE GROUP AND THE BANK IS THE LESSEE (CONTINUED)

(c) Lease liabilities (continued)

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and 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 statements over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

The Group and the Bank present the lease liabilities as a separate line item in the statements of financial position. Interest expense on the lease liability is presented within the other interest expenses in the income statements.

(d) Reassessment of lease liabilities

The Group and the Bank are 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 statements.

(14) LEASES – WHERE THE GROUP AND THE BANK IS THE LESSOR

As a lessor, the Group and the Bank determine at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group and the Bank make 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 Group and the Bank consider 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 22 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.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions
For The Financial Year Ended 31 December 2022

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(15) PROVISIONS

Provisions are recognised when the Group and the Bank have 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 Group and the Bank expect a provision to be reimbursed (for example, under an insurance 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.

(a) Onerous contracts

The Group and the Bank recognise a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

(b) Restructuring

Restructuring provisions mainly comprise lease termination penalties and employee termination payments and are recognised in the period in which the Group becomes legally or constructively committed to payment. Future operating costs are not provided for.

(16) FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the Group or 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 loans, 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.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Group and the Bank for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(17) 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 Group and the Bank is recognised in the income statements 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'.

(18) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group and the Bank do not recognise contingent assets and liabilities other than those arising from business combinations, but disclose their 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 Group or 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 Group and the Bank. The Group and the Bank do not recognise contingent assets but disclose their existence where inflows of economic benefits are probable, but not virtually certain.

The Group recognises separately the contingent liabilities of the acquiree as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions and the information about the contingent liabilities acquired are disclosed in the financial statements.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provision of MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less when appropriate, cumulative amortisation recognised in accordance with MFRS 15 'Revenue from Contracts with Customers'.

(19) 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.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions
For The Financial Year Ended 31 December 2022

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(20) CASH AND CASH EQUIVALENTS

For the purpose of the statements 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.

(21) REVENUE RECOGNITION

(a) Interest income is recognised using the effective interest rate method. The effective interest 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 interest rate, as well as premiums or discounts. Interest income is calculated by applying the effective interest 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 interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

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

(c) Income from Islamic Banking business is recognised using effective profit method in accordance with the principles of Shariah.

(d) Brokerage commission is recognised when services are rendered. Interest income from margin financing, clients' overdue outstanding purposes and contra losses are recognised using effective interest rate method.

(e) Premium income from general insurance business (net of all reinsurance) is recognised on the date of assumption of risks. Premium in respect of risk incepted, for which policies have not been raised as at the date of statements of financial position, is accrued at that date.

Premiums, claims and other transactions of inward treaty business are accounted for in the income statements as and when the statements of account are received. Outward reinsurance premiums are recognised in the same accounting period as the original policies to which the reinsurance relate.

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

(g) Management fees of the unit trust and asset management company are recognised based on time apportionment method over the period of services.

(h) Dividends are recognised when the shareholders' right to receive payment is established. This applies even if they are paid out of the pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence. Dividend income received from subsidiaries, financial assets at FVTPL and FVOCI are recognised as other operating income in income statements.

Dividend that clearly represents a recovery of part of the cost of an investment is recognised in other comprehensive income if it relates to an investment in equity investment measured at fair value through other comprehensive income.

(i) Income from bancassurance/bancatakaful agreements are recognised based on time apportionment method throughout the exclusive services agreement period.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(22) 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 loan commitments.

There are two approaches adopted by the Group and the Bank:

(1) General approach

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 Group and the Bank consider 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 Group and the Bank.

(2) Qualitative criteria

- legal action has been initiated by the Group and the Bank for recovery purposes;
- borrower is a bankrupt;
- borrower has been assigned to external collection agency.

Significant increase in credit risk ('SICR')

(1) The Group and the Bank consider 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 Group and the Bank compare 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.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions
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(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(22) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Significant increase in credit risk ('SICR') (continued)

(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 interest 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 Group and the 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 statements.

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 Group's and 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 statements.

The Group and the Bank leverage 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.

(2) Simplified approach

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for clients' and brokers' balances, fee and premium receivables. The expected loss allowance is based on provisional matrix.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(23) IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. The Group and the Bank also assess goodwill, 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 recoverable amount is the higher of a non-financial assets' fair value less costs to sell and value in use. For the purpose of assessing impairment, non-financial assets are grouped at the lowest levels for which there is separately identifiable cash flows or CGU. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

The impairment loss is charged to income statements. Impairment losses on goodwill are not reversed. In respect of other non-financial assets, any subsequent increase in recoverable amount is recognised in income statements.

(24) GENERAL INSURANCE

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the insurance subsidiary (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

The general insurance underwriting results are determined for each class of business after taking into account reinsurances, commissions, unearned premiums and claims incurred.

(a) Premium income

Premium income is recognised on the date of assumption of risk. Premiums in respect of risks incepted for which policies have not been raised as of the date of statements of financial position, are accrued at the date.

Premiums, claims and other transactions of inward treaty business are accounted for in the income statements as and when the statements of account are received.

Outward reinsurance premiums are recognised in the same accounting period as the original policies to which the reinsurance relate.

(b) Premium liabilities

Premium liabilities refer to the higher of:

(i) the aggregate of the unearned premium reserves; or

(ii) the best estimate value of the insurer's unexpired risk reserves at the valuation date and the Provision of Risk Margin for Adverse Deviation ('PRAD') calculated at the overall insurance subsidiary. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expense including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and shall allow for expected future premium refunds.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions
For The Financial Year Ended 31 December 2022

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(24) GENERAL INSURANCE (CONTINUED)

(b) Premium liabilities (continued)

Unearned premium reserves ('UPR') represent the portion of premium income not yet earned at the date of statements of financial position. UPR is computed with reference to the month of accounting for the premium on the following basis:

(i) 25% method for marine and aviation cargo, and transit business;

(ii) 1/24th method for all other classes of general business except for non-annual policies in respect of Malaysian policies, reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM; and

(iii) time apportionment method for non-annual policies (including long term inwards treaty business) reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM.

(c) Claim liabilities

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance. The amount of claims liabilities is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligations at the date of statements of financial position. These include provision for claims reported, claims incurred but not reported, claims incurred but not enough reserved and direct and indirect claims-related expenses such as investigation fees, loss adjustment fees, legal fees, sue and labour charges and the expected internal costs that the insurer expects to incur when settling these claims.

(d) Acquisition costs

The cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premium is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

(e) Reinsurance

The insurance subsidiary cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the insurance subsidiary from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the insurance subsidiary may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the insurance subsidiary will receive from the reinsurer. The impairment loss is recorded in income statements.

Gains or losses on buying reinsurance are recognised in income statements immediately at the date of purchase and are not amortised.

The insurance subsidiary also assumes reinsurance risk in the normal course of business for general insurance contracts when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(24) GENERAL INSURANCE (CONTINUED)

(e) Reinsurance (continued)

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statements of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

(f) Insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise claims liabilities and premium liabilities.

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the date of statements of financial position, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the date of statements of financial position. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled. The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

At each reporting date, the insurance subsidiary reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking into account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs is inadequate, the deficiency is recognised in income statements by setting up a provision for liability adequacy.

(25) EMPLOYEE BENEFITS

(a) Short term employee benefits

The Group and the Bank recognise a liability and an expense for bonuses. The Group and the Bank recognise 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 Group and the Bank.

(b) Defined contribution plans

A defined contribution plan is a pension plan under which the Group and the Bank pay fixed contributions to the national pension scheme, the Employees' Provident Fund. The Group's and the Bank's contributions to defined contribution plans are charged to income statements in the period to which they relate. Once the contributions have been paid, the Group and the Bank have no further legal or constructive obligations.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions
For The Financial Year Ended 31 December 2022

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(25) EMPLOYEE BENEFITS (CONTINUED)

(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. The Group recognises termination benefits at the earlier of the following dates:

(i) when the Group can no longer withdraw the offer of those benefits; and

(ii) when the entity recognises costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits.

(d) Share-based compensation

During the current financial year, the Bank implemented SGS, which is awarded to employees and Executive Directors of the Bank and its subsidiaries (excluding subsidiaries which are dormant) who fulfil the eligibility criteria ('Eligible Employees').

The SGS shall be in force for a period of nine years commencing from the effective date of implementation of the SGS, with vesting period to be three years after grant date. Details of the key features of the SGS are set out in Note 59(2).

The fair value of the shares offered is recognised as an expense in the income statements over the vesting periods of the grant with a corresponding increase to share-based payment reserve 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 share grant that are expected to vest. At each reporting date, the Group and the Bank 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 statements, with a corresponding adjustment to share-based payment reserve in equity.

(26) CURRENT AND DEFERRED INCOME TAXES

The tax expense for the period comprises current and deferred tax. Tax is recognised in income statements, 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 Group and the Bank operate and include all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries, associates and joint ventures and arising from distributions of retained profits to companies in the Group.

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 tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(26) CURRENT AND DEFERRED INCOME TAXES (CONTINUED)

Deferred income tax related to the fair value remeasurement of debt instruments at fair value through other comprehensive income and equity instruments at fair value through other comprehensive income, which is charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statements 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 statements 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.

(27) CURRENCY CONVERSION AND TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional 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 statements, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses are presented in income statements within other operating income.

Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments under fair value through other comprehensive income 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 statements, and other changes in carrying amount are recognised in other comprehensive income.

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 fair value through profit or loss are recognised in income statements as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as at fair value through other comprehensive income, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of that statements of financial position;

(ii) Income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of transactions); and

(iii) All resulting exchange differences are recognised as a separate component of other comprehensive income.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions
For The Financial Year Ended 31 December 2022

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(27) CURRENCY CONVERSION AND TRANSLATION (CONTINUED)

(c) Group companies (continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign operations, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is partially disposed of or sold, a proportionate share of such exchange differences is recognised in income statements as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(28) 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 Group has determined its 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.

(29) TRUST ACTIVITIES

The Group acts as trustees and in other fiduciary capacities that result in holding or placing of assets on behalf of individuals, trust and other institutions. These assets and income arising thereon are not recognised as assets of the Group.

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group and the Bank make 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 measurement

A significant portion of financial instruments are carried on the statements of financial position at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where the classification of a financial asset or liability results in it being measured at fair value, wherever possible, the fair value is determined by reference to the quoted bid or offer price in the most advantageous active market to which the Group and the Bank has immediate access. An adjustment for credit risk is also incorporated into the fair value as appropriate.

Fair value for a net open position that is a financial liability quoted in an active market is the current offer price, and for a financial asset the bid price, multiplied by the number of units of the instrument held or issued.

Where no active market exists for a particular asset or liability, the Group and the Bank use a valuation technique to arrive at the fair value, including the use of transaction prices obtained in recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques, based on market conditions and risks existing at reporting date. In doing so, fair value is estimated using a valuation technique that makes maximum use of observable market inputs and places minimal reliance upon entity-specific inputs.

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

The Group and the Bank make 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 (continued):

(1) Fair value measurement (continued)

The best evidence of the fair value of a financial instrument 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 Group and the Bank recognise the difference between the transaction price and the fair value in profit or loss on initial recognition (i.e. on day one).

The valuation techniques are further disclosed in Note 56(g)(i) to the financial statements.

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

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

MFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, private consumption, unemployment rates, inflation and KLIBOR-3M, 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).

The impact of the COVID-19 pandemic remains uncertain and represents a material downside risk to the economy. While the methodologies and assumptions applied in the base ECL calculations remained unchanged, the Group and the Bank have incorporated the following estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic and the associated support packages in the measurement of ECL:

- Forward looking macroeconomic information and assumptions relating to the COVID-19 pandemic have been considered, including potential impacts of the COVID-19 pandemic, recognising uncertainty still exists in relation to the duration of the COVID-19 pandemic-related restrictions, the anticipated impact of government stimulus and regulatory actions.

  The sensitivity effect on the macroeconomic factor is further disclosed in Note 56(e)(vii) to the financial statements;

- When determining whether the risk of default has increased significantly since initial recognition, both quantitative and qualitative information is considered, including expert credit assessment, forward looking information and analysis based on the Group's and the Bank's historical loss experience;

- Consistent with industry guidance, customer support payment deferrals as part of the COVID-19 pandemic moratorium packages, by itself, will not result in a significant increase in credit risk, and therefore will not trigger an automatic migration from stage 1 (12-month ECL) to stage 2 (lifetime ECL) in the credit impairment provision for such loans/financing; and

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions
For The Financial Year Ended 31 December 2022

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

The Group and the Bank make 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 (continued):

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

- As the current MFRS 9 models are not expected to generate levels of ECL to cater for the unprecedented and on-going COVID-19 pandemic due to lack of actual historical loss experiences, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECLs for the year. Overlays and post-model adjustments reversal for the year amounted to RM354 million and RM280 million (2021: amount provided of RM451 million and RM273 million) for the Group and the Bank respectively, whereas the total balance as at 31 December 2022 amounted to RM531 million (2021: RM885 million) and RM275 million (2021: RM555 million) for the Group and the Bank respectively.

  These overlays and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults when the various relief and support measures are expiring in the future.

  The overlays and post-model adjustments involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward looking assessment for ECL estimation purposes.

  The borrowers and customers who have received repayment supports remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status. The overlays and post-model adjustments were generally made at retail and non-retail portfolios level in determining the sufficient level of ECLs to cater for potential deterioration in credit risk due to COVID-19.

(3) Goodwill impairment

Goodwill is tested at least annually for impairment. Testing of goodwill for impairment involves a significant amount of estimation. This includes the identification of independent CGUs and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. Estimating the value in use requires the Group and the Bank to make an estimate of the expected future cash flows from the CGU. Determining both the expected pre-tax cash flows and the risk adjusted discount rate appropriate to the CGU also require the exercise of judgement. The variables are subject to fluctuations in external market rates and economic conditions beyond management control and are subject to uncertainty and require the exercise of significant judgement. The detailed disclosures on the assessment of impairment of goodwill is disclosed in Note 19 to the financial statements.

(4) Income tax and deferred tax

The Group and the Bank are subject to income tax in many jurisdictions and significant judgement is required in estimating the provision for income tax. There are many transactions and interpretations of tax law for which the final outcome will not be established until a later date. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice on the tax treatments where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

1 GENERAL INFORMATION

RHB Bank Berhad is a public limited company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Bank are commercial banking and finance related business and the provision of related services. The Group is involved in commercial banking and finance related business, Islamic banking, investment banking, stock broking, leasing, offshore banking, offshore trust services, property investment, general insurance, unit trust management, asset management, nominee and custodian services.

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.

The financial statements have been approved and authorised for issue by the Board of Directors on 27 February 2023.

2 CASH AND SHORT TERM FUNDS

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and balances with banks and other financial institutions	**4,109,566**	5,095,336	**3,000,287**	3,458,499
Money at call and deposit placements maturing within one month	**15,025,269**	14,735,987	**8,494,619**	6,951,124
	19,134,835	19,831,323	**11,494,906**	10,409,623

Included in the cash and short term funds of the Group are:

(i) Accounts held in trust for the purpose of funds managed by the asset management subsidiaries amounting to RM214,432,000 (2021: RM249,540,000); and

(ii) Accounts held in trust for remisiers amounting to RM94,266,000 (2021: RM97,828,000).

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Licensed banks	**652,365**	860,217	**2,075,283**	1,449,038
Licensed Islamic banks	**–**	125,020	**3,310,961**	4,233,458
Licensed investment banks	**–**	–	**1,353,782**	1,904,146
BNM	**–**	2,301,513	**–**	300,046
Other financial institutions	**–**	200,023	**–**	–
	652,365	3,486,773	**6,740,026**	7,886,688

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

4 INVESTMENT ACCOUNT DUE FROM DESIGNATED FINANCIAL INSTITUTIONS

This investment account which is exposure to Restricted Profit Sharing Investment Account ('RPSIA'), is an arrangement by the Bank with its wholly-owned subsidiary, RHB Islamic Bank Berhad ('RHB Islamic Bank'). The RPSIA is a contract based on Shariah concept of Mudharabah between two parties, the Bank and RHB Islamic Bank, to finance a business venture where the Bank provides capital and the business venture is managed solely by RHB Islamic Bank. The profit of the business venture will be shared based on pre-agreed ratios between the Bank and RHB Islamic Bank as Mudharib (manager or manager of funds), and losses shall be borne solely by the Bank.

The underlying assets of RHB Islamic Bank for the RPSIA are as follows:

	Bank	
	2022 RM'000	2021 RM'000
Principal		
Personal financing	**1,000,000**	1,500,000
Other term financing	**6,238,222**	7,064,457
Short-term funds	**33,000**	490,000
Unquoted securities	**1,008,105**	1,009,105
	8,279,327	10,063,562

As at 31 December 2022, the RPSIA placements have an average rate of return ranging between 3.63% to 5.40% (2021: 3.05% to 5.12%) per annum and average profit sharing rate ranging between 85% to 90% (2021: 82% to 89%).

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Mandatory measured at fair value				
MONEY MARKET INSTRUMENTS:				
Malaysian Government Securities	**49,879**	204,324	**49,879**	204,324
Malaysian Government Investment Issues	**803,720**	426,309	**711,723**	374,216
Singapore Housing Development Board	**23,503**	–	**23,503**	–
QUOTED SECURITIES:				
In Malaysia				
Shares, exchange traded funds and warrants	**36,970**	74,375	**–**	–
Unit trusts	**36,921**	37,850	**–**	–
Corporate bond/sukuk	**2,270**	2,351	**2,270**	2,351
Outside Malaysia				
Shares, exchange traded funds and warrants	**102,034**	94,946	**258**	–
Unit trusts	**24,849**	24,386	**–**	–
UNQUOTED SECURITIES:				
In Malaysia				
Corporate bond/sukuk	**199,474**	83,095	**199,472**	79,677
Unit trusts	**1,026,646**	1,024,098	**–**	–
Commercial paper	**–**	64,766	**–**	64,766
Outside Malaysia				
Corporate bond/sukuk	**93,661**	115,076	**93,661**	115,076
Private equity funds	**689,484**	626,663	**–**	–
	3,089,411	2,778,239	**1,080,766**	840,410

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At fair value				
(a) Debt instruments	**38,233,244**	40,380,841	**32,293,277**	34,234,752
(b) Equity instruments	**740,445**	760,032	**699,024**	720,749
	38,973,689	41,140,873	**32,992,301**	34,955,501
(a) Debt instruments				
MONEY MARKET INSTRUMENTS:				
Malaysian Government Securities	**3,300,948**	2,764,067	**3,241,592**	2,631,159
Malaysian Government Investment Issues	**8,434,385**	7,813,683	**6,554,541**	6,212,432
Cagamas bonds	**770,075**	–	**770,075**	–
Khazanah bonds	**63,909**	119,450	**63,909**	70,082
Negotiable instruments of deposits	**999,506**	1,699,602	**998,876**	1,401,075
Other foreign government investment issues	**90,272**	97,221	**90,272**	97,221
Sukuk Perumahan Kerajaan	**70,637**	71,888	**–**	–
Singapore Government Securities	**997,372**	985,101	**997,372**	985,101
Thailand Government Securities	**593,194**	629,542	**593,194**	629,542
Singapore Government Treasury Bills	**–**	2,126,537	**–**	2,126,537
Thailand Central Bank Bonds	**–**	25,151	**–**	25,151
Singapore Housing Development Board	**494,852**	689,032	**494,852**	689,032
UNQUOTED SECURITIES:				
In Malaysia				
Corporate bond/sukuk	**16,186,552**	18,265,619	**12,257,052**	14,273,472
Perpetual notes/sukuk	**–**	51,111	**–**	51,111
Outside Malaysia				
Corporate bond/sukuk	**6,231,542**	5,042,837	**6,231,542**	5,042,837
	38,233,244	40,380,841	**32,293,277**	34,234,752

Included in financial investments at FVOCI of the Group and the Bank are corporate bond/sukuk, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM2,841,000,000 (2021: RM1,552,000,000) and RM2,841,000,000 (2021: RM1,921,000,000) respectively.

(i) Movement in credit impaired financial assets at FVOCI

	Group and Bank	
	2022 RM'000	2021 RM'000
Balance as at the beginning of the financial year	**1,020**	1,020
Derecognition	**(1,020)**	–
Balance as at the end of the financial year	**–**	1,020

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

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

(a) Debt instruments (continued)

(ii) Movement in allowance for credit losses recognised in FVOCI reserves

	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
Group				
2022				
Balance as at the beginning of the financial year	**36,896**	**77**	**–**	**36,973**
Transfer to 12-month ECL (Stage 1)	**69**	**(69)**	**–**	**–**
Transferred to lifetime ECL not credit impaired (Stage 2)	**(64)**	**64**	**–**	**–**
Changes in credit risk	**8,588**	**3,312**	**–**	**11,900**
Purchases and origination	**10,215**	**–**	**–**	**10,215**
Derecognition and disposal	**(7,794)**	**(8)**	**–**	**(7,802)**
Exchange differences	**705**	**–**	**–**	**705**
Balance as at the end of the financial year	**48,615**	**3,376**	**–**	**51,991**
2021				
Balance as at the beginning of the financial year	37,729	134	–	37,863
Changes in credit risk	(15,323)	(43)	–	(15,366)
Purchases and origination	13,759	–	–	13,759
Changes to model methodologies	6,168	–	–	6,168
Derecognition and disposal	(5,664)	(14)	–	(5,678)
Exchange differences	227	–	–	227
Balance as at the end of the financial year	36,896	77	–	36,973
Bank				
2022				
Balance as at the beginning of the financial year	**34,554**	**77**	**–**	**34,631**
Transfer to 12-month ECL (Stage 1)	**69**	**(69)**	**–**	**–**
Transferred to lifetime ECL not credit impaired (Stage 2)	**(64)**	**64**	**–**	**–**
Changes in credit risk	**6,000**	**3,312**	**–**	**9,312**
Purchases and origination	**8,417**	**–**	**–**	**8,417**
Derecognition and disposal	**(7,164)**	**(8)**	**–**	**(7,172)**
Exchange differences	**705**	**–**	**–**	**705**
Balance as at the end of the financial year	**42,517**	**3,376**	**–**	**45,893**
2021				
Balance as at the beginning of the financial year	35,723	134	–	35,857
Changes in credit risk	(15,297)	(43)	–	(15,340)
Purchases and origination	12,791	–	–	12,791
Changes to model methodologies	6,168	–	–	6,168
Derecognition and disposal	(5,058)	(14)	–	(5,072)
Exchange differences	227	–	–	227
Balance as at the end of the financial year	34,554	77	–	34,631

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(b) Equity instruments				
QUOTED SECURITIES:				
Outside Malaysia				
Shares	**2,503**	2,218	**–**	–
UNQUOTED SECURITIES:				
In Malaysia				
Shares	**737,539**	757,418	**699,022**	720,748
Outside Malaysia				
Shares	**403**	396	**2**	1
	740,445	760,032	**699,024**	720,749

The Group and the Bank designated certain investments as equity securities under FVOCI. The FVOCI designation was made because these investments are either held for socio-economic purposes and not for trading purposes.

	Group		Bank	
	Fair value RM'000	Dividend income recognised during the financial year RM'000	Fair value RM'000	Dividend income recognised during the financial year RM'000
2022				
Securities				
Cagamas Holdings Berhad	**389,960**	**2,587**	**354,512**	**2,347**
Financial Park (Labuan) Sdn Bhd	**169,295**	**1,000**	**169,295**	**1,000**
Credit Guarantee Corporation Malaysia Bhd	**68,052**	**–**	**68,052**	**–**
Others	**113,138**	**623**	**107,165**	**326**
	740,445	**4,210**	**699,024**	**3,673**
2021				
Securities				
Cagamas Holdings Berhad	380,897	2,587	347,129	2,347
Financial Park (Labuan) Sdn Bhd	164,322	1,000	164,322	1,000
Credit Guarantee Corporation Malaysia Bhd	67,173	–	67,173	–
Others	147,640	1,209	142,125	752
	760,032	4,796	720,749	4,099

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

7 FINANCIAL INVESTMENTS AT AMORTISED COST

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At amortised cost				
MONEY MARKET INSTRUMENTS:				
Malaysian Government Securities	**3,725,255**	700,667	**3,310,259**	607,910
Malaysian Government Investment Issues	**5,447,600**	2,739,575	**3,111,955**	2,069,843
Malaysian Government Treasury Bills	**246,410**	–	**246,410**	–
Cagamas bonds	**1,581,202**	622,800	**1,242,431**	607,715
Khazanah bonds	**163,108**	158,182	**21,382**	20,694
Negotiable instruments of deposits	**–**	500,595	**–**	–
Sukuk Perumahan Kerajaan	**110,947**	110,981	**100,883**	100,934
Singapore Government Treasury Bills	**2,050,250**	648,047	**2,050,250**	648,047
Singapore Government Securities	**127,532**	–	**127,532**	–
Singapore Central Bank Bills	**1,143,713**	–	**1,143,713**	–
Thailand Government Bonds	**99,126**	–	**99,126**	–
Sukuk (Brunei) Incorporation	**32,529**	30,872	**32,529**	30,872
Brunei Central Bank Bills	**16,409**	15,439	**16,409**	15,439
UNQUOTED SECURITIES:				
In Malaysia				
Corporate bond/sukuk	**12,885,413**	13,008,637	**7,347,688**	7,427,355
Corporate loan stocks	**22,652**	23,835	**–**	–
Outside Malaysia				
Corporate bond/sukuk	**55,714**	–	**25,294**	–
	27,707,860	18,559,630	**18,875,861**	11,528,809
Allowance for credit losses	**(701,152)**	(598,119)	**(611,207)**	(519,519)
	27,006,708	17,961,511	**18,264,654**	11,009,290

(a) Included in financial investments at amortised cost of the Group and the Bank are corporate bond/sukuk, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM4,419,000,000 (2021: RM384,000,000) and RM4,995,000,000 (2021: RM2,750,000,000) respectively.

(b) Included in financial investments at amortised cost of the Group are exposures to Restricted Investment Account ('RIA'), as part of the arrangement between RHB Islamic Bank and other investors based on Mudharabah concept. The investors will provide capital and the business venture is managed solely by RHB Islamic Bank. The profit of the business venture will be shared based on pre-agreed ratios with RHB Islamic Bank as Mudharib (manager or manager of funds), and losses shall be borne solely by investors. As at 31 December 2022, gross exposure to RIA financing funded by investors at the Group is RM392,980,000 (2021: RM357,870,000). The portfolio expected credit losses for financial investments at amortised cost relating to RIA is borne solely by the investors.

7 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Balance as at the beginning of the financial year	**1,236,638**	140,252	**59,832**	62,805
Transferred to lifetime ECL credit impaired (Stage 3)	**–**	608,076	**–**	–
Purchases and origination	**63,789**	496,948	**–**	–
Derecognition	**(6,231)**	(8,925)	**(4,244)**	(3,260)
Exchange differences	**453**	287	**453**	287
Balance as at the end of the financial year	**1,294,649**	1,236,638	**56,041**	59,832

The credit impaired financial investments at amortised cost relate to certain exposures to RIA, of which exposure with other investors amounted to RM392,980,000 (2021: RM357,870,000).

(ii) 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
Group				
2022				
Balance as at the beginning of the financial year	**18,599**	**1,778**	**577,742**	**598,119**
Changes in credit risk	**12,944**	**(119)**	**85,227**	**98,052**
Purchases and origination	**8,583**	**3,712**	**–**	**12,295**
Derecognition	**(4,626)**	**–**	**(1,053)**	**(5,679)**
Written off	**–**	**–**	**(2,170)**	**(2,170)**
Exchange differences	**82**	**–**	**453**	**535**
Balance as at the end of the financial year	**35,582**	**5,371**	**660,199**	**701,152**
2021				
Balance as at the beginning of the financial year	11,871	220,148	139,690	371,709
Transferred to 12-month ECL (Stage 1)	123	(123)	–	–
Transferred to lifetime ECL not credit impaired (Stage 2)	(238)	238	–	–
Transferred to lifetime ECL credit impaired (Stage 3)	–	(270,509)	270,509	–
Changes in credit risk	5,953	805	167,254	174,012
Purchases and origination	3,354	735	–	4,089
Derecognition	(2,486)	(12)	–	(2,498)
Transfer from loans, advances and financing	–	50,496	–	50,496
Exchange differences	22	–	289	311
Balance as at the end of the financial year	18,599	1,778	577,742	598,119

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7 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

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

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
Bank				
2022				
Balance as at the beginning of the financial year	**13,560**	**–**	**505,959**	**519,519**
Changes in credit risk	**2,737**	**–**	**87,214**	**89,951**
Purchases and origination	**4,046**	**3,217**	**–**	**7,263**
Derecognition	**(2,756)**	**–**	**(1,053)**	**(3,809)**
Written off	**–**	**–**	**(2,170)**	**(2,170)**
Exchange differences	**–**	**–**	**453**	**453**
Balance as at the end of the financial year	**17,587**	**3,217**	**590,403**	**611,207**
2021				
Balance as at the beginning of the financial year	6,674	220,013	62,242	288,929
Transferred to lifetime ECL credit impaired (Stage 3)	–	(270,509)	270,509	–
Changes in credit risk	6,316	–	172,919	179,235
Purchases and origination	1,706	–	–	1,706
Derecognition	(1,136)	–	–	(1,136)
Transfer from loans, advances and financing	–	50,496	–	50,496
Exchange differences	–	–	289	289
Balance as at the end of the financial year	13,560	–	505,959	519,519

8 LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(a) By type				
At amortised cost				
Overdrafts	**5,682,506**	5,532,681	**4,093,249**	4,132,651
Term loans/financing:				
– Housing loans/financing	**78,216,973**	71,111,818	**48,658,350**	46,003,666
– Syndicated term loans/financing	**15,544,484**	11,045,645	**8,909,063**	6,556,269
– Hire purchase receivables/financing	**10,315,968**	9,822,724	**392,188**	659,328
– Other term loans/financing	**77,332,120**	78,045,017	**42,640,686**	42,722,512
Bills receivables	**3,892,128**	5,466,845	**3,570,030**	5,084,332
Trust receipts	**807,390**	653,169	**739,682**	612,561
Claims on customers under acceptance credits	**5,432,419**	4,159,728	**4,033,264**	3,142,641
Share margin financing	**2,382,860**	2,002,139	**489,720**	308,609
Staff loans/financing	**92,367**	98,006	**73,934**	84,543
Credit/charge card receivables	**2,069,207**	1,936,629	**1,766,927**	1,665,110
Revolving credits/financing	**10,431,720**	8,637,366	**7,716,326**	6,426,835
Gross loans, advances and financing	**212,200,142**	198,511,767	**123,083,419**	117,399,057
Fair value changes arising from fair value hedges	**(111,556)**	(5,036)	**(19,709)**	(3,248)
	212,088,586	198,506,731	**123,063,710**	117,395,809
Less: Allowance for credit losses	**(3,710,002)**	(3,610,117)	**(1,962,209)**	(2,350,706)
Net loans, advances and financing	**208,378,584**	194,896,614	**121,101,501**	115,045,103

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(i) Included in loans, advances and financing are housing loans/financing sold to Cagamas with recourse to the Group and the Bank amounting to RM4,728,898,000 (2021: RM2,225,525,000) and RM2,908,132,000 (2021: RM1,484,141,000) respectively.

(ii) Included in loans, advances and financing of the Group are exposures to Unrestricted Investment Account ('URIA'), as part of the arrangement between RHB Islamic Bank and other investors based on Wakalah concept, a trust-based contract in which 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 be borne solely by the investors unless such losses are due to RHB Islamic Bank's misconduct, negligence or breach of specified terms in the contract between the investors and RHB Islamic Bank. As at 31 December 2022, gross exposure to URIA financing funded by investors at the Group is RM802,978,000 (2021: RM220,670,000). The portfolio expected credit losses for financing and advances relating to URIA is borne solely by the investors.

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(b) By type of customer				
Domestic non-bank financial institutions:				
– Others	**3,193,617**	3,430,530	**1,064,672**	666,638
Domestic business enterprises:				
– Small and medium enterprises	**31,041,237**	29,383,897	**22,500,959**	22,250,233
– Others	**32,799,509**	32,293,478	**16,418,947**	16,367,652
Government and statutory bodies	**6,144,478**	6,283,148	**5,007**	31,290
Individuals	**106,201,343**	99,273,422	**56,641,963**	55,295,411
Other domestic entities	**163,611**	160,349	**28,550**	29,323
Foreign entities	**32,656,347**	27,686,943	**26,423,321**	22,758,510
	212,200,142	198,511,767	**123,083,419**	117,399,057
(c) By geographical distribution				
Malaysia	**181,129,401**	172,332,475	**98,180,685**	96,258,254
Labuan Offshore	**2,277,954**	1,746,020	**–**	–
Singapore	**23,087,482**	19,445,961	**23,087,482**	19,445,961
Thailand	**1,967,516**	1,721,007	**1,620,513**	1,510,805
Brunei	**194,739**	184,037	**194,739**	184,037
Cambodia	**3,334,856**	2,829,014	**–**	–
Lao	**73,585**	119,169	**–**	–
Indonesia	**118,223**	131,127	**–**	–
Vietnam	**16,386**	2,957	**–**	–
	212,200,142	198,511,767	**123,083,419**	117,399,057
(d) By interest/profit rate sensitivity				
Fixed rate:				
– Housing loans/financing	**142,068**	135,102	**93,267**	99,571
– Hire purchase receivables/financing	**1,066,701**	1,766,382	**392,188**	659,306
– Other fixed rate loans/financing	**21,893,082**	22,688,406	**10,356,895**	10,741,916
Variable rate:				
– Base lending/financing rate/base rate plus	**123,950,398**	114,224,412	**72,089,432**	70,246,144
– Cost-plus	**49,315,685**	47,374,156	**26,105,488**	24,772,398
– Other variable rates	**15,832,208**	12,323,309	**14,046,149**	10,879,722
	212,200,142	198,511,767	**123,083,419**	117,399,057

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(e) By economic sector				
Agriculture, hunting, forestry and fishing	**4,629,560**	4,610,387	**2,631,062**	3,033,089
Mining and quarrying	**249,354**	264,975	**141,146**	174,710
Manufacturing	**11,602,869**	10,937,418	**8,085,739**	8,118,520
Electricity, gas and water	**1,541,379**	1,364,316	**361,740**	620,024
Construction	**13,347,956**	13,550,490	**8,447,916**	8,002,112
Wholesale and retail trade and restaurant and hotel	**21,842,273**	19,795,696	**17,007,796**	15,843,095
Transport, storage and communication	**7,843,641**	8,335,675	**1,659,637**	1,666,529
Finance, insurance, real estate and business services	**26,757,642**	23,542,647	**19,252,052**	16,772,102
Education, health and others	**9,754,308**	9,453,404	**2,390,554**	2,134,895
Household sector	**114,176,607**	105,954,813	**62,875,805**	60,581,296
Others	**454,553**	701,946	**229,972**	452,685
	212,200,142	198,511,767	**123,083,419**	117,399,057
(f) By purpose				
Purchase of securities	**12,976,360**	12,342,007	**5,126,878**	5,056,270
Purchase of transport vehicles	**10,234,231**	9,628,845	**282,646**	433,705
Purchase of landed property:				
– Residential	**77,404,367**	70,197,769	**48,663,045**	45,939,533
– Non-residential	**25,399,348**	24,250,984	**19,161,912**	18,168,573
Purchase of property, plant and equipment other than land and building	**1,595,020**	2,039,662	**857,259**	1,245,530
Personal use	**12,019,969**	11,325,315	**6,863,166**	6,450,314
Credit card	**2,069,207**	1,936,629	**1,766,927**	1,665,110
Purchase of consumer durables	**7,279**	9,085	**7,279**	9,085
Construction	**6,567,401**	6,629,302	**5,303,859**	5,323,867
Working capital	**54,064,715**	49,016,064	**32,569,534**	30,574,582
Merger and acquisition	**1,648,237**	2,640,412	**176,529**	24,568
Other purposes	**8,214,008**	8,495,693	**2,304,385**	2,507,920
	212,200,142	198,511,767	**123,083,419**	117,399,057

Certain comparative balances have been reclassified to conform to current year's presentation which more accurately reflects the loans, advances and financing by purpose.

	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
(g) By remaining contractual maturities				
Maturity within one year	**38,104,568**	36,484,052	**27,351,711**	27,087,299
One year to three years	**12,108,274**	11,839,045	**5,947,184**	5,089,861
Three years to five years	**19,327,578**	17,100,913	**10,728,433**	9,831,533
Over five years	**142,659,722**	133,087,757	**79,056,091**	75,390,364
	212,200,142	198,511,767	**123,083,419**	117,399,057

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(h) 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
Group				
2022				
Balance as at the beginning of the financial year	**181,779,039**	**13,782,221**	**2,950,507**	**198,511,767**
Transfer to 12-month ECL (Stage 1)	**5,282,437**	**(5,221,054)**	**(61,383)**	**–**
Transfer to lifetime ECL not credit impaired (Stage 2)	**(4,378,105)**	**4,478,451**	**(100,346)**	**–**
Transfer to lifetime ECL credit impaired (Stage 3)	**(641,362)**	**(614,845)**	**1,256,207**	**–**
Purchases and origination	**56,607,947**	**1,834,638**	**601,612**	**59,044,197**
Derecognition	**(42,471,233)**	**(3,003,401)**	**(784,107)**	**(46,258,741)**
Amount written off	**–**	**–**	**(683,842)**	**(683,842)**
Exchange differences	**1,405,381**	**71,297**	**66,889**	**1,543,567**
Other movements	**–**	**–**	**43,194**	**43,194**
Balance as at the end of the financial year	**197,584,104**	**11,327,307**	**3,288,731**	**212,200,142**
2021				
Balance as at the beginning of the financial year	162,116,478	20,815,752	3,181,282	186,113,512
Transfer to 12-month ECL (Stage 1)	8,482,960	(8,406,134)	(76,826)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(4,314,690)	4,728,009	(413,319)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(237,739)	(1,124,716)	1,362,455	–
Purchases and origination	61,024,105	2,281,697	350,971	63,656,773
Derecognition	(45,364,277)	(4,489,747)	(338,536)	(50,192,560)
Amount written off	–	–	(1,192,245)	(1,192,245)
Modification of contractual cash flow	(180,221)	(64,312)	(362)	(244,895)
Exchange differences	252,423	41,672	20,654	314,749
Other movements	–	–	56,433	56,433
Balance as at the end of the financial year	181,779,039	13,782,221	2,950,507	198,511,767
Bank				
2022				
Balance as at the beginning of the financial year	**106,486,886**	**9,167,539**	**1,744,632**	**117,399,057**
Transfer to 12-month ECL (Stage 1)	**3,803,375**	**(3,753,894)**	**(49,481)**	**–**
Transfer to lifetime ECL not credit impaired (Stage 2)	**(2,558,860)**	**2,640,260**	**(81,400)**	**–**
Transfer to lifetime ECL credit impaired (Stage 3)	**(338,662)**	**(426,801)**	**765,463**	**–**
Purchases and origination	**28,790,996**	**1,163,224**	**483,641**	**30,437,861**
Derecognition	**(22,910,036)**	**(1,958,503)**	**(630,564)**	**(25,499,103)**
Amount written off	**–**	**–**	**(567,466)**	**(567,466)**
Exchange differences	**1,253,610**	**42,570**	**21,598**	**1,317,778**
Other movements	**–**	**–**	**(4,708)**	**(4,708)**
Balance as at the end of the financial year	**114,527,309**	**6,874,395**	**1,681,715**	**123,083,419**
2021				
Balance as at the beginning of the financial year	96,764,797	13,290,814	2,354,397	112,410,008
Transfer to 12-month ECL (Stage 1)	5,354,701	(5,295,555)	(59,146)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(2,932,571)	3,292,123	(359,552)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(164,344)	(341,260)	505,604	–
Purchases and origination	27,954,573	1,243,249	301,989	29,499,811
Derecognition	(20,572,013)	(2,979,568)	(250,908)	(23,802,489)
Amount written off	–	–	(795,112)	(795,112)
Modification of contractual cash flow	(83,232)	(42,792)	(350)	(126,374)
Exchange differences	164,975	528	7,785	173,288
Other movements	–	–	39,925	39,925
Balance as at the end of the financial year	106,486,886	9,167,539	1,744,632	117,399,057

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8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(i) Impaired loans, advances and financing

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(i) By economic sector				
Agriculture, hunting, forestry and fishing	**12,112**	11,396	**6,912**	4,919
Mining and quarrying	**20,471**	2,876	**15,638**	2,876
Manufacturing	**215,294**	228,378	**179,477**	178,040
Electricity, gas and water	**9,965**	12,606	**–**	495
Construction	**421,948**	343,966	**327,228**	295,349
Wholesale and retail trade and restaurant and hotel	**355,838**	287,307	**217,473**	192,431
Transport, storage and communication	**37,677**	275,606	**23,393**	260,172
Finance, insurance, real estate and business services	**334,117**	276,180	**277,813**	242,405
Education, health and others	**892,141**	684,197	**52,882**	5,266
Household sector	**937,738**	794,530	**580,899**	560,901
Others	**51,430**	33,465	**–**	1,778
	3,288,731	2,950,507	**1,681,715**	1,744,632
(ii) By purpose				
Purchase of securities	**31,136**	29,901	**17,749**	18,272
Purchase of transport vehicles	**55,148**	46,803	**8,872**	12,520
Purchase of landed property:				
– Residential	**733,496**	593,169	**478,779**	422,881
– Non-residential	**610,074**	385,600	**331,844**	291,286
Purchase of property, plant and equipment other than land and building	**19,906**	22,488	**16,640**	19,254
Personal use	**153,747**	92,969	**123,910**	81,577
Credit card	**21,407**	20,045	**18,191**	17,844
Purchase of consumer durables	**595**	588	**595**	588
Construction	**51,858**	61,395	**51,728**	61,021
Working capital	**1,417,245**	1,535,097	**531,368**	728,830
Other purposes	**194,119**	162,452	**102,039**	90,559
	3,288,731	2,950,507	**1,681,715**	1,744,632
(iii) By geographical distribution				
Malaysia	**2,007,232**	1,669,228	**1,406,744**	1,283,736
Labuan Offshore	**756,636**	678,850	**–**	–
Singapore	**198,679**	372,719	**198,679**	372,719
Thailand	**82,032**	94,355	**70,319**	83,371
Brunei	**5,973**	4,806	**5,973**	4,806
Cambodia	**234,447**	127,567	**–**	–
Lao	**3,732**	2,982	**–**	–
	3,288,731	2,950,507	**1,681,715**	1,744,632

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(i) Impaired loans, advances and financing (continued)

(iv) 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
Group				
2022				
Balance as at the beginning of the financial year	**1,015,663**	**1,186,991**	**1,407,463**	**3,610,117**
Changes due to financial assets recognised in the opening balance that have been:				
– Transferred to 12-month ECL (Stage 1)	**196,146**	**(179,726)**	**(16,420)**	**–**
– Transferred to lifetime ECL not credit impaired (Stage 2)	**(31,853)**	**65,382**	**(33,529)**	**–**
– Transferred to lifetime ECL credit impaired (Stage 3)	**(15,483)**	**(51,693)**	**67,176**	**–**
	148,810	**(166,037)**	**17,227**	**–**
Changes in credit risk	**(352,433)**	**9,865**	**1,191,823**	**849,255**
Purchases and origination	**113,114**	**118,999**	**27,149**	**259,262**
Changes to model methodologies	**(11,434)**	**(40,369)**	**(1,303)**	**(53,106)**
Derecognition	**(70,097)**	**(54,600)**	**(419,983)**	**(544,680)**
Bad debts written off	**–**	**–**	**(494,580)**	**(494,580)**
Exchange differences	**2,478**	**678**	**37,384**	**40,540**
Other movements	**–**	**–**	**43,194**	**43,194**
Balance as at the end of the financial year	**846,101**	**1,055,527**	**1,808,374**	**3,710,002**
2021				
Balance as at the beginning of the financial year	812,037	1,385,283	1,609,038	3,806,358
Changes due to financial assets recognised in the opening balance that have been:				
– Transferred to 12-month ECL (Stage 1)	259,949	(236,692)	(23,257)	–
– Transferred to lifetime ECL not credit impaired (Stage 2)	(51,684)	157,604	(105,920)	–
– Transferred to lifetime ECL credit impaired (Stage 3)	(9,678)	(86,802)	96,480	–
	198,587	(165,890)	(32,697)	–
Changes in credit risk	(37,862)	164,989	953,753	1,080,880
Purchases and origination	115,170	72,551	24,452	212,173
Changes to model methodologies	7,191	(79,599)	3,426	(68,982)
Derecognition	(78,646)	(145,393)	(239,850)	(463,889)
Transfer to financial investments at amortised cost	–	(50,496)	–	(50,496)
Bad debts written off	–	–	(973,008)	(973,008)
Exchange differences	(814)	5,546	5,916	10,648
Other movements	–	–	56,433	56,433
Balance as at the end of the financial year	1,015,663	1,186,991	1,407,463	3,610,117

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8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(i) Impaired loans, advances and financing (continued)

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

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
Bank				
2022				
Balance as at the beginning of the financial year	**708,275**	**848,909**	**793,522**	**2,350,706**
Changes due to financial assets recognised in the opening balance that have been:				
– Transferred to 12-month ECL (Stage 1)	**145,689**	**(134,074)**	**(11,615)**	**–**
– Transferred to lifetime ECL not credit impaired (Stage 2)	**(25,520)**	**52,232**	**(26,712)**	**–**
– Transferred to lifetime ECL credit impaired (Stage 3)	**(12,182)**	**(40,540)**	**52,722**	**–**
	107,987	**(122,382)**	**14,395**	**–**
Changes in credit risk	**(292,774)**	**(149,163)**	**772,689**	**330,752**
Purchases and origination	**81,556**	**113,587**	**21,784**	**216,927**
Changes to model methodologies	**(7,769)**	**(25,418)**	**(1,160)**	**(34,347)**
Derecognition	**(51,455)**	**(47,473)**	**(396,961)**	**(495,889)**
Bad debts written off	**–**	**–**	**(428,334)**	**(428,334)**
Exchange differences	**8,731**	**2,891**	**15,480**	**27,102**
Other movements	**–**	**–**	**(4,708)**	**(4,708)**
Balance as at the end of the financial year	**554,551**	**620,951**	**786,707**	**1,962,209**
2021				
Balance as at the beginning of the financial year	638,222	1,037,670	1,227,613	2,903,505
Changes due to financial assets recognised in the opening balance that have been:				
– Transferred to 12-month ECL (Stage 1)	209,160	(190,921)	(18,239)	–
– Transferred to lifetime ECL not credit impaired (Stage 2)	(40,356)	128,133	(87,777)	–
– Transferred to lifetime ECL credit impaired (Stage 3)	(8,965)	(78,917)	87,882	–
	159,839	(141,705)	(18,134)	–
Changes in credit risk	(131,942)	133,483	416,384	417,925
Purchases and origination	90,684	22,994	17,851	131,529
Changes to model methodologies	18,054	(65,964)	3,371	(44,539)
Derecognition	(67,860)	(88,123)	(210,462)	(366,445)
Transfer to financial investments at amortised cost	–	(50,496)	–	(50,496)
Bad debts written off	–	–	(687,210)	(687,210)
Exchange differences	1,278	1,050	4,184	6,512
Other movements	–	–	39,925	39,925
Balance as at the end of the financial year	708,275	848,909	793,522	2,350,706

Included in allowance for credit losses for the Group and the Bank is expected credit losses for loan commitments and financial guarantee contracts amounting to RM63,923,000 (2021: RM58,255,000) and RM49,023,000 (2021: RM45,864,000) respectively.

9 CLIENTS' AND BROKERS' BALANCES

	Group	
	2022 RM'000	**2021 RM'000**
Amounts owing by clients	**508,535**	507,679
Less: Allowance for credit losses	**(21,349)**	(23,545)
	487,186	484,134
Amounts owing by brokers	**54,012**	138,381
Amounts owing by clearing houses and stock exchanges	**199,942**	257,080
	741,140	879,595

Movement in allowance for credit losses

	Credit impaired RM'000	Non-credit impaired RM'000	Total RM'000
Group			
2022			
Balance as at the beginning of the financial year	**23,498**	**47**	**23,545**
Transferred to credit impaired	**49**	**(49)**	**–**
Allowance for credit losses	**2,109**	**3**	**2,112**
Derecognition	**(1,888)**	**–**	**(1,888)**
Written off	**(2,073)**	**–**	**(2,073)**
Exchange differences	**(347)**	**–**	**(347)**
Balance as at the end of the financial year	**21,348**	**1**	**21,349**
2021			
Balance as at the beginning of the financial year	30,064	3	30,067
Allowance for credit losses	2,073	50	2,123
Derecognition	(7,157)	(6)	(7,163)
Written off	(1,371)	–	(1,371)
Exchange differences	(111)	–	(111)
Balance as at the end of the financial year	23,498	47	23,545

10 REINSURANCE ASSETS

	Note	Group	
		2022 RM'000	**2021 RM'000**
Claims liabilities	26(a)	**385,872**	339,199
Premium liabilities	26(b)	**119,728**	96,143
		505,600	435,342

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11 OTHER ASSETS

		Group		Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other receivables	(a)	**672,508**	889,136	**392,739**	277,203
Cash collateral in relation to derivative transactions		**514,797**	417,368	**514,797**	417,368
Deposits		**44,189**	45,191	**33,338**	34,910
Prepayments		**153,469**	168,715	**101,409**	112,499
Amount receivable for release of units from funds		**56,073**	207,850	**–**	–
Amount due from subsidiaries	(b)	**–**	–	**870,157**	1,000,729
		1,441,036	1,728,260	**1,912,440**	1,842,709

(a) Included in other receivables of the Group is fee and premium receivable, which is stated net of allowance for credit losses/impairment losses of RM16,957,000 (2021: RM19,186,000).

Movement in allowance for credit losses is as follows:

	Group	
	2022 RM'000	2021 RM'000
Balance as at the beginning of the financial year	**19,186**	24,388
Allowance written back during the financial year	**(862)**	(3,806)
Written off	**(1,435)**	(1,429)
Exchange differences	**68**	33
Balance as at the end of the financial year	**16,957**	19,186

(b) Included in amount due from subsidiaries is an amount of RM1,174.4 million (2021: RM774.9 million) relating to part of the COVID-19 Government relief measures that has been channelled from BNM through the Bank for the purposes of lending/financing to SMEs as disclosed in Note 22.

Other than as mentioned above, the remaining amount due from subsidiaries are unsecured, interest free and receivable within the normal credit period.

12 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, interest rates and security prices) of the underlying instruments. These instruments are used by the Group and 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 Group's and Bank's accounting policies.

12 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

The table below shows the Group's and the Bank's derivative financial instruments as at the date of statements 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 statements of financial position are analysed below:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Derivative assets:				
– Trading derivatives	**1,752,707**	642,960	**1,893,459**	780,175
– Fair value hedging derivatives	**207,772**	75,655	**94,017**	18,661
	1,960,479	718,615	**1,987,476**	798,836
Derivative liabilities:				
– Trading derivatives	**1,931,535**	754,786	**2,018,461**	858,400
– Fair value hedging derivatives	**7,856**	133,140	**464**	79,661
	1,939,391	887,926	**2,018,925**	938,061

	2022			2021		
Group	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
Trading derivatives:						
Foreign exchange related contracts						
– Forwards/swaps	**61,412,057**	**626,384**	**1,027,880**	44,563,855	155,571	313,681
– Options	**67,140**	**5,104**	**1,633**	280,615	5,491	29
– Cross-currency interest rate swaps	**7,654,203**	**144,592**	**166,071**	5,481,184	103,111	66,341
	69,133,400	**776,080**	**1,195,584**	50,325,654	264,173	380,051
Interest rate related contracts						
– Swaps	**62,421,450**	**950,167**	**692,863**	36,459,614	354,424	329,372
Commodity related contracts						
– Options	**734,453**	**25,173**	**25,173**	402,493	22,325	22,329
Equity related contracts						
– Options	**652,256**	**728**	**697**	1,145,048	1,127	1,112
Futures related contracts	**78,180**	**559**	**301**	93,017	911	373
Structured warrants	**118,315**	**–**	**16,917**	284,760	–	21,549
Fair value hedging derivatives:						
Interest rate related contracts						
– Swaps	**8,046,813**	**207,772**	**7,856**	8,555,515	75,655	133,140
	141,184,867	**1,960,479**	**1,939,391**	97,266,101	718,615	887,926

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12 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

Bank	2022			2021		
	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
Trading derivatives:						
Foreign exchange related contracts						
– Forwards/swaps	**63,723,851**	**646,548**	**1,010,057**	48,437,748	183,224	328,558
– Options	**67,140**	**5,104**	**1,633**	280,615	5,491	29
– Cross-currency interest rate swaps	**8,160,867**	**144,592**	**166,222**	5,960,185	103,111	66,527
	71,951,858	**796,244**	**1,177,912**	54,678,548	291,826	395,114
Interest rate related contracts						
– Swaps	**70,611,450**	**1,071,314**	**814,679**	46,969,614	464,897	439,845
Commodity related contracts						
– Options	**734,733**	**25,173**	**25,173**	402,493	22,325	22,329
Equity related contracts						
– Options	**652,366**	**728**	**697**	1,145,048	1,127	1,112
Fair value hedging derivatives:						
Interest rate related contracts						
– Swaps	**4,246,813**	**94,017**	**464**	4,755,515	18,661	79,661
	148,197,220	**1,987,476**	**2,018,925**	107,951,218	798,836	938,061

(i) Fair value hedges

Fair value hedges are used by the Group and the Bank for protection against the changes in fair value of financial assets and financial liabilities due to movement in market interest rates. The Group and the Bank use interest rate swaps to hedge against interest rate risk of specific identified fixed rate long term, portfolio homogenous pools of loans, advances and financing and financial assets measured at FVOCI.

The Group and 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 Group and the Bank determine 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 Group and 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 interest rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Group and the Bank. The interest rate risk component is determined as the changes in fair value of long term fixed rate financial investment (e.g. bonds, loans, advances and financing) arising from changes in benchmarks rates such as 3-month KLIBOR, 3-month USD LIBOR, 6-month USD LIBOR and 6-month Singapore Swap Offer 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 Group and the Bank establish the hedge ratio by aligning the principal amount of the hedged instrument to the extent of its hedged item.

12 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

(i) Fair value hedges (continued)

The Group and the Bank have identified the following possible sources of ineffectiveness:

i. Counterparty credit risk which impact the fair value of the interest rate swaps but not the hedged items; and

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:

	2022		2021	
	Nominal amount RM'000	Average fixed interest rate %	Nominal amount RM'000	Average fixed interest rate %
Interest rate swaps				
Group				
Up to three months	–	–	46,322	4.87
Three to twelve months	**500,000**	**3.88**	511,762	1.94
One to five years	**7,511,813**	**2.92**	5,812,431	3.15
More than five years	**35,000**	**2.90**	2,185,000	2.53
Total	**8,046,813**		8,555,515	
Bank				
Up to three months	–	–	46,322	4.87
Three to twelve months	–	–	511,762	1.94
One to five years	**4,211,813**	**2.95**	3,812,431	2.96
More than five years	**35,000**	**2.90**	385,000	2.84
Total	**4,246,813**		4,755,515	

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest rate swaps				
Nominal amount	**8,046,813**	8,555,515	**4,246,813**	4,755,515
of which:				
Nominal amount directly impacted by IBOR reform	**860,813**	919,515	**860,813**	919,515
Fair value assets	**207,772**	75,655	**94,017**	18,661
Fair value liabilities	**7,856**	133,140	**464**	79,661
Hedge effectiveness recognised in income statements	**246,968**	259,770	**148,505**	135,350

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12 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

(i) Fair value hedges (continued)

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

	2022			2021		
	Carrying value RM'000	Fair value hedge adjustments* RM'000	Hedge effectiveness recognised in income statements RM'000	Carrying value RM'000	Fair value hedge adjustments* RM'000	Hedge effectiveness recognised in income statements RM'000
Group						
Fixed rate loans, advances and financing	**3,942,848**	**(111,556)**	**(106,520)**	4,409,267	(5,036)	(123,401)
Financial assets at FVOCI	**4,333,316**	**(89,400)**	**(142,434)**	6,629,714	50,003	(133,914)
	8,276,164	**(200,956)**	**(248,954)**	11,038,981	44,967	(257,315)
Bank						
Fixed rate loans, advances and financing	**631,859**	**(19,709)**	**(16,461)**	1,097,509	(3,248)	(11,929)
Financial assets at FVOCI	**3,676,727**	**(72,864)**	**(133,166)**	6,117,916	57,272	(123,418)
	4,308,586	**(92,573)**	**(149,627)**	7,215,425	54,024	(135,347)

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

(ii) Net investment hedge

The Group's statements of financial position was affected by gains and losses as a result of the revaluation of net assets of its subsidiaries denominated in currencies other than its functional currency. Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. The accounting policies for net investment hedge are as disclosed in accounting policy Note 6(b).

13 STATUTORY DEPOSITS

		Group		Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Statutory deposits with BNM	(a)	**3,026,676**	266,866	**1,560,076**	237,866
Statutory deposits with Monetary Authority of Singapore	(b)	**98,478**	92,643	**98,478**	92,643
Statutory deposits with Ministry of Finance Negara Brunei Darussalam	(c)	**27,921**	26,178	**27,921**	26,178
Statutory deposits and reserve deposits with National Bank of Cambodia ('NBC')	(d)	**275,305**	247,597	**–**	–
Statutory deposits with National Bank of Lao ('BOL')	(e)	**1,202**	1,728	**–**	–
		3,429,582	635,012	**1,686,475**	356,687

13 STATUTORY DEPOSITS (CONTINUED)

(a) Non-interest bearing statutory deposits 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.

(b) Non-interest bearing statutory deposits maintained with the Monetary Authority of Singapore in compliance with Banking Act, Cap.19 and Singapore Finance Companies Act Cap.108.

(c) Non-interest bearing statutory deposits maintained with the Ministry of Finance, Negara Brunei Darussalam in compliance with Section 45 of the Brunei Darussalam Banking Order 2006.

(d) Included in statutory deposits with NBC are:

(i) Interest bearing statutory deposits of RM33.0 million (2021: RM31.2 million) maintained with NBC in compliance with NBC's Prakas No. B7-01-136 dated 15 October 2001 as capital guarantee. This deposit bears interest from 0.07% to 0.65% (2021: 0.04% to 0.06%) per annum, and is not available for use in day-to-day operations but it is refundable when RHB Bank (Cambodia) Plc voluntarily ceases to operate its banking business in Cambodia.

(ii) Non-interest bearing deposits of RM280.0 million (2021: RM212.3 million) maintained with NBC as reserve, computed at 7% and 7% (2021: 7% and 7%) of customer deposits in Cambodian Riel ('KHR') and in foreign currencies, respectively.

(iii) Non-interest bearing statutory deposits of RM4.3 million (2021: RM4.1 million) maintained with NBC as capital guarantee deposits in compliance with Securities and Exchange Commission of Cambodia ('SECC')'s Prakas No. 009 on the Licensing of Securities Firms and Securities Representatives for operating as a securities underwriter in Cambodia.

(e) Non-interest bearing statutory deposits maintained with BOL computed at 5% and 5% (2021: 3% and 5%) of customer deposits in Lao Kip ('LAK') and in foreign currencies, respectively.

The statutory deposits amount and reserve requirements mentioned above are determined by the respective authorities.

14 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 statements of financial position:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deferred tax assets	**625,092**	377,825	**472,759**	234,795
Deferred tax liabilities	**(2,187)**	(55)	**–**	–
	622,905	377,770	**472,759**	234,795
Deferred tax assets:				
– Settled more than twelve months	**565,617**	283,749	**460,177**	200,276
– Settled within twelve months	**193,409**	231,482	**135,041**	158,264
Deferred tax liabilities:				
– Settled more than twelve months	**(79,953)**	(82,190)	**(73,357)**	(75,379)
– Settled within twelve months	**(56,168)**	(55,271)	**(49,102)**	(48,366)
	622,905	377,770	**472,759**	234,795

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14 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

	Note	Property, plant and equipment, intangible assets and right-of-use assets* RM'000	Financial assets at FVOCI RM'000	Tax losses RM'000	Provisions* RM'000	Expected credit losses RM'000	Total RM'000
Group							
2022							
Balance as at the beginning of the financial year		**(135,678)**	**59,032**	**419**	**235,357**	**218,640**	**377,770**
Transfer from/(to) income statements	46	**1,429**	**2,510**	**181**	**(65,417)**	**(3,802)**	**(65,099)**
Transfer from equity		**–**	**311,242**	**–**	**230**	**–**	**311,472**
Disposal of a subsidiary	59(1)	**(83)**	**–**	**–**	**(998)**	**–**	**(1,081)**
Exchange differences		**(1)**	**–**	**(4)**	**(157)**	**5**	**(157)**
Balance as at the end of the financial year		**(134,333)**	**372,784**	**596**	**169,015**	**214,843**	**622,905**
2021							
Balance as at the beginning of the financial year		(97,816)	(408,135)	1,775	201,203	172,373	(130,600)
Transfer from/(to) income statements	46	(20,784)	17,734	(2,023)	10,229	20,576	25,732
Transfer from equity		–	449,433	–	(690)	–	448,743
Effects of change in tax rate	46	(17,070)	–	–	24,178	25,691	32,799
Exchange differences		(8)	–	667	437	–	1,096
Balance as at the end of the financial year		(135,678)	59,032	419	235,357	218,640	377,770

* *Included in deferred tax liabilities is RM1,788,000 (2021: RM1,783,000) which is offset against deferred tax assets when there is a legally enforceable right to set off for the same tax authority.*

14 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

	Note	Property, plant and equipment, intangible assets and right-of-use assets RM'000	Financial assets at FVOCI RM'000	Provisions RM'000	Expected credit losses RM'000	Total RM'000
Bank						
2022						
Balance as at the beginning of the financial year		**(123,745)**	**44,059**	**151,117**	**163,364**	**234,795**
Transfer from/(to) income statements	46	**1,286**	**–**	**(27,922)**	**(16,506)**	**(43,142)**
Transfer from equity		**–**	**281,130**	**–**	**–**	**281,130**
Exchange differences		**–**	**–**	**(24)**	**–**	**(24)**
Balance as at the end of the financial year		**(122,459)**	**325,189**	**123,171**	**146,858**	**472,759**
2021						
Balance as at the beginning of the financial year		(88,033)	(322,074)	124,690	133,306	(152,111)
Transfer from/(to) income statements	46	(19,872)	–	14,697	9,948	4,773
Transfer from equity		–	366,133	–	–	366,133
Effects of change in tax rate	46	(15,840)	–	10,910	20,110	15,180
Exchange differences		–	–	820	–	820
Balance as at the end of the financial year		(123,745)	44,059	151,117	163,364	234,795

Deferred tax assets have not been recognised on the following amounts as it is not probable that the relevant subsidiaries will generate sufficient future taxable profits available against which the deductible temporary differences can be utilised:

	Group	
	2022 RM'000	2021 RM'000
Unabsorbed tax losses carried forward	**809,779**	832,799
Unabsorbed capital allowances carried forward	**59,805**	60,255
	869,584	893,054

For Malaysia, the deductible temporary differences have an expiry date of 10 years (previously 7 years subsequent to the changes in the Finance Act 2021 gazetted on 31 December 2021) which is in line with Section 44(5F) of the Income Tax Act 1967 that comes into operation from year of assessment 2019 and subsequent years of assessment. For overseas, the deductible temporary differences have no expiry date, except for Thailand, Indonesia, Lao and Vietnam which can only be carried forward to deduct against future profits for a period of 5 years.

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15 INVESTMENTS IN SUBSIDIARIES

	Note	Bank 2022 RM'000	Bank 2021 RM'000
Unquoted shares, at cost:			
– In Malaysia		**4,147,685**	4,147,685
– Outside Malaysia		**565,918**	554,240
		4,713,603	4,701,925
Capital contribution to subsidiaries	59(2)	**1,230**	–
		4,714,833	4,701,925
Accumulated impairment losses		**(53,244)**	(53,244)
		4,661,589	4,648,681

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2022 %	Effective equity interest held by the Group 2021 %	Effective equity interest held by NCI 2022 %	Effective equity interest held by NCI 2021 %	Principal activities
RHB Islamic Bank Berhad	Malaysia	1,673,424,002	**100**	100	**–**	–	Islamic banking
RHB Bank (L) Ltd	Malaysia	USD54,000,000	**100**	100	**–**	–	Labuan banking business
RHB Corporate Services Sdn Bhd	Malaysia	150,000	**100**	100	**–**	–	Corporate secretarial services
RHB Bank (Cambodia) Plc ('RHB Bank Cambodia')[1]	Cambodia	USD75,000,000	**100**	100	**–**	–	Commercial banking
RHB Bank Lao Sole Co., Ltd[1,2]	Lao PDR	LAK460,300,050,000	**100**	100	**–**	–	Commercial banking
RHB Capital Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	**100**	100	**–**	–	Nominee services for Malaysian beneficial shareholders
RHB Capital Nominees (Asing) Sdn Bhd	Malaysia	10,000	**100**	100	**–**	–	Nominee services for foreign beneficial shareholders
RHB Investment Ltd[1]	Singapore	SGD19,000,000	**100**	100	**–**	–	Other investment holding companies
Banfora Pte Ltd[1]	Singapore	SGD25,000,000	**100**	100	**–**	–	Other investment holding companies
RHB Bank Nominees Pte Ltd[1]	Singapore	SGD100,000	**100**	100	**–**	–	Trustee, fiduciary and custody services firm
RHB Leasing Sdn Bhd	Malaysia	10,000,000	**100**	100	**–**	–	Leasing of industrial construction, business equipment and motor vehicles

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2022 %	Effective equity interest held by the Group 2021 %	Effective equity interest held by NCI 2022 %	Effective equity interest held by NCI 2021 %	Principal activities
RHB Capital Properties Sdn Bhd	Malaysia	7,300,000	**100**	100	**–**	–	Property investment
Utama Assets Sdn Bhd	Malaysia	300,000	**100**	100	**–**	–	Own and manage real properties for use by its related companies
RHB Investment Bank Berhad ('RHB Investment Bank')	Malaysia	1,220,000,000	**100**	100	**–**	–	Merchant banking business, dealing in securities, stock, debt and derivatives, stockbroking business and the business of brokers and dealers in futures and options contracts
RHB Merchant Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	**100**	100	**–**	–	To act as nominee services for Malaysian beneficial shareholders
RHB Merchant Nominees (Asing) Sdn Bhd	Malaysia	10,000	**100**	100	**–**	–	Provision of nominee services for foreign beneficial shareholders
RHB Nominees Sdn Bhd	Malaysia	25,000	**100**	100	**–**	–	Nominee and custodian services
RHB Nominees (Asing) Sdn Bhd	Malaysia	25,000	**100**	100	**–**	–	Nominee and custodian services for foreign beneficial shareholders
RHB Nominees (Tempatan) Sdn Bhd	Malaysia	25,000	**100**	100	**–**	–	Nominee and custodian services for Malaysian beneficial shareholders
RHB Asset Management Sdn Bhd	Malaysia	10,000,000	**100**	100	**–**	–	Rendering of investment management services, management of unit trust funds and private retirement schemes and provision of investment advisory services
RHB Islamic International Asset Management Berhad	Malaysia	13,000,000	**100**	100	**–**	–	Rendering of Islamic fund management services and management of Islamic unit trust funds and Islamic wholesale funds

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15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2022 %	Effective equity interest held by the Group 2021 %	Effective equity interest held by NCI 2022 %	Effective equity interest held by NCI 2021 %	Principal activities
RHB Private Equity Holdings Sdn Bhd ('RHBPE')[3]	Malaysia	160,000,002	**100**	100	**–**	–	Investment holding
RHB Private Equity Management Ltd	Malaysia	USD1	**100**	100	**–**	–	Private equity investment holding company
RHB Private Equity Fund Ltd[4]	Cayman Islands	USD73,329	**100**	100	**–**	–	Private equity investment company
RHB International Investments Pte Ltd[1]	Singapore	SGD12,000,000	**100**	100	**–**	–	Investment holding
RHB Asset Management Pte Ltd[1]	Singapore	SGD12,100,000	**100**	100	**–**	–	Fund management
RHB Hong Kong Limited[5,6]	Hong Kong	HKD450,000,000	**100**	100	**–**	–	Investment holding
RHB Securities Hong Kong Limited[5,6]	Hong Kong	HKD340,000,000	**100**	100	**–**	–	Securities dealing and provision of securities margin financing and advising on securities
RHB Futures Hong Kong Limited[5,7]	Hong Kong	HKD35,000,000	**100**	100	**–**	–	Dealing in futures and options contracts
RHB Wealth Management Hong Kong Limited[8]	Hong Kong	HKD5,000,000	**–**	100	**–**	–	Dissolved
PT RHB Sekuritas Indonesia[1]	Indonesia	IDR204,082 million	**99**	99	**1**	1	Securities brokerage and underwriting
PT RHB Asset Management Indonesia[9]	Indonesia	IDR50,000 million	**–**	98.62	**–**	1.38	Disposed
RHB Securities (Thailand) Public Company Limited[1]	Thailand	THB819,171,600	**99.95**	99.95	**0.05**	0.05	Provision of stock and derivatives broking services
RHB Trustees Berhad	Malaysia	6,000,000	**100**	100	**–**	–	Professional retail trustee services (will writing, estate planning and private trust) and corporate trustee services (collective investment schemes)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by NCI		Principal activities
			2022 %	2021 %	2022 %	2021 %	
Malaysian Trustees Berhad	Malaysia	550,000	**100**	100	**–**	–	Engage in the business of trustee agents, executors and administrators pursuant to the Trust Companies Act 1949
RHB Finexasia.Com Sdn Bhd	Malaysia	11,361,111	**100**	100	**–**	–	Investment holding, development of products and provision of services related to information technology and the company has since been dormant
RHB Securities (Cambodia) Plc.[1]	Cambodia	USD12,500,000	**100**	100	**–**	–	Securities underwriting, brokerage and investment advisory service
RHB Securities Vietnam Company Limited[1]	Vietnam	VND135 billion	**100**	100	**–**	–	Securities brokerage, securities investment, consulting and self trading
RHB Insurance Berhad ('RHB Insurance')	Malaysia	100,000,000	**94.7**	94.7	**5.3**	5.3	Underwriting of all classes of general insurance business
RHB Income Plus Fund 2^	Malaysia	–	**94.7**	94.7	**5.3**	5.3	Wholesale unit trust fund
AmIncome Value^	Malaysia	–	**94.7**	94.7	**5.3**	5.3	Wholesale unit trust fund
RHB Property Management Sdn Bhd	Malaysia	500,000	**100**	100	**–**	–	Property management
RHB Capital (Jersey) Limited	Jersey, Channel Islands	GBP4,012	**100**	100	**–**	–	Investment holding
RHB Kawal Sdn Bhd	Malaysia	3,700,000	**100**	100	**–**	–	Security services
RHB Foundation*	Malaysia	–	**–**	–	**–**	–	Charitable foundation
RHB Bank's dormant subsidiaries							
UMBC Sdn Bhd	Malaysia	1,482,499,818	**100**	100	–	–	Investment holding and the company has since been dormant
RHB Delta Sdn Bhd[10]	Malaysia	345,000,000	**100**	100	–	–	Dormant

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15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2022 %	Effective equity interest held by the Group 2021 %	Effective equity interest held by NCI 2022 %	Effective equity interest held by NCI 2021 %	Principal activities
RHB Bank's dormant subsidiaries (continued)							
RHB (Philippines) Inc.[1,11]	Philippines	PHP180,000,000	**100**	100	**–**	–	Primarily deal in the acquisition and disposition of real and personal property of every kind and description, except land and the company has since ceased operations
RHB Equities Sdn Bhd[12]	Malaysia	20,010,000	**100**	100	**–**	–	Activities of holding companies and the company has since been dormant
RHBF Sdn Bhd[12]	Malaysia	148,160,176	**100**	100	**–**	–	Dormant
RHB Stock 188.Com Sdn Bhd	Malaysia	480,000	**100**	100	**–**	–	Dormant
RHB Nominees Singapore Pte Ltd[13]	Singapore	SGD2	**–**	100	**–**	–	Dissolved
Summit Nominees Pte Ltd[14]	Singapore	SGD2,000	**–**	100	**–**	–	Dissolved
RHB Research Institute Singapore Pte Ltd[15]	Singapore	SGD175,000	**–**	100	**–**	–	Dissolved
RHB Investment Bank's dormant subsidiaries							
RHB Excel Sdn Bhd[16]	Malaysia	200,000,000	**100**	100	**–**	–	Dormant
RHB Progressive Sdn Bhd[16]	Malaysia	13,500,000	**100**	100	**–**	–	Dormant
RHB Marketing Services Sdn Bhd[10]	Malaysia	100,000	**100**	100	**–**	–	Dormant
RHB Unit Trust Management Berhad[10]	Malaysia	5,000,000	**100**	100	**–**	–	Dormant
RHB Futures and Options Sdn Bhd	Malaysia	10,000,000	**100**	100	**–**	–	Dormant
RHB Research Institute Sdn Bhd[17]	Malaysia	500,000	**100**	100	**–**	–	Dormant
RHB Research Sdn Bhd[18]	Malaysia	500,000	**100**	100	**–**	–	Dormant
RHB International Asset Management Sdn Bhd[19]	Malaysia	7,000,000	**100**	100	**–**	–	Activities of holding companies and the company has since been dormant

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2022 %	Effective equity interest held by the Group 2021 %	Effective equity interest held by NCI 2022 %	Effective equity interest held by NCI 2021 %	Principal activities
RHB Investment Bank's dormant subsidiaries (continued)							
RHBIB Nominees (Tempatan) Sdn Bhd[18]	Malaysia	3,670,000	**100**	100	**–**	–	Dormant
RHB Islamic Asset Management Sdn Bhd[19]	Malaysia	4,000,000	**100**	100	**–**	–	Investment advisory services and the company has since been dormant
RHBIM Berhad[19]	Malaysia	10,000,000	**100**	100	**–**	–	Management of unit trust funds and the investment management of discretionary and non-discretionary mandates and the company has since been dormant
TCL Nominees (Tempatan) Sdn Bhd[18]	Malaysia	644,000	**100**	100	**–**	–	Dormant
TCL Nominees (Asing) Sdn Bhd[18]	Malaysia	4,000	**100**	100	**–**	–	Dormant
KE–ZAN Nominees (Tempatan) Sdn Bhd[18]	Malaysia	650,000	**100**	100	**–**	–	Dormant
KE–ZAN Nominees (Asing) Sdn Bhd[18]	Malaysia	10,000	**100**	100	**–**	–	Dormant

Notes:

1 *Subsidiaries audited by a member firm of PricewaterhouseCoopers which is a separate and independent legal entity from PricewaterhouseCoopers PLT, Malaysia.*
2 *The Bank has on 23 June 2022 injected additional capital of LAK39.7 billion (equivalent to RM11.7 million) into the company.*
3 *RHB Investment Bank had on 9 March 2022, subscribed for 5 million redeemable preference shares of RM2.00 each in RHBPE amounting to RM10,000,000 for additional working capital purpose.*
4 *Subsidiary not audited pursuant to Companies Act 2013 in Cayman Islands.*
5 *Subsidiaries audited by a firm other than member firms of PricewaterhouseCoopers.*
6 *The company has commenced the application for member's voluntary winding up pursuant to The Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong on 31 December 2022.*
7 *The company has commenced the application for member's voluntary winding up pursuant to The Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong on 14 December 2022.*
8 *The company has been dissolved upon its deregistration as a legal entity on 4 January 2022 pursuant to Section 751 of The Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong.*
9 *The company was disposed during the current financial year as disclosed in Note 59(1).*
10 *The company has commenced member's voluntary winding up on 16 February 2011.*
11 *The company, a wholly-owned subsidiary of RHB Capital (Jersey) Limited, has ceased operations effective from the close of business on 10 December 2001. On 25 June 2020, the company has commenced the application for the amendment of the Articles of Incorporation with the Philippines Securities and Exchange Commission ('SEC') pursuant to the Corporation Code of the Philippines.*
12 *The company has commenced member's voluntary winding up on 3 August 2020.*
13 *The company has been dissolved on 26 July 2022 pursuant to Section 180(3)(b) of the Insolvency, Restructuring and Dissolution Act 2018 (No. 40 of 2018).*
14 *The company has been dissolved on 21 May 2022 pursuant to Section 180(3)(b) of the Insolvency, Restructuring and Dissolution Act 2018 (No. 40 of 2018).*
15 *The company has been dissolved on 11 January 2022 pursuant to Section 180(3)(b) of the Insolvency, Restructuring and Dissolution Act 2018 (No. 40 of 2018).*
16 *The company has commenced member's voluntary winding up on 28 March 2012.*
17 *The company has commenced member's voluntary winding up on 30 September 2020.*
18 *The company has commenced member's voluntary winding up on 30 June 2017.*
19 *The company has commenced member's voluntary winding up on 27 December 2021.*
^ *The funds are subsidiaries consolidated in the Group as the Group controls the funds in accordance with MFRS 10 'Consolidated Financial Statements'.*
* *Consolidated in the Group as the substance of the relationship between the entity and the Bank indicates that the entity is controlled by the Bank.*

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16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

	Note	Group 2022 RM'000	Group 2021 RM'000
Investments in associates – at cost	(a)	**45,025**	45,000
Less: Allowance for impairment losses		**(45,000)**	(45,000)
		25	–
Share of net assets of joint venture	(b)	**43**	12
Less: Allowance for impairment losses		**(43)**	–
		–	12
		25	12

(a) Share of net assets of associates

The details of the associates are as follows:

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest 2022 %	Effective equity interest 2021 %	Principal activities
Prostar Capital (Asia-Pacific) Ltd.[1] ('Prostar')	Cayman Islands	USD 60	**33.33**	33.33	Investment holding with subsidiaries involved in the investment advisory and management of private equity funds
Satin Straits Sdn Bhd[2] ('Satin Straits')	Malaysia	5,000,000	–	–	Investment holding

Notes:

1 Held through RHB Private Equity Management Ltd, a wholly-owned subsidiary of RHBPE, which in turn is a wholly-owned subsidiary of RHB Investment Bank.

The Group did not recognise further losses in its financial statements as at 31 December 2021 as the Group's share of cumulative losses of RM2,819,000 had exceeded its cost of investment.

2 Held through RHBPE, a wholly-owned subsidiary of RHB Investment Bank. The effective equity interest in Satin Straits is Nil as RHBPE has only subscribed for RM45 million Redeemable Convertible Preference Shares. RHBPE will only share the profits of the company and is entitled for full principal repayment upon maturity and with upside potential upon the trade sales or listing of the company.

The Group has accounted for this as an associate as the Group is deemed to have significant influence in accordance with MFRS 128 'Investment in Associates and Joint Ventures'.

There are no capital commitments or contingent liabilities relating to the Group's investments in the associates as at 31 December 2022.

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (CONTINUED)

(a) Share of net assets of associates (continued)

Summarised financial information of Prostar and Satin Straits which are accounted for using the equity method is as follows:

(i) Summarised statements of financial position

	Prostar		Satin Straits		Total	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Assets						
Cash and cash equivalents	**6**	11	**36**	36	**42**	47
Other current assets	**33**	32	**–**	–	**33**	32
Non current assets	**187**	149	**32,581**	32,581	**32,768**	32,730
Total assets	**226**	192	**32,617**	32,617	**32,843**	32,809
Liabilities						
Financial liabilities	**(150)**	(8,650)	**(93)**	(93)	**(243)**	(8,743)
Other current liabilities	**–**	–	**(61)**	(61)	**(61)**	(61)
Total liabilities	**(150)**	(8,650)	**(154)**	(154)	**(304)**	(8,804)
Net assets/(liabilities)	**76**	(8,458)	**32,463**	32,463	**32,539**	24,005

(ii) Summarised statements of comprehensive income

	Prostar		Satin Straits		Total	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other operating income	**14,193**	11,397	**–**	–	**14,193**	11,397
Other operating expenses	**(11,929)**	(13,544)	**–**	–	**(11,929)**	(13,544)
Profit/(Loss) before taxation	**2,264**	(2,147)	**–**	–	**2,264**	(2,147)
Taxation	**–**	–	**–**	–	**–**	–
Net profit/(loss) for the financial year	**2,264**	(2,147)	**–**	–	**2,264**	(2,147)

Notes to the Financial Statements
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16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (CONTINUED)

(a) Share of net assets of associates (continued)

(iii) Reconciliation of summarised financial information presented to the carrying amount of its interest in associates

	Prostar		Satin Straits		Total	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Balance as at the beginning of the financial year	**(8,458)**	(6,116)	**32,463**	32,463	**24,005**	26,347
Net profit/(loss) for the financial year	**2,264**	(2,147)	**–**	–	**2,264**	(2,147)
Translation reserves	**6,270**	(195)	**–**	–	**6,270**	(195)
Balance as at the end of the financial year	**76**	(8,458)	**32,463**	32,463	**32,539**	24,005
Equity interest attributable to net assets	**25**	–	**45,000**	45,000	**45,025**	45,000
Accumulated impairment losses	**–**	–	**(45,000)**	(45,000)	**(45,000)**	(45,000)
Carrying value	**25**	–	**–**	–	**25**	–

(b) Share of net assets of joint venture

The details of the joint venture are as follows:

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest 2022 %	Effective equity interest 2021 %	Principal activities
RHB GC-Millennium Capital Pte Ltd ('RHB GC')[1]	Singapore	SGD10,000	**40**	40	Investment activities

Note:

1 The company has convened its extraordinary general meeting to approve the Members' Voluntary Winding Up pursuant to Section 180(3)(b) of the Insolvency, Restructuring and Dissolution Act 2018 (No. 40 of 2018) on 25 August 2022.

There are no capital commitments or contingent liabilities relating to the Group's investments in the joint ventures as at 31 December 2022.

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (CONTINUED)

(b) Share of net assets of joint venture (continued)

Summarised financial information of RHB GC which are accounted for using the equity method is as follows:

(i) Summarised statements of financial position

	RHB GC	
	2022 RM'000	2021 RM'000
Assets		
Other current assets	–	200
Total assets	–	200
Liabilities		
Financial liabilities	–	(150)
Other current liabilities	–	(20)
Total liabilities	–	(170)
Net assets	–	30

(ii) Summarised statements of comprehensive income

	RHB GC	
	2022 RM'000	2021 RM'000
Other operating income	114	31
Net operating income	114	31
Other operating expenses	(37)	(31)
Profit before taxation/Net profit for the financial year	77	–

(iii) Reconciliation of summarised financial information presented to the carrying amount of its interest in joint ventures

	RHB GC	
	2022 RM'000	2021 RM'000
Balance as at the beginning of the financial year	30	30
Net profit for the financial year	77	–
Balance as at the end of the financial year	107	30
Equity interest attributable to net assets	43	12
Accumulated impairment losses	(43)	–
Carrying value	–	12

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

17 RIGHT-OF-USE ASSETS

	Note	Properties RM'000	Equipment RM'000	Others RM'000	Total RM'000
Group					
2022					
Balance as at the beginning of the financial year		**148,698**	**148**	**25,636**	**174,482**
Depreciation charge for the financial year	42	**(63,597)**	**(172)**	**(7,679)**	**(71,448)**
Additions		**39,946**	**615**	**444**	**41,005**
Disposal of a subsidiary	59(1)	**(995)**	**(12)**	**–**	**(1,007)**
Modification		**(459)**	**(61)**	**(44)**	**(564)**
Exchange differences		**9,307**	**59**	**471**	**9,837**
Balance as at the end of the financial year		**132,900**	**577**	**18,828**	**152,305**
2021					
Balance as at the beginning of the financial year		141,481	417	8,000	149,898
Depreciation charge for the financial year	42	(65,790)	(212)	(6,102)	(72,104)
Impairment charge for the financial year	45	(121)	–	–	(121)
Additions		73,791	–	23,725	97,516
Modification		(2,191)	–	–	(2,191)
Exchange differences		1,528	(57)	13	1,484
Balance as at the end of the financial year		148,698	148	25,636	174,482
Bank					
2022					
Balance as at the beginning of the financial year		**65,741**	**38**	**25,589**	**91,368**
Depreciation charge for the financial year	42	**(48,090)**	**(44)**	**(7,670)**	**(55,804)**
Additions		**54,238**	**136**	**340**	**54,714**
Exchange differences		**1,622**	**1**	**471**	**2,094**
Balance as at the end of the financial year		**73,511**	**131**	**18,730**	**92,372**
2021					
Balance as at the beginning of the financial year		68,083	151	7,932	76,166
Depreciation charge for the financial year	42	(49,215)	(56)	(6,028)	(55,299)
Additions		47,095	–	23,673	70,768
Modification		(379)	–	–	(379)
Exchange differences		157	(57)	12	112
Balance as at the end of the financial year		65,741	38	25,589	91,368

18 PROPERTY, PLANT AND EQUIPMENT

	Note	Land RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
Group								
2022								
Cost								
Balance as at the beginning of the financial year		342,430	481,890	583,296	944,972	438,590	20,566	2,811,744
Additions		–	–	31,960	128,626	20,414	2,864	183,864
Disposals		–	–	–	(1,715)	–	(1,901)	(3,616)
Disposal of a subsidiary	59(1)	–	–	(1,276)	(654)	(337)	(114)	(2,381)
Written off		–	–	(14,122)	(18,510)	(27,196)	(8)	(59,836)
Reclassification (to)/from intangible assets	20	–	–	(2,135)	(11,699)	306	–	(13,528)
Exchange differences		8,091	3,945	1,064	1,052	2,047	99	16,298
Balance as at the end of the financial year		350,521	485,835	598,787	1,042,072	433,824	21,506	2,932,545
Accumulated depreciation								
Balance as at the beginning of the financial year		11,936	230,590	426,525	731,663	376,677	16,655	1,794,046
Charge for the financial year	42	430	10,481	29,095	75,885	18,375	1,514	135,780
Disposals		–	–	–	(1,709)	–	(1,901)	(3,610)
Disposal of a subsidiary	59(1)	–	–	(581)	(571)	(330)	(114)	(1,596)
Written off		–	–	(14,029)	(18,459)	(26,971)	(8)	(59,467)
Exchange differences		226	1,742	1,190	1,379	1,561	5	6,103
Balance as at the end of the financial year		12,592	242,813	442,200	788,188	369,312	16,151	1,871,256
Accumulated impairment loss								
Balance as at the beginning of the financial year		–	690	–	–	184	–	874
Written off		–	–	–	–	(185)	–	(185)
Exchange differences		–	22	–	–	1	–	23
Balance as at the end of the financial year		–	712	–	–	–	–	712
Net book value as at the end of the financial year		337,929	242,310	156,587	253,884	64,512	5,355	1,060,577

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Land RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
Group								
2021								
Cost								
Balance as at the beginning of the financial year		340,801	490,000	560,598	871,590	424,455	21,652	2,709,096
Additions		–	–	24,129	85,362	17,032	1,096	127,619
Disposals		(308)	(9,139)	–	(1,124)	(117)	(2,231)	(12,919)
Written off		–	–	(1,225)	(15,255)	(2,591)	(5)	(19,076)
Reclassification from/(to) intangible assets	20	–	–	(363)	4,321	–	–	3,958
Exchange differences		1,937	1,029	157	78	(189)	54	3,066
Balance as at the end of the financial year		342,430	481,890	583,296	944,972	438,590	20,566	2,811,744
Accumulated depreciation								
Balance as at the beginning of the financial year		11,528	221,443	397,674	682,816	362,033	17,367	1,692,861
Charge for the financial year	42	445	10,455	29,690	62,825	17,602	1,325	122,342
Disposals		(89)	(1,731)	–	572	(75)	(2,037)	(3,360)
Written off		–	–	(799)	(15,245)	(2,584)	(5)	(18,633)
Reclassifications		–	–	(254)	–	254	–	–
Exchange differences		52	423	214	695	(553)	5	836
Balance as at the end of the financial year		11,936	230,590	426,525	731,663	376,677	16,655	1,794,046
Accumulated impairment loss								
Balance as at the beginning of the financial year		–	1,304	–	1,676	–	–	2,980
Charge for the financial year	45	–	–	–	–	193	–	193
Disposals		–	(628)	–	(1,676)	–	–	(2,304)
Exchange differences		–	14	–	–	(9)	–	5
Balance as at the end of the financial year		–	690	–	–	184	–	874
Net book value as at the end of the financial year		330,494	250,610	156,771	213,309	61,729	3,911	1,016,824

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Land RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
Bank								
2022								
Cost								
Balance as at the beginning of the financial year		209,939	440,409	454,197	759,753	312,376	6,284	2,182,958
Additions		–	–	30,225	106,307	14,023	1,994	152,549
Disposals		–	–	–	(1,278)	–	(1,489)	(2,767)
Written off		–	–	(9,459)	(14,359)	(23,137)	(8)	(46,963)
Reclassification from/(to) intangible assets	20	–	–	(2,567)	8,580	–	–	6,013
Exchange differences		116	1,810	2,150	3,468	553	112	8,209
Balance as at the end of the financial year		210,055	442,219	474,546	862,471	303,815	6,893	2,299,999
Accumulated depreciation								
Balance as at the beginning of the financial year		5,959	218,607	323,683	590,670	275,815	5,236	1,419,970
Charge for the financial year	42	230	9,303	23,084	63,718	15,137	595	112,067
Disposals		–	–	–	(1,231)	–	(1,489)	(2,720)
Written off		–	–	(9,429)	(14,340)	(23,125)	(8)	(46,902)
Exchange differences		–	1,268	1,493	2,534	471	100	5,866
Balance as at the end of the financial year		6,189	229,178	338,831	641,351	268,298	4,434	1,488,281
Accumulated impairment loss								
Balance as at the beginning of the financial year		–	304	–	–	–	–	304
Balance as at the end of the financial year		–	304	–	–	–	–	304
Net book value as at the end of the financial year		203,866	212,737	135,715	221,120	35,517	2,459	811,414

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Land RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
Bank								
2021								
Cost								
Balance as at the beginning of the financial year		209,911	439,976	432,781	705,980	302,301	6,168	2,097,117
Additions		–	–	22,138	59,720	10,278	962	93,098
Disposals		–	–	–	(12)	(3)	(878)	(893)
Written off		–	–	(607)	(10,784)	(188)	–	(11,579)
Reclassification from/(to) intangible assets	20	–	–	(363)	4,321	–	–	3,958
Exchange differences		28	433	248	528	(12)	32	1,257
Balance as at the end of the financial year		209,939	440,409	454,197	759,753	312,376	6,284	2,182,958
Accumulated depreciation								
Balance as at the beginning of the financial year		5,722	209,031	301,339	546,994	261,387	5,714	1,330,187
Charge for the financial year	42	237	9,284	23,073	53,109	14,386	370	100,459
Disposals		–	–	–	(11)	(3)	(878)	(892)
Written off		–	–	(587)	(10,779)	(184)	–	(11,550)
Reclassifications		–	–	(254)	–	254	–	–
Exchange differences		–	292	112	1,357	(25)	30	1,766
Balance as at the end of the financial year		5,959	218,607	323,683	590,670	275,815	5,236	1,419,970
Accumulated impairment loss								
Balance as at the beginning of the financial year		–	304	–	–	–	–	304
Balance as at the end of the financial year		–	304	–	–	–	–	304
Net book value as at the end of the financial year		203,980	221,498	130,514	169,083	36,561	1,048	762,684

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Accumulated depreciation and impairment loss				
Balance as at the beginning of the financial year	**1,794,920**	1,695,841	**1,420,274**	1,330,491
Balance as at the end of the financial year	**1,871,968**	1,794,920	**1,488,585**	1,420,274

The above property, plant and equipment includes the following assets under construction:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cost				
Renovations and improvements	**24,376**	18,897	**24,376**	18,897

As at 31 December 2022, included in the carrying value of land and buildings of the Group and the Bank are right-of-use assets relating to leasehold property amounting to RM145,348,000 (2021: RM138,029,000) and RM12,131,000 (2021: RM12,361,000) respectively.

19 GOODWILL

The carrying amounts of goodwill allocated to the Group's and the Bank's CGUs are as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CGU				
Group Community Banking	**488,053**	488,053	**432,659**	432,659
Group Wholesale Banking ('GWB')	**2,049,768**	2,049,768	**1,282,254**	1,282,254
– Group Corporate Banking and Group Investment Banking ('CBIB')	**1,152,362**	1,152,362	**412,634**	412,634
– Group Treasury and Global Markets	**897,406**	897,406	**869,620**	869,620
Commercial Bank Cambodia	**116,301**	116,301	**–**	–
	2,654,122	2,654,122	**1,714,913**	1,714,913

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by Directors covering a three-year (2021: three-year) period. Cash flows beyond the three-year period are extrapolated using the estimated terminal growth rates and discounted using pre-tax discount rates which reflect the specific risks relating to the CGU. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The cash flow projections are derived based on a number of key factors including the past performance and the management's expectations of the market developments.

The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

Impairment was not required for goodwill arising from all CGUs. Management believes that any reasonable possible change to the assumptions applied is not likely to cause the recoverable amount of all the CGUs to be lower than its carrying amount.

The estimated terminal growth rates and discount rates used for value in use calculation are as follows:

	Discount rate		Terminal growth rate	
	2022 %	2021 %	2022 %	2021 %
CGU				
Group Community Banking	**9.5**	8.2	**4.5**	5.0
GWB				
– Group CBIB	**9.5**	8.2	**4.5**	5.0
– Group Treasury and Global Markets	**9.0**	7.8	**4.5**	5.0
Commercial Bank Cambodia	**12.0**	10.5	**6.0**	5.0

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

20 INTANGIBLE ASSETS

	Note	Customer relationship RM'000	Trading rights and memberships RM'000	Computer software license RM'000	Total RM'000
Group					
2022					
Cost					
Balance as at the beginning of the financial year		**5,659**	**2,105**	**1,946,316**	**1,954,080**
Additions		–	–	**205,538**	**205,538**
Disposal of a subsidiary	59(1)	–	–	**(731)**	**(731)**
Written off		–	–	**(9,188)**	**(9,188)**
Reclassification from property, plant and equipment	18	–	–	**13,528**	**13,528**
Exchange differences		–	**13**	**4,354**	**4,367**
Balance as at the end of the financial year		**5,659**	**2,118**	**2,159,817**	**2,167,594**
Accumulated amortisation					
Balance as at the beginning of the financial year		**5,187**	**941**	**1,253,199**	**1,259,327**
Amortisation for the financial year	42	**472**	–	**154,395**	**154,867**
Disposal of a subsidiary	59(1)	–	–	**(376)**	**(376)**
Written off		–	–	**(9,188)**	**(9,188)**
Exchange differences		–	**5**	**2,619**	**2,624**
Balance as at the end of the financial year		**5,659**	**946**	**1,400,649**	**1,407,254**
Net book value as at the end of the financial year		–	**1,172**	**759,168**	**760,340**
2021					
Cost					
Balance as at the beginning of the financial year		5,659	2,210	1,760,259	1,768,128
Additions		–	–	191,640	191,640
Written off		–	–	(2,491)	(2,491)
Reclassification to property, plant and equipment	18	–	–	(3,958)	(3,958)
Exchange differences		–	(105)	866	761
Balance as at the end of the financial year		5,659	2,105	1,946,316	1,954,080
Accumulated amortisation					
Balance as at the beginning of the financial year		4,621	987	1,126,209	1,131,817
Amortisation for the financial year	42	566	–	127,945	128,511
Written off		–	–	(1,282)	(1,282)
Exchange differences		–	(46)	327	281
Balance as at the end of the financial year		5,187	941	1,253,199	1,259,327
Net book value as at the end of the financial year		472	1,164	693,117	694,753

20 INTANGIBLE ASSETS (CONTINUED)

		Computer software license	
	Note	2022 RM'000	2021 RM'000
Bank			
Cost			
Balance as at the beginning of the financial year		**1,678,779**	1,531,093
Additions		**181,260**	152,893
Written off		**(6,114)**	(2,206)
Reclassification to property, plant and equipment	18	**(6,013)**	(3,958)
Exchange differences		**6,358**	957
Balance as at the end of the financial year		**1,854,270**	1,678,779
Accumulated amortisation			
Balance as at the beginning of the financial year		**1,075,645**	965,608
Amortisation for the financial year	42	**131,505**	110,350
Written off		**(6,114)**	(997)
Exchange differences		**5,331**	684
Balance as at the end of the financial year		**1,206,367**	1,075,645
Net book value as at the end of the financial year		**647,903**	603,134

21 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(a) By type of deposits				
Demand deposits	**51,933,661**	50,781,048	**42,284,487**	40,926,635
Savings deposits	**14,505,771**	14,824,462	**11,841,346**	12,042,346
Fixed/investment deposits	**160,212,605**	152,875,804	**81,455,913**	84,332,324
Negotiable instruments of deposits	**507,725**	251,271	**507,725**	251,271
	227,159,762	218,732,585	**136,089,471**	137,552,576
(b) By type of customer				
Government and statutory bodies	**21,460,674**	18,660,846	**5,592,868**	5,283,361
Business enterprises	**117,592,692**	114,383,371	**72,798,795**	75,741,317
Individuals	**80,503,285**	78,274,077	**50,975,787**	50,124,540
Other financial institutions	**7,603,111**	7,414,291	**6,722,021**	6,403,358
	227,159,762	218,732,585	**136,089,471**	137,552,576
(c) By maturity structure of fixed/investment deposits and negotiable instruments of deposits				
Due within six months	**129,992,709**	116,302,584	**65,247,406**	61,461,628
Six months to one year	**26,159,154**	34,741,291	**14,083,157**	22,171,387
One year to three years	**3,120,220**	1,795,252	**2,323,733**	685,359
Three years to five years	**1,448,247**	287,948	**309,342**	265,221
	160,720,330	153,127,075	**81,963,638**	84,583,595

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

22 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Licensed banks		**17,622,246**	16,696,377	**26,672,749**	20,636,398
Licensed Islamic banks		**1,538,161**	1,295,130	**3,623**	1,773
Licensed investment banks		**322,526**	651,864	**1,144,400**	607,550
BNM/Other central banks	(a)	**4,736,004**	4,178,053	**4,542,468**	4,026,170
Other financial institutions		**374,932**	585,403	**82,222**	397,708
		24,593,869	23,406,827	**32,445,462**	25,669,599

(a) Included in deposits and placements by BNM/other central banks are amounts received under the Government scheme as part of the COVID-19 relief measures for the purpose of lending/financing to SMEs at a concessionary rate and with maturity period ranging between two to nine years.

23 OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Obligations on securities sold under repurchase agreements are securities which the Group and the Bank have sold from its portfolio, with a commitment to repurchase at future dates. Such financing and the obligations to repurchase the securities are reflected as a liability on the statements of financial position.

The financial assets sold under repurchase agreements are as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Financial assets at FVOCI	**2,841,000**	1,552,000	**2,841,000**	1,921,000
Financial investments at amortised cost	**4,419,000**	384,000	**4,995,000**	2,750,000
	7,260,000	1,936,000	**7,836,000**	4,671,000

24 INVESTMENT ACCOUNTS

	Group	
	2022 RM'000	2021 RM'000
Mudharabah Restricted Investment Account	**427,640**	360,520
Wakalah Unrestricted Investment Account	**818,386**	220,771
	1,246,026	581,291

24 INVESTMENT ACCOUNTS (CONTINUED)

Group	2022 Mudharabah Restricted Investment Account RM'000	2022 Wakalah Unrestricted Investment Account RM'000	2022 Total RM'000	2021 Mudharabah Restricted Investment Account RM'000	2021 Wakalah Unrestricted Investment Account RM'000	2021 Total RM'000
(a) Movement in investment accounts						
Funding inflows/(outflows) – Principal:						
Balance as at the beginning of the financial year	357,870	220,670	578,540	–	–	–
New placement during the financial year	–	1,024,116	1,024,116	348,887	220,670	569,557
Accretion during the financial year	35,110	–	35,110	8,983	–	8,983
Redemption during the financial year	–	(441,808)	(441,808)	–	–	–
Balance as at the end of the financial year	392,980	802,978	1,195,958	357,870	220,670	578,540
Profit attributable to investment account holders – Total profit payable:						
Balance as at the beginning of the financial year	2,650	101	2,751	–	–	–
Profit distributed to investment account holders during the financial year	32,010	20,634	52,644	22,258	101	22,359
Profit paid to investment account holders during the financial year	–	(5,327)	(5,327)	(19,608)	–	(19,608)
Balance as at the end of the financial year	34,660	15,408	50,068	2,650	101	2,751
Net balance as at the end of the financial year	427,640	818,386	1,246,026	360,520	220,771	581,291
(b) Investment asset (principal)						
– Personal financing	–	642,382	642,382	–	176,536	176,536
– Housing financing	–	160,596	160,596	–	44,134	44,134
– Unquoted securities	392,980	–	392,980	357,870	–	357,870
	392,980	802,978	1,195,958	357,870	220,670	578,540
(c) Type of customer						
– Licensed banks	427,640	–	427,640	360,520	–	360,520
– Business enterprises	–	818,386	818,386	–	220,771	220,771
	427,640	818,386	1,246,026	360,520	220,771	581,291

	2022 Average profit sharing ratio %	2022 Average rate of return %	2022 Performance incentive fee %	2021 Average profit sharing ratio %	2021 Average rate of return %	2021 Performance incentive fee %
(d) Maturity profile, profit sharing and rate of return						
(i) Mudharabah restricted investment account						
– More than five years	100	6.32	–	100	5.05	–
(ii) Wakalah unrestricted investment account						
– Below one year	7	3.00	4.49	7	2.37	4.82

Notes to the Financial Statements

For The Financial Year Ended 31 December 2022

25 CLIENTS' AND BROKERS' BALANCES

	Group	
	2022 RM'000	2021 RM'000
Amounts due to:		
– Clients	**703,036**	823,304
– Brokers	**66,886**	63,811
– Clearing houses and stock exchanges	**6,867**	61,396
	776,789	948,511

26 GENERAL INSURANCE CONTRACT LIABILITIES

	Group	
	2022 RM'000	2021 RM'000
Claims liabilities	**845,210**	763,583
Premium liabilities	**326,336**	305,104
	1,171,546	1,068,687

	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
2022				
Claims reported by policyholders		**604,365**	**(322,405)**	**281,960**
Incurred but not reported claims ('IBNR')		**240,845**	**(63,467)**	**177,378**
Claims liabilities	(a)	**845,210**	**(385,872)**	**459,338**
Premium liabilities	(b)	**326,336**	**(119,728)**	**206,608**
Total		**1,171,546**	**(505,600)**	**665,946**
2021				
Claims reported by policyholders		480,422	(241,559)	238,863
IBNR		283,161	(97,640)	185,521
Claims liabilities	(a)	763,583	(339,199)	424,384
Premium liabilities	(b)	305,104	(96,143)	208,961
Total		1,068,687	(435,342)	633,345

26 GENERAL INSURANCE CONTRACT LIABILITIES (CONTINUED)

(a) Claims liabilities

	Gross RM'000	Reinsurance RM'000	Net RM'000
2022			
Balance as at the beginning of the financial year	**763,583**	**(339,199)**	**424,384**
Claims incurred in current accident year:			
– Paid	**163,211**	**(49,696)**	**113,515**
– Case reserves	**329,746**	**(117,099)**	**212,647**
– IBNR	**225,373**	**(48,988)**	**176,385**
Claims incurred in prior accident year:			
– Paid	**219,234**	**(102,477)**	**116,757**
– Case reserves	**(591,031)**	**188,425**	**(402,606)**
– IBNR	**(264,906)**	**83,162**	**(181,744)**
Balance as at the end of the financial year	**845,210**	**(385,872)**	**459,338**
2021			
Balance as at the beginning of the financial year	786,670	(369,960)	416,710
Claims incurred in current accident year:			
– Paid	106,150	(26,012)	80,138
– Case reserves	225,718	(72,483)	153,235
– IBNR	262,189	(85,518)	176,671
Claims incurred in prior accident year:			
– Paid	181,204	(89,317)	91,887
– Case reserves	(542,307)	235,481	(306,826)
– IBNR	(256,041)	68,610	(187,431)
Balance as at the end of the financial year	763,583	(339,199)	424,384

(b) Premium liabilities

	Gross RM'000	Reinsurance RM'000	Net RM'000
2022			
Balance as at the beginning of the financial year	**305,104**	**(96,143)**	**208,961**
Premium written for the financial year	**738,237**	**(256,694)**	**481,543**
Premium earned during the financial year	**(717,005)**	**233,109**	**(483,896)**
Balance as at the end of the financial year	**326,336**	**(119,728)**	**206,608**
2021			
Balance as at the beginning of the financial year	299,715	(97,544)	202,171
Premium written for the financial year	709,579	(224,143)	485,436
Premium earned during the financial year	(704,190)	225,544	(478,646)
Balance as at the end of the financial year	305,104	(96,143)	208,961

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

27 OTHER LIABILITIES

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other creditors and accruals		**1,343,276**	1,308,668	**844,422**	853,092
Amount payable for redemption units		**82,211**	348,404	**–**	–
Contract liabilities	(a)	**147,368**	205,971	**42,000**	63,000
Short term employee benefits		**444,087**	455,763	**311,087**	361,228
Accrual for operational expenses		**246,929**	265,925	**191,828**	197,033
Prepaid instalments		**17,278**	22,406	**17,278**	22,406
Cash collateral pledged for derivative transactions		**538,691**	112,719	**538,691**	112,719
Structured deposits		**958,666**	771,311	**917,646**	771,311
Remisiers' trust deposits		**94,266**	97,828	**–**	–
Amount payable for creation of units due to funds		**203,132**	457,587	**–**	–
Amount due to subsidiaries	(b)	**–**	–	**5,452**	6,584
		4,075,904	4,046,582	**2,868,404**	2,387,373

(a) Contract liabilities represent the recognition of bancassurance/bancatakaful fee income and fee advances received but yet to be recognised in the income statements. During the current financial year, an amount of RM62,740,000 and RM21,000,000 (2021: RM58,734,000 and RM21,000,000) for the Group and the Bank respectively have been recognised in the income statements.

(b) Amount due to subsidiaries are unsecured, interest-free and repayable within the normal credit period.

28 RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD ('CAGAMAS')

Recourse obligation on loans sold to Cagamas represents those acquired from the originators and sold to Cagamas with recourse. Under the agreement, the Group and the Bank undertake to administer the loans on behalf of Cagamas and to buy back any loans 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 loans are reflected as a liability on the statements of financial position. The loans are not de-recognised and are analysed in Note 8.

29 PROVISION FOR TAXATION AND ZAKAT

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Tax expense	**388,041**	118,163	**261,391**	–
Zakat	**8,000**	6,000	**–**	–
	396,041	124,163	**261,391**	–

30 LEASE LIABILITIES

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Lease liabilities	**160,632**	182,607	**93,974**	92,935
Scheduled repayment of lease liabilities:				
– Within one year	**58,666**	59,088	**42,559**	46,588
– One year to three years	**56,261**	54,410	**45,704**	36,378
– More than three years	**45,705**	69,109	**5,711**	9,969
	160,632	182,607	**93,974**	92,935

31 BORROWINGS

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Secured					
Term loan:					
– Cambodian Riel ('KHR')	(a)	**–**	11,001	**–**	–
Overdraft:					
– Vietnam Dong	(b)	**7,312**	–	**–**	–
Unsecured					
Term loan:					
– United States Dollar ('USD')	(c(i))	**442,422**	–	**442,422**	–
– Singapore Dollar ('SGD')	(c(ii))	**821,154**	–	**821,154**	–
Promissory notes:					
– Indonesia Rupiah ('IDR')	(d(i))	**28,304**	14,619	**–**	–
– Thai Baht ('THB')	(d(ii))	**176,993**	101,760	**–**	–
		1,476,185	127,380	**1,263,576**	–
Scheduled repayment of borrowings:					
– Within one year		**655,031**	127,380	**442,422**	–
– One year to three years		**821,154**	–	**821,154**	–
		1,476,185	127,380	**1,263,576**	–

The borrowings of the Group are as follows:

(a) Term loan – secured

The KHR term loan of the Group which bear interest at rates ranging from 3.00% to 5.25% (2021: 2.10% to 5.25%) per annum and secured by negotiable certificate of deposits with National Bank of Cambodia, was fully repaid in April 2022.

(b) Overdraft – secured

The Vietnam Dong overdraft of the Group bear interest at 6.30% (2021: Nil) per annum and is secured by fixed deposit placements.

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31 BORROWINGS (CONTINUED)

The borrowings of the Group are as follows (continued):

(c) Term loan – unsecured

(i) The USD term loan of the Group and the Bank bear interest at rates ranging from 0.66% to 5.02% (2021: Nil) per annum.

(ii) The SGD term loan of the Group and the Bank bear interest at 3.70% (2021: Nil) per annum.

(d) Promissory notes – unsecured

(i) The IDR promissory notes of the Group bear interest at rates ranging from 4.30% to 6.06% (2021: 5.00% to 7.03%) per annum.

(ii) The THB promissory notes of the Group bear interest at rates ranging from 0.85% to 3.50% (2021: 0.85% to 2.00%) per annum.

32 SENIOR DEBT SECURITIES

	Note	Group and Bank	
		2022 RM'000	2021 RM'000
Issued under the USD5 billion (or its equivalent in other currencies) Euro Medium Term Programme:			
– USD300 million 3.766% senior debt securities due in 2024	(a)	**1,339,419**	1,265,758
– USD500 million 1.658% senior debt securities due in 2026	(b)	**2,200,153**	2,079,024
Issued under the RM10 billion (or its equivalent in other currencies) Multi-Currency Islamic Medium Term Notes Programme:			
– RM300 million 2.85% senior Sukuk Murabahah due in 2025	(c)	**301,618**	301,587
		3,841,190	3,646,369

Details of outstanding senior debt securities as at 31 December 2022 are as follows:

Issuance date	Principal	Maturity date	Interest rate	Interest payment
(a) 19 February 2019	USD300 million	19 February 2024	3.766% per annum	Accrued and payable semi-annually in arrears
(b) 29 June 2021	USD500 million	29 June 2026	1.658% per annum	Accrued and payable semi-annually in arrears
(c) 20 October 2020	RM300 million	20 October 2025	2.85% per annum	Accrued and payable semi-annually in arrears

33 SUBORDINATED OBLIGATIONS

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
4.88% RM250 million Tier II Subordinated Sukuk Murabahah 2017/2027	(a)	–	252,206	–	–
4.82% RM750 million Tier II Subordinated Notes 2017/2027	(b)	–	759,287	–	759,287
4.90% RM200 million Tier II Subordinated Notes 2017/2027	(c)	–	202,175	–	–
4.32% RM500 million Tier II Subordinated Sukuk Murabahah 2019/2029	(a)	**502,426**	502,367	–	–
3.35% RM500 million Tier II Subordinated Notes 2020/2030	(b)	**501,408**	501,366	**501,408**	501,366
3.13% RM500 million Tier II Subordinated Notes 2020/2030	(b)	**501,557**	501,463	**501,557**	501,463
3.65% RM500 million Tier II Subordinated Notes 2021/2031	(b)	**503,069**	503,018	**503,069**	503,018
4.06% RM250 million Tier II Subordinated Sukuk Murabahah 2022/2032	(a)	**252,002**	–	–	–
4.40% RM500 million Tier II Subordinated Notes 2022/2032	(b)	**505,524**	–	**505,524**	–
4.45% RM100 million Tier II Subordinated Notes 2022/2032	(c)	**101,097**	–	–	–
		2,867,083	3,221,882	**2,011,558**	2,265,134

The subordinated obligations comprise unsecured liabilities of the Bank and its investment bank and islamic bank subsidiaries and are subordinated to the senior indebtedness in accordance with their respective terms and conditions of issuance and qualify as Tier II capital as disclosed in Note 55 for the purpose of determining the capital adequacy ratios of the Bank and the respective subsidiaries.

(a) 4.88% RM250 million Tier II Subordinated Sukuk Murabahah 2017/2027, 4.32% RM500 million Tier II Subordinated Sukuk Murabahah 2019/2029 and 4.06% RM250 million Tier II Subordinated Sukuk Murabahah 2022/2032

On 27 April 2017, RHB Islamic Bank issued RM250 million nominal value of Subordinated Sukuk Murabahah under a RM1 billion Subordinated Sukuk programme. On 27 April 2022, RHB Islamic Bank had fully redeemed this RM250 million Subordinated Sukuk Murabahah 2017/2027.

On 25 July 2018, the Subordinated Sukuk programme has been upsized from RM1 billion to RM5 billion.

On 21 May 2019, RHB Islamic Bank has further issued RM500 million nominal value of Subordinated Sukuk Murabahah under the RM5 billion Subordinated Sukuk programme.

On 21 April 2022, RHB Islamic Bank has further issued RM250 million nominal value of Subordinated Sukuk Murarabahah under the same RM5 billion Subordinated Sukuk programme.

Notes to the Financial Statements
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33 SUBORDINATED OBLIGATIONS (CONTINUED)

(a) 4.88% RM250 million Tier II Subordinated Sukuk Murabahah 2017/2027, 4.32% RM500 million Tier II Subordinated Sukuk Murabahah 2019/2029 and 4.06% RM250 million Tier II Subordinated Sukuk Murabahah 2022/2032 (continued)

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2017/2027	250	27 April 2027 (callable in 2022)	4.88% per annum chargeable to 27 April 2027	Accrued and payable semi-annually in arrears
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

(b) 4.82% RM750 million Tier II Subordinated Notes 2017/2027, 3.35% RM500 million Tier II Subordinated Notes 2020/2030, 3.13% RM500 million Tier II Subordinated Notes 2020/2030, 3.65% RM500 million Tier II Subordinated Notes 2021/2031 and 4.40% RM500 million Tier II Subordinated Notes 2022/2032

On 27 September 2017, the Bank issued RM750 million nominal value of Subordinated Notes, being part of RM5 billion Multi-Currency Medium Term Note Programme ('MCMTN Programme'). On 27 September 2022, the Bank had fully redeemed this RM750 million Subordinated Notes 2017/2027.

On 28 May 2020 and 20 November 2020, the Bank has further issued RM500 million nominal value of Subordinated Notes 2020/2030 each, being part of the same MCMTN Programme.

On 28 April 2021, the Bank has further issued RM500 million nominal value of Subordinated Notes under the said MCMTN Programme.

On 28 September 2022, the Bank has further issued RM500 million nominal value of Subordinated Notes under the said MCMTN Programme.

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2017/2027	750	27 September 2027 (Callable in 2022)	4.82% per annum chargeable to 27 September 2027	Accrued and payable semi-annually in arrears
2020/2030	500	28 May 2030 (Callable in 2025)	3.35% per annum chargeable to 28 May 2030	Accrued and payable semi-annually in arrears
2020/2030	500	20 November 2030 (Callable in 2025)	3.13% per annum chargeable to 20 November 2030	Accrued and payable semi-annually in arrears
2021/2031	500	28 April 2031 (Callable in 2026)	3.65% per annum chargeable to 28 April 2031	Accrued and payable semi-annually in arrears
2022/2032	500	28 September 2032 (Callable in 2027)	4.40% per annum chargeable to 28 September 2032	Accrued and payable semi-annually in arrears

33 SUBORDINATED OBLIGATIONS (CONTINUED)

(c) 4.90% RM200 million Tier II Subordinated Notes 2017/2027 and 4.45% RM100 million Tier II Subordinated Notes 2022/2032

On 11 October 2017, RHB Investment Bank issued RM200 million nominal value of Subordinated Notes, being part of RM1 billion MCMTN Programme. On 11 October 2022, RHB Investment Bank had fully redeemed this RM200 million Subordinated Notes 2017/2027.

On 3 October 2022, RHB Investment Bank has issued RM100 million nominal value of Subordinated Notes under the same RM1 billion MCMTN Programme.

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2017/2027	200	11 October 2027 (Callable in 2022)	4.90% per annum chargeable to 11 October 2027	Accrued and payable semi-annually in arrears
2022/2032	100	1 October 2032 (Callable in 2027)	4.45% per annum chargeable to 1 October 2032	Accrued and payable semi-annually in arrears

34 SHARE CAPITAL

		Group and Bank			
		2022		2021	
	Note	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid:					
Ordinary shares					
Balance as at the beginning of the financial year		**4,142,918**	**7,612,612**	4,010,045	6,994,103
Shares issued under DRP:					
– Issued on 16 June 2022	(a)	**69,159**	**357,550**	–	–
– Issued on 7 November 2022	(b)	**35,296**	**175,423**	–	–
– Issued on 8 July 2021	(c)	**–**	**–**	58,315	268,830
– Issued on 3 November 2021	(d)	**–**	**–**	74,558	349,679
Balance as at the end of the financial year		**4,247,373**	**8,145,585**	4,142,918	7,612,612

On 17 December 2020, the Bank announced that as part of its capital management plan and to enhance the Bank's shareholders' value, the Bank had proposed to undertake a dividend reinvestment plan that provides the shareholders with the option to elect to reinvest their cash dividend declared by the Bank into new ordinary shares of the Bank ('RHB Bank Shares'), hereinafter referred to as Dividend Reinvestment Plan ('DRP'). Approval from shareholders for the DRP and the issuance of new shares arising from the DRP was obtained at the Annual General Meeting held on 25 May 2021.

The DRP further provides that whenever a cash dividend (either an interim, final, special or other dividend) is proposed, the Board may, in its absolute discretion, determine that the DRP to be applied to the whole or a portion of the cash dividend and where applicable, any remaining portion of the dividend will be paid in cash.

Notes to the Financial Statements
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34 SHARE CAPITAL (CONTINUED)

During the current financial year, the Bank increased its issued and paid up share capital from:

(a) RM7,612,611,635 to RM7,970,161,835 on 16 June 2022 via the issuance of 69,158,646 new RHB Bank Shares at RM5.17 per share arising from the DRP relating to the single-tier final dividend of 25.0 sen per share in respect of the financial year ended 31 December 2021, of which the shareholders may elect to reinvest up to 10.0 sen per RHB Bank Share; and

(b) RM7,970,161,835 to RM8,145,585,311 on 7 November 2022 via the issuance of 35,296,474 new RHB Bank Shares at RM4.97 per share arising from the DRP relating to the single-tier interim dividend of 15.0 sen per share in respect of the financial year ended 31 December 2022, of which the shareholders may elect to reinvest up to 5.0 sen per RHB Bank Share.

In respect of the financial year ended 31 December 2021, the Bank increased its issued and paid up share capital from:

(c) RM6,994,102,955 to RM7,262,932,796 on 8 July 2021 via the issuance of 58,314,499 new RHB Bank Shares at RM4.61 per share arising from the DRP relating to the single-tier final dividend of 7.65 sen per share in respect of the financial year ended 31 December 2020; and

(d) RM7,262,932,796 to RM7,612,611,635 on 3 November 2021 via the issuance of 74,558,388 new RHB Bank Shares at RM4.69 per share arising from the DRP relating to the single-tier interim dividend of 15.0 sen per share in respect of the financial year ended 31 December 2021, of which the shareholders may elect to reinvest up to 10.0 sen per RHB Bank Share.

The new ordinary shares issued during the financial years rank *pari passu* in all respects with the existing shares of the Bank.

35 RESERVES

		Group		Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Statutory reserves	(a)	**111,203**	104,645	**–**	–
Regulatory reserves	(b)	**882,145**	328,129	**561,654**	227,289
FVOCI reserves	(c)	**(546,712)**	443,003	**(471,165)**	429,544
Translation reserves	(d)	**683,491**	562,410	**421,133**	353,068
Other reserves		**23,331**	23,331	**–**	–
Share-based payment reserves	(e)	**4,337**	–	**4,337**	–
Retained profits		**19,411,713**	18,924,198	**14,207,870**	13,726,275
		20,569,508	20,385,716	**14,723,829**	14,736,176

(a) Statutory reserves represent non-distributable profits held by:

(i) The commercial banking subsidiary in Cambodia in compliance with the provision of Prakas No. B7-010-182 dated 15 October 2010 on Bank's Net-Worth Calculation, Prakas No. B7-07-134 dated 27 August 2007 and Letter No. B7-020-868 dated 10 June 2020 on the monitoring of Banks' and Financial Institutions' Net Open Position in foreign currency and Prakas No. B7-018-068 dated 22 February 2018 on the determination of capital buffers of banks and financial institutions issued by the National Bank of Cambodia;

(ii) The commercial banking subsidiary in Lao in compliance with Law on Enterprise No. 46/NA dated 26 December 2013 where the subsidiary shall annually convert ten percent of its net profit into the reserve funds after deducting its accumulated losses as required by BOL;

(iii) The stockbroking subsidiary in Thailand in compliance with Section 116 of the Public Limited Company Act B.E. 2535 in Thailand; and

35 RESERVES (CONTINUED)

(a) Statutory reserves represent non-distributable profits held by (continued):

(iv) The stockbroking subsidiary in Vietnam in compliance with the Circular No. 146/2014/TT-BTC issued by the Ministry of Finance, which is effective until 31 December 2021.

The Circular No. 146/2014/TT-BTC was revoked by Circular No. 114/2021/TT-BTC issued by the Ministry of Finance on 17 December 2021, where effective from 1 January 2022, the balance of the Supplementary Capital Reserve and the balance of Financial Risk and Operation Reserve shall be added to the stockbroking subsidiary's Charter Capital, or to be utilised in line with a resolution of an Annual General Meeting of its shareholders. As of 31 December 2022, all Supplementary Capital Reserve and Financial Risk and Operation Reserve remain as a form of Statutory Reserves.

(b) Regulatory reserves are maintained by the Bank and its banking subsidiaries in Malaysia and Cambodia:

(i) The regulatory reserves in Malaysia is in compliance with BNM's Revised Policy Documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions with effect from 1 January 2018, whereby the Bank and its domestic banking subsidiaries must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures; and

(ii) The regulatory reserves in Cambodia is in line with the requirements of Prakas No. B7-017-344, Circular B7-018-001 and Circular B7-021-2314 issued by the National Bank of Cambodia.

(c) FVOCI reserves represents the cumulative gains and losses arising on the revaluation of investments in equity instruments designated as FVOCI, net of cumulative gain/loss transferred to retained earnings upon disposal and investments in debt instruments classified as FVOCI, net of cumulative loss allowance recognised on these investments and cumulative gain/loss reclassified to income statements upon disposal or reclassification of these investments.

(d) Translation reserves comprise all foreign exchange differences from the translation of the financial statements of foreign operations, subsidiaries and joint ventures, and the effect of the effective portion of net investment hedges.

(e) Share-based payment reserves arose from the shares granted to eligible executives of the Group and the Bank pursuant to the SGS. Terms of the SGS are disclosed in Note 59(2).

36 NON-CONTROLLING INTERESTS ('NCI')

	Group	
	2022 RM'000	2021 RM'000
Balance as at the beginning of the financial year	**32,183**	32,729
Share of profit during the financial year	**4,333**	4,744
Actuarial gain/(loss) on defined benefit plan of subsidiaries, net of tax	**21**	(18)
Dividends paid	**(5,300)**	(5,300)
Disposal of a subsidiary	**(25)**	–
Exchange differences	**(65)**	28
Balance as at the end of the financial year	**31,147**	32,183

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37 INTEREST INCOME

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Loans and advances	**5,429,906**	4,676,580	**5,042,323**	4,317,429
Money at call and deposits and placements with banks and other financial institutions	**219,627**	99,109	**360,461**	187,138
Investment account due from designated financial institutions	**–**	–	**280,668**	268,299
Securities purchased under resale agreements	**1,344**	–	**12,622**	–
Financial assets at FVTPL	**56,762**	46,427	**56,741**	46,290
Financial assets at FVOCI – debt instruments	**1,078,401**	1,099,120	**1,064,617**	1,078,290
Financial investments at amortised cost	**574,434**	391,936	**522,781**	342,988
Others	**21,556**	15,321	**15,775**	2,153
	7,382,030	6,328,493	**7,355,988**	6,242,587
Of which:				
Interest income accrued on impaired financial assets	**70,439**	76,520	**66,947**	72,934

38 INTEREST EXPENSE

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deposits and placements of banks and other financial institutions	**386,556**	172,519	**524,723**	199,528
Deposits from customers	**2,406,198**	1,821,787	**2,148,345**	1,699,206
Obligations on securities sold under repurchase agreements	**92,661**	15,972	**134,441**	61,293
Recourse obligation on loans sold to Cagamas	**62,173**	6,309	**62,173**	6,309
Subordinated obligations	**92,116**	91,038	**83,393**	81,238
Senior debt securities	**96,437**	114,487	**96,437**	114,487
Borrowings	**14,214**	7,861	**10,497**	485
Others	**57,179**	36,491	**52,765**	31,390
	3,207,534	2,266,464	**3,112,774**	2,193,936

39 OTHER OPERATING INCOME

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fee income				
Service charges and fees	**175,031**	143,306	**161,146**	131,001
Commission	**180,505**	200,159	**203,692**	246,337
Guarantee fees	**33,747**	31,229	**33,370**	31,066
Commitment fees	**40,501**	42,711	**38,975**	41,170
Brokerage income	**190,042**	382,072	**–**	–
Fund management fees	**238,888**	293,167	**–**	–
Unit trust fee income	**33,996**	182,471	**–**	–
Corporate advisory fees	**22,939**	34,625	**2,267**	5,082
Underwriting and arrangement fees	**5,288**	12,706	**266**	465
Other fee income	**76,961**	99,881	**19,098**	19,019
	997,898	1,422,327	**458,814**	474,140
Fee and commission expenses	**(131,423)**	(328,010)	**–**	–
	866,475	1,094,317	**458,814**	474,140
Net gain/(loss) arising from financial assets at FVTPL				
– Net loss on disposal	**(80,451)**	(64,655)	**(39,100)**	(97,834)
– Unrealised net gain/(loss) on revaluation	**9,578**	14,691	**11,446**	(4,052)
– Dividend income	**38,056**	50,080	**–**	–
	(32,817)	116	**(27,654)**	(101,886)
Net gain/(loss) on revaluation of derivatives	**264,966**	(50,434)	**235,286**	(18,849)
Net (loss)/gain on fair value hedges	**(1,159)**	11	**(1,107)**	11
Net gain on derecognition of hedging	**512**	–	**512**	–
Net gain arising from derecognition of financial investments at amortised cost	**839**	14,924	**839**	14,924
Net gain arising from financial assets at FVOCI				
– Net gain on debt instruments on disposal	**46,410**	328,104	**45,864**	327,720
– Dividend income on equity instruments	**4,210**	4,796	**3,673**	4,099
	50,620	332,900	**49,537**	331,819
Dividend income from subsidiaries	**–**	–	**530,357**	247,903

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39 OTHER OPERATING INCOME (CONTINUED)

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other income				
Net foreign exchange gain	**291,297**	189,711	**264,970**	187,459
Insurance underwriting surplus before management expenses	**208,972**	235,022	**–**	–
Gain on disposal of property, plant and equipment	**534**	16,752	**424**	214
Gain on disposal of subsidiaries	**24,595**	752	**–**	–
Loss on liquidation of subsidiaries	**–**	–	**(6)**	(52)
Gain on modification of right-of-use assets	**6**	–	**–**	–
Rental income	**2,489**	1,973	**11,637**	9,175
Other operating income	**27,774**	23,958	**25,717**	21,254
Other non-operating income	**31,098**	16,439	**21,474**	13,618
	586,765	484,607	**324,216**	231,668
	1,736,201	1,876,441	**1,570,800**	1,179,730

40 INCOME FROM ISLAMIC BANKING BUSINESS

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Income derived from investment of depositors' fund	**3,446,073**	2,936,041	**20,235**	10,815
Income derived from investment account funds	**481,503**	357,697	**–**	–
Income derived from investment of shareholders' fund	**232,901**	250,077	**–**	15
	4,160,477	3,543,815	**20,235**	10,830
Income attributable to depositors	**(1,709,777)**	(1,426,365)	**(20,695)**	(5,380)
Profit distributed to investment account holders	**(52,644)**	(22,359)	**–**	–
	2,398,056	2,095,091	**(460)**	5,450
Of which:				
Financing income earned on impaired financing and advances	**18,115**	12,281	**–**	–

41 MODIFICATION LOSS

In 2021, the Group and the Bank have granted payment moratorium on selected individuals, microenterprise borrowers and SMEs affected by the COVID-19 pandemic who have opted in under the Government's repayment assistance, reduction in instalments and other packages, including to reschedule and restructure financing and advances to suit the specific financial circumstances of borrowers. As a result of these payment moratoriums, the Group and the Bank have recognised a loss arising from the modification of cash flows of the loan/financing.

The following table includes a summary information for financial assets with lifetime ECL whose cash flows were modified during the financial year and their respective effect on the Group and the Bank's financial performance:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Loans, advances and financing:				
Amortised cost before modification	**–**	1,725,839	**–**	706,283
Modification loss	**–**	64,674	**–**	43,142

42 OTHER OPERATING EXPENSES

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Personnel costs				
Salaries, bonuses, wages and allowances	**1,818,110**	1,721,315	**1,406,224**	1,342,763
Defined contribution plan	**252,203**	249,149	**211,079**	204,879
Share-based expenses	**4,337**	–	**3,107**	–
Other staff related costs	**175,561**	167,205	**135,114**	123,855
	2,250,211	2,137,669	**1,755,524**	1,671,497
Establishment costs				
Property, plant and equipment:				
– Depreciation	**135,780**	122,342	**112,067**	100,459
– Written off	**184**	443	**61**	29
Intangible assets:				
– Amortisation	**154,867**	128,511	**131,505**	110,350
– Written off	**–**	1,209	**–**	1,209
Right-of-use assets:				
– Depreciation	**71,448**	72,104	**55,804**	55,299
Rental of premises	**24,398**	23,727	**21,646**	19,395
Rental of equipment	**10,359**	9,992	**10,298**	9,936
Insurance	**38,637**	21,299	**38,787**	26,755
Water and electricity	**26,266**	23,172	**18,038**	16,140
Repair and maintenance	**39,369**	32,438	**30,839**	25,534
Security and escorting expenses	**46,391**	43,909	**49,964**	46,987
Information technology expenses	**281,294**	280,196	**217,826**	214,474
Others	**6,494**	13,501	**–**	–
	835,487	772,843	**686,835**	626,567
Marketing expenses				
Sales commission	**98,692**	117,299	**72,623**	111,562
Advertisement and publicity	**65,163**	59,590	**52,456**	49,681
Others	**86,654**	64,413	**60,727**	37,822
	250,509	241,302	**185,806**	199,065
Administration and general expenses				
Communication expenses	**156,312**	141,773	**110,634**	101,747
Auditors' remuneration (Note (i))	**8,813**	7,047	**5,660**	4,389
Legal and professional fees	**69,499**	74,855	**79,823**	103,816
Others	**145,976**	146,896	**107,422**	94,271
	380,600	370,571	**303,539**	304,223
Operating expenses allocated to subsidiaries	**–**	–	**(537,718)**	(350,188)
	3,716,807	3,522,385	**2,393,986**	2,451,164

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42 OTHER OPERATING EXPENSES (CONTINUED)

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(i) Auditors' remuneration				
(a) Audit:				
Statutory audit:				
– Malaysia	**3,819**	3,021	**1,959**	1,868
– Overseas	**3,108**	2,882	**1,874**	1,628
Limited review	**518**	552	**459**	418
Other audit related	**–**	110	**–**	75
	7,445	6,565	**4,292**	3,989
(b) Non-audit:				
– Malaysia	**1,368**	482	**1,368**	400
	8,813	7,047	**5,660**	4,389

Included in the personnel costs is the Group Managing Director's remuneration for the Group and the Bank, as disclosed in Note 43.

Included in administration and general expenses of the Group and the Bank are other directors' remuneration as disclosed in Note 43.

43 DIRECTORS' REMUNERATION

Group and Bank	Salary and other remuneration RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
2022				
Group Managing Director				
Mohd Rashid Mohamad (Appointed on 1 April 2022)	**2,779**[(i)]	**28**	**1,875**	**4,682**
Dato' Khairussaleh Ramli (Resigned on 25 March 2022)	**740**	**9**	**–**	**749**
2021				
Group Managing Director				
Dato' Khairussaleh Ramli	2,765	23	2,100	4,888

(i) Inclusive of share-based expenses of RM266,000.

In addition to the above, during the financial year ended 31 December 2022, the Group Managing Director who led the achievement of the Group's short and long term business objectives, was awarded a sum of RM616,000 (inclusive of the employer's EPF contribution) (2021: RM1,792,000) under the Cash Deferred Scheme.

43 DIRECTORS' REMUNERATION (CONTINUED)

	Group				Bank			
	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000
2022								
Non-executive Directors								
Tan Sri Ahmad Badri Mohd Zahir	**268**	**31**	**329**	**628**	**268**	**31**	**329**	**628**
Tan Sri Ong Leong Huat @ Wong Joo Hwa	**424**	**–**	**159**	**583**	**192**	**–**	**87**	**279**
Tan Sri Dr Rebecca Fatima Sta Maria	**192**	**–**	**122**	**314**	**192**	**–**	**122**	**314**
Ong Ai Lin	**344**	**–**	**214**	**558**	**192**	**–**	**101**	**293**
Lim Cheng Teck	**192**	**–**	**199**	**391**	**192**	**–**	**199**	**391**
Sharifatu Laila Syed Ali	**344**	**–**	**131**	**475**	**192**	**–**	**61**	**253**
Dato' Mohamad Nasir Ab Latif	**424**	**25**	**131**	**580**	**192**	**–**	**68**	**260**
Donald Joshua Jaganathan	**344**	**–**	**230**	**574**	**192**	**–**	**172**	**364**
Datuk Iain John Lo	**344**	**–**	**191**	**535**	**192**	**–**	**94**	**286**
	2,876	**56**	**1,706**	**4,638**	**1,804**	**31**	**1,233**	**3,068**
2021								
Non-executive Directors								
Tan Sri Ahmad Badri Mohd Zahir	185	29	256	470	185	29	256	470
Tan Sri Ong Leong Huat @ Wong Joo Hwa	317	–	136	453	166	–	74	240
Tan Sri Dr Rebecca Fatima Sta Maria	166	–	84	250	166	–	84	250
Ong Ai Lin	295	–	196	491	167	–	89	256
Lim Cheng Teck	166	–	178	344	166	–	178	344
Sharifatu Laila Syed Ali	242	–	105	347	167	–	48	215
Dato' Mohamad Nasir Ab Latif	328	17	96	441	166	–	50	216
Donald Joshua Jaganathan	294	–	204	498	166	–	144	310
Datuk Iain John Lo	261	–	117	378	167	–	60	227
Tan Sri Azlan Zainol	60	4	58	122	32	4	56	92
	2,314	50	1,430	3,794	1,548	33	1,039	2,620

Note: During the financial year, Directors of the Group and the Bank are covered under the Directors' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors of the Group and the Bank subject to the term of the policy. The total amount of Directors' Liability Insurance effected for the Directors of the Group and the Bank was RM200 million (2021: RM200 million). The total amount of premium paid for the Directors' Liability Insurance by the Group and the Bank was RM848,000 and RM722,000 (2021: RM922,000 and RM783,000) respectively.

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44 ALLOWANCE FOR CREDIT LOSSES ON FINANCIAL ASSETS

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Charge/(Writeback)				
Loans, advances and financing:				
– Net charge	**510,731**	760,182	**17,443**	138,470
– Bad debts recovered	**(366,483)**	(351,323)	**(325,221)**	(326,173)
– Bad debts written off	**164,620**	166,029	**112,054**	120,874
	308,868	574,888	**(195,724)**	(66,829)
Financial assets at FVOCI	**14,313**	(1,117)	**10,557**	(1,453)
Financial investments at amortised cost	**104,668**	175,603	**93,405**	179,805
Other financial assets	**(6,674)**	(12,160)	**1,774**	(1,398)
	421,175	737,214	**(89,988)**	110,125

45 IMPAIRMENT LOSSES MADE ON OTHER NON-FINANCIAL ASSETS

	Group	
	2022 RM'000	2021 RM'000
Investment in a joint venture	**43**	–
Property, plant and equipment	**–**	193
Right-of-use assets	**–**	121
	43	314

46 TAXATION AND ZAKAT

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Income tax based on profit for the financial year				
– Malaysian income tax	**1,360,972**	929,989	**967,602**	585,077
– Overseas tax	**40,774**	27,380	**24,283**	2,464
Deferred tax	**61,149**	(59,583)	**37,953**	(22,544)
	1,462,895	897,786	**1,029,838**	564,997
(Over)/Under provision in respect of prior financial years				
– Income tax	**(16,082)**	915	**(8,972)**	(3,808)
– Deferred tax	**3,950**	1,052	**5,189**	2,591
	(12,132)	1,967	**(3,783)**	(1,217)
Tax expense	**1,450,763**	899,753	**1,026,055**	563,780
Zakat	**8,000**	5,868	**–**	–
	1,458,763	905,621	**1,026,055**	563,780

46 TAXATION AND ZAKAT (CONTINUED)

The numerical reconciliation between the applicable statutory income tax rate and the effective income tax rate of the Group and the Bank are as below:

	Group		Bank	
	2022 %	2021 %	2022 %	2021 %
Tax at Malaysian statutory tax rate	**33.0**	24.0	**33.0**	24.0
Tax effects in respect of:				
Effects of different tax rate in Labuan/other countries	**1.2**	1.7	**–**	–
Non-taxable income	**(0.6)**	(0.9)	**(5.0)**	(2.5)
Non-allowable expenses	**2.2**	1.8	**1.6**	1.2
Utilisation of previously unrecognised tax losses	**(0.1)**	(0.1)	**–**	–
(Over)/Under provision in respect of prior financial years	**(0.3)**	0.1	**(0.1)**	–
Effects of increase in tax rate on deferred tax (Note(i))	**–**	(0.9)	**–**	(0.6)
Different tax rate in chargeable income for the first RM100 million (Note(i))	**(0.4)**	–	**(0.3)**	–
	35.0	25.7	**29.2**	22.1

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

47 EARNINGS PER SHARE ('EPS')

(a) Basic earnings per share

The basic EPS of the Group is calculated by dividing the net profit for the year attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year.

	Group	
	2022	2021
Profit attributable to equity holders of the Bank (RM'000)	**2,707,688**	2,618,388
Weighted average number of ordinary shares in issue ('000)	**4,185,943**	4,049,968
Basic earnings per share (sen)	**64.7**	64.7

(b) Diluted earnings per share

The diluted EPS is equivalent to the basic EPS as the effect of the dilution from SGS is not material.

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48 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME/(LOSS)

	Before tax RM'000	Tax benefits RM'000	Net of tax RM'000
Group			
2022			
Financial assets at FVOCI			
– Net fair value loss, net amount transfer to income statements and changes in expected credit losses	**(1,281,312)**	**311,241**	**(970,071)**
Actuarial gain on defined benefit plan of subsidiaries	**1,717**	**231**	**1,948**
	(1,279,595)	**311,472**	**(968,123)**
2021			
Financial assets at FVOCI			
– Net fair value loss, net amount transfer to income statements and changes in expected credit losses	(1,873,614)	449,433	(1,424,181)
Actuarial gain on defined benefit plan of subsidiaries	751	(690)	61
	(1,872,863)	448,743	(1,424,120)
Bank			
2022			
Financial assets at FVOCI			
– Net fair value loss, net amount transfer to income statements and changes in expected credit losses	**(1,160,114)**	**281,130**	**(878,984)**
2021			
Financial assets at FVOCI			
– Net fair value loss, net amount transfer to income statements and changes in expected credit losses	(1,526,782)	366,133	(1,160,649)

49 DIVIDENDS

Dividends declared or proposed are as follows:

		Group and Bank			
		2022		2021	
	Note	Dividend per share sen	Total dividend RM'000	Dividend per share sen	Total dividend RM'000
Ordinary shares:					
Interim dividend – 2021	(a)	–	–	15.0	610,254
Final dividend – 2021	(b)	–	–	25.0	1,035,730
Interim dividend – 2022	(c)	**15.0**	**631,811**	–	–
Second interim dividend – 2022	(d)	**25.0**	**1,061,843**	–	–
		40.0	**1,693,654**	40.0	1,645,984

(a) This consists of total dividend of 15.0 sen per share, of which cash portion is 5.0 sen per share and electable portion of 10.0 sen per share. The reinvestment rate subsequent to the completion of the DRP was 86.0% and total cash dividend of RM260,575,000 was paid on 3 November 2021.

(b) This consists of total dividend of 25.0 sen per share, of which cash portion is 15.0 sen per share and electable portion of 10.0 sen per share. The reinvestment rate subsequent to the completion of the DRP was 86.3% and total cash dividend of RM678,180,000 was paid on 16 June 2022.

(c) This consists of total dividend of 15.0 sen per share, of which cash portion is 10.0 sen per share and electable portion of 5.0 sen per share. The reinvestment rate subsequent to the completion of the DRP was 83.3% and total cash dividend of RM456,388,000 was paid on 7 November 2022.

(d) A second interim single-tier dividend of 25.0 sen per share in respect of the financial year ended 31 December 2022, amounting RM1,061,843,000, consisting of cash portion of 20.0 sen per share and an electable portion of 5.0 sen per share has been declared by the Board of Directors. The second interim single-tier dividend was approved by the Board of Directors on 31 January 2023. The Board of Directors, in its absolute discretion, recommends that the shareholders' of the Bank be given an option to elect to reinvest the electable portion of the second interim single-tier dividend into new ordinary shares in the Bank in accordance with the approved DRP of the Bank.

The financial statements for the current financial year do not reflect this second interim single-tier dividend. This dividend payment will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2023.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2022.

Dividends recognised as distribution to ordinary equity holders of the Bank:

	Group and Bank			
	2022		2021	
	Dividend per share sen	Total dividend RM'000	Dividend per share sen	Total dividend RM'000
Ordinary shares:				
Interim dividend – 2022	**15.00**	**631,811**	–	–
Final dividend – 2021	**25.00**	**1,035,730**	–	–
Interim dividend – 2021	–	–	15.00	610,254
Final dividend – 2020	–	–	7.65	306,769
	40.00	**1,667,541**	22.65	917,023

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50 COMMITMENTS AND CONTINGENCIES

(a) Commitments and Contingencies

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

The commitments and contingencies comprise the following:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Contingent liabilities				
Direct credit substitutes*	**1,410,617**	1,394,350	**1,405,541**	1,390,928
Transaction-related contingent items	**2,788,293**	3,077,649	**2,387,653**	2,714,070
Short term self-liquidating trade-related contingencies	**984,888**	977,071	**730,635**	883,894
	5,183,798	5,449,070	**4,523,829**	4,988,892
Commitments				
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions, and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions	**8,573,179**	5,424,754	**8,777,386**	5,424,754
Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns	**–**	35,530	**–**	35,530
Irrevocable commitments to extend credit:				
– Maturity less than one year	**8,480,483**	10,416,569	**7,136,645**	7,335,607
– Maturity more than one year	**27,241,322**	24,147,171	**16,986,025**	15,554,354
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	**16,329,254**	15,415,727	**13,695,272**	12,815,528
	60,624,238	55,439,751	**46,595,328**	41,165,773
Derivative financial instruments				
Foreign exchange related contracts^:				
– Less than one year	**62,316,756**	46,065,953	**65,135,214**	50,314,717
– One year to less than five years	**5,647,134**	3,904,977	**5,647,134**	4,009,107
– More than five years	**1,169,510**	354,724	**1,169,510**	354,724
Commodity related contracts^:				
– Less than one year	**267,363**	58,332	**267,486**	58,332
– One year to less than five years	**364,149**	244,110	**364,306**	244,110
– More than five years	**102,941**	100,051	**102,941**	100,051
Equity related contracts^:				
– Less than one year	**649,166**	1,140,762	**649,276**	1,140,762
– One year to less than five years	**3,090**	4,286	**3,090**	4,286
Interest rate related contracts^:				
– Less than one year	**18,684,828**	6,872,522	**19,774,828**	9,782,522
– One year to less than five years	**45,588,339**	31,697,379	**48,888,339**	33,697,379
– More than five years	**6,195,096**	6,445,228	**6,195,096**	8,245,228
	140,988,372	96,888,324	**148,197,220**	107,951,218
	206,796,408	157,777,145	**199,316,377**	154,105,883

* *This relates to financial guarantee contracts.*

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

50 COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Guarantees Issued by the Group and the Bank

The Group and the Bank has given a continuing guarantee to Labuan Financial Services Authority to meet the liabilities and financial obligations and requirements of its subsidiary, RHB Bank (L) Ltd, arising from its offshore banking business in the Federal Territory of Labuan.

(c) Contingent Liabilities

As at 31 December 2022, the Group has contingent liabilities amounting to approximately RM72 million in respect of litigation. As the cases are still preliminary and the reliable exposure cannot be estimated, no provision is recognised in the financial statements.

51 NON-CANCELLABLE LEASE COMMITMENTS

A summary of the lease commitments, net of sub-leases, which are scope-out of MFRS 16 is as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Rental of premises:				
– Within one year	**9,871**	10,393	**7,197**	7,086
– Between one to five years	**6,736**	5,480	**5,622**	1,981
– More than five years	**165**	178	**–**	–
	16,772	16,051	**12,819**	9,067

52 CAPITAL COMMITMENTS

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Authorised and contracted for property, plant and equipment	**284,529**	319,850	**249,674**	286,744

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53 RELATED PARTY TRANSACTIONS

(a) Related parties and relationships

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

Related parties	Relationship
Employees Provident Fund ('EPF')	Substantial shareholder, a fund body that is significantly influenced by the government
Subsidiaries, associates and joint ventures of EPF as disclosed in its financial statements	Reporting entities that EPF has control or significant influence
Subsidiaries of the Bank as disclosed in Note 15	Subsidiaries
Key management personnel	The key management personnel of the Group and the Bank consists of: – All Directors of the Bank and its key subsidiaries; 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 in Notes 11 and 27, set out below are other significant related party transactions and balances.

Other related parties of the Bank comprise of transactions or balances with the Bank's subsidiaries.

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

53 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2022		2021	
Group	Key management personnel RM'000	EPF and EPF Group of companies RM'000	Key management personnel RM'000	EPF and EPF Group of companies RM'000
Income				
Interest on loans, advances and financing	**451**	**12,404**	266	8,674
Interest on financial assets at FVTPL	**–**	**–**	–	62
Interest on financial assets at FVOCI	**–**	**22,008**	–	25,577
Interest on financial investments at amortised cost	**–**	**16,189**	–	18,394
Fee income	**415**	**8,461**	1,464	12,120
Insurance premium	**100**	**19,722**	119	18,728
Brokerage income	**127**	**17,502**	357	3,419
Net gain on revaluation of derivatives	**159**	**–**	139	–
Other income	**39**	**35**	93	43
	1,291	**96,321**	2,438	87,017
Expenses				
Interest on deposits from customers	**154**	**985**	231	2,003
Other expenses	**18**	**1,135**	7	569
	172	**2,120**	238	2,572
Amounts due from				
Loans, advances and financing	**14,056**	**344,160**	8,967	244,054
Clients' and brokers' balances	**45**	**36,358**	–	82,289
Financial assets at FVOCI	**–**	**434,615**	–	575,227
Financial investments at amortised cost	**–**	**324,337**	–	426,174
Other assets	**–**	**10,450**	55	5,934
	14,101	**1,149,920**	9,022	1,333,678
Amounts due to				
Deposits from customers	**83,687**	**957,454**	72,470	705,876
Clients' and brokers' balances	**–**	**–**	–	210
Other liabilities	**163**	**23,107**	119	12,605
	83,850	**980,561**	72,589	718,691

Notes to the Financial Statements
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53 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2022			2021		
Bank	**Key management personnel RM'000**	**EPF and EPF Group of companies RM'000**	**Subsidiaries RM'000**	**Key management personnel RM'000**	**EPF and EPF Group of companies RM'000**	**Subsidiaries RM'000**
Income						
Interest on deposits and placements with other financial institutions	**–**	**–**	**216,048**	–	–	140,061
Interest on investment account due from designated financial institutions	**–**	**–**	**280,668**	–	–	268,299
Interest on loans, advances and financing	**308**	**–**	**1,034**	233	50	1,030
Interest on securities purchased under resale agreements	**–**	**–**	**11,278**	–	–	–
Interest on financial assets at FVTPL	**–**	**–**	**–**	–	62	–
Interest on financial assets at FVOCI	**–**	**21,544**	**–**	–	22,624	–
Interest on financial investments at amortised cost	**–**	**15,731**	**–**	–	17,946	–
Fee income	**22**	**–**	**–**	24	–	–
Other income	**–**	**–**	**(32,149)**	–	–	14,117
	330	**37,275**	**476,879**	257	40,682	423,507
Expenses						
Interest on deposits and placements of banks and other financial institutions	**–**	**–**	**147,455**	–	–	35,252
Interest on deposits from customers	**75**	**–**	**3,287**	107	–	5,064
Interest on obligation on securities sold under repurchase agreements	**–**	**–**	**41,780**	–	–	45,321
Rental of premises	**–**	**–**	**9,969**	–	–	8,920
Reimbursement of operating expenses from subsidiaries	**–**	**–**	**(537,718)**	–	–	(350,188)
Other expenses	**–**	**–**	**50,093**	–	–	69,910
	75	**–**	**(285,134)**	107	–	(185,721)

53 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2022			2021		
Bank	Key management personnel RM'000	EPF and EPF Group of companies RM'000	Subsidiaries RM'000	Key management personnel RM'000	EPF and EPF Group of companies RM'000	Subsidiaries RM'000
Amounts due from						
Money at call and deposit placements	–	–	1,920,998	–	–	1,114,097
Deposits and placements with banks and other financial institutions	–	–	6,490,241	–	–	7,291,387
Investment account due from designated financial institutions	–	–	8,351,236	–	–	10,213,639
Securities purchased under resale agreements	–	–	789,281	–	–	–
Derivative assets	–	–	45,754	–	–	90,324
Loans, advances and financing	8,041	–	179,731	7,521	24,049	141,803
Financial assets at FVOCI	–	429,485	–	–	507,279	–
Financial investments at amortised cost	–	314,325	–	–	415,904	–
Other assets	–	–	870,157	–	–	1,000,729
	8,041	743,810	18,647,398	7,521	947,232	19,851,979
Amounts due to						
Deposits and placements with banks and other financial institutions	–	–	10,053,876	–	–	6,267,376
Deposits from customers	59,004	628,589	366,543	45,715	458,178	516,021
Derivative liabilities	–	–	307,296	–	–	116,162
Other liabilities	–	–	5,452	–	–	6,584
Obligations on securities sold under repurchase agreements	–	–	577,051	–	–	2,800,958
	59,004	628,589	11,310,218	45,715	458,178	9,707,101

Notes to the Financial Statements
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53 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel

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

	Note	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Short term employee benefits:					
– Fees		**2,876**	2,314	**1,804**	1,548
– Salary and other remuneration	(i)	**37,874**	34,739	**27,300**	25,835
– Contribution to EPF	(i)	**4,611**	4,089	**3,682**	3,379
– Share-based expenses	(ii)	**1,190**	–	**1,009**	–
– Benefits-in-kind		**217**	151	**92**	80
		46,768	41,293	**33,887**	30,842

(i) Inclusive of Cash Deferred Scheme and the related employer's EPF contribution totalling RM6,099,000 and RM4,914,000 (2021: RM5,960,000 and RM5,186,000) for the Group and the Bank respectively. The payout under this Cash Deferred Scheme was based on the achievement of the Group's short and long term business objectives.

(ii) As at 31 December 2022, the total number of shares awarded to the Group and the Bank's Group Managing Director and key management personnel amounted to 1,250,000 and 1,060,000 (2021: Nil and Nil) respectively.

The above includes Directors' remuneration as disclosed in Note 43.

	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Approved limit on loans, advances and financing for key management personnel	**29,294**	28,998	**18,371**	18,205

53 RELATED PARTY TRANSACTIONS (CONTINUED)

(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:

	Group		Bank	
	2022	**2021**	**2022**	**2021**
Outstanding credit exposures with connected parties (RM'000)	**13,975,207**	13,184,949	**8,384,214**	8,690,660
Percentage of outstanding credit exposures with connected parties as proportion of total credit exposures (%)	**5.51**	5.47	**5.45**	5.82
Percentage of outstanding credit exposures with connected parties which is impaired or in default (%)	**–**	0.04	**–**	–

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.

(e) Intercompany charges

Breakdown of intercompany charges by type of services received and geographical distribution as per BNM's Guidelines on Financial Reporting issued on 2 February 2018 are as follows:

	Interest on deposits and placements of banks and other financial institutions RM'000	Interest on deposits from customers RM'000	Interest on obligations on securities sold under repurchase agreements RM'000	Rental of premises RM'000	Reimbursement of operating expenses from subsidiaries RM'000	Other expenses RM'000
Bank						
2022						
Malaysia	**147,455**	**3,203**	**41,780**	**750**	**(537,718)**	**49,911**
Singapore	**–**	**81**	**–**	**9,219**	**–**	**–**
Thailand	**–**	**3**	**–**	**–**	**–**	**182**
	147,455	**3,287**	**41,780**	**9,969**	**(537,718)**	**50,093**
2021						
Malaysia	35,252	4,975	45,321	896	(350,188)	69,732
Singapore	–	86	–	8,024	–	–
Thailand	–	3	–	–	–	178
	35,252	5,064	45,321	8,920	(350,188)	69,910

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54 SEGMENT REPORTING

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

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

(a) Group Community Banking ('GCB')

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

Group Retail Banking focuses on providing products and services to individual customers. The products and services offered to customers include credit facilities (mortgages, non-residential mortgages, hire purchase, purchase of securities, credit cards and other personal loans and financing), remittances, deposits collection, investment related products, and bancassurance/bancatakaful products.

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

(b) Group Wholesale Banking ('GWB')

GWB comprise the following key business portfolio/functional group:

I. Group Treasury & Global Markets; and

II. Group Corporate Banking and Investment Banking ('Group CBIB') which consist of Group Corporate Banking, Group Investment Banking, Group Asset Management, Group Commercial Banking, Group Transaction Banking and Group Economics.

(i) Group Treasury and Global Markets offers a comprehensive suite of treasury products and solutions including foreign exchange ('FX'), derivatives, capital markets, structured products, money market investments and Islamic Treasury products catering to the hedging and investment needs of our diverse customers in Malaysia, Singapore and Thailand. This segment is also responsible for the overall management of the liquidity and funding needs of the Group as well as for investing excess capital and funds to enhance the returns for the Group.

(ii) Group Corporate Banking provides a comprehensive suite of conventional and Shariah-compliant financing solutions to corporate clients whose shares are listed on stock exchanges locally and/or abroad, multinational companies, government and government agencies and government-linked companies. Financial solutions provided include working capital funding, trade financing, foreign currency hedging, project financing and syndication, as well as funding of corporate exercises.

(iii) Group Investment Banking offers a full range of investment banking products and services covering primary markets, such as advisory (corporate and debt restructuring, mergers and acquisitions, takeovers), fundraising via both equity and debt instruments, and secondary markets including securities trading for both institutional and retail clients. The segment leverages on the Group's regional platforms to provide cross-border transactional services to clients across ASEAN.

This segment also offers stockbroking and investment banking products and services to the Group's regional customers in Indonesia, Thailand, Cambodia and Vietnam.

(iv) Group Asset Management manages a full set of investment services and offerings including management of unit trust funds, investment management advisory, private mandates, product development and trustee services.

(v) Group 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).

(vi) Group Transaction Banking offers a wide range of business solutions ranging from cash management solutions, trade finance and services including supply chain financing solutions among others for SME, Commercial & Large corporates.

(vii) Group Economics which includes Foreign Exchange and Fixed Income Strategy, provides expert advice on Macroeconomic developments as well as local economic and sectoral trends. This segment is also responsible for engaging with corporate and institutional clients to provide advice on economic developments and trends.

54 SEGMENT REPORTING (CONTINUED)

(c) Group International Business

Group International Business primarily focuses on providing commercial and investment banking related products and services tailored to the specific needs of the customers in foreign countries in which the Group has operations. The Group currently has foreign presences in Singapore, Thailand, Brunei, Cambodia and Lao.

(d) Insurance

RHB Insurance Berhad provides general insurance for retail, SME, commercial and corporate customers.

(e) Support Center and Others

Support Center and Others comprise results from other business segments in the Group (nominee services, property investment and rental of premises and other related financial services). The results of these other businesses are not material to the Group and therefore do not render a separate disclosure and are reported in aggregate in the financial statements.

The business segment results are prepared based on the Group's internal management reporting, which reflects the organisation's management reporting structure. Internal allocation of costs, for example, back office support, centralised cost, funding center and the application of transfer pricing, where appropriate, has been used in preparing the segmental reporting.

The corresponding segment operating expenses have been restated to align to current basis of allocation in between the segments.

During the financial year, no one group of related customers accounted for more than 10% of the Group's revenue.

(a) Business segment analysis

	Group Community Banking RM'000	Group Wholesale Banking RM'000	Group International Business RM'000	Insurance RM'000	Support Center and Others RM'000	Inter-Segment Elimination RM'000	Total RM'000
2022							
External revenue	4,042,064	3,125,262	831,105	188,978	121,344	–	8,308,753
Inter-segment revenue	–	17,808	(685)	17,743	17,824	(52,690)	–
Segment revenue	4,042,064	3,143,070	830,420	206,721	139,168	(52,690)	8,308,753
Other operating expenses	(2,022,871)	(970,487)	(561,957)	(119,096)	(95,086)	52,690	(3,716,807)
Including:							
Depreciation of property, plant and equipment	(90,053)	(22,794)	(20,825)	(1,898)	(210)	–	(135,780)
Depreciation of right-of-use assets	(29,519)	(19,848)	(19,579)	(2,399)	(103)	–	(71,448)
Amortisation of intangible assets	(101,338)	(31,648)	(17,675)	(4,206)	–	–	(154,867)
Allowance for credit losses on financial assets	(183,178)	(386,211)	146,573	1,641	–	–	(421,175)
Impairment losses made on other non-financial assets	–	(43)	–	–	–	–	(43)
Segment profit	1,836,015	1,786,329	415,036	89,266	44,082	–	4,170,728
Share of results of associates							25
Share of results of joint venture							31
Profit before taxation and zakat							4,170,784
Taxation and zakat							(1,458,763)
Net profit for the financial year							2,712,021

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For The Financial Year Ended 31 December 2022

54 SEGMENT REPORTING (CONTINUED)

(a) Business segment analysis (continued)

	Group Community Banking RM'000	Group Wholesale Banking RM'000	Group International Business RM'000	Insurance RM'000	Support Center and Others RM'000	Total RM'000
2022						
Segment assets	132,149,149	129,733,543	42,723,470	1,673,312	2,299,556	308,579,030
Investments in associates and joint venture						25
Tax recoverable						121,033
Deferred tax assets						625,092
Unallocated assets						1,463,001
Total assets						310,788,181
Segment liabilities	105,805,400	130,096,002	34,635,756	1,241,432	108,600	271,887,190
Provision for taxation and zakat						396,041
Deferred tax liabilities						2,187
Borrowings						1,476,185
Senior debt securities						3,841,190
Subordinated obligations						2,867,083
Unallocated liabilities						1,572,065
Total liabilities						282,041,941
Other segment items:						
Capital expenditure	276,918	79,656	60,390	10,090	3,353	430,407

	Group Community Banking RM'000	Group Wholesale Banking RM'000	Group International Business RM'000	Insurance RM'000	Support Center and Others RM'000	Inter-Segment Elimination RM'000	Total RM'000
2021							
External revenue	3,709,209	3,466,234	713,920	241,426	(342,123)	–	7,788,666
Inter-segment revenue	–	43,079	1,295	(3,649)	16,464	(57,189)	–
Segment revenue	3,709,209	3,509,313	715,215	237,777	(325,659)	(57,189)	7,788,666
Other operating expenses	(1,951,642)	(995,010)	(488,353)	(119,636)	(24,933)	57,189	(3,522,385)
Including:							
Depreciation of property, plant and equipment	(81,142)	(21,789)	(17,100)	(2,074)	(237)	–	(122,342)
Depreciation of right-of-use assets	(33,974)	(17,163)	(18,124)	(2,616)	(227)	–	(72,104)
Amortisation of intangible assets	(82,898)	(28,045)	(13,864)	(3,704)	–	–	(128,511)
Allowance for credit losses on financial assets	(81,968)	(552,020)	(106,104)	2,878	–	–	(737,214)
Impairment losses made on other non-financial assets	–	(314)	–	–	–	–	(314)
Profit/(Loss) before taxation and zakat	1,675,599	1,961,969	120,758	121,019	(350,592)	–	3,528,753
Taxation and zakat							(905,621)
Net profit for the financial year							2,623,132

54 SEGMENT REPORTING (CONTINUED)

(a) Business segment analysis (continued)

	Group Community Banking RM'000	Group Wholesale Banking RM'000	Group International Business RM'000	Insurance RM'000	Support Center and Others RM'000	Total RM'000
2021						
Segment assets	123,340,916	125,483,089	36,326,831	1,598,767	632,391	287,381,994
Investments in associates and joint venture						12
Tax recoverable						131,283
Deferred tax assets						377,825
Unallocated assets						1,650,344
Total assets						289,541,458
Segment liabilities	103,685,123	118,540,352	29,827,870	1,164,185	30,992	253,248,522
Provision for taxation and zakat						124,163
Deferred tax liabilities						55
Borrowings						127,380
Senior debt securities						3,646,369
Subordinated obligations						3,221,882
Unallocated liabilities						1,142,576
Total liabilities						261,510,947
Other segment items:						
Capital expenditure	234,129	90,668	72,804	15,175	3,999	416,775

(b) Geographical segment analysis:

	Revenue RM'000	Non-current assets* RM'000	Segment assets RM'000	Capital expenditure RM'000
2022				
Malaysia	**7,344,179**	**4,155,132**	**267,025,471**	**360,368**
Outside Malaysia	**964,574**	**472,212**	**43,762,710**	**70,039**
	8,308,753	**4,627,344**	**310,788,181**	**430,407**
2021				
Malaysia	6,913,618	4,092,125	252,182,057	321,684
Outside Malaysia	875,048	448,056	37,359,401	95,091
	7,788,666	4,540,181	289,541,458	416,775

* *Non-current assets consist of right-of-use assets, property, plant and equipment, goodwill and intangible assets.*

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55 CAPITAL ADEQUACY RATIO

BNM Guidelines on capital adequacy requires the Group, the Bank and the banking subsidiaries 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.

RHB Bank Cambodia, a wholly owned subsidiary of the Bank is subject to National Bank of Cambodia's capital adequacy requirements.

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

	Group		Bank@	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Common Equity Tier I ('CET I')/Tier I Capital				
Share capital	**8,145,585**	7,612,612	**8,145,585**	7,612,612
Retained profits	**19,196,884**	18,689,157	**14,479,618**	13,954,209
Other reserves	**836,784**	704,808	**610,659**	491,179
FVOCI reserves	**(599,020)**	406,012	**(517,256)**	394,726
	27,580,233	27,412,589	**22,718,606**	22,452,726
Less:				
Goodwill	**(2,638,198)**	(2,638,198)	**(1,714,913)**	(1,714,913)
Intangible assets (include associated deferred tax liabilities)	**(602,106)**	(567,938)	**(524,689)**	(503,178)
Deferred tax assets	**(384,052)**	(425,268)	**(271,633)**	(291,577)
55% of cumulative gains arising from change in value of FVOCI instruments	**–**	(223,307)	**–**	(217,099)
Investments in subsidiaries	**(102,425)**	(102,425)	**(4,461,272)**	(4,448,364)
Investments in associates and joint venture	**(25)**	(12)	**–**	–
Other deductions#	**(30,313)**	(11,043)	**(29,388)**	(10,691)
Total CET I Capital	**23,823,114**	23,444,398	**15,716,711**	15,266,904
Qualifying non-controlling interests recognised as Tier I Capital	**159**	170	**–**	–
Total Tier I Capital	**23,823,273**	23,444,568	**15,716,711**	15,266,904
Tier II Capital				
Subordinated obligations meeting all relevant criteria	**1,999,353**	2,249,289	**1,999,353**	2,249,289
Qualifying capital instruments of a subsidiary issued to third parties+	**393,975**	398,771	**–**	-
Surplus eligible provisions over expected losses	**513,764**	510,312	**373,005**	375,828
General provisions^	**404,754**	292,712	**271,763**	210,705
Investment in capital instrument of financial and insurance/takaful entities	**–**	–	**(88,116)**	–
Total Tier II Capital	**3,311,846**	3,451,084	**2,556,005**	2,835,822
Total Capital	**27,135,119**	26,895,652	**18,272,716**	18,102,726

55 CAPITAL ADEQUACY RATIO (CONTINUED)

(a) The capital adequacy ratios of the Group and the Bank are as follows (continued):

	Group		Bank[@]	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Capital ratios				
Before proposed dividends:				
CET I Capital Ratio	**17.593%**	17.831%	**16.036%**	16.094%
Tier I Capital Ratio	**17.593%**	17.831%	**16.036%**	16.094%
Total Capital Ratio	**20.039%**	20.455%	**18.644%**	19.083%
After proposed dividends and DRP*:				
CET I Capital Ratio	**16.887%**	17.200%	**15.061%**	15.220%
Tier I Capital Ratio	**16.887%**	17.201%	**15.061%**	15.220%
Total Capital Ratio	**19.333%**	19.825%	**17.669%**	18.210%

@ *The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank and its wholly-owned offshore banking subsidiary, RHB Bank (L) Ltd.*

\# *Pursuant to Basel II Market Risk para 5.19 & 5.20 – Valuation Adjustments, the Capital Adequacy Framework (Basel II – RWA) calculation shall account for the ageing, liquidity and holding back adjustments on its trading portfolio.*

\+ *Qualifying subordinated sukuk that are recognised as Tier II capital instruments held by third parties as prescribed under paragraph 18.6 of the BNM's Guideline on Capital Adequacy Framework (Capital Components) which are issued by a fully consolidated subsidiary of the Bank.*

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

Includes the qualifying regulatory reserves of the Group and the Bank of RM242,061,000 (2021: RM85,609,000) and RM155,937,000 (2021: RM120,542,000) respectively.

* *The Board of Directors have declared/proposed the following dividend, as disclosed in Note 49:*

(a) Second interim single-tier dividend of 25.0 sen per share in respect of the financial year ended 31 December 2022, amounting to RM1,061,843,000, consisting of cash portion of 20.0 sen per share and an electable portion of 5.0 sen per share; and

(b) Final single-tier dividend of 25.0 sen per share in respect of the financial year ended 31 December 2021, amounting to RM1,035,730,000, consisting of cash portion of 15.0 sen per share and an electable portion of 10.0 sen per share.

There is no irrevocable written undertaking from its shareholders, hence, the amount of the dividend may be reduced either by the average of the preceding 3-year take up rates or if less than 3 preceding years, the available average historical take up rates, subject to the amount being not more than 50% of the total electable portion of the dividend, in accordance with the Implementation Guidance on Capital Adequacy Framework (Capital Components) dated 9 December 2020.

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

55 CAPITAL ADEQUACY RATIO (CONTINUED)

(b) The capital adequacy ratios of RHB Islamic Bank and RHB Investment Bank are as follows:

	RHB Islamic Bank		RHB Investment Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CET I/Tier I Capital				
Share capital	**1,673,424**	1,673,424	**1,220,000**	1,220,000
Retained profits	**4,177,805**	3,716,002	**426,746**	481,289
Other reserves	**205**	–	**685**	–
FVOCI reserves	**(118,059)**	(28,023)	**35,060**	38,642
	5,733,375	5,361,403	**1,682,491**	1,739,931
Less:				
Goodwill	**–**	–	**(372,395)**	(372,395)
Investments in subsidiaries, associates and joint venture	**–**	–	**(704,352)**	(717,155)
Intangible assets (include associated deferred tax liabilities)	**(4,227)**	(2,976)	**(25,592)**	(30,183)
Deferred tax assets	**(100,598)**	(102,565)	**(13,300)**	(22,684)
55% of cumulative gains arising from change in value of FVOCI instruments	**–**	–	**(19,283)**	(21,253)
Other deductions#	**(941)**	(918)	**–**	(71)
Total CET I Capital/Total Tier I Capital	**5,627,609**	5,254,944	**547,569**	576,190
Tier II Capital				
Subordinated sukuk	**750,000**	750,000	**–**	–
Subordinated obligations meeting all relevant criteria	**–**	–	**100,000**	200,000
Surplus eligible provisions over expected losses	**140,835**	134,679	**–**	–
General provisions^	**55,462**	52,467	**7,933**	10,428
Total Tier II Capital	**946,297**	937,146	**107,933**	210,428
Total Capital	**6,573,906**	6,192,090	**655,502**	786,618
Capital ratios				
Before proposed dividends:				
CET I Capital Ratio	**17.828%**	17.635%	**31.348%**	29.319%
Tier I Capital Ratio	**17.828%**	17.635%	**31.348%**	29.319%
Total Capital Ratio	**20.826%**	20.780%	**37.528%**	40.027%
After proposed dividends:				
CET I Capital Ratio	**17.033%**	16.849%	**29.058%**	24.231%
Tier I Capital Ratio	**17.033%**	16.849%	**29.058%**	24.231%
Total Capital Ratio	**20.031%**	19.994%	**35.238%**	34.938%

Pursuant to Basel II Market Risk para 5.19 & 5.20 – Valuation Adjustments, the Capital Adequacy Framework (Basel II – RWA) calculation shall account for the ageing, liquidity and holding back adjustments on its trading portfolio.

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

Includes the qualifying regulatory reserves of RHB Islamic Bank and RHB Investment Bank of RM34,664,000 (2021: RM41,763,000) and RM7,850,000 (2021: RM10,400,000) respectively.

55 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	Group RM'000	Bank@ RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000
2022				
Credit risk	**118,007,600**	**85,761,518**	**28,280,645**	**634,603**
Market risk	**3,358,227**	**3,075,095**	**170,490**	**188,204**
Operational risk	**14,047,918**	**9,171,749**	**3,114,515**	**923,914**
Total risk-weighted assets	**135,413,745**	**98,008,362**	**31,565,650**	**1,746,721**
2021				
Credit risk	115,070,774	83,477,653	27,011,235	834,269
Market risk	3,201,115	2,617,689	201,515	162,040
Operational risk	13,211,976	8,766,298	2,585,628	968,930
Total risk-weighted assets	135,413,745	94,861,640	29,798,378	1,965,239

@ *The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank and its wholly-owned offshore banking subsidiary, RHB Bank (L) Ltd.*

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

The total risk-weighted assets of RHB Islamic 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).

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

(d) The capital adequacy ratios of RHB Bank Cambodia are as follows:

	2022	2021
Before proposed dividends:		
Solvency ratio	**16.581%**	17.685%
After proposed dividends:		
Solvency ratio	**16.581%**	17.685%

The Solvency Ratio of RHB Bank Cambodia is the nearest equivalent regulatory compliance ratio in Cambodia computed in accordance with Prakas No. B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived as RHB Bank Cambodia's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement in Cambodia is 15%.

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

56 FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Objectives and Policies

Risk is inherent in the Group'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 Group 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.

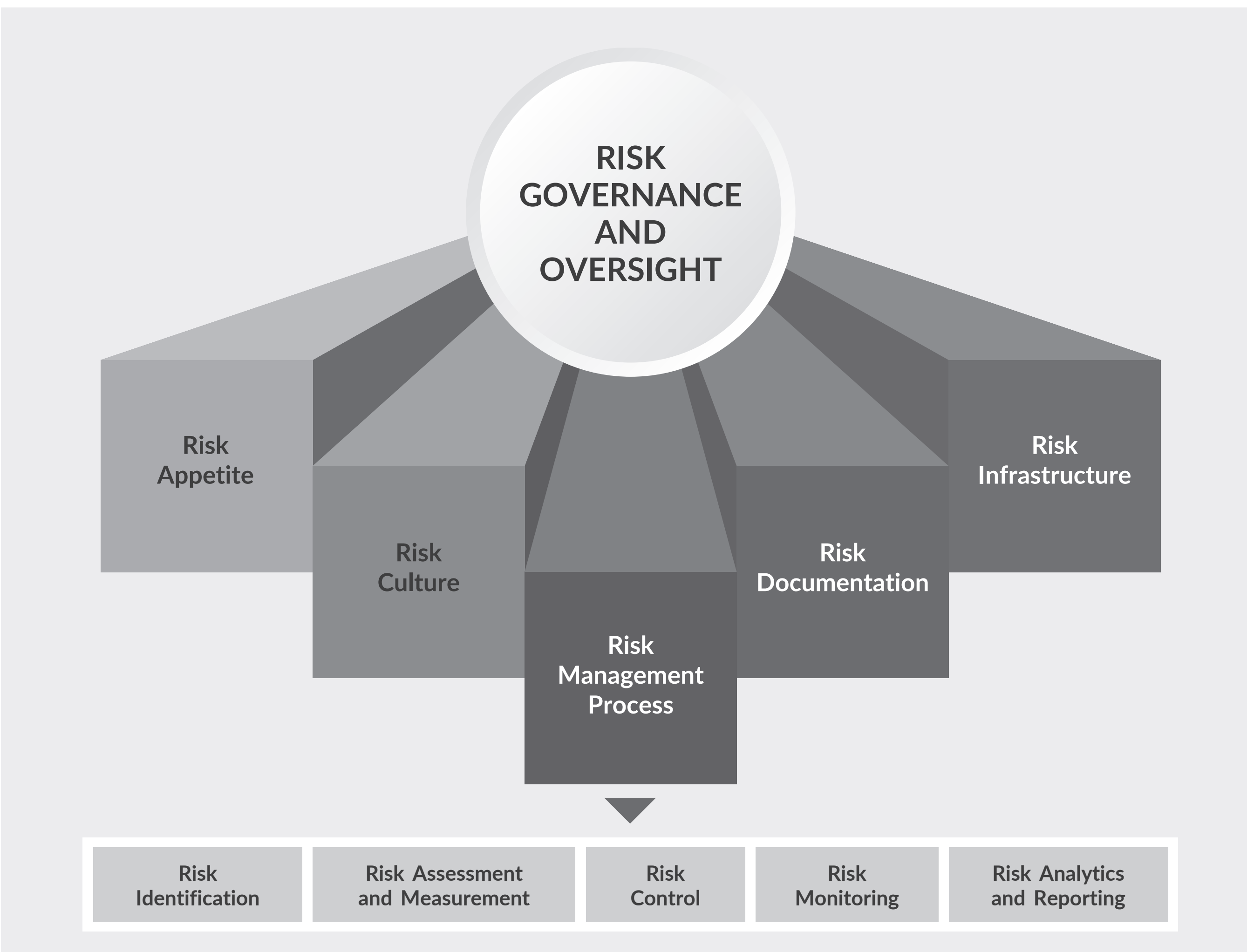
Effective risk management is fundamental to being able to drive sustainable growth and shareholders' value, while maintaining competitive advantage, and is thus a central part of the proactive risk management of the Group's operating environment.

The Group Risk Management Framework governs the management of risks in the Group, as follows:

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

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

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



56 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.

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

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

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

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

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

1. The entities' chief risk officers main function is to assess and manage the enterprise risk and liaise with regulators in the respective country/entity under their purview. They are supported by their respective risk management teams with support from the risk management function from the Group.
2. The risk management function are teams who specialise in the respective risks and responsible for the active oversight of the Group-wide risk management function and support the respective entities/chief risk officers. Group Risk and Credit Management consist of Group Credit Risk Management, Group Market Risk Management, Group Asset and Liability Management, Group Operational Risk Management, Group Technology and Cyber Risk Management, Group Shariah Risk Management, Risk Strategy & Transformation, Enterprise Risk Management, Group Credit Management, 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 alignment of the Group's business strategy with its risk strategy, and vice-versa is articulated through the risk appetite setting and the Group's annual business and financial budgetary plan, which is facilitated by the integration of risk measures in capital management.

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

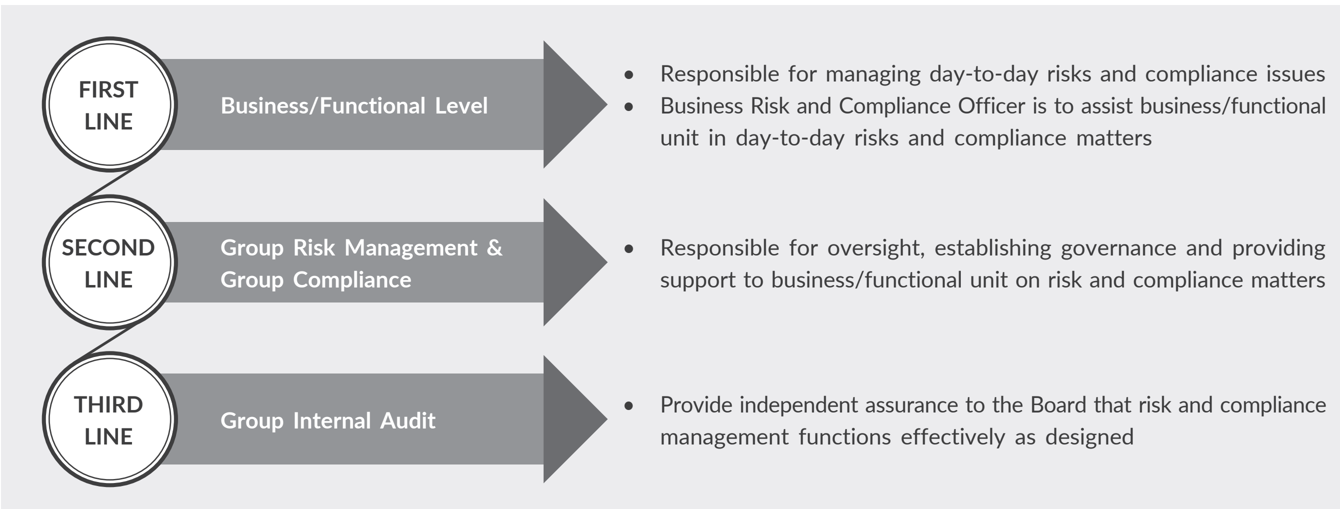
(a) Financial Risk Management Objectives and Policies (continued)

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:



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 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 processes ensures that the Group is aware of the condition of its exposures vis-à-vis its approved appetite and to facilitate early identification of potential problem on a timely basis by using continuous and on-going monitoring of risk exposures and risk control/mitigation measures.

- Analytics and Reporting: Risk analysis and reports are prepared by the respective entities and at a consolidated level as well as business level; and are regularly escalated to the senior management and relevant Boards of the Group's entities to ensure that the risks identified remain within the established appetite and to support an informed decision-making process.

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

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

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

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

Major Areas of Risk

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

(i) Credit risk – the risk of loss arising from customers' or counterparties' failure to fulfil their financial and contractual obligations in accordance to the agreed terms. It stems primarily from the 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 happen in isolation as certain risk event (e.g. fluctuation of interest rate and foreign exchange) may give rise to both market and credit risks.

(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 Group and 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 the Group while Cyber risk refers to threats or vulnerabilities emanating from the connectivity of internal infrastructure to external networks such as the Internet.

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

56 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 Group and the Bank, the following has been put in place:

Credit Risk

- The Group and the Bank abide 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 Group and the Bank also ensure that internal processes and credit underwriting standards are adhered to before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being evaluated by Group Credit Management/Group Retail Credit prior to submission to the relevant committees for approval, if required. With the exception of credit applications for the Bank's approved program lending/financing which can be auto approved by loan 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 reviewers, except for end-financing which can only be singly assessed by independent credit underwriter. 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 Group's and 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 Community Banking and Wholesale Banking. To date, business improvements have been observed in credit approval, turnaround time, and collection/recovery, through the implementation/pilot run. The Credit War Room continues to steer, coordinate and ensure the effective implementation of the Group's repayment assistance strategy in relation to borrowers/customers affected by the COVID-19 pandemic, in a consistent and structured response across RHB Banking Group.

56 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 Group and 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 Group's and the Bank's financial market activities as well as to identify potential risk areas early in order to mitigate against any adverse effects arising from market volatility.

- The senior management committees; namely Group ALCO, the GCRC and IBRMC performs a critical role in the oversight of the management of market risk and supports the board risk committees in the overall market risk management.

- The Group Risk Management function forms a centralised function to support senior management to operationalise the processes and methods, to ensure adequate risk control and oversight are in place.

- The Group and the Bank apply 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 Group and 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 Group and the Bank have established a 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 2022

56 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 Group and the Bank, the following has been put in place (continued):

Operational Risk

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

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

- The Group and the Bank have 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 ensure efficacy, reliability and functionality.

- 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 policies, framework and methodologies 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; with regular independent assessment on areas pertaining to technology and cyber risks to prevent and/or minimise unexpected losses.

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

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

- Subscription to threat intelligence services for the latest cyber threat incidence, and modus operandi in compromising an organisation.

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

56 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
Group				
2022				
ASSETS				
Cash and short term funds	19,134,835	–	–	19,134,835
Securities purchased under resale agreements	101,258	–	–	101,258
Deposits and placements with banks and other financial institutions	652,365	–	–	652,365
Financial assets at FVTPL	–	3,089,411	–	3,089,411
Financial assets at FVOCI	–	–	38,973,689	38,973,689
– Debt instruments	–	–	38,233,244	38,233,244
– Equity instruments	–	–	740,445	740,445
Financial investments at amortised cost	27,006,708	–	–	27,006,708
Loans, advances and financing	208,378,584	–	–	208,378,584
Clients' and brokers' balances	741,140	–	–	741,140
Reinsurance assets	505,600	–	–	505,600
Other financial assets	1,014,084	–	–	1,014,084
Derivative assets	–	1,960,479	–	1,960,479
	257,534,574	5,049,890	38,973,689	301,558,153
LIABILITIES				
Deposits from customers	227,159,762	–	–	227,159,762
Deposits and placements of banks and other financial institutions	24,593,869	–	–	24,593,869
Obligations on securities sold under repurchase agreements	7,298,911	–	–	7,298,911
Investment accounts	1,246,026	–	–	1,246,026
Bills and acceptances payables	249,679	–	–	249,679
Clients' and brokers' balances	776,789	–	–	776,789
General insurance contract liabilities	1,171,546	–	–	1,171,546
Other financial liabilities	3,637,295	–	–	3,637,295
Derivative liabilities	–	1,939,391	–	1,939,391
Recourse obligation on loans sold to Cagamas	4,786,746	–	–	4,786,746
Lease liabilities	160,632	–	–	160,632
Borrowings	1,476,185	–	–	1,476,185
Senior debt securities	3,841,190	–	–	3,841,190
Subordinated obligations	2,867,083	–	–	2,867,083
	279,265,713	1,939,391	–	281,205,104

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

56 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
Group				
2021				
ASSETS				
Cash and short term funds	19,831,323	–	–	19,831,323
Deposits and placements with banks and other financial institutions	3,486,773	–	–	3,486,773
Financial assets at FVTPL	–	2,778,239	–	2,778,239
Financial assets at FVOCI	–	–	41,140,873	41,140,873
– Debt instruments	–	–	40,380,841	40,380,841
– Equity instruments	–	–	760,032	760,032
Financial investments at amortised cost	17,961,511	–	–	17,961,511
Loans, advances and financing	194,896,614	–	–	194,896,614
Clients' and brokers' balances	879,595	–	–	879,595
Reinsurance assets	435,342	–	–	435,342
Other financial assets	1,436,018	–	–	1,436,018
Derivative assets	–	718,615	–	718,615
	238,927,176	3,496,854	41,140,873	283,564,903
LIABILITIES				
Deposits from customers	218,732,585	–	–	218,732,585
Deposits and placements of banks and other financial institutions	23,406,827	–	–	23,406,827
Obligations on securities sold under repurchase agreements	2,066,068	–	–	2,066,068
Investment accounts	581,291	–	–	581,291
Bills and acceptances payables	210,119	–	–	210,119
Clients' and brokers' balances	948,511	–	–	948,511
General insurance contract liabilities	1,068,687	–	–	1,068,687
Other financial liabilities	3,616,683	–	–	3,616,683
Derivative liabilities	–	887,926	–	887,926
Recourse obligation on loans sold to Cagamas	2,259,895	–	–	2,259,895
Lease liabilities	182,607	–	–	182,607
Borrowings	127,380	–	–	127,380
Senior debt securities	3,646,369	–	–	3,646,369
Subordinated obligations	3,221,882	–	–	3,221,882
	260,068,904	887,926	–	260,956,830

56 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
Bank				
2022				
ASSETS				
Cash and short term funds	11,494,906	–	–	11,494,906
Securities purchased under resale agreements	890,539	–	–	890,539
Deposits and placements with banks and other financial institutions	6,740,026	–	–	6,740,026
Investment account due from designated financial institutions	8,351,236	–	–	8,351,236
Financial assets at FVTPL	–	1,080,766	–	1,080,766
Financial assets at FVOCI	–	–	32,992,301	32,992,301
– Debt instruments	–	–	32,293,277	32,293,277
– Equity instruments	–	–	699,024	699,024
Financial investments at amortised cost	18,264,654	–	–	18,264,654
Loans, advances and financing	121,101,501	–	–	121,101,501
Other financial assets	1,552,912	–	–	1,552,912
Derivative assets	–	1,987,476	–	1,987,476
	168,395,774	3,068,242	32,992,301	204,456,317
LIABILITIES				
Deposits from customers	136,089,471	–	–	136,089,471
Deposits and placements of banks and other financial institutions	32,445,462	–	–	32,445,462
Obligations on securities sold under repurchase agreements	7,875,962	–	–	7,875,962
Bills and acceptances payables	242,258	–	–	242,258
Other financial liabilities	2,804,634	–	–	2,804,634
Derivative liabilities	–	2,018,925	–	2,018,925
Recourse obligation on loans sold to Cagamas	3,021,685	–	–	3,021,685
Lease liabilities	93,974	–	–	93,974
Borrowings	1,263,576	–	–	1,263,576
Senior debt securities	3,841,190	–	–	3,841,190
Subordinated obligations	2,011,558	–	–	2,011,558
	189,689,770	2,018,925	–	191,708,695

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56 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
Bank				
2021				
ASSETS				
Cash and short term funds	10,409,623	–	–	10,409,623
Deposits and placements with banks and other financial institutions	7,886,688	–	–	7,886,688
Investment account due from designated financial institutions	10,213,639	–	–	10,213,639
Financial assets at FVTPL	–	840,410	–	840,410
Financial assets at FVOCI	–	–	34,955,501	34,955,501
– Debt instruments	–	–	34,234,752	34,234,752
– Equity instruments	–	–	720,749	720,749
Financial investments at amortised cost	11,009,290	–	–	11,009,290
Loans, advances and financing	115,045,103	–	–	115,045,103
Other financial assets	1,614,112	–	–	1,614,112
Derivative assets	–	798,836	–	798,836
	156,178,455	1,639,246	34,955,501	192,773,202
LIABILITIES				
Deposits from customers	137,552,576	–	–	137,552,576
Deposits and placements of banks and other financial institutions	25,669,599	–	–	25,669,599
Obligations on securities sold under repurchase agreements	4,867,026	–	–	4,867,026
Bills and acceptances payables	201,832	–	–	201,832
Other financial liabilities	2,310,837	–	–	2,310,837
Derivative liabilities	–	938,061	–	938,061
Recourse obligation on loans sold to Cagamas	1,506,310	–	–	1,506,310
Lease liabilities	92,935	–	–	92,935
Senior debt securities	3,646,369	–	–	3,646,369
Subordinated obligations	2,265,134	–	–	2,265,134
	178,112,618	938,061	–	179,050,679

(c) Market Risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest/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 Group and 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 Group and the Bank seek to ensure that the interest/profit rate risk profile is managed to minimise losses and optimise net revenues.

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

(i) Interest/Profit rate sensitivity analysis

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

	Group		Bank	
Increase/(Decrease)	**Impact on profit after tax RM'000**	**Impact on reserves RM'000**	**Impact on profit after tax RM'000**	**Impact on reserves RM'000**
2022				
+100 bps	**391,611**	**(956,283)**	**233,185**	**(795,425)**
–100 bps	**(405,690)**	**1,048,904**	**(247,477)**	**872,197**
2021				
+100 bps	398,278	(958,356)	250,922	(801,153)
–100 bps	(400,172)	1,063,525	(252,937)	889,081

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

(a) Impact on the profit after tax is the sum of valuation changes on interest/profit rate instruments held in the trading portfolio and earnings movement for all short term interest/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 interest/profit rate sensitive assets and liabilities uses a set of risk weights with its respective time band to simulate the 100 bps (2021: 100 bps) interest/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 interest/profit bearing assets and liabilities.

(b) Impact on reserves represent the changes in fair values of interest/profit rate instruments held in the FVOCI portfolio arising from the shift in the interest/profit rate.

(ii) Foreign currency sensitivity analysis

The foreign currency sensitivity represents the effect of the appreciation or depreciation of the foreign currency rates (mainly consists of USD and SGD) on the consolidated currency position, while other variables remain constant.

	Group	Bank
Increase/(Decrease)	**Impact on profit after tax RM'000**	**Impact on profit after tax RM'000**
2022		
+10%	**6,044**	**(20,607)**
–10%	**(6,044)**	**20,607**
2021		
+10%	72,426	47,542
–10%	(72,426)	(47,542)

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

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For The Financial Year Ended 31 December 2022

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk

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

	Non-trading book								
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Group									
2022									
ASSETS									
Cash and short term funds	14,744,030	-	-	-	-	-	4,390,805	-	19,134,835
Securities purchased under resale agreements	-	-	99,843	-	-	-	1,415	-	101,258
Deposits and placements with banks and other financial institutions	-	213,472	132,599	170,313	129,004	-	6,977	-	652,365
Financial assets at FVTPL	-	-	-	-	-	-	-	3,089,411	3,089,411
Financial assets at FVOCI	649,848	1,324,205	463,381	641,939	5,093,508	29,697,643	1,103,165	-	38,973,689
Financial investments at amortised cost	1,153,099	2,426,196	2,067,376	3,980,480	6,266,236	10,947,123	166,198	-	27,006,708
Loans, advances and financing	167,179,954	14,598,469	4,222,705	1,321,185	2,357,368	18,514,847	184,056	-	208,378,584
Clients' and brokers' balances	8,790	-	-	-	-	-	732,350	-	741,140
Reinsurance assets	-	-	-	-	-	-	505,600	-	505,600
Other assets	3,720	3,978	1,142	-	-	69	1,432,127	-	1,441,036
Derivative assets	-	-	-	-	64,187	143,585	-	1,752,707	1,960,479
Statutory deposits	-	-	-	-	-	-	3,429,582	-	3,429,582
Tax recoverable	-	-	-	-	-	-	121,033	-	121,033
Deferred tax assets	-	-	-	-	-	-	625,092	-	625,092
Investments in associates and joint venture	-	-	-	-	-	-	25	-	25
Right-of-use assets	-	-	-	-	-	-	152,305	-	152,305
Property, plant and equipment	-	-	-	-	-	-	1,060,577	-	1,060,577
Goodwill	-	-	-	-	-	-	2,654,122	-	2,654,122
Intangible assets	-	-	-	-	-	-	760,340	-	760,340
TOTAL ASSETS	183,739,441	18,566,320	6,987,046	6,113,917	13,910,303	59,303,267	17,325,769	4,842,118	310,788,181

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

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

	Non-trading book								
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Group									
2022									
LIABILITIES									
Deposits from customers	78,138,407	48,035,190	28,604,761	26,057,518	3,109,425	1,444,005	41,770,456	-	227,159,762
Deposits and placements of banks and other financial institutions	6,796,952	10,562,823	2,663,450	703,099	320,389	3,428,832	118,324	-	24,593,869
Obligations on securities sold under repurchase agreements	707,963	1,787,205	2,441,167	918,245	1,183,543	219,245	41,543	-	7,298,911
Investment accounts	76,442	526,536	200,000	-	-	392,980	50,068	-	1,246,026
Bills and acceptances payable	249,679	-	-	-	-	-	-	-	249,679
Clients' and brokers' balances	-	-	-	-	-	-	776,789	-	776,789
General insurance contract liabilities	-	-	-	-	-	-	1,171,546	-	1,171,546
Other liabilities	78,806	28,036	98,459	163,212	377,970	164,367	3,165,054	-	4,075,904
Derivative liabilities	-	-	-	932	4,317	2,607	-	1,931,535	1,939,391
Recourse obligation on loans sold to Cagamas	-	-	-	1,049,951	3,700,012	-	36,783	-	4,786,746
Provision for taxation and zakat	-	-	-	-	-	-	396,041	-	396,041
Deferred tax liabilities	-	-	-	-	-	-	2,187	-	2,187
Lease liabilities	4,665	12,167	13,776	28,058	56,261	45,705	-	-	160,632
Borrowings	205,262	7,312	-	440,578	820,653	-	2,380	-	1,476,185
Senior debt securities	-	-	-	-	1,621,076	2,199,950	20,164	-	3,841,190
Subordinated obligations	-	-	-	-	1,499,736	1,349,616	17,731	-	2,867,083
TOTAL LIABILITIES	86,258,176	60,959,269	34,021,613	29,361,593	12,693,382	9,247,307	47,569,066	1,931,535	282,041,941
Shareholders' funds	-	-	-	-	-	-	28,715,093	-	28,715,093
NCI	-	-	-	-	-	-	31,147	-	31,147
TOTAL LIABILITIES AND EQUITY	86,258,176	60,959,269	34,021,613	29,361,593	12,693,382	9,247,307	76,315,306	1,931,535	310,788,181
On-balance sheet interest sensitivity gap	97,481,265	(42,392,949)	(27,034,567)	(23,247,676)	1,216,921	50,055,960			
Off-balance sheet interest sensitivity gap	1,235,578	2,593,383	4,425,530	9,290,264	20,711,048	23,754,285			
TOTAL INTEREST SENSITIVITY GAP	98,716,843	(39,799,566)	(22,609,037)	(13,957,412)	21,927,969	73,810,245			

Notes to the Financial Statements
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56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

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

	Non-trading book								
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Group									
2021									
ASSETS									
Cash and short term funds	16,312,980	–	–	–	–	–	3,518,343	–	19,831,323
Deposits and placements with banks and other financial institutions	–	2,905,305	239,702	337,868	–	–	3,898	–	3,486,773
Financial assets at FVTPL	–	–	–	–	–	–	–	2,778,239	2,778,239
Financial assets at FVOCI	1,857,156	1,855,474	1,713,830	1,935,509	4,599,947	28,078,418	1,100,539	–	41,140,873
Financial investments at amortised cost	1,287,577	378,673	1,408,647	1,682,802	6,246,084	6,192,212	765,516	–	17,961,511
Loans, advances and financing	154,486,610	12,873,656	4,108,768	1,887,518	2,034,336	19,288,890	216,836	–	194,896,614
Clients' and brokers' balances	15,374	–	–	–	–	–	864,221	–	879,595
Reinsurance assets	–	–	–	–	–	–	435,342	–	435,342
Other assets	–	7,730	1,462	101	–	–	1,718,967	–	1,728,260
Derivative assets	–	–	–	413	355	74,887	–	642,960	718,615
Statutory deposits	–	–	–	–	–	–	635,012	–	635,012
Tax recoverable	–	–	–	–	–	–	131,283	–	131,283
Deferred tax assets	–	–	–	–	–	–	377,825	–	377,825
Investments in associates and joint venture	–	–	–	–	–	–	12	–	12
Right-of-use assets	–	–	–	–	–	–	174,482	–	174,482
Property, plant and equipment	–	–	–	–	–	–	1,016,824	–	1,016,824
Goodwill	–	–	–	–	–	–	2,654,122	–	2,654,122
Intangible assets	–	–	–	–	–	–	694,753	–	694,753
TOTAL ASSETS	173,959,697	18,020,838	7,472,409	5,844,211	12,880,722	53,634,407	14,307,975	3,421,199	289,541,458

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

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

	Non-trading book								
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Group									
2021									
LIABILITIES									
Deposits from customers	73,882,789	36,551,924	31,324,571	34,635,168	1,781,154	287,765	40,269,214	–	218,732,585
Deposits and placements of banks and other financial institutions	4,761,951	7,526,984	3,491,845	3,266,728	1,528,216	2,773,893	57,210	–	23,406,827
Obligations on securities sold under repurchase agreements	–	302,574	200,122	101,525	833,370	623,727	4,750	–	2,066,068
Investment accounts	96,670	124,000	–	–	–	357,870	2,751	–	581,291
Bills and acceptances payable	210,119	–	–	–	–	–	–	–	210,119
Clients' and brokers' balances	–	–	–	–	–	–	948,511	–	948,511
General insurance contract liabilities	–	–	–	–	–	–	1,068,687	–	1,068,687
Other liabilities	46,803	92,642	180,493	302,871	19,261	129,027	3,275,485	–	4,046,582
Derivative liabilities	–	140	–	522	63,203	69,275	–	754,786	887,926
Recourse obligation on loans sold to Cagamas	–	–	–	–	2,249,952	–	9,943	–	2,259,895
Provision for taxation and zakat	–	–	–	–	–	–	124,163	–	124,163
Deferred tax liabilities	–	–	–	–	–	–	55	–	55
Lease liabilities	4,471	12,339	14,845	27,433	54,410	69,109	–	–	182,607
Borrowings	121,969	–	5,112	–	–	–	299	–	127,380
Senior debt securities	–	–	–	–	1,248,503	2,378,709	19,157	–	3,646,369
Subordinated obligations	–	–	250,000	949,768	500,000	1,499,521	22,593	–	3,221,882
TOTAL LIABILITIES	79,124,772	44,610,603	35,466,988	39,284,015	8,278,069	8,188,896	45,802,818	754,786	261,510,947
Shareholders' funds	–	–	–	–	–	–	27,998,328	–	27,998,328
NCI	–	–	–	–	–	–	32,183	–	32,183
TOTAL LIABILITIES AND EQUITY	79,124,772	44,610,603	35,466,988	39,284,015	8,278,069	8,188,896	73,833,329	754,786	289,541,458
On-balance sheet interest sensitivity gap	94,834,925	(26,589,765)	(27,994,579)	(33,439,804)	4,602,653	45,445,511			
Off-balance sheet interest sensitivity gap	836,000	764,392	478,986	2,499,879	13,346,666	10,985,893			
TOTAL INTEREST SENSITIVITY GAP	95,670,925	(25,825,373)	(27,515,593)	(30,939,925)	17,949,319	56,431,404			

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56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

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

	Non-trading book								
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Bank									
2022									
ASSETS									
Cash and short term funds	8,333,994	-	-	-	-	-	3,160,912	-	11,494,906
Securities purchased under resale agreements	-	-	878,139	-	-	-	12,400	-	890,539
Deposits and placements with banks and other financial institutions	-	2,775,996	3,213,976	146,096	135,010	440,577	28,371	-	6,740,026
Investment account due from designated financial institutions	-	300,000	-	890,500	3,607,575	3,481,252	71,909	-	8,351,236
Financial assets at FVTPL	-	-	-	-	-	-	-	1,080,766	1,080,766
Financial assets at FVOCI	649,848	1,283,544	363,118	576,675	4,544,550	24,574,393	1,000,173	-	32,992,301
Financial investments at amortised cost	1,136,097	1,957,329	1,726,649	1,726,132	4,482,750	7,124,248	111,449	-	18,264,654
Loans, advances and financing	95,888,580	12,945,059	3,567,004	1,079,754	1,752,573	5,762,023	106,508	-	121,101,501
Other assets	-	-	-	-	-	-	1,912,440	-	1,912,440
Derivative assets	-	-	-	-	48,028	45,989	-	1,893,459	1,987,476
Statutory deposits	-	-	-	-	-	-	1,686,475	-	1,686,475
Deferred tax assets	-	-	-	-	-	-	472,759	-	472,759
Investment in subsidiaries	-	-	-	-	-	-	4,661,589	-	4,661,589
Right-of-use assets	-	-	-	-	-	-	92,372	-	92,372
Property, plant and equipment	-	-	-	-	-	-	811,414	-	811,414
Goodwill	-	-	-	-	-	-	1,714,913	-	1,714,913
Intangible assets	-	-	-	-	-	-	647,903	-	647,903
TOTAL ASSETS	106,008,519	19,261,928	9,748,886	4,419,157	14,570,486	41,428,482	16,491,587	2,974,225	214,903,270

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

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

	Non-trading book								
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Bank									
2022									
LIABILITIES									
Deposits from customers	53,412,175	23,035,461	13,526,986	14,083,157	2,323,733	309,342	29,398,617	–	136,089,471
Deposits and placements of banks and other financial institutions	8,576,378	16,628,133	2,845,752	654,228	278,946	3,293,686	168,339	–	32,445,462
Obligations on securities sold under repurchase agreements	904,798	1,787,205	2,817,967	918,245	1,183,543	219,245	44,959	–	7,875,962
Bills and acceptances payable	242,258	–	–	–	–	–	–	–	242,258
Other liabilities	78,806	28,036	98,459	163,212	377,970	164,367	1,957,554	–	2,868,404
Derivative liabilities	–	–	–	–	464	–	–	2,018,461	2,018,925
Recourse obligation on loans sold to Cagamas	–	–	–	300,000	2,700,013	–	21,672	–	3,021,685
Tax liabilities	–	–	–	–	–	–	261,391	–	261,391
Lease liabilities	3,372	9,122	9,478	20,587	45,704	5,711	–	–	93,974
Borrowings	–	–	–	440,578	820,653	–	2,345	–	1,263,576
Senior debt securities	–	–	–	–	1,621,076	2,199,950	20,164	–	3,841,190
Subordinated obligations	–	–	–	–	999,736	999,617	12,205	–	2,011,558
TOTAL LIABILITIES	63,217,787	41,487,957	19,298,642	16,580,007	10,351,838	7,191,918	31,887,246	2,018,461	192,033,856
Total equity	–	–	–	–	–	–	22,869,414	–	22,869,414
TOTAL LIABILITIES AND EQUITY	63,217,787	41,487,957	19,298,642	16,580,007	10,351,838	7,191,918	54,756,660	2,018,461	214,903,270
On-balance sheet interest sensitivity gap	42,790,732	(22,226,029)	(9,549,756)	(12,160,850)	4,218,648	34,236,564			
Off-balance sheet interest sensitivity gap	1,235,578	2,593,383	4,425,530	9,790,264	20,896,048	22,269,285			
TOTAL INTEREST SENSITIVITY GAP	44,026,310	(19,632,646)	(5,124,226)	(2,370,586)	25,114,696	56,505,849			

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

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

	Non-trading book								
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Bank									
2021									
ASSETS									
Cash and short term funds	8,527,511	–	–	–	–	–	1,882,112	–	10,409,623
Deposits and placements with banks and other financial institutions	–	3,915,814	988,344	2,548,782	–	416,522	17,226	–	7,886,688
Investment account due from designated financial institutions	300,000	–	385,000	1,201,000	4,331,767	3,845,796	150,076	–	10,213,639
Financial assets at FVTPL	–	–	–	–	–	–	–	840,410	840,410
Financial assets at FVOCI	1,832,122	1,506,802	1,552,680	1,576,565	4,159,481	23,324,370	1,003,481	–	34,955,501
Financial investments at amortised cost	552,490	20,619	1,017,587	1,237,152	3,703,603	4,844,858	(367,019)	–	11,009,290
Loans, advances and financing	89,919,174	11,484,718	3,510,919	1,733,033	1,361,192	7,057,193	(21,126)	–	115,045,103
Other assets	–	–	–	–	–	–	1,842,709	–	1,842,709
Derivative assets	–	–	–	413	355	17,893	–	780,175	798,836
Statutory deposits	–	–	–	–	–	–	356,687	–	356,687
Tax recoverable	–	–	–	–	–	–	61,942	–	61,942
Deferred tax assets	–	–	–	–	–	–	234,795	–	234,795
Investment in subsidiaries	–	–	–	–	–	–	4,648,681	–	4,648,681
Right-of-use assets	–	–	–	–	–	–	91,368	–	91,368
Property, plant and equipment	–	–	–	–	–	–	762,684	–	762,684
Goodwill	–	–	–	–	–	–	1,714,913	–	1,714,913
Intangible assets	–	–	–	–	–	–	603,134	–	603,134
TOTAL ASSETS	101,131,297	16,927,953	7,454,530	8,296,945	13,556,398	39,506,632	12,981,663	1,620,585	201,476,003

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

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

	Non-trading book								
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Bank									
2021									
LIABILITIES									
Deposits from customers	52,175,960	16,621,764	17,664,259	22,171,387	685,359	265,221	27,968,626	–	137,552,576
Deposits and placements of banks and other financial institutions	6,724,209	7,255,017	4,345,432	3,208,514	1,402,827	2,675,501	58,099	–	25,669,599
Obligations on securities sold under repurchase agreements	610,005	912,567	1,178,505	692,781	833,370	623,727	16,071	–	4,867,026
Bills and acceptances payable	201,832	–	–	–	–	–	–	–	201,832
Other liabilities	46,803	91,588	180,493	302,871	19,261	129,027	1,617,330	–	2,387,373
Derivative liabilities	–	140	–	522	32,177	46,822	–	858,400	938,061
Recourse obligation on loans sold to Cagamas	–	–	–	–	1,500,000	–	6,310	–	1,506,310
Lease liabilities	3,680	10,151	11,235	21,522	36,378	9,969	–	–	92,935
Senior debt securities	–	–	–	–	1,248,503	2,378,709	19,157	–	3,646,369
Subordinated obligations	–	–	–	749,768	–	1,499,521	15,845	–	2,265,134
TOTAL LIABILITIES	59,762,489	24,891,227	23,379,924	27,147,365	5,757,875	7,628,497	29,701,438	858,400	179,127,215
Total equity	–	–	–	–	–	–	22,348,788	–	22,348,788
TOTAL LIABILITIES AND EQUITY	59,762,489	24,891,227	23,379,924	27,147,365	5,757,875	7,628,497	52,050,226	858,400	201,476,003
On-balance sheet interest sensitivity gap	41,368,808	(7,963,274)	(15,925,394)	(18,850,420)	7,798,523	31,878,135			
Off-balance sheet interest sensitivity gap	836,000	764,392	478,986	2,499,879	14,346,666	13,325,893			
TOTAL INTEREST SENSITIVITY GAP	42,204,808	(7,198,882)	(15,446,408)	(16,350,541)	22,145,189	45,204,028			

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk

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

On 24 March 2020, BNM issued a letter on Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Outbreak which includes the relaxation on LCR and NSFR. Banking institutions are allowed to operate below the minimum LCR of 100% and the NSFR minimum requirement is lowered to 80%, and will be restored to minimum 100% by 30 September 2021. Notwithstanding this, the LCR and NSFR at RHB Banking Group level have been maintained at above 100%.

The Group and the Bank seek to project, monitor and manage its liquidity needs under normal as well as adverse circumstances. The Group and the Bank did not have any defaults of principal and interest or other breaches with respect to its borrowings, senior debt securities and subordinated obligations during the financial years ended 31 December 2022 and 2021.

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

	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
Group								
2022								
ASSETS								
Cash and short term funds	12,666,534	6,468,301	–	–	–	–	–	19,134,835
Securities purchased under resale agreements	–	–	–	101,258	–	–	–	101,258
Deposits and placements with banks and other financial institutions	334	–	211,955	134,071	177,198	128,807	–	652,365
Financial assets at FVTPL	15,358	119,835	977	289	–	1,725,531	1,227,421	3,089,411
Financial assets at FVOCI	499,991	20,957	827,131	488,935	766,059	35,630,171	740,445	38,973,689
Financial investments at amortised cost	16,409	1,134,005	2,195,766	2,070,508	3,980,744	17,609,276	–	27,006,708
Loans, advances and financing	5,214,902	18,941,230	6,477,439	4,226,250	1,895,878	171,622,885	–	208,378,584
Clients' and brokers' balances	735,744	1,751	–	–	–	–	3,645	741,140
Reinsurance assets	–	–	–	–	505,600	–	–	505,600
Other assets	166,944	345,143	219,530	52,274	38,714	354,549	263,882	1,441,036
Derivative assets	69,754	195,113	263,211	58,678	174,574	1,199,149	–	1,960,479
Statutory deposits	–	–	–	–	–	–	3,429,582	3,429,582
Tax recoverable	–	–	–	–	–	–	121,033	121,033
Deferred tax assets	–	–	–	–	–	–	625,092	625,092
Investments in associates and joint venture	–	–	–	–	–	–	25	25
Right-of-use assets	–	–	–	–	–	–	152,305	152,305
Property, plant and equipment	–	–	–	–	–	–	1,060,577	1,060,577
Goodwill	–	–	–	–	–	–	2,654,122	2,654,122
Intangible assets	–	–	–	–	–	–	760,340	760,340
TOTAL ASSETS	19,385,970	27,226,335	10,196,009	7,132,263	7,538,767	228,270,368	11,038,469	310,788,181

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

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

	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
Group								
2022								
LIABILITIES								
Deposits from customers	81,924,392	37,198,600	48,356,769	28,863,042	26,233,547	4,583,412	–	227,159,762
Deposits and placements of banks and other financial institutions	2,723,400	4,104,219	10,620,860	2,685,873	709,402	3,750,115	–	24,593,869
Obligations on securities sold under repurchase agreements	–	712,142	1,795,748	2,456,106	924,431	1,410,484	–	7,298,911
Investment accounts	5,001	71,496	538,231	203,658	–	427,640	–	1,246,026
Bills and acceptances payable	249,679	–	–	–	–	–	–	249,679
Clients' and brokers' balances	548,867	227,922	–	–	–	–	–	776,789
General insurance contract liabilities	–	–	–	–	1,171,546	–	–	1,171,546
Other liabilities	727,761	423,609	744,406	175,233	470,096	1,096,190	438,609	4,075,904
Derivative liabilities	53,674	218,066	630,380	123,104	131,781	782,386	–	1,939,391
Recourse obligation on loans sold to Cagamas	–	–	22,563	12,216	1,051,955	3,700,012	–	4,786,746
Provision for taxation and zakat	–	–	–	–	–	–	396,041	396,041
Deferred tax liabilities	–	–	–	–	–	–	2,187	2,187
Lease liabilities	167	4,498	12,167	13,776	28,058	101,966	–	160,632
Borrowings	40,944	164,353	9,657	–	440,578	820,653	–	1,476,185
Senior debt securities	–	–	18,251	1,913	–	3,821,026	–	3,841,190
Subordinated obligations	–	–	5,726	12,005	–	2,849,352	–	2,867,083
TOTAL LIABILITIES	86,273,885	43,124,905	62,754,758	34,546,926	31,161,394	23,343,236	836,837	282,041,941
Shareholders' funds	–	–	–	–	–	–	28,715,093	28,715,093
NCI	–	–	–	–	–	–	31,147	31,147
TOTAL LIABILITIES AND EQUITY	86,273,885	43,124,905	62,754,758	34,546,926	31,161,394	23,343,236	29,583,077	310,788,181

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

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

	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
Group								
2021								
ASSETS								
Cash and short term funds	9,140,617	10,690,706	–	–	–	–	–	19,831,323
Deposits and placements with banks and other financial institutions	495	–	2,902,843	239,129	344,306	–	–	3,486,773
Financial assets at FVTPL	14,482	10,223	103,261	2,880	15,721	1,376,017	1,255,655	2,778,239
Financial assets at FVOCI	465,509	1,275,118	1,414,861	1,738,966	2,007,355	33,479,032	760,032	41,140,873
Financial investments at amortised cost	2,525	1,718,000	382,113	1,415,309	1,692,188	12,751,376	–	17,961,511
Loans, advances and financing	4,476,366	16,333,864	7,945,580	4,090,851	2,437,918	159,612,010	25	194,896,614
Clients' and brokers' balances	826,204	45,512	–	–	–	–	7,879	879,595
Reinsurance assets	–	–	–	–	435,342	–	–	435,342
Other assets	517,777	415,443	64,772	129,632	18,550	334,519	247,567	1,728,260
Derivative assets	25,622	63,968	53,692	55,917	22,930	496,486	–	718,615
Statutory deposits	–	–	–	–	–	–	635,012	635,012
Tax recoverable	–	–	–	–	–	–	131,283	131,283
Deferred tax assets	–	–	–	–	–	–	377,825	377,825
Investments in associates and joint venture	–	–	–	–	–	–	12	12
Right-of-use assets	–	–	–	–	–	–	174,482	174,482
Property, plant and equipment	–	–	–	–	–	–	1,016,824	1,016,824
Goodwill	–	–	–	–	–	–	2,654,122	2,654,122
Intangible assets	–	–	–	–	–	–	694,753	694,753
TOTAL ASSETS	15,469,597	30,552,834	12,867,122	7,672,684	6,974,310	208,049,440	7,955,471	289,541,458

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

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

	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
Group								
2021								
LIABILITIES								
Deposits from customers	83,027,421	30,413,450	36,823,946	31,547,340	34,827,516	2,092,912	–	218,732,585
Deposits and placements of banks and other financial institutions	983,556	3,786,211	7,548,100	3,505,485	3,277,812	4,305,663	–	23,406,827
Obligations on securities sold under repurchase agreements	–	–	302,732	202,339	102,218	1,458,779	–	2,066,068
Investment accounts	–	96,685	126,736	–	–	357,870	–	581,291
Bills and acceptances payable	210,119	–	–	–	–	–	–	210,119
Clients' and brokers' balances	690,058	258,453	–	–	–	–	–	948,511
General insurance contract liabilities	–	–	–	–	1,068,687	–	–	1,068,687
Other liabilities	1,211,516	412,348	810,068	230,232	541,607	410,912	429,899	4,046,582
Derivative liabilities	10,472	78,690	126,201	116,881	36,831	518,851	–	887,926
Recourse obligation on loans sold to Cagamas	–	–	–	9,943	–	2,249,952	–	2,259,895
Provision for taxation and zakat	–	–	–	–	–	–	124,163	124,163
Deferred tax liabilities	–	–	–	–	–	–	55	55
Lease liabilities	55	4,416	12,339	14,845	27,433	123,519	–	182,607
Borrowings	116,380	5,701	–	5,299	–	–	–	127,380
Senior debt securities	–	–	17,255	1,902	–	3,627,212	–	3,646,369
Subordinated obligations	–	–	3,250	269,343	949,768	1,999,521	–	3,221,882
TOTAL LIABILITIES	86,249,577	35,055,954	45,770,627	35,903,609	40,831,872	17,145,191	554,117	261,510,947
Shareholders' funds	–	–	–	–	–	–	27,998,328	27,998,328
NCI	–	–	–	–	–	–	32,183	32,183
TOTAL LIABILITIES AND EQUITY	86,249,577	35,055,954	45,770,627	35,903,609	40,831,872	17,145,191	28,584,628	289,541,458

Notes to the Financial Statements

For The Financial Year Ended 31 December 2022

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

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

	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
Bank								
2022								
ASSETS								
Cash and short term funds	7,827,276	3,667,630	–	–	–	–	–	11,494,906
Securities purchased under resale agreements	–	–	–	890,539	–	–	–	890,539
Deposits and placements with banks and other financial institutions	–	–	2,790,354	3,224,957	149,128	575,587	–	6,740,026
Investment account due from designated financial institutions	–	–	315,026	3,755	943,627	7,088,828	–	8,351,236
Financial assets at FVTPL	15,358	119,834	977	289	–	944,050	258	1,080,766
Financial assets at FVOCI	499,991	20,957	786,004	388,097	699,999	29,898,229	699,024	32,992,301
Financial investments at amortised cost	16,409	1,119,919	1,965,077	1,728,803	1,731,868	11,702,578	–	18,264,654
Loans, advances and financing	2,252,195	14,337,441	5,303,690	3,633,881	1,346,204	94,228,090	–	121,101,501
Other assets	142,823	271,667	173,109	30,898	36,819	1,087,802	169,322	1,912,440
Derivative assets	74,685	216,324	257,038	57,666	176,154	1,205,609	–	1,987,476
Statutory deposits	–	–	–	–	–	–	1,686,475	1,686,475
Deferred tax assets	–	–	–	–	–	–	472,759	472,759
Investments in subsidiaries	–	–	–	–	–	–	4,661,589	4,661,589
Right-of-use assets	–	–	–	–	–	–	92,372	92,372
Property, plant and equipment	–	–	–	–	–	–	811,414	811,414
Goodwill	–	–	–	–	–	–	1,714,913	1,714,913
Intangible assets	–	–	–	–	–	–	647,903	647,903
TOTAL ASSETS	10,828,737	19,753,772	11,591,275	9,958,885	5,083,799	146,730,773	10,956,029	214,903,270
LIABILITIES								
Deposits from customers	62,153,229	20,298,738	23,165,670	13,645,622	14,178,192	2,648,020	–	136,089,471
Deposits and placements of banks and other financial institutions	4,084,381	4,531,289	16,725,926	2,869,978	660,371	3,573,517	–	32,445,462
Obligations on securities sold under repurchase agreements	–	911,235	1,795,748	2,834,064	924,431	1,410,484	–	7,875,962
Bills and acceptances payable	242,258	–	–	–	–	–	–	242,258
Other liabilities	435,327	188,345	551,594	179,580	422,383	1,027,405	63,770	2,868,404
Derivative liabilities	53,568	209,160	624,252	106,916	128,737	896,292	–	2,018,925
Recourse obligation on loans sold to Cagamas	–	–	14,722	6,950	300,000	2,700,013	–	3,021,685
Tax liabilities	–	–	–	–	–	–	261,391	261,391
Lease liabilities	–	3,372	9,122	9,478	20,587	51,415	–	93,974
Borrowings	–	–	2,345	–	440,578	820,653	–	1,263,576
Senior debt securities	–	–	18,251	1,913	–	3,821,026	–	3,841,190
Subordinated obligations	–	–	5,726	6,479	–	1,999,353	–	2,011,558
TOTAL LIABILITIES	66,968,763	26,142,139	42,913,356	19,660,980	17,075,279	18,948,178	325,161	192,033,856
Total equity	–	–	–	–	–	–	22,869,414	22,869,414
TOTAL LIABILITIES AND EQUITY	66,968,763	26,142,139	42,913,356	19,660,980	17,075,279	18,948,178	23,194,575	214,903,270

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

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

	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
Bank								
2021								
ASSETS								
Cash and short term funds	5,269,542	5,140,081	–	–	–	–	–	10,409,623
Deposits and placements with banks and other financial institutions	–	–	3,925,671	989,253	2,555,241	416,523	–	7,886,688
Investment account due from designated financial institutions	495	300,179	6,230	387,988	1,341,184	8,177,563	–	10,213,639
Financial assets at FVTPL	14,482	10,223	103,261	2,880	15,721	693,843	–	840,410
Financial assets at FVOCI	465,508	1,249,607	1,065,453	1,576,880	1,645,220	28,232,084	720,749	34,955,501
Financial investments at amortised cost	560	106,390	20,634	1,021,710	1,244,003	8,615,993	–	11,009,290
Loans, advances and financing	1,765,022	12,869,097	6,816,691	3,271,253	1,864,814	88,458,226	–	115,045,103
Other assets	92,567	251,251	63,946	55,005	16,028	1,197,926	165,986	1,842,709
Derivative assets	25,869	63,396	76,647	60,033	22,926	549,965	–	798,836
Statutory deposits	–	–	–	–	–	–	356,687	356,687
Tax recoverable	–	–	–	–	–	–	61,942	61,942
Deferred tax assets	–	–	–	–	–	–	234,795	234,795
Investments in subsidiaries	–	–	–	–	–	–	4,648,681	4,648,681
Right-of-use assets	–	–	–	–	–	–	91,368	91,368
Property, plant and equipment	–	–	–	–	–	–	762,684	762,684
Goodwill	–	–	–	–	–	–	1,714,913	1,714,913
Intangible assets	–	–	–	–	–	–	603,134	603,134
TOTAL ASSETS	7,634,045	19,990,224	12,078,533	7,365,002	8,705,137	136,342,123	9,360,939	201,476,003
LIABILITIES								
Deposits from customers	63,899,367	15,897,631	16,725,491	17,793,013	22,276,783	960,291	–	137,552,576
Deposits and placements of banks and other financial institutions	1,125,792	5,608,584	7,274,667	4,359,625	3,219,115	4,081,816	–	25,669,599
Obligations on securities sold under repurchase agreements	–	614,146	915,806	1,184,661	693,634	1,458,779	–	4,867,026
Bills and acceptances payable	201,832	–	–	–	–	–	–	201,832
Other liabilities	395,322	229,272	577,935	211,594	492,918	403,796	76,536	2,387,373
Derivative liabilities	10,589	83,217	126,500	109,840	31,884	576,031	–	938,061
Recourse obligation on loans sold to Cagamas	–	–	–	6,309	–	1,500,001	–	1,506,310
Lease liabilities	–	3,680	10,151	11,235	21,522	46,347	–	92,935
Senior debt securities	–	–	17,255	1,902	–	3,627,212	–	3,646,369
Subordinated obligations	–	–	3,250	12,595	749,768	1,499,521	–	2,265,134
TOTAL LIABILITIES	65,632,902	22,436,530	25,651,055	23,690,774	27,485,624	14,153,794	76,536	179,127,215
Total equity	–	–	–	–	–	–	22,348,788	22,348,788
TOTAL LIABILITIES AND EQUITY	65,632,902	22,436,530	25,651,055	23,690,774	27,485,624	14,153,794	22,425,324	201,476,003

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For The Financial Year Ended 31 December 2022

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the cash outflows for the Group and 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 statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments:

	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
Group							
2022							
Deposits from customers	119,003,247	77,232,859	27,635,438	3,398,533	1,724,608	–	228,994,685
Deposits and placements of banks and other financial institutions	6,806,461	13,887,442	779,263	661,052	1,820,288	1,676,062	25,630,568
Obligations on securities sold under repurchase agreements	712,031	4,284,526	947,756	1,252,176	261,377	–	7,457,866
Investment accounts	76,711	747,281	–	–	–	543,921	1,367,913
Bills and acceptances payable	249,679	–	–	–	–	–	249,679
Clients' and brokers' balances	776,789	–	–	–	–	–	776,789
General insurance contract liabilities	–	–	1,171,546	–	–	–	1,171,546
Other financial liabilities	1,091,501	981,397	455,723	749,202	320,262	175,113	3,773,198
Derivative liabilities:							
– Gross settled derivatives:							
– Inflow	(12,362,142)	(18,105,862)	(952,559)	(1,564,949)	(1,655,610)	–	(34,641,122)
– Outflow	12,584,374	18,585,338	991,979	1,702,806	1,635,363	–	35,499,860
– Net settled derivatives	2,570	(69,937)	(85,762)	(278,888)	(122,372)	(18,081)	(572,470)
Recourse obligation on loans sold to Cagamas	–	833,497	383,620	3,881,932	–	–	5,099,049
Lease liabilities	5,371	28,941	31,334	59,538	25,244	60,302	210,730
Borrowings	205,297	23,827	457,095	856,982	–	–	1,543,201
Senior debt securities	–	47,425	47,425	1,736,777	2,221,162	–	4,052,789
Subordinated obligations	–	45,294	63,556	670,087	2,446,862	–	3,225,799
TOTAL FINANCIAL LIABILITIES	129,151,889	98,522,028	31,926,414	13,125,248	8,677,184	2,437,317	283,840,080
Direct credit substitute	117,354	439,881	602,786	172,809	76,150	1,637	1,410,617
Transaction-related contingent items	542,116	924,746	446,454	664,977	113,595	96,405	2,788,293
Short term self-liquidating trade-related contingencies	204,765	714,394	36,686	1,950	–	27,093	984,888
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions, and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions	1,166,639	4,840,825	453,716	1,425,099	686,900	–	8,573,179
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	714,175	3,445,829	6,446,717	1,808,145	805,741	3,108,647	16,329,254
TOTAL COMMITMENTS AND CONTINGENCIES	2,745,049	10,365,675	7,986,359	4,072,980	1,682,386	3,233,782	30,086,231

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the cash outflows for the Group and 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 statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments (continued):

	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
Group							
2021							
Deposits from customers	113,232,500	68,390,233	35,320,765	2,576,161	43,908	340,841	219,904,408
Deposits and placements of banks and other financial institutions	4,718,191	11,098,000	3,358,942	1,544,839	1,313,030	1,523,407	23,556,409
Obligations on securities sold under repurchase agreements	–	509,631	105,415	856,514	638,668	–	2,110,228
Investment accounts	96,757	129,154	–	–	–	472,267	698,178
Bills and acceptances payable	210,119	–	–	–	–	–	210,119
Clients' and brokers' balances	948,511	–	–	–	–	–	948,511
General insurance contract liabilities	–	–	1,068,687	–	–	–	1,068,687
Other financial liabilities	1,535,071	1,134,535	543,465	167,433	140,715	167,964	3,689,183
Derivative liabilities:							
– Gross settled derivatives:							
– Inflow	(13,682,494)	(26,819,144)	(1,914,335)	(1,358,181)	(1,143,417)	(147,372)	(45,064,943)
– Outflow	13,710,466	26,990,142	1,918,798	1,433,029	1,206,633	153,415	45,412,483
– Net settled derivatives	4,814	84,435	102,227	353,417	124,080	(22,410)	646,563
Recourse obligation on loans sold to Cagamas	–	32,510	32,638	2,354,037	–	–	2,419,185
Lease liabilities	4,957	29,783	29,635	58,884	14,414	56,779	194,452
Borrowings	122,087	5,380	–	–	–	–	127,467
Senior debt securities	–	45,069	45,069	1,406,307	2,442,944	–	3,939,389
Subordinated obligations	–	56,062	1,274,338	607,400	1,591,625	–	3,529,425
TOTAL FINANCIAL LIABILITIES	120,900,979	81,685,790	41,885,644	9,999,840	6,372,600	2,544,891	263,389,744
Direct credit substitute	54,877	330,520	672,538	285,724	49,559	1,132	1,394,350
Transaction-related contingent items	415,417	1,056,886	657,710	721,180	148,372	78,084	3,077,649
Short term self-liquidating trade-related contingencies	631,645	287,135	1,222	1,950	–	55,119	977,071
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions, and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions	–	946,074	489,195	1,635,393	2,130,131	223,961	5,424,754
Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns	–	–	–	–	30,600	4,930	35,530
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	534,117	3,178,367	6,039,087	1,606,039	974,477	3,083,640	15,415,727
TOTAL COMMITMENTS AND CONTINGENCIES	1,636,056	5,798,982	7,859,752	4,250,286	3,333,139	3,446,866	26,325,081

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56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the cash outflows for the Group and 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 statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments (continued):

	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
Bank							
2022							
Deposits from customers	82,475,614	37,057,174	14,495,668	2,460,347	350,435	–	136,839,238
Deposits and placements of banks and other financial institutions	8,621,874	19,753,595	684,820	618,583	1,732,293	1,628,629	33,039,794
Obligations on securities sold under repurchase agreements	911,367	4,666,949	947,756	1,252,176	261,377	–	8,039,625
Bills and acceptances payable	242,258	–	–	–	–	–	242,258
Other financial liabilities	562,592	794,226	409,375	612,999	320,262	155,477	2,854,931
Derivative liabilities:							
– Gross settled derivatives:							
– Inflow	(13,240,179)	(24,803,682)	(2,154,156)	(1,601,867)	(1,638,618)	–	(43,438,502)
– Outflow	13,492,568	25,456,013	2,221,713	1,709,732	1,652,393	–	44,532,419
– Net settled derivatives	2,391	(52,532)	(58,004)	(165,214)	(54,872)	(18,081)	(346,312)
Recourse obligation on loans sold to Cagamas	–	53,889	353,964	2,836,869	–	–	3,244,722
Lease liabilities	3,790	19,972	22,124	46,535	9,124	150	101,695
Borrowings	–	16,515	457,095	856,982	–	–	1,330,592
Senior debt securities	–	47,425	47,425	1,736,777	2,221,162	–	4,052,789
Subordinated obligations	–	27,200	45,450	145,300	2,077,150	–	2,295,100
TOTAL FINANCIAL LIABILITIES	93,072,275	63,036,744	17,473,230	10,509,219	6,930,706	1,766,175	192,788,349
Direct credit substitute	117,355	437,319	602,193	170,886	76,150	1,638	1,405,541
Transaction-related contingent items	510,922	847,270	325,044	537,788	78,881	87,748	2,387,653
Short term self-liquidating trade-related contingencies	233,026	433,433	34,133	2,950	–	27,093	730,635
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions, and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions	1,370,847	4,840,825	453,716	1,425,098	686,900	–	8,777,386
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	590,607	2,842,605	5,430,090	1,671,436	706,924	2,453,610	13,695,272
TOTAL COMMITMENTS AND CONTINGENCIES	2,822,757	9,401,452	6,845,176	3,808,158	1,548,855	2,570,089	26,996,487

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the cash outflows for the Group and 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 statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments (continued):

	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
Bank							
2021							
Deposits from customers	79,811,216	34,861,982	22,593,720	763,822	17,006	–	138,047,746
Deposits and placements of banks and other financial institutions	6,738,749	11,665,534	3,255,122	1,417,930	1,231,508	1,512,010	25,820,853
Obligations on securities sold under repurchase agreements	618,603	2,125,695	709,628	856,514	638,668	–	4,949,108
Bills and acceptances payable	201,832	–	–	–	–	–	201,832
Other financial liabilities	530,889	886,169	496,546	159,809	140,715	122,106	2,336,234
Derivative liabilities:							
– Gross settled derivatives:							
– Inflow	(15,462,567)	(31,147,098)	(1,911,143)	(1,375,030)	(1,163,271)	(147,372)	(51,206,481)
– Outflow	15,493,237	31,291,863	1,906,957	1,416,277	1,186,866	153,415	51,448,615
– Net settled derivatives	1,990	33,615	43,961	157,914	15,619	(47,273)	205,826
Recourse obligation on loans sold to Cagamas	–	23,341	23,469	1,585,747	–	–	1,632,557
Lease liabilities	4,127	23,228	23,399	39,587	8,741	2,669	101,751
Senior debt securities	–	45,069	45,069	1,406,307	2,442,944	–	3,939,389
Subordinated obligations	–	34,275	802,525	101,300	1,591,625	–	2,529,725
TOTAL FINANCIAL LIABILITIES	87,938,076	49,843,673	27,989,253	6,530,177	6,110,421	1,595,555	180,007,155
Direct credit substitute	54,628	328,235	671,754	285,620	49,559	1,132	1,390,928
Transaction-related contingent items	398,726	992,744	565,700	570,621	117,221	69,058	2,714,070
Short term self-liquidating trade-related contingencies	587,157	238,446	1,222	1,950	–	55,119	883,894
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions, and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions	–	946,074	489,195	1,635,393	2,130,131	223,961	5,424,754
Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns	–	–	–	–	30,600	4,930	35,530
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	462,078	2,536,387	4,957,159	1,497,980	858,176	2,503,748	12,815,528
TOTAL COMMITMENTS AND CONTINGENCIES	1,502,589	5,041,886	6,685,030	3,991,564	3,185,687	2,857,948	23,264,704

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk at the statements of financial position is the amounts on the statements 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 Group and 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 Group and the Bank that are subject to impairment:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Credit risk exposure relating to on-balance sheet assets:				
Short term funds (exclude cash in hand)	**18,009,429**	18,850,637	**10,439,267**	9,491,637
Securities purchased under resale agreements	**101,258**	–	**890,539**	–
Deposits and placements with banks and other financial institutions	**652,365**	3,486,773	**6,740,026**	7,886,688
Investment account due from designated financial institutions	**–**	–	**8,351,236**	10,213,639
Financial assets at FVOCI^	**38,233,244**	40,380,841	**32,293,277**	34,234,752
Financial investments at amortised cost	**27,006,708**	17,961,511	**18,264,654**	11,009,290
Loans, advances and financing	**208,378,584**	194,896,614	**121,101,501**	115,045,103
Clients' and brokers' balances	**741,140**	879,595	**–**	–
Reinsurance assets	**385,872**	339,199	**–**	–
Other financial assets	**1,014,084**	1,436,018	**1,552,912**	1,614,112
	294,522,684	278,231,188	**199,633,412**	189,495,221
Credit risk exposure relating to off-balance sheet items:				
Commitments and contingencies	**65,808,036**	60,888,821	**51,119,157**	46,154,665
Total maximum credit risk exposure that are subject to impairment	**360,330,720**	339,120,009	**250,752,569**	235,649,886

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Financial assets at FVTPL	**3,089,411**	2,778,239	**1,080,766**	840,410
Financial assets at FVOCI	**740,445**	760,032	**699,024**	720,749
Derivative assets	**1,960,479**	718,615	**1,987,476**	798,836
	5,790,335	4,256,886	**3,767,266**	2,359,995

^ *Exclude shares and unit trust.*

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(ii) Collaterals

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

The Group and the Bank also accept 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 loans, advances and financing for which no allowances is recognised because of collateral as at 31 December 2022 amounted to RM344.6 million and RM119.4 million (2021: RM316.0 million and RM154.2 million) respectively for the Group and the Bank.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing and clients' and brokers' balances for the Group and the Bank are as follows:

	Group		Bank	
	2022 %	2021 %	2022 %	2021 %
Loans, advances and financing	**81.8**	81.3	**83.9**	82.9
Clients' and brokers' balances	**96.4**	98.3	**–**	–

The financial effect of collateral held for the remaining on-balance sheet assets are insignificant.

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

	Gross impaired outstanding RM'000	Credit losses RM'000	Net carrying amount RM'000	Collateral value over gross outstanding %
Group				
2022				
Loans, advances and financing	**3,288,731**	**(1,808,374)**	**1,480,357**	**56.4**
2021				
Loans, advances and financing	2,950,507	(1,407,463)	1,543,044	57.1
Bank				
2022				
Loans, advances and financing	**1,681,715**	**(786,707)**	**895,008**	**70.0**
2021				
Loans, advances and financing	1,744,632	(793,522)	951,110	59.1

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56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iii) Credit exposure by stage

Financial assets of the Group and the Bank are classified into three stages as below:

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

For further details on the stages, refer to accounting policy Note 22.

(iv) Credit quality

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

Credit quality description is summarised as follows:

Credit Quality	Description
– Sovereign	Exposures directly from government bodies including exposure guaranteed by government
– Good	Exposures exhibit strong capacity to meet financial commitments with no cause of concern to the Group and the Bank
– Fair	Exposures exhibit fairly acceptable capacity to meet financial commitments and may require varying degrees of concern to the Group and the Bank
– No Rating	Counterparties which do not satisfy the criteria to be rated based on internal credit rating 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 loans, advances and financing are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other international rating agencies as defined below:

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

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) 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						
	Sovereign RM'000	Good RM'000	Fair RM'000	No rating RM'000	Credit-impaired RM'000	Total RM'000	Provision for credit loss RM'000
Group							
2022							
General Approach							
Short term funds (exclude cash in hand)	7,840,666	9,389,792	301,388	486,006	–	18,017,852	(8,423)
Stage 1	7,840,666	9,389,792	301,388	486,006	–	18,017,852	(8,423)
Stage 2	–	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–	–
Securities purchased under resale agreements	–	–	–	101,258	–	101,258	–
Stage 1	–	–	–	101,258	–	101,258	–
Stage 2	–	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–	–
Deposits and placements with banks and other financial institutions	188,817	250,804	64,989	150,016	–	654,626	(2,261)
Stage 1	188,817	250,804	64,989	150,016	–	654,626	(2,261)
Stage 2	–	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–	–
Financial assets at FVOCI	23,286,318	12,192,617	2,418,452	335,857	–	38,233,244	(51,991)
Stage 1	22,842,674	12,122,669	2,332,119	335,857	–	37,633,319	(48,615)
Stage 2	443,644	69,948	86,333	–	–	599,925	(3,376)
Stage 3	–	–	–	–	–	–	–
Financial investments at amortised cost	18,170,791	2,426,731	–	5,815,689	1,294,649	27,707,860	(701,152)
Stage 1	17,987,441	2,426,731	–	5,376,504	–	25,790,676	(35,582)
Stage 2	183,350	–	–	439,185	–	622,535	(5,371)
Stage 3	–	–	–	–	1,294,649	1,294,649	(660,199)
Loans, advances and financing	6,144,478	175,700,794	14,120,895	12,945,244	3,288,731	212,200,142	(3,710,002)
Stage 1	6,144,478	168,957,012	10,555,889	11,926,725	–	197,584,104	(846,101)
Stage 2	–	6,743,782	3,565,006	1,018,519	–	11,327,307	(1,055,527)
Stage 3	–	–	–	–	3,288,731	3,288,731	(1,808,374)
Reinsurance assets	–	283,121	11,926	90,825	–	385,872	–
Stage 1	–	283,121	11,926	90,825	–	385,872	–
Stage 2	–	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–	–
	55,631,070	200,243,859	16,917,650	19,924,895	4,583,380	297,300,854	(4,473,829)

	Current RM'000	Current to less than 90 days past due RM'000	More than 90 days past due RM'000	Total RM'000	Provision for credit loss RM'000
Group					
2022					
Simplified Approach					
Gross carrying amount:					
– Clients' and brokers' balances	737,495	2,368	22,626	762,489	(21,349)
– Other financial assets	111,097	28,080	18,953	158,130	(16,957)
	848,592	30,448	41,579	920,619	(38,306)

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) 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						
	Sovereign RM'000	Good RM'000	Fair RM'000	No rating RM'000	Credit-impaired RM'000	Total RM'000	Provision for credit loss RM'000
Group							
2021							
General Approach							
Short term funds (exclude cash in hand)	12,290,917	5,506,762	70,412	989,285	–	18,857,376	(6,739)
Stage 1	12,290,917	5,506,762	70,412	989,285	–	18,857,376	(6,739)
Stage 2	–	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–	–
Deposits and placements with banks and other financial institutions	2,558,676	439,336	95,756	398,488	–	3,492,256	(5,483)
Stage 1	2,558,676	439,336	95,756	398,488	–	3,492,256	(5,483)
Stage 2	–	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–	–
Financial assets at FVOCI	25,510,258	10,494,290	2,039,064	2,336,209	1,020	40,380,841	(36,973)
Stage 1	24,531,212	10,428,789	2,039,064	2,336,209	–	39,335,274	(36,896)
Stage 2	979,046	65,501	–	–	–	1,044,547	(77)
Stage 3	–	–	–	–	1,020	1,020	–
Financial investments at amortised cost	10,245,879	1,827,720	–	5,249,393	1,236,638	18,559,630	(598,119)
Stage 1	9,950,712	1,827,720	–	5,050,782	–	16,829,214	(18,599)
Stage 2	295,167	–	–	198,611	–	493,778	(1,778)
Stage 3	–	–	–	–	1,236,638	1,236,638	(577,742)
Loans, advances and financing	6,283,148	161,623,498	15,126,195	12,528,419	2,950,507	198,511,767	(3,610,117)
Stage 1	6,283,148	151,512,890	12,148,864	11,834,137	–	181,779,039	(1,015,663)
Stage 2	–	10,110,608	2,977,331	694,282	–	13,782,221	(1,186,991)
Stage 3	–	–	–	–	2,950,507	2,950,507	(1,407,463)
Reinsurance assets	–	221,891	5,628	111,680	–	339,199	–
Stage 1	–	221,891	5,628	111,680	–	339,199	–
Stage 2	–	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–	–
	56,888,878	180,113,497	17,337,055	21,613,474	4,188,165	280,141,069	(4,257,431)

Other financial assets for the Group of RM872,911,000 (2021: RM1,133,509,000) are non-rated and short-term in nature, of which no provision for credit loss is provided.

	Current RM'000	Current to less than 90 days past due RM'000	More than 90 days past due RM'000	Total RM'000	Provision for credit loss RM'000
Group					
2021					
Simplified Approach					
Gross carrying amount:					
– Clients' and brokers' balances	871,716	7,228	24,196	903,140	(23,545)
– Other financial assets	274,391	25,741	21,563	321,695	(19,186)
	1,146,107	32,969	45,759	1,224,835	(42,731)

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) 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						
	Sovereign RM'000	Good RM'000	Fair RM'000	No rating RM'000	Credit-impaired RM'000	Total RM'000	Provision for credit loss RM'000
Bank							
2022							
General Approach							
Short term funds (exclude cash in hand)	1,586,333	8,507,097	138,706	214,345	–	10,446,481	(7,214)
Stage 1	1,586,333	8,507,097	138,706	214,345	–	10,446,481	(7,214)
Stage 2	–	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–	–
Securities purchased under resale agreements	–	789,281	–	101,258	–	890,539	–
Stage 1	–	789,281	–	101,258	–	890,539	–
Stage 2	–	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–	–
Deposits and placements with banks and other financial institutions	–	6,740,360	–	–	–	6,740,360	(334)
Stage 1	–	6,740,360	–	–	–	6,740,360	(334)
Stage 2	–	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–	–
Investment account due from designated financial institutions	–	8,351,236	–	–	–	8,351,236	–
Stage 1	–	8,351,236	–	–	–	8,351,236	–
Stage 2	–	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–	–
Financial assets at FVOCI	18,771,436	10,767,534	2,418,452	335,855	–	32,293,277	(45,893)
Stage 1	18,383,374	10,697,586	2,332,119	335,855	–	31,748,934	(42,517)
Stage 2	388,062	69,948	86,333	–	–	544,343	(3,376)
Stage 3	–	–	–	–	–	–	–
Financial investments at amortised cost	13,751,366	1,902,710	–	3,165,744	56,041	18,875,861	(611,207)
Stage 1	13,578,438	1,902,710	–	2,965,673	–	18,446,821	(17,587)
Stage 2	172,928	–	–	200,071	–	372,999	(3,217)
Stage 3	–	–	–	–	56,041	56,041	(590,403)
Loans, advances and financing	5,007	107,638,003	4,800,483	8,958,211	1,681,715	123,083,419	(1,962,209)
Stage 1	5,007	103,450,983	2,536,345	8,534,974	–	114,527,309	(554,551)
Stage 2	–	4,187,020	2,264,138	423,237	–	6,874,395	(620,951)
Stage 3	–	–	–	–	1,681,715	1,681,715	(786,707)
	34,114,142	144,696,221	7,357,641	12,775,413	1,737,756	200,681,173	(2,626,857)

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) 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						
	Sovereign RM'000	Good RM'000	Fair RM'000	No rating RM'000	Credit-impaired RM'000	Total RM'000	Provision for credit loss RM'000
Bank							
2021							
General Approach							
Short term funds (exclude cash in hand)	4,198,673	4,735,247	30,027	533,297	–	9,497,244	(5,607)
Stage 1	4,198,673	4,735,247	30,027	533,297	–	9,497,244	(5,607)
Stage 2	–	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–	–
Deposits and placements with banks and other financial institutions	300,046	7,416,349	–	170,423	–	7,886,818	(130)
Stage 1	300,046	7,416,349	–	170,423	–	7,886,818	(130)
Stage 2	–	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–	–
Investment account due from designated financial institutions	–	10,213,639	–	–	–	10,213,639	–
Stage 1	–	10,213,639	–	–	–	10,213,639	–
Stage 2	–	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–	–
Financial assets at FVOCI	20,921,386	8,952,063	2,039,064	2,321,219	1,020	34,234,752	(34,631)
Stage 1	19,999,388	8,886,562	2,039,064	2,321,219	–	33,246,233	(34,554)
Stage 2	921,998	65,501	–	–	–	987,499	(77)
Stage 3	–	–	–	–	1,020	1,020	–
Financial investments at amortised cost	7,352,909	1,162,794	–	2,953,274	59,832	11,528,809	(519,519)
Stage 1	7,195,072	1,162,794	–	2,953,274	–	11,311,140	(13,560)
Stage 2	157,837	–	–	–	–	157,837	–
Stage 3	–	–	–	–	59,832	59,832	(505,959)
Loans, advances and financing	31,290	103,485,325	3,175,368	8,962,442	1,744,632	117,399,057	(2,350,706)
Stage 1	31,290	96,272,468	1,383,484	8,799,644	–	106,486,886	(708,275)
Stage 2	–	7,212,857	1,791,884	162,798	–	9,167,539	(848,909)
Stage 3	–	–	–	–	1,744,632	1,744,632	(793,522)
	32,804,304	135,965,417	5,244,459	14,940,655	1,805,484	190,760,319	(2,910,593)

Other financial assets for the Bank of RM1,552,912,000 (2021: RM1,614,112,000) are non-rated and short-term in nature, of which no provision for credit loss is provided.

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Group and 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 institutionsˇ RM'000	Securities purchased under resale agreements RM'000	Financial assets at FVTPL~ RM'000	Financial assets at FVOCI@ RM'000	Financial investments at amortised costs¥ RM'000	Loans, advances and financing# RM'000	Clients' and brokers' balances^ RM'000	Reinsurance assets RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
Group											
2022											
Agriculture, hunting, forestry and fishing	-	-	-	419,503	651,762	4,625,275	-	-	2,218	1,543,600	7,242,358
Mining and quarrying	-	-	21,087	145,976	20,234	245,555	-	-	-	469,727	902,579
Manufacturing	-	-	3,509	288,551	-	11,482,537	-	-	48,258	7,079,966	18,902,821
Electricity, gas and water	-	-	2	1,879,011	419,827	1,536,363	-	-	23	974,963	4,810,189
Construction	-	-	-	1,512,472	2,327,612	13,160,578	-	-	3,460	6,480,821	23,484,943
Wholesale & retail trade and restaurant & hotel	-	-	-	951,496	333,605	21,726,114	-	-	6,061	7,869,694	30,886,970
Transport, storage and communication	-	-	45,800	2,818,081	484,276	7,817,059	-	-	1,829	1,908,549	13,075,594
Finance, insurance, real estate and business services	18,672,478	101,258	222,736	11,730,674	8,127,108	26,550,160	253,954	385,872	2,795,385	15,800,338	84,639,963
Education, health and others	-	-	879,373	18,487,480	14,683,237	9,544,345	-	-	56,408	3,745,152	47,395,995
Household sector	-	-	-	-	-	113,703,782	487,187	-	61,213	19,935,226	134,187,408
	18,672,478	101,258	1,172,507	38,233,244	27,047,661	210,391,768	741,141	385,872	2,974,855	65,808,036	365,528,820

ˇ *Excludes stage 1 expected credit losses amounting to RM10,684,000.*
~ *Excludes equity instruments, unit trusts and private equity funds amounting to RM1,916,904,000.*
@ *Excludes equity instruments amounting to RM740,445,000.*
¥ *Excludes stage 1 and stage 2 expected credit losses amounting to RM40,953,000.*
Excludes stage 1 and stage 2 expected credit losses amounting to RM1,901,628,000 and negative fair value changes amounting to RM111,556,000.
^ *Excludes allowance for credit losses for non-credit impaired amounting to RM1,000.*
* *Excludes allowance for credit losses for non-credit impaired amounting to RM292,000. Other financial assets include other assets amounting to RM1,014,084,000 and derivative assets amounting to RM1,960,479,000.*

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Group and 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 institutionsˇ RM'000	Financial assets at FVTPL~ RM'000	Financial assets at FVOCI@ RM'000	Financial investments at amortised costs¥ RM'000	Loans, advances and financing# RM'000	Clients' and brokers' balances^ RM'000	Reinsurance assets RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
Group										
2021										
Agriculture, hunting, forestry and fishing	-	-	195,882	637,917	4,608,785	-	-	106	811,509	6,254,199
Mining and quarrying	-	-	5,044	20,231	263,188	-	-	2,457	617,746	908,666
Manufacturing	-	3,249	192,067	560	10,827,921	-	-	9,438	6,578,861	17,612,096
Electricity, gas and water	-	23,421	2,475,676	371,072	1,360,245	-	-	-	1,209,633	5,440,047
Construction	-	64,766	1,623,517	2,309,930	13,412,557	-	-	714	6,682,292	24,093,776
Wholesale & retail trade and restaurant & hotel	-	-	1,465,515	445,344	19,700,669	-	-	1,395	7,379,899	28,992,822
Transport, storage and communication	-	24,705	2,960,042	726,764	8,183,198	-	-	37,345	1,982,205	13,914,259
Finance, insurance, real estate and business services	21,442,383	142,004	11,651,074	6,118,093	23,301,161	395,461	339,199	2,000,328	13,151,947	78,541,650
Education, health and others	907,249	637,776	19,812,024	7,351,977	9,534,289	-	-	56,802	4,130,317	42,430,434
Household sector	-	-	-	-	105,912,291	484,181	-	46,298	18,344,412	124,787,182
	22,349,632	895,921	40,380,841	17,981,888	197,104,304	879,642	339,199	2,154,883	60,888,821	342,975,131

ˇ *Excludes stage 1 expected credit losses amounting to RM12,222,000.*
~ *Excludes equity instruments, unit trusts and private equity funds amounting to RM1,882,318,000.*
@ *Excludes equity instruments amounting to RM760,032,000.*
¥ *Excludes stage 1 and stage 2 expected credit losses amounting to RM20,377,000.*
Excludes stage 1 and stage 2 expected credit losses amounting to RM2,202,654,000 and negative fair value changes amounting to RM5,036,000.
^ *Excludes allowance for credit losses for non-credit impaired amounting to RM47,000.*
* *Excludes allowance for credit losses for non-credit impaired amounting to RM250,000. Other financial assets include other assets amounting to RM1,436,018,000 and derivative assets amounting to RM718,615,000.*

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

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

	Short term funds, deposits and placements with banks and other financial institutions and investment account due from designated financial institutionsˇ RM'000	Securities purchased under resale agreements RM'000	Financial assets at FVTPL~ RM'000	Financial assets at FVOCI@ RM'000	Financial investments at amortised costs¥ RM'000	Loans, advances and financing# RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
Bank									
2022									
Agriculture, hunting, forestry and fishing	-	-	-	272,365	471,910	2,626,861	2,003	1,033,160	4,406,299
Mining and quarrying	-	-	21,087	88,226	20,234	138,201	-	393,897	661,645
Manufacturing	-	-	3,509	238,113	-	7,978,786	40,498	6,049,355	14,310,261
Electricity, gas and water	-	-	-	1,408,745	172,899	361,740	-	811,742	2,755,126
Construction	-	-	-	1,232,221	1,417,737	8,313,027	233	4,954,413	15,917,631
Wholesale & retail trade and restaurant & hotel	-	-	-	875,828	323,183	16,913,430	5,614	6,497,744	24,615,799
Transport, storage and communication	-	-	45,800	2,142,951	342,078	1,646,937	730	1,000,708	5,179,204
Finance, insurance, real estate and business services	25,538,077	890,539	222,737	10,969,512	4,336,740	19,201,714	3,466,471	14,049,737	78,675,527
Education, health and others	-	-	787,375	15,065,316	11,200,677	2,618,151	6,408	2,182,225	31,860,152
Household sector	-	-	-	-	-	62,497,865	18,431	14,146,176	76,662,472
	25,538,077	890,539	1,080,508	32,293,277	18,285,458	122,296,712	3,540,388	51,119,157	255,044,116

ˇ *Excludes stage 1 expected credit losses amounting to RM7,548,000.*
~ *Excludes equity instruments amounting to RM258,000.*
@ *Excludes equity instruments amounting to RM699,024,000.*
¥ *Excludes stage 1 and stage 2 expected credit losses amounting to RM20,804,000.*
Excludes stage 1 and stage 2 expected credit losses amounting to RM1,175,502,000 and negative fair value changes amounting to RM19,709,000.
* *Other financial assets include other assets amounting to RM1,552,912,000 and derivative assets amounting to RM1,987,476,000.*

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

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

	Short term funds, deposits and placements with banks and other financial institutions and investment account due from designated financial institutionsˇ RM'000	Financial assets at FVTPL~ RM'000	Financial assets at FVOCI@ RM'000	Financial investments at amortised costsɣ RM'000	Loans, advances and financing# RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
Bank								
2021								
Agriculture, hunting, forestry and fishing	-	-	109,965	472,012	3,032,633	106	543,076	4,157,792
Mining and quarrying	-	-	5,044	20,231	172,923	-	550,024	748,222
Manufacturing	-	3,249	177,059	560	8,022,830	8,626	5,504,601	13,716,925
Electricity, gas and water	-	20,002	1,987,840	148,472	620,024	-	1,051,451	3,827,789
Construction	-	64,766	1,259,099	1,389,779	7,896,630	30	5,143,090	15,753,394
Wholesale & retail trade and restaurant & hotel	-	-	1,403,512	308,015	15,765,049	1,342	6,187,071	23,664,989
Transport, storage and communication	-	24,705	2,409,175	439,359	1,526,771	33,691	1,271,517	5,705,218
Finance, insurance, real estate and business services	27,597,701	142,004	10,370,075	2,492,386	16,687,818	2,362,335	10,915,379	70,567,698
Education, health and others	-	585,684	16,512,983	5,752,036	2,585,885	6,802	2,277,782	27,721,172
Household sector	-	-	-	-	60,294,972	16	12,710,674	73,005,662
	27,597,701	840,410	34,234,752	11,022,850	116,605,535	2,412,948	46,154,665	238,868,861

ˇ *Excludes stage 1 expected credit losses amounting to RM5,737,000.*
@ *Excludes equity instruments amounting to RM720,749,000.*
ɣ *Excludes stage 1 and stage 2 expected credit losses amounting to RM13,560,000.*
Excludes stage 1 and stage 2 expected credit losses amounting to RM1,557,184,000 and negative fair value changes amounting to RM3,248,000.
* *Other financial assets include other assets amounting to RM1,614,112,000 and derivative assets amounting to RM798,836,000.*

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by geographical in respect of the Group and 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 institutionsˇ RM'000	Securities purchased under resale agreements RM'000	Financial assets at FVTPL~ RM'000	Financial assets at FVOCI@ RM'000	Financial investments at amortised costs¥ RM'000	Loans, advances and financing# RM'000	Clients' and brokers' balances^ RM'000	Reinsurance assets RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
Group											
2022											
Southeast Asia	14,016,790	101,258	1,082,355	33,385,808	27,017,241	206,020,269	741,141	354,785	2,042,484	63,101,446	347,863,577
- Malaysia	8,644,956	101,258	1,055,343	29,826,011	23,522,389	178,491,561	641,294	346,253	1,715,050	55,858,177	300,202,292
- Singapore	2,068,260	-	27,012	1,960,917	3,321,495	20,032,745	-	8,532	269,951	5,153,689	32,842,601
- Thailand	181,895	-	-	1,075,303	124,419	2,028,504	65,372	-	38,994	1,186,764	4,701,251
- Brunei	371,264	-	-	-	48,938	201,148	-	-	213	32,116	653,679
- Indonesia	196,329	-	-	440,925	-	893,009	33,696	-	6,983	151,146	1,722,088
- Cambodia	2,171,283	-	-	-	-	3,402,163	-	-	10,840	253,401	5,837,687
- Lao	362,068	-	-	-	-	69,623	-	-	302	8,961	440,954
- Vietnam	20,531	-	-	-	-	805,021	779	-	151	456,998	1,283,480
- Philippines	204	-	-	82,652	-	8,805	-	-	-	171	91,832
- Myanmar	-	-	-	-	-	87,690	-	-	-	23	87,713
South Asia	24,274	-	90,138	527,375	-	1,914,968	-	1	9,243	89,827	2,655,826
East Asia	2,898,268	-	-	1,156,216	-	941,550	-	20,490	243,911	143,178	5,403,613
Central Asia	-	-	-	-	-	496	-	-	-	-	496
Middle East	360,802	-	-	202,276	-	150,811	-	-	27	-	713,916
Europe	703,880	-	14	1,749,242	30,420	364,290	-	4,853	598,177	1,435,803	4,886,679
North America	667,823	-	-	1,212,327	-	974,751	-	5,743	80,748	1,036,202	3,977,594
Others	641	-	-	-	-	24,633	-	-	265	1,580	27,119
	18,672,478	101,258	1,172,507	38,233,244	27,047,661	210,391,768	741,141	385,872	2,974,855	65,808,036	365,528,820

ˇ *Excludes stage 1 expected credit losses amounting to RM10,684,000.*
~ *Excludes equity instruments, unit trusts and private equity funds amounting to RM1,916,904,000.*
@ *Excludes equity instruments amounting to RM740,445,000.*
¥ *Excludes stage 1 and stage 2 expected credit losses amounting to RM40,953,000.*
Excludes stage 1 and stage 2 expected credit losses amounting to RM1,901,628,000 and negative fair value changes amounting to RM111,556,000.
^ *Excludes allowance for credit losses for non-credit impaired amounting to RM1,000.*
* *Excludes allowance for credit losses for non-credit impaired amounting to RM292,000. Other financial assets include other assets amounting to RM1,014,084,000 and derivative assets amounting to RM1,960,479,000.*

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by geographical in respect of the Group and 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˘ RM'000	Financial assets at FVTPL~ RM'000	Financial assets at FVOCI@ RM'000	Financial investments at amortised costs¥ RM'000	Loans, advances and financing# RM'000	Clients' and brokers' balances^ RM'000	Reinsurance assets RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
Group										
2021										
Southeast Asia	19,550,071	784,094	36,732,842	17,981,888	193,483,911	879,640	308,099	1,772,842	57,988,672	329,482,059
- Malaysia	16,475,713	780,845	30,785,419	17,287,530	170,171,265	641,168	153,829	1,568,006	50,711,344	288,575,119
- Singapore	1,318,732	3,249	4,271,448	648,047	17,000,772	-	149,429	138,570	4,342,532	27,872,779
- Thailand	42,565	-	1,191,381	-	1,669,518	98,112	4,841	49,849	1,134,662	4,190,928
- Brunei	354,425	-	-	46,311	191,699	-	-	-	33,929	626,364
- Indonesia	102,648	-	392,185	-	750,922	140,133	-	6,632	137,099	1,529,619
- Cambodia	1,028,435	-	-	-	2,819,579	-	-	8,428	867,904	4,724,346
- Lao	200,506	-	-	-	116,139	-	-	1,243	70,518	388,406
- Vietnam	26,515	-	-	-	678,766	227	-	114	690,094	1,395,716
- Philippines	532	-	92,409	-	7,890	-	-	-	568	101,399
- Myanmar	-	-	-	-	77,361	-	-	-	22	77,383
South Asia	55,502	89,241	600,134	-	1,466,451	-	1	21,190	238,310	2,470,829
East Asia	1,089,273	22,586	1,029,881	-	745,030	2	12,485	153,542	149,384	3,202,183
Central Asia	-	-	-	-	894	-	-	-	-	894
Middle East	346,146	-	214,098	-	299,682	-	-	27	-	859,953
Europe	73,241	-	1,102,636	-	245,063	-	16,657	190,904	1,783,174	3,411,675
North America	1,234,111	-	701,250	-	822,763	-	1,957	15,090	728,337	3,503,508
Others	1,288	-	-	-	40,510	-	-	1,288	944	44,030
	22,349,632	895,921	40,380,841	17,981,888	197,104,304	879,642	339,199	2,154,883	60,888,821	342,975,131

˘ *Excludes stage 1 expected credit losses amounting to RM12,222,000.*
~ *Excludes equity instruments, unit trusts and private equity funds amounting to RM1,882,318,000.*
@ *Excludes equity instruments amounting to RM760,032,000.*
¥ *Excludes stage 1 and stage 2 expected credit losses amounting to RM20,377,000.*
Excludes stage 1 and stage 2 expected credit losses amounting to RM2,202,654,000 and negative fair value changes amounting to RM5,036,000.
^ *Excludes allowance for credit losses for non-credit impaired amounting to RM47,000.*
* *Excludes allowance for credit losses for non-credit impaired amounting to RM250,000. Other financial assets include other assets amounting to RM1,436,018,000 and derivative assets amounting to RM718,615,000.*

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

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

	Short term funds, deposits and placements with banks and other financial institutions and investment account due from designated financial institutionsˇ RM'000	Securities purchased under resale agreements RM'000	Financial assets at FVTPL~ RM'000	Financial assets at FVOCI@ RM'000	Financial investments at amortised costs¥ RM'000	Loans, advances and financing# RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
Bank									
2022									
Southeast Asia	21,003,893	890,539	990,356	27,445,841	18,285,458	119,501,461	2,608,282	48,689,003	239,414,833
- Malaysia	16,875,692	890,539	963,344	23,886,044	14,790,606	96,412,220	2,316,861	41,936,698	198,072,004
- Singapore	2,053,488	-	27,012	1,960,917	3,321,495	19,971,735	267,735	5,121,974	32,724,356
- Thailand	161,410	-	-	1,075,303	124,419	1,586,962	23,452	1,094,357	4,065,903
- Brunei	370,746	-	-	-	48,938	198,761	213	34,151	652,809
- Indonesia	6,617	-	-	440,925	-	533,211	21	6,536	987,310
- Cambodia	1,380,381	-	-	-	-	240	-	60,800	1,441,421
- Lao	154,899	-	-	-	-	-	-	-	154,899
- Vietnam	430	-	-	-	-	787,219	-	434,293	1,221,942
- Philippines	230	-	-	82,652	-	6,375	-	171	89,428
- Myanmar	-	-	-	-	-	4,738	-	23	4,761
South Asia	23,724	-	90,138	527,375	-	1,849,062	9,243	88,365	2,587,907
East Asia	2,893,848	-	-	1,156,216	-	331,235	243,911	141,331	4,766,541
Middle East	359,735	-	-	202,276	-	6,706	27	-	568,744
Europe	696,149	-	14	1,749,242	-	70,707	598,177	1,408,186	4,522,475
North America	560,087	-	-	1,212,327	-	530,529	80,748	792,252	3,175,943
Others	641	-	-	-	-	7,012	-	20	7,673
	25,538,077	890,539	1,080,508	32,293,277	18,285,458	122,296,712	3,540,388	51,119,157	255,044,116

ˇ *Excludes stage 1 expected credit losses amounting to RM7,548,000.*
~ *Excludes equity instruments amounting to RM258,000.*
@ *Excludes equity instruments amounting to RM699,024,000.*
¥ *Excludes stage 1 and stage 2 expected credit losses amounting to RM20,804,000.*
Excludes stage 1 and stage 2 expected credit losses amounting to RM1,175,502,000 and negative fair value changes amounting to RM19,709,000.
* *Other financial assets include other assets amounting to RM1,552,912,000 and derivative assets amounting to RM1,987,476,000.*

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

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

	Short term funds, deposits and placements with banks and other financial institutions and investment account due from designated financial institutions[ˇ] RM'000	Financial assets at FVTPL RM'000	Financial assets at FVOCI[@] RM'000	Financial investments at amortised costs[¥] RM'000	Loans, advances and financing[#] RM'000	Other financial assets[*] RM'000	Commitments and contingencies RM'000	Total RM'000
Bank								
2021								
Southeast Asia	24,853,660	728,583	30,586,753	11,022,850	114,288,444	2,031,569	43,568,013	227,079,872
- Malaysia	22,492,781	725,334	24,639,330	10,328,492	94,421,317	1,872,014	37,534,627	192,013,895
- Singapore	1,304,304	3,249	4,271,448	648,047	16,941,834	127,318	4,295,933	27,592,133
- Thailand	32,298	-	1,191,381	-	1,468,784	32,237	1,003,211	3,727,911
- Brunei	353,908	-	-	46,311	189,330	-	33,929	623,478
- Indonesia	5,906	-	392,185	-	582,873	-	10,722	991,686
- Cambodia	505,682	-	-	-	331	-	-	506,013
- Lao	158,421	-	-	-	-	-	-	158,421
- Vietnam	102	-	-	-	674,363	-	689,001	1,363,466
- Philippines	258	-	92,409	-	5,477	-	568	98,712
- Myanmar	-	-	-	-	4,135	-	22	4,157
South Asia	49,219	89,241	600,134	-	1,399,407	21,190	235,519	2,394,710
East Asia	1,073,703	22,586	1,029,881	-	345,117	153,221	145,299	2,769,807
Middle East	345,703	-	214,098	-	90,825	27	-	650,653
Europe	69,447	-	1,102,636	-	70,953	190,904	1,725,687	3,159,627
North America	1,204,681	-	701,250	-	402,710	15,090	480,147	2,803,878
Others	1,288	-	-	-	8,079	947	-	10,314
	27,597,701	840,410	34,234,752	11,022,850	116,605,535	2,412,948	46,154,665	238,868,861

ˇ *Excludes stage 1 expected credit losses amounting to RM5,737,000.*
@ *Excludes equity instruments amounting to RM720,749,000.*
¥ *Excludes stage 1 and stage 2 expected credit losses amounting to RM13,560,000.*
Excludes stage 1 and stage 2 expected credit losses amounting to RM1,557,184,000 and negative fair value changes amounting to RM3,248,000.
* *Other financial assets include other assets amounting to RM1,614,112,000 and derivative assets amounting to RM798,836,000.*

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(v) Write-off policy

The Group and the Bank write 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 Group's and 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 Group and the Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's and the Bank's enforcement activities will be written back as bad debts recovered in the income statements.

The contractual amount outstanding on loans, advances and financing and securities portfolio that were written off during the financial year ended 31 December 2022, and are still subject to enforcement activities was RM74.5 million and RM63.6 million (2021: RM62.2 million and RM50.9 million) for the Group and the Bank respectively.

(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 statements as disclosed in Note 41, with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the Group and 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 loans, advances and financing may be modified for non-credit reasons, a significant increase in credit risk may occur. The Group and 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, excluding borrowers under moratorium repayment during the year due to COVID-19 pandemic.

(vii) Sensitivity analysis

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

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(vii) Sensitivity analysis (continued)

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

		Increase/(Decrease) in ECL			
		Group		Bank	
	Changes	RM'000	RM'000	RM'000	RM'000
2022					
(a) Retail					
Private consumption	**+/– 100bps**	**(24,347)**	**25,335**	**(19,200)**	**19,984**
Unemployment rates	**+/– 10bps**	**11,845**	**(11,569)**	**10,385**	**(10,115)**
Inflation	**+/– 50bps**	**11,836**	**(11,608)**	**9,036**	**(8,863)**
(b) Non-retail					
Private consumption	**+/– 100bps**	**(13,877)**	**13,020**	**(8,649)**	**8,142**
KLIBOR-3M	**+/– 25bps**	**17,971**	**(17,393)**	**10,144**	**(9,783)**
2021					
(a) Retail					
Private consumption	+/– 100bps	(24,885)	26,309	(21,197)	22,441
Unemployment rates	+/– 50bps	78,648	(70,673)	69,171	(61,899)
Inflation	+/– 50bps	13,050	(12,844)	10,806	(10,646)
(b) Non-retail					
Private consumption	+/– 100bps	(15,009)	13,209	(10,063)	9,080
KLIBOR-3M	+/– 25bps	15,553	(15,974)	9,150	(9,234)

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

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

(f) Offsetting Financial Assets and Financial Liabilities

The Group and the Bank report 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.

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Offsetting Financial Assets and Financial Liabilities (continued)

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 statements of financial position		Net amount RM'000
		Financial instruments RM'000	Financial collateral RM'000	
Group				
2022				
Financial assets				
Derivative assets	**1,960,479**	**(729,264)**	**(420,392)**	**810,823**
Financial liabilities				
Obligations on securities sold under repurchase agreements	**7,298,911**	**–**	**(130,524)**	**7,168,387**
Derivative liabilities	**1,939,391**	**(729,264)**	**(203,710)**	**1,006,417**
2021				
Financial assets				
Derivative assets	718,615	(441,789)	(95,761)	181,065
Financial liabilities				
Obligations on securities sold under repurchase agreements	2,066,068	–	(73,702)	1,992,366
Derivative liabilities	887,926	(441,789)	(72,372)	373,765
Bank				
2022				
Financial assets				
Derivative assets	**1,987,476**	**(729,264)**	**(420,392)**	**837,820**
Financial liabilities				
Obligations on securities sold under repurchase agreements	**7,875,962**	**–**	**(130,524)**	**7,745,438**
Derivative liabilities	**2,018,925**	**(729,264)**	**(203,710)**	**1,085,951**
2021				
Financial assets				
Derivative assets	798,836	(441,789)	(95,761)	261,286
Financial liabilities				
Obligations on securities sold under repurchase agreements	4,867,026	–	(73,702)	4,793,324
Derivative liabilities	938,061	(441,789)	(72,372)	423,900

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair Value of Financial Instruments

The Group and 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 analyses 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
Group				
2022				
Financial assets				
Financial assets at FVTPL:	**203,044**	**2,181,525**	**704,842**	**3,089,411**
– Money market instruments	**–**	**877,102**	**–**	**877,102**
– Quoted securities	**203,044**	**–**	**–**	**203,044**
– Unquoted securities	**–**	**1,304,423**	**704,842**	**2,009,265**
Financial assets at FVOCI:	**2,503**	**38,233,244**	**737,942**	**38,973,689**
– Money market instruments	**–**	**15,815,150**	**–**	**15,815,150**
– Quoted securities	**2,503**	**–**	**–**	**2,503**
– Unquoted securities	**–**	**22,418,094**	**737,942**	**23,156,036**
Derivative assets	**–**	**1,960,479**	**–**	**1,960,479**
	205,547	**42,375,248**	**1,442,784**	**44,023,579**
Financial liabilities				
Derivative liabilities	**16,917**	**1,922,474**	**–**	**1,939,391**
2021				
Financial assets				
Financial assets at FVTPL:	233,908	1,903,186	641,145	2,778,239
– Money market instruments	–	630,633	–	630,633
– Quoted securities	233,908	–	–	233,908
– Unquoted securities	–	1,272,553	641,145	1,913,698
Financial assets at FVOCI:	2,218	40,379,822	758,833	41,140,873
– Money market instruments	–	17,021,274	–	17,021,274
– Quoted securities	2,218	–	–	2,218
– Unquoted securities	–	23,358,548	758,833	24,117,381
Derivative assets	–	718,615	–	718,615
	236,126	43,001,623	1,399,978	44,637,727
Financial liabilities				
Derivative liabilities	21,549	866,377	–	887,926

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair Value of Financial Instruments (continued)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Bank				
2022				
Financial assets				
Financial assets at FVTPL:	**2,528**	**1,062,880**	**15,358**	**1,080,766**
– Money market instruments	**–**	**785,105**	**–**	**785,105**
– Quoted securities	**2,528**	**–**	**–**	**2,528**
– Unquoted securities	**–**	**277,775**	**15,358**	**293,133**
Financial assets at FVOCI:	**–**	**32,293,277**	**699,024**	**32,992,301**
– Money market instruments	**–**	**13,804,683**	**–**	**13,804,683**
– Unquoted securities	**–**	**18,488,594**	**699,024**	**19,187,618**
Derivative assets	**–**	**1,987,476**	**–**	**1,987,476**
	2,528	**35,343,633**	**714,382**	**36,060,543**
Financial liabilities				
Derivative liabilities	**–**	**2,018,925**	**–**	**2,018,925**
2021				
Financial assets				
Financial assets at FVTPL:	2,351	823,577	14,482	840,410
– Money market instruments	–	578,540	–	578,540
– Quoted securities	2,351	–	–	2,351
– Unquoted securities	–	245,037	14,482	259,519
Financial assets at FVOCI:	–	34,233,732	721,769	34,955,501
– Money market instruments	–	14,867,332	–	14,867,332
– Unquoted securities	–	19,366,400	721,769	20,088,169
Derivative assets	–	798,836	–	798,836
	2,351	35,856,145	736,251	36,594,747
Financial liabilities				
Derivative liabilities	–	938,061	–	938,061

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

(i) Valuation techniques

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices 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 and unit trusts.

Notes to the Financial Statements
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56 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair Value of Financial Instruments (continued)

(i) Valuation techniques (continued)

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

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for socio-economic reasons, unquoted private equity funds, non-transferable and non-tradable perpetual notes/sukuk, impaired securities and unquoted corporate loan stocks. Fair values for shares held for socio-economic reasons are based on the net tangible assets of the affected companies. Fair values for unquoted private equity funds are based on enterprise valuation method where the main input include earnings before interest, taxes, depreciation and amortisation ('EBITDA'), comparable companies earning multiple and marketable discount. For unquoted corporate loan stocks, discounted cash flow analysis has been performed to determine the recoverability of the instruments.

(ii) Reconciliation of fair value measurements in Level 3

The following represents the changes in Level 3 instruments for the Group and the Bank:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Financial assets at FVTPL				
Balance as at the beginning of financial year	**641,145**	547,085	**14,482**	13,657
Total net gain recognised in income statements	**22,504**	65,563	**–**	–
Purchases	**8,971**	35,000	**876**	825
Settlement/distribution	**(3,915)**	(25,674)	**–**	–
Exchange differences	**36,137**	19,171	**–**	–
Balance as at the end of the financial year	**704,842**	641,145	**15,358**	14,482

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Financial assets at FVOCI				
Balance as at the beginning of financial year	**758,833**	753,828	**721,769**	712,602
Total net gain recognised in other comprehensive income	**(19,877)**	13,864	**(21,725)**	12,148
Settlement/disposal	**(1,020)**	(8,850)	**(1,020)**	(2,981)
Exchange differences	**6**	(9)	**–**	–
Balance as at the end of the financial year	**737,942**	758,833	**699,024**	721,769

57 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

	Group		Bank	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
2022				
Financial assets				
Securities purchased under resale agreements	**101,258**	**101,258**	**890,539**	**890,539**
Deposits and placements with banks and other financial institutions	**652,365**	**652,142**	**6,740,026**	**6,711,462**
Investment account due from designated financial institutions	**–**	**–**	**8,351,236**	**8,337,171**
Financial investments at amortised cost	**27,006,708**	**26,803,148**	**18,264,654**	**18,121,641**
Loans, advances and financing	**208,378,584**	**208,602,885**	**121,101,501**	**121,232,593**
Financial liabilities				
Deposits from customers	**227,159,762**	**227,760,008**	**136,089,471**	**136,322,856**
Deposits and placements of banks and other financial institutions	**24,593,869**	**25,374,377**	**32,445,462**	**31,684,627**
Obligations on securities sold under repurchase agreements	**7,298,911**	**7,331,424**	**7,875,962**	**7,908,475**
Investment accounts	**1,246,026**	**1,265,952**	**–**	**–**
Recourse obligation on loans sold to Cagamas	**4,786,746**	**4,796,521**	**3,021,685**	**3,038,591**
Borrowings	**1,476,185**	**1,467,506**	**1,263,576**	**1,254,897**
Senior debt securities	**3,841,190**	**3,570,398**	**3,841,190**	**3,570,398**
Subordinated obligations	**2,867,083**	**2,820,931**	**2,011,558**	**1,970,328**
2021				
Financial assets				
Deposits and placements with banks and other financial institutions	3,486,773	3,486,643	7,886,688	7,861,239
Investment account due from designated financial institutions	–	–	10,213,639	10,225,891
Financial investments at amortised cost	17,961,511	18,268,720	11,009,290	11,043,898
Loans, advances and financing	194,896,614	195,512,345	115,045,103	115,077,513
Financial liabilities				
Deposits from customers	218,732,585	218,911,944	137,552,576	137,593,752
Deposits and placements of banks and other financial institutions	23,406,827	22,776,566	25,669,599	25,051,093
Obligations on securities sold under repurchase agreements	2,066,068	1,997,521	4,867,026	4,798,019
Investment accounts	581,291	614,774	–	–
Recourse obligation on loans sold to Cagamas	2,259,895	2,294,108	1,506,310	1,530,047
Borrowings	127,380	127,380	–	–
Senior debt securities	3,646,369	3,684,932	3,646,369	3,684,932
Subordinated obligations	3,221,882	3,224,431	2,265,134	2,254,717

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

57 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2022				
Financial assets				
Securities purchased under resale agreements	–	**101,258**	–	**101,258**
Deposits and placements with banks and other financial institutions	–	**652,142**	–	**652,142**
Financial investments at amortised cost	–	**26,561,499**	**241,649**	**26,803,148**
Loans, advances and financing	–	**208,602,885**	–	**208,602,885**
Financial liabilities				
Deposits from customers	–	**227,760,008**	–	**227,760,008**
Deposits and placements of banks and other financial institutions	–	**25,374,377**	–	**25,374,377**
Obligations on securities sold under repurchase agreements	–	**7,331,424**	–	**7,331,424**
Investment accounts	–	**1,265,952**	–	**1,265,952**
Recourse obligation on loans sold to Cagamas	–	**4,796,521**	–	**4,796,521**
Borrowings	–	**1,467,506**	–	**1,467,506**
Senior debt securities	–	**3,570,398**	–	**3,570,398**
Subordinated obligations	–	**2,820,931**	–	**2,820,931**
2021				
Financial assets				
Deposits and placements with banks and other financial institutions	–	3,486,643	–	3,486,643
Financial investments at amortised cost	–	18,038,397	230,323	18,268,720
Loans, advances and financing	–	195,512,345	–	195,512,345
Financial liabilities				
Deposits from customers	–	218,911,944	–	218,911,944
Deposits and placements of banks and other financial institutions	–	22,776,566	–	22,776,566
Obligations on securities sold under repurchase agreements	–	1,997,521	–	1,997,521
Investment accounts	–	614,774	–	614,774
Recourse obligation on loans sold to Cagamas	–	2,294,108	–	2,294,108
Borrowings	–	127,380	–	127,380
Senior debt securities	–	3,684,932	–	3,684,932
Subordinated obligations	–	3,224,431	–	3,224,431

57 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Bank				
2022				
Financial assets				
Securities purchased under resale agreements	**–**	**890,539**	**–**	**890,539**
Deposits and placements with banks and other financial institutions	**–**	**6,711,462**	**–**	**6,711,462**
Investment account due from designated financial institutions	**–**	**8,337,171**	**–**	**8,337,171**
Financial investments at amortised cost	**–**	**18,121,641**	**–**	**18,121,641**
Loans, advances and financing	**–**	**121,232,593**	**–**	**121,232,593**
Financial liabilities				
Deposits from customers	**–**	**136,322,856**	**–**	**136,322,856**
Deposits and placements of banks and other financial institutions	**–**	**31,684,627**	**–**	**31,684,627**
Obligations on securities sold under repurchase agreements	**–**	**7,908,475**	**–**	**7,908,475**
Recourse obligation on loans sold to Cagamas	**–**	**3,038,591**	**–**	**3,038,591**
Borrowings	**–**	**1,254,897**	**–**	**1,254,897**
Senior debt securities	**–**	**3,570,398**	**–**	**3,570,398**
Subordinated obligations	**–**	**1,970,328**	**–**	**1,970,328**
2021				
Financial assets				
Deposits and placements with banks and other financial institutions	–	7,861,239	–	7,861,239
Investment account due from designated financial institutions	–	10,225,891	–	10,225,891
Financial investments at amortised cost	–	11,043,898	–	11,043,898
Loans, advances and financing	–	115,077,513	–	115,077,513
Financial liabilities				
Deposits from customers	–	137,593,752	–	137,593,752
Deposits and placements of banks and other financial institutions	–	25,051,093	–	25,051,093
Obligations on securities sold under repurchase agreements	–	4,798,019	–	4,798,019
Recourse obligation on loans sold to Cagamas	–	1,530,047	–	1,530,047
Senior debt securities	–	3,684,932	–	3,684,932
Subordinated obligations	–	2,254,717	–	2,254,717

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

57 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

(i) Cash and short term funds, deposits and placements with banks and other financial institutions and investment account due from designated financial institutions

For cash and short term funds, deposits and placements with banks and other financial institutions and investment account due from designated financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For items with maturities of six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest 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 statements of financial position.

(iv) Loans, advances and financing

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

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

The fair values of impaired loans 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 interest 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.

57 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

(vii) Deposits and placements of banks and other financial institutions, obligations on securities sold under repurchase agreements, investment accounts and bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions, obligations on securities sold under repurchase agreements, 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 interest rates with similar remaining period to maturity.

(viii) Recourse obligation on loans 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 interest 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) Senior debt securities

The estimated fair value of senior debt securities is generally based on quoted and observable market prices at the date of statements of financial position.

(xii) Subordinated obligations

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

(xiii) 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.

(xiv) Foreign exchange and interest rate related contracts

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

Notes to the Financial Statements
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58 IBOR REFORM

Following the financial crisis, the reform and replacement of benchmark interest rates such as London Interbank Offered Rate ('LIBOR') denominated in USD, Great Britain Pound ('GBP'), Euro Dollar ('EUR'), Swiss Franc ('CHF') and Japanese Yen ('JPY') and other inter-bank offered rates ('IBORs') have become a priority for global regulators.

The Group and the Bank have designated hedge relationships where hedged items and/or hedging instruments has reference to IBORs. The Group's and the Bank's risk exposure that is directly affected by the IBOR reform through its fair value hedges predominantly comprises exposures to Kuala Lumpur Interbank Offered Rate ('KLIBOR'), USD LIBOR, Singapore Interbank Offered Rate ('SIBOR') and Hong Kong Interbank Offered Rate ('HIBOR'). These fair value hedges are designated using interest rate swaps, for changes attributable to the respective benchmark interest rates, which are MYR KLIBOR, USD LIBOR that will transition to Secured Overnight Financing Rate ('SOFR') and SGD SIBOR that will transition to Singapore Overnight Rate Average ('SORA').

As part of the reforms noted above:

– In 2021, BNM introduced the Malaysia Overnight Rate ('MYOR') as the new alternative reference rate, which will run in parallel with the existing KLIBOR, providing the market with the flexibility to choose either MYOR or KLIBOR as the reference rate for pricing of financial instruments. On 1 January 2023, BNM had discontinued the publication of the 2– and 12– month KLIBOR tenors, which are the least referenced rates in the market for financial contracts. The remaining one-, three– and six-month KLIBOR tenors, which continue to reflect an active underlying market, continued to be published.

– The UK Financial Conduct Authority ('FCA') has decided not to compel the panel banks to participate in the LIBOR submission process after the end of 2021 (for GBP, EUR, JPY, CHF LIBOR and USD LIBOR 2-month and 12-month tenors) and after 30 June 2023 (for USD LIBOR 1-month, 3-month and 6-month tenors).

– The Association of Banks in Singapore and the Singapore Foreign Exchange Market Committee have discontinued the 6-month SIBOR on 31 March 2022, while the 1-month and 3-month SIBOR will be discontinued after December 2024.

The secured overnight financing rate ('SOFR') is expected to replace the USD LIBOR, and regulatory authorities and private sector working groups, had published recommendations to use USD SOFR compounded in arrears or USD Term SOFR, as alternatives to replace USD LIBOR for different financial products.

The Group Asset and Liability Committee oversees the Group's and the Bank's IBOR transition plan. The transition plan considers changes to systems, processes, risk management and valuation models, as well as managing tax and accounting implications. The Group and the Bank continue to monitor market developments in relation to the transition and their impact on the Group's and the Bank's financial assets and liabilities to ensure that there are no unexpected consequences or disruptions from the transition.

58 IBOR REFORM (CONTINUED)

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

	Group		Bank	
	Nominal Amount		Nominal Amount	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
2022				
(a) Derivative assets/liabilities				
i. Interest rate swaps				
USD LIBOR	5,332,627	2,507,674	5,332,627	2,507,674
KLIBOR	22,728,310	20,547,035	24,228,310	22,527,035
SIBOR	1,189,543	922,107	1,189,543	922,107
	29,250,480	23,976,816	30,750,480	25,956,816
ii. Cross currency swaps				
USD LIBOR	1,317,292	1,905,193	1,317,292	1,905,193
	1,317,292	1,905,193	1,317,292	1,905,193

	Group		Bank	
	Carrying Amount		Carrying Amount	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
(b) Deposits and placement with banks and other financial institutions				
KLIBOR	–	–	1,604,242	–
	–	–	1,604,242	–
(c) Loans, advances and financing				
USD LIBOR	1,635,033	–	1,071,093	–
KLIBOR	4,170,593	–	–	–
SIBOR LIBOR	4,083,472	–	4,083,472	–
	9,889,098	–	5,154,565	–
(d) Investment accounts				
KLIBOR	–	427,704	6,976,784	–
(e) Obligations on securities sold under repurchase agreements				
USD LIBOR	–	1,552,405	–	1,552,405
(f) Other liabilities				
i. Structured deposits				
KLIBOR	–	711,715	–	711,715
HIBOR	–	18,037	–	18,037
	–	729,752	–	729,752

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

58 IBOR REFORM (CONTINUED)

The Group and the Bank hold the following financial instrument which are referenced to the current benchmark interest rates and have yet to transition to an alternative interest rate benchmark (continued):

	Group		Bank	
	Nominal Amount		Nominal Amount	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
2021				
(a) Derivative assets/liabilities				
i. Interest rate swaps				
USD LIBOR	3,871,151	4,634,491	3,871,151	4,634,491
KLIBOR	14,006,000	12,249,276	15,506,000	14,549,276
SIBOR	2,099,336	2,345,877	2,099,336	2,345,877
	19,976,487	19,229,644	21,476,487	21,529,644
ii. Cross currency swaps				
USD LIBOR	2,823,141	2,270,045	3,248,889	2,695,793
KLIBOR	2,295,893	2,672,140	3,142,643	1,825,390
	5,119,034	4,942,185	6,391,532	4,521,183

	Group		Bank	
	Carrying Amount		Carrying Amount	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
(b) Deposits and placement with/of banks and other financial institutions				
USD LIBOR	–	416,765	–	416,765
KLIBOR	–	–	2,102,585	–
	–	416,765	2,102,585	416,765
(c) Loans, advances and financing				
USD LIBOR	2,227,948	–	1,225,938	–
KLIBOR	3,871,209	–	–	–
SIBOR	7,138,699	–	7,138,699	–
	13,237,856	–	8,364,637	–
(d) Investment accounts				
KLIBOR	–	360,520	9,435,018	–
(e) Obligations on securities sold under repurchase agreements				
USD LIBOR	–	1,251,519	–	1,251,519
(f) Other liabilities				
i. Structured deposits				
USD LIBOR	–	42,007	–	42,007
KLIBOR	–	476,666	–	476,666
	–	518,673	–	518,673

59 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Current Year

(1) Disposal of PT RHB Asset Management Indonesia ('RHBAMI')

PT RHB Sekuritas Indonesia ('RHB Sekuritas'), a wholly-owned subsidiary of RHB Investment Bank which in turn is a wholly-owned subsidiary of the Bank, had on 23 July 2021, entered into a conditional share purchase agreement ('CSPA') with Allianz Global Investors Asia Pacific Limited ('AllianzGI') and PT Asuransi Allianz Life Indonesia ('Allianz Life Indonesia') to dispose its entire 99.62% equity interest in RHBAMI ('Disposal') for a consideration of approximately EUR6.53 million (or approximately RM30.83 million). The Disposal which entailed the disposal by RHB Sekuritas of its entire 98.62% equity interest and 1.00% equity interest in RHBAMI to AllianzGI and Allianz Life Indonesia respectively, was completed on 31 January 2022 and RHBAMI has since then ceased to be an indirect subsidiary of the Bank.

Financial information relating to the Disposal are as follows:

(a) Cash flows and net assets on disposal date

	RM'000
Cash and short-term funds	4,522
Other assets	972
Tax recoverable	285
Deferred tax assets	1,081
Right-of-use assets	1,007
Property, plant and equipment	785
Intangible assets	355
Other liabilities	(1,493)
Lease liabilities	(1,134)
Tax liabilities	(22)
NCI	(25)
Total net assets derecognised	6,333
Gain on disposal of a subsidiary, gross	24,595
Exchange difference	(101)
Sales consideration received in cash	30,827
Less: Cash and short-term funds of the subsidiary disposed	(4,522)
Gain from realisation of translation reserves	347
Cash inflow on disposal of a subsidiary	26,652
Estimated income tax expense payable	(3,608)
Estimated cash inflow on disposal of a subsidiary	23,044

Notes to the Financial Statements
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59 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

Current Year

(1) Disposal of PT RHB Asset Management Indonesia ('RHBAMI') (continued)

(b) Financial performance and cash flow

Income Statements for the financial year ended 31 December 2022:

	Group	
	2022 RM'000	2021 RM'000
Interest income	14	307
Interest expense	(11)	(149)
Net interest income	3	158
Other operating income	765	5,699
Net income	768	5,857
Other operating expenses	(721)	(7,008)
Operating profit/(loss) before allowances	47	(1,151)
Allowance for credit losses on financial assets	4	4
Profit/(Loss) before taxation	51	(1,147)
Taxation	(3,798)	(2)
Gain on disposal of a subsidiary, gross	24,595	–
Net profit/(loss) for the financial year	20,848	(1,149)

Statements of Comprehensive Income for the financial year ended 31 December 2022:

	Group	
	2022 RM'000	2021 RM'000
Net profit/(loss) for the financial year	20,848	(1,149)
Other comprehensive income/(loss) in respect of:		
Item that will not be reclassified to profit or loss:		
– Actuarial loss on defined contribution plan of subsidiary	–	(1,682)
Item that will be reclassified subsequently to profit or loss:		
– Realisation of translation reserves	(347)	–
Income tax relating to components of other comprehensive loss/(income)	353	(51)
Other comprehensive income/(loss), net of tax, for the financial year	6	(1,733)
Total comprehensive income/(loss) for the financial year	20,854	(2,882)

59 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

Current Year

(1) Disposal of PT RHB Asset Management Indonesia ('RHBAMI') (continued)

(b) Financial performance and cash flow (continued)

Statements of Cash Flow for the financial year ended 31 December 2022:

	Group	
	2022 RM'000	2021 RM'000
Net cash (used in)/generated from operating activities	**(3,708)**	2,875
Net cash used in investing activities	**(9)**	(257)
Net cash generated from/(used in) financing activities	**10**	(341)
Net (decrease)/increase in cash and cash equivalents	**(3,707)**	2,277

(2) Establishment of Share Grant Scheme

The Bank has on 2 June 2022 implemented the SGS, which was approved by the shareholders at an extraordinary general meeting held on 27 April 2022.

The SGS is intended to motivate employees, attract talents and retain key employees through the grant of the ordinary shares in the Bank ('RHB Bank Share(s)') of up to 2% of the total number of issued shares of the Bank (excluding treasury shares, if any) at any point in time during the duration of the SGS for employees and Executive Directors of the Bank and its subsidiaries (excluding subsidiaries which are dormant) 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.

The Bank has on 4 July 2022, made an offer of 4,685,000 RHB Bank Shares at RM5.71 per share to the Eligible Employees, of which the vesting period of the shares offered will be 3 years from event date. The SGS related expenses are recognised in the financial statements from the effective offer date in accordance with MFRS 2 'Share-based Payment'.

The movement of the SGS shares granted during the financial year ended 31 December 2022 is as follows:

Award date	As at 1 January 2022 Unit '000	Awarded Unit' 000	Forfeited Unit' 000	As at 31 December 2022 Unit '000
4 July 2022	**–**	**4,685**	**(128)**	**4,557**

Notes to the Financial Statements
For The Financial Year Ended 31 December 2022

59 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

Current Year

(3) Memorandum of understanding ('MOU') with Axiata Group Berhad ('Axiata Group')

On 2 June 2021, the Bank entered into a MOU with Axiata Group to jointly explore the following potential strategic collaboration opportunities:

(i) to enhance the joint customer ecosystems offering bundled digital solutions;

(ii) to jointly apply to BNM for a digital banking license; and

(iii) to jointly explore other potential opportunities deemed suitable.

The term of the MOU shall be for a period of two years from its commencement date on 2 June 2021 and may be extended on terms to be mutually agreed by parties.

Following the signing of the MOU, the Bank had on the same day entered into a heads of agreement with Boost Holdings Sdn Bhd ('Boost Holdings'), a 75.36% subsidiary of Axiata for the purpose of regulating the terms for joint application to BNM for a digital banking license. The joint application for the digital bank license was submitted to BNM on 30 June 2021.

On 29 April 2022, the Bank has received conditional approval from BNM for the joint application for a digital bank license by Boost Holdings and the Bank, subject to the condition that the proposed digital bank shall commence its banking operations within 24 months from 8 April 2022.

Subject to satisfying the operational readiness requirements by BNM and barring any unforeseen circumstances, the proposed digital bank is targeted to be operational in the second half of 2023, and shall focus on the underserved, unserved and/or unbanked segment primarily within Malaysia with the aim of building a more inclusive financial sector in Malaysia.

(4) Proposed cessation of business operations of subsidiaries in Hong Kong

RHB Hong Kong Limited ('RHB Hong Kong') and its subsidiaries (collectively, 'RHB Hong Kong Group'), had on 4 December 2019 decided that they will commence to cease their business operations ('Proposed Cessation'). RHB Hong Kong is a wholly-owned subsidiary of RHB Investment Bank, which in turn is wholly-owned by the Bank.

Pursuant to the Proposed Cessation, RHB Hong Kong Group will gradually discontinue offering financial services to its existing and potential clients. RHB Investment Bank, being the shareholder of RHB Hong Kong Group will provide the requisite support to ensure an orderly winding down of their business operations.

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

59 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

Prior Year

(5) Disposal of RHB International Trust (L) Ltd ('RHBIT')

RHB Bank (L) Ltd ('RHBBL') had on 11 March 2021 completed the disposal of its entire equity interest in RHBIT to Pacific Trustees Berhad for a cash consideration of USD173,490 (equivalent to RM713,000).

Prior to the completion of the disposal of RHBIT, RHBBL has on 1 March 2021, completed the acquisition of the entire equity interest of RHB Corporate Services Sdn Bhd from RHBIT for a cash consideration of RM470,041 (equivalent to USD115,396).

The cash flow and net assets of RHBIT on disposal date are as follows:

	RM'000
Cash and short term fund	337
Statutory deposits	102
Other assets	19
Other liabilities	(191)
Amount due to other related companies	(6)
Provision for taxation	(97)
Translation reserves	(203)
Total net liabilities derecognised	(39)
Gain on disposal of a subsidiary	752
Sales consideration	713
Less: Contingent consideration	(219)
Cash inflow on disposal of a subsidiary	494

The financial results of the disposal in the period between the beginning of the financial year to the date of disposal was not significant to the Group.

60 EVENT SUBSEQUENT TO THE FINANCIAL YEAR END

The Bank had on 19 January 2023 issued Subordinated Notes of RM500 million in nominal value under a RM5 billion (or its equivalent in other currencies) multi-currency medium term note programme. The Subordinated Notes is issued for a tenure of 10 non-callable 5 years with a fixed coupon rate of 4.51% per annum, payable semi-annually in arrears throughout the entire tenure.

Statement by Directors

Pursuant to Section 251(2) of The Companies Act 2016

We, Tan Sri Ahmad Badri Mohd Zahir and Mohd Rashid Mohamad, being two of the Directors of RHB Bank Berhad state that, in the opinion of the Directors, the financial statements set out on pages 8 to 195 are drawn up so as to give a true and fair view of the financial position of the Group and the Bank as at 31 December 2022 and financial performance of the Group and of the Bank for the financial year ended on 31 December 2022 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:

TAN SRI AHMAD BADRI MOHD ZAHIR
CHAIRMAN

MOHD RASHID MOHAMAD
GROUP MANAGING DIRECTOR

Kuala Lumpur
27 February 2023

Statutory Declaration

Pursuant to Section 251(1) of The Companies Act 2016

I, Nik Rizal Kamil, the Officer primarily responsible for the financial management of RHB Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 8 to 195 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.

NIK RIZAL KAMIL
(MIA Membership No: 50894)

Subscribed and solemnly declared by the abovenamed Nik Rizal Kamil at Kuala Lumpur in Malaysia on 27 February 2023.

COMMISSIONER FOR OATHS
Kuala Lumpur

Independent Auditors' Report

To The Members of RHB Bank Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of RHB Bank Berhad ('the Bank') and its subsidiaries ('the Group') give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2022, and of their financial performance and their 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 Group and of the Bank, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Bank, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 8 to 195.

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 Group and 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.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Bank. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Bank, the accounting processes and controls, and the industry in which the Group and the Bank operate.

Independent Auditors' Report
To The Members of RHB Bank Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Bank for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Allowances for credit losses of loans, advances and financing, and financial investments at amortised cost for the Group and the Bank Refer to: - Accounting policy 22; - Critical accounting estimate (2); and - Notes 7, 8, 44, 56(e)(vii) of the financial statements. MFRS 9 introduces an expected credit loss ('ECL') impairment model, which requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. This is an area of focus as the Directors make significant judgements in applying the accounting requirements for measuring ECL, such as: - Choosing the appropriate collective assessment models used to calculate ECL. The models are inherently complex and judgement is applied in determining the appropriate construct of model; - Identification of loans, advances and financing, and financial investments at amortised cost that have experienced a significant increase in credit risk; and - Assumptions used in the ECL models such as expected future cash flows, forward-looking macroeconomic factors, and datasets to be used as input to the models, including identifying and calculating adjustments to model output (model overlay adjustments).	<u>Individual assessment</u> We evaluated the design and operating effectiveness of the controls over the process of identification of loans, advances and financing, and financial investments at amortised cost that have experienced significant increase in credit risk, process of identification of loss event and the process of forecasting future cash flows to determine the ECL amount. In addition, we tested a sample of loans, advances and financing, and financial investments at amortised cost selected based on risk with particular focus on the impact of COVID-19 on high risk industries, and formed our judgement whether the Directors' assessment on either the occurrence of loss event or significant increase in credit risk was appropriate. Where a loss event or significant increase in credit risk had been identified, we checked the ECL calculated for exposures assessed on an individual basis. We checked the forecasts of future cash flows prepared by the Directors to calculate the amount of ECL. We assessed the reasonableness of the assumptions underlying the forecasted cash flows. In addition, we compared the collateral values assumed in the cash flow forecasts to external valuation reports. <u>Collective assessment</u> To determine the appropriateness of the MFRS 9 collective assessment ECL models implemented by the Group and the Bank, we have: – Assessed the methodologies inherent within the collective assessment ECL models applied against the requirements of MFRS 9; – Tested the design and operating effectiveness of the controls relating to: • Governance and model development, including model build, model approval and model validation; • Data used to determine the allowances for credit losses; and • Calculation, review and approval of the ECL calculation–Assessed and tested the significant modelling assumptions; – Assessed and considered reasonableness of forwardlooking forecasts assumptions; – Assessed and tested the identification and calculation of overlay adjustments to the ECL due to the impact of COVID-19; and – Checked the accuracy of data and calculation of the ECL amount, on a sample basis. Based on the above procedures, the results of our evaluation of the allowances for credit losses for loans, advances and financing, and financial investments at amortised cost are consistent with the Directors' assessment.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill for the Group Refer to accounting policy 7, critical accounting estimate (3) and Note 19 of the financial statements. As required by MFRS 136, an annual impairment assessment is performed on the goodwill balance of RM2,654.1 million. The recoverable amount of each cash generating unit ('CGU') with allocated goodwill is determined based on the higher of value in use ('VIU') and fair value less cost of disposal. The Directors have determined VIU to be the recoverable amount of these CGU. We focused on this area due to the size of the carrying amount of the goodwill, which represented 0.85% of total assets and because the Directors make significant estimates about the future cash flows of these CGU and the discount rate applied to each CGU.	We tested the Directors' impairment assessment of goodwill by performing the following procedures: – Agreed the cash flow projection of each CGU to the approved budget by the Directors for the respective CGU. We also compared previous projection to actual result of each CGU to assess the reasonableness of assumptions used in the cash flow projections; – Assessed reasonableness of discount rates which reflects the specific risk relating to each CGU based on external information; – Evaluated the reasonableness of growth rates beyond three years ('Terminal Growth Rates') based on historical results, economic outlook and industry forecasts; and – Performed sensitivity analysis over Terminal Growth Rates and discount rates used in the determination of the VIU cash flows to assess the potential impact of a reasonable possible change to any of these assumptions on the recoverable amount of each CGU. Based on the evidence obtained we found that the assumptions used by the Directors in the impairment assessment of goodwill were consistent with our understanding.

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, which we obtained prior to the date of this auditors' report, and Annual Report, which is expected to be made available to us after that date, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and 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 Group and 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 Group and 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 Group and 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 Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the Group's and 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 Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report
To The Members of RHB Bank Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and 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.

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 Group and 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 Group’s and 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 Group’s or 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 Group and 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 Group or the Bank to cease to continue as a going concern.

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

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Bank for the current financial year and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 15 to the financial statements.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

ONG CHING CHUAN
02907/11/2023 J
Chartered Accountant

Kuala Lumpur
27 February 2023

BASEL II

PILLAR 3 DISCLOSURES

AS AT 31 DECEMBER 2022

Statement By Group Managing Director

In accordance with the requirements of Bank Negara Malaysia's Guideline on Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3), and on behalf of the Board of Directors and Senior Management of RHB Bank Berhad, I am pleased to provide an attestation that the Basel II Pillar 3 disclosures of RHB Bank Berhad for the year ended 31 December 2022 are accurate and complete.

MOHD RASHID BIN MOHAMAD
Group Managing Director

Basel II Pillar 3 Disclosures

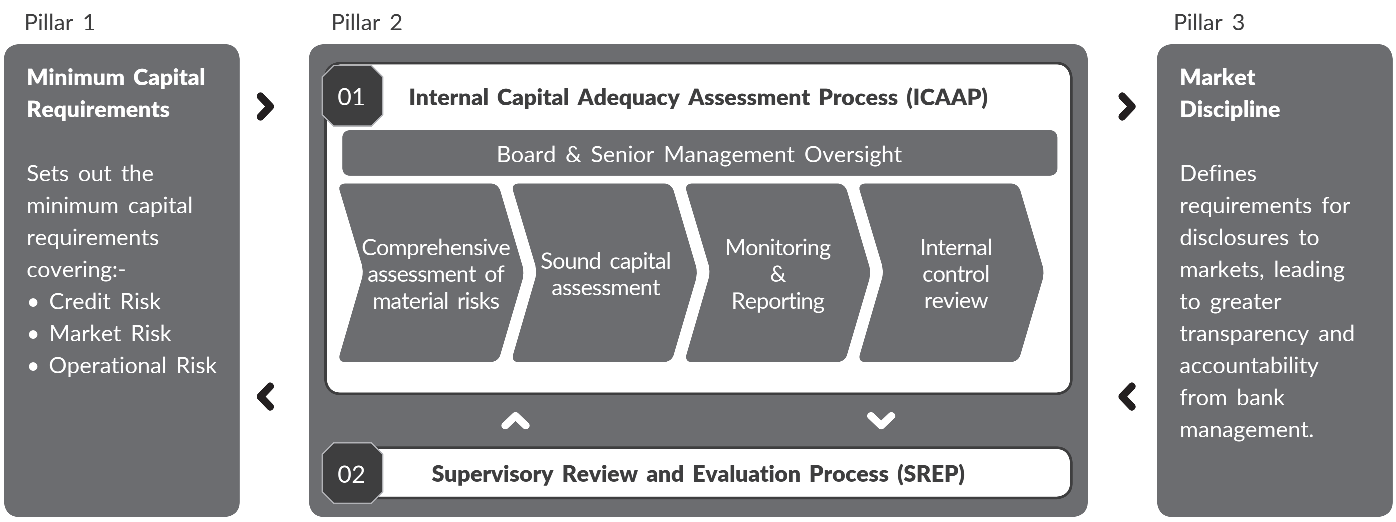
As At 31 December 2022

1.0 INTRODUCTION

This document describes RHB Bank Group's risk profile, risk management practices and capital adequacy position in accordance with the disclosure requirements as outlined in the Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) issued by Bank Negara Malaysia (BNM's Pillar 3 Guidelines).

BNM's guidelines on Capital Adequacy Framework (Basel II – Risk-Weighted Assets) and the Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) provide and specify the approaches for quantifying the risk-weighted assets for credit risk, market risk and operational risk.

Basel II introduces a more risk-based approach to regulatory capital with a distinct charge for operational risk in addition to the existing credit and market risk capital charges. It is designed to be a catalyst for more advanced risk management techniques, enterprise-wide culture of risk management and improved corporate governance, and public disclosure. The Basel II approach based on the three pillars can be diagrammatically depicted as below:



Pillar 1 provides guidelines for calculation of risk-weighted assets for credit risk, market risk and operational risk, and the minimum amount of regulatory capital that banks must hold against the risks they assume. For the purpose of complying with regulatory requirements under Basel II Pillar 1, the approaches adopted by the respective banking entities within the Group are as follows:

Entity	Credit Risk	Market Risk	Operational Risk
RHB Bank Berhad	Internal Ratings-Based Approach	Standardised Approach	Basic Indicator Approach
RHB Islamic Bank Berhad			
RHB Investment Bank Berhad	Standardised Approach		

Pillar 2 comprises two components as follows:

- Placing obligations on banks to develop an Internal Capital Adequacy Assessment Process, and setting capital targets that commensurate with the banking institution's risk profile and control environment; and
- Placing obligations on the supervisory authority to evaluate how well banking institutions are assessing their capital needs relative to their risks and to intervene, where appropriate.

Pillar 3 covers external communication of risk and capital information by banks. The purpose of the Pillar 3 disclosures is to complement the minimum capital requirements under Pillar 1 and the supervisory review process under Pillar 2 by encouraging market efficiency through a set of disclosure requirements that will allow market participants to assess information on banking institutions' capital structures, risk exposures, risk management processes, and overall capital adequacy.

Basel II Pillar 3 Disclosures
As At 31 December 2022

1.0 INTRODUCTION (CONTINUED)

Basis of Disclosure
The annual Pillar 3 disclosure report is published in accordance with BNM's Pillar 3 Guidelines. This disclosure report has been verified and approved internally in line with the RHB Banking Group: Basel II Pillar 3 Disclosure Policy.

Comparative Information
This document covers the qualitative and quantitative information for financial year ended 31 December 2022 with comparative quantitative information of the preceding financial year ended 31 December 2021.

Frequency of Disclosure
The qualitative disclosures contained herein are updated on an annual basis or more frequently, if there are significant changes in the interim reporting period. The disclosures on capital adequacy and structure are made on a quarterly basis and all other quantitative disclosures are made on a semi-annual basis in accordance to the Group's reporting period.

Medium and Location of Disclosure
The Group's Pillar 3 disclosure report is made available under the Investor Relations section of the Group's website at www.rhbgroup.com as a separate report in the Group's Annual Report 2022, after the notes to the financial statements.

2.0 SCOPE OF APPLICATION

In this Pillar 3 document, RHB Bank Berhad's information is presented on a consolidated basis, ie RHB Bank Berhad with its overseas operations and its subsidiaries, and is referred to as “RHB Bank Group” or “the Group”.

The Group's capital requirements are generally based on the principles of consolidation adopted in the preparation of its financial statements, except where the types of investment are to be deducted from eligible capital as guided by BNM's Guideline on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components).

In accordance with the accounting standards for financial reporting, all subsidiaries of the RHB Bank Group are fully consolidated from the date it obtains control until the date such control ceases. Refer to Note 15 to the financial statements for list of consolidated entities.

RHB Bank Group offers Islamic banking financial services via its wholly-owned subsidiary company, RHB Islamic Bank Berhad (RHB Islamic Bank).

The transfer of funds or regulatory capital within RHB Bank Group is subject to shareholders' and regulatory approval.

During the financial year 2022, there were no capital deficiencies in RHB Bank Berhad or any of its subsidiaries.

3.0 CAPITAL MANAGEMENT

The overall capital management objective is to manage capital prudently and to maintain a strong capital position to drive sustainable business growth and seek strategic opportunities to enhance shareholders' value, and to be in line with its risk appetite.

Capital adequacy is the extent to which capital resources on the Group's balance sheet are sufficient to cover the business capital requirements now and in the foreseeable future. It also indicates the ability of the Group to provide financing across the business cycles and in meeting any contingency without compromising the interest of the depositors and investors. The Group aims to maintain a strong capital position to drive sustainable business growth through an optimal capital structure while meeting regulatory requirements.

The Group's comprehensive capital management strives for a sound capital management that is aligned to BNM's ICAAP requirements. Key activities of our capital management involves the following:

- **Capital Strategy**
  Capital strategy includes the determination of capital targets under both normal and stressed market conditions whereby considerations are given to business strategic objectives and the associated risks, external ratings and regulatory capital adequacy requirements. A comprehensive capital adequacy assessment is conducted semi-annually to ensure that the target capital level is appropriate.

- **Capital Planning**
  Based on strategic direction and regulatory requirements, the Group formulates a comprehensive and forward looking capital plan to:

  (i) support its overall risk profile and forecast the capital demand for material risks for which capital held is deemed appropriate and aligned with the Group's risk appetite; and
  (ii) provide adequate capital for business growth, changes in asset mix or to cover unanticipated losses.

The capital plan describes the actions required to raise capital in a timely manner in both normal and stressed conditions as assumed in the stress scenarios. For capital planning purposes, capital adequacy is assessed in multi-year financial projections under both normal and stressed scenarios, the objective of which is to ensure that the Group maintains adequate capital on a forward-looking basis.

The Group also establishes a capital contingency funding plan that forms part of the capital plan. The capital plan, together with the analysis and proposed actions, are reviewed by the Group Chief Financial Officer and deliberated at the respective committees before submission to the relevant Boards for approval.

- **Capital Allocation/Structuring/Optimisation**
  The Group determines the amount of capital allocated to each entity and business line based on capital performance target and available funding. An efficient allocation of capital drives returns for the Group's shareholders.

  Capital structuring affects the Group through its impact on cash flow and cost of capital. The Group adopts capital structuring that maximises value and minimises overall cost of capital. In order to achieve optimum capital structure, the Group determines the levels, mix and structure of internal and regulatory capital in line with its current and planned levels of business activities, risk appetite and desired level of capital adequacy.

  The Group optimises its capital by integrating risk-based capital into its strategy and aligning this with performance measurements.

  The Group also aims to achieve a balance between dividend payout and the need to retain earnings in order to be consistent with its capital strength while supporting business expansion. The Board reviews the dividend payout recommendation on an annual basis.

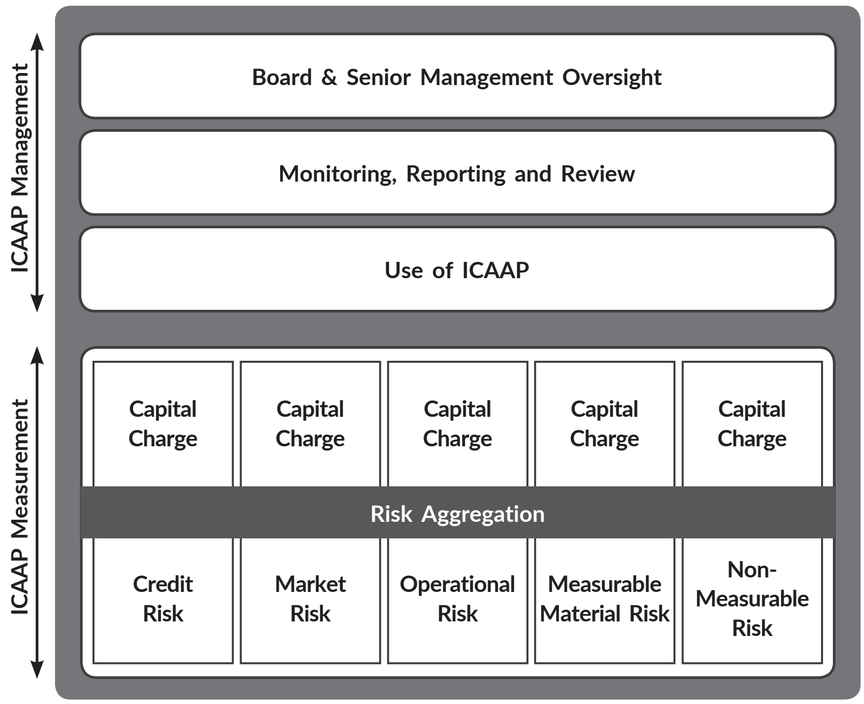
Basel II Pillar 3 Disclosures
As At 31 December 2022

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.1 Internal Capital Adequacy Assessment Process (ICAAP)

In line with BNM's Guideline on ICAAP under the Risk-Weighted Capital Adequacy Framework (Basel II) – Internal Capital Adequacy Assessment Process (Pillar 2) and Capital Adequacy Framework for Islamic Banks (CAFIB) – Internal Capital Adequacy Assessment Process (Pillar 2), the Group has implemented ICAAP with the objective of forging a strong alignment between risk and capital. Capital adequacy is assessed in relation to the Group's risk profile, and strategies are in place to maintain appropriate capital levels.

The ICAAP Framework developed and adopted across the Group summarises the key ICAAP requirements into two functional categories, namely; ICAAP Measurement and ICAAP Management as depicted below:



Key Requirements

- Establish rigorous corporate governance and senior management oversight.
- Establish risk-based strategy including defining and setting the Bank's appetite and tolerance for risk.
- Access and measure all material risks inherent in Group's business.
- Review, monitor, control and report on all material risks.
- Demonstrate that ICAAP forms an integral part of day-to-day management process and decision making culture of the Group.
- Relate capital to level of risk and ensure capital adequacy using scenario analysis and stress testing methods.

3.2 Basel III Implementation

Basel III is a comprehensive set of reform measures introduced by the Basel Committee on Banking Supervision since 2010 to strengthen the regulation, supervision, and risk management of the banking sector. The measures include both liquidity and capital reforms.

The Group has implemented Basel III for the management of both capital and liquidity. The Group capital ratios; Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are set above the regulatory requirements as required under Basel III. Notwithstanding the dispensation granted by BNM during the pandemic period, the Group was able maintain the LCR and NSFR above the Basel III regulatory requirements of 100%.

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.3 Capital Adequacy Ratios

BNM's Guideline on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) sets out the general requirements concerning regulatory capital adequacy and the components of eligible regulatory capital. Banking institutions are required to maintain, at all times, the following minimum capital adequacy ratios:

Common Equity Tier I (CET I) Capital Ratio	4.5%
Tier I Capital Ratio	6.0%
Total Capital Ratio	8.0%

In addition, the Group is required to maintain additional capital buffers in the form of CET I capital above the minimum CET I, Tier I and total capital ratios set out above. The capital buffers shall comprise of capital conservation buffer (CCB) of 2.50% and countercyclical capital buffer (CCyB) ranging from 0% to 2.50%. The CCB is intended to enable the banking system to withstand future periods of stress whilst CCyB is intended to protect the banking sector as a whole from the build-up of systemic risk during an economic upswing when aggregate credit growth tends to be excessive. CCyB is determined based on the weighted average of the prevailing CCyB rates applied in the jurisdictions in which the Group has credit exposures. BNM will communicate any decision on the CCyB rate by up to 12 months before the date from which the rate applies.

In alignment with BNM's Domestic Systemically Important Bank (D-SIB) Framework, the Group is not designated as D-SIB in the Financial Stability Review for First Half 2022. Whilst the Group is not required to maintain higher capital buffers, the designation of D-SIB status will continue to be monitored closely for any changes.

The capital ratios of RHB Bank Berhad on consolidated basis (RHB Bank Group), RHB Bank Berhad on global basis (RHB Bank), RHB Islamic Bank and RHB Investment Bank as at 31 December 2022 and 31 December 2021 are:

Table 1: Capital Adequacy Ratios

	RHB Bank Group		RHB Bank		RHB Islamic Bank		RHB Investment Bank	
Capital Ratios	2022	2021	2022	2021	2022	2021	2022	2021
Before proposed dividends								
Common Equity Tier I Capital Ratio	**17.593%**	17.831%	**16.036%**	16.094%	**17.828%**	17.635%	**31.348%**	29.319%
Tier I Capital Ratio	**17.593%**	17.831%	**16.036%**	16.094%	**17.828%**	17.635%	**31.348%**	29.319%
Total Capital Ratio	**20.039%**	20.455%	**18.644%**	19.083%	**20.826%**	20.780%	**37.528%**	40.027%
After proposed dividends and DRP*								
Common Equity Tier I Capital Ratio	**16.887%**	17.200%	**15.061%**	15.220%	**17.033%**	16.849%	**29.058%**	24.231%
Tier I Capital Ratio	**16.887%**	17.201%	**15.061%**	15.220%	**17.033%**	16.849%	**29.058%**	24.231%
Total Capital Ratio	**19.333%**	19.825%	**17.669%**	18.210%	**20.031%**	19.994%	**35.238%**	34.938%

* The Board of Directors have declared/proposed the following dividend:

(a) Second single-tier interim dividend of 25.0 sen per share in respect of the financial year ended 31 December 2022, amounting to RM1,061,843,000, consisting of cash portion of 20.0 sen per share and an electable portion of 5.0 sen per share; and

(b) Final single-tier dividend of 25.0 sen per share amounting to RM1,035,730,000, consisting of cash portion of 15.0 sen per share and an electable portion of 10.0 sen per share.

There is no irrevocable written undertaking from its shareholders, hence the amount of the proposed final dividend may be reduced either by the average of the preceding 3-year take up rates or if less than 3 preceding years, the available average historical take up rates, subject to the amount being not more than 50% of the total electable portion of the dividend, in accordance with the Implementation Guidance on Capital Adequacy Framework (Capital Components) dated 9 December 2020.

The above capital ratios are above the minimum level required by BNM.

Basel II Pillar 3 Disclosures
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3.0 CAPITAL MANAGEMENT (CONTINUED)

3.4 Minimum Capital Requirements and Risk-Weighted Assets (RWA)

The following table shows the breakdown of RWA by risk types as at 31 December 2022 and 31 December 2021:

Table 2: Risk-Weighted Assets (RWA) by Risk Types

	RHB Bank Group		RHB Bank		RHB Islamic Bank		RHB Investment Bank	
Risk Types	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Credit RWA	**118,007,600**	115,070,774	**85,761,518**	83,477,653	**33,635,942**	33,329,415	**634,603**	834,269
Credit RWA Absorbed by PSIA	**–**	–	**–**	–	**(5,355,297)**	(6,318,180)	**–**	–
Market RWA	**3,358,227**	3,201,115	**3,075,095**	2,617,689	**170,490**	201,515	**188,204**	162,040
Operational RWA	**14,047,918**	13,211,976	**9,171,749**	8,766,298	**3,114,515**	2,585,628	**923,914**	968,930
Total RWA	**135,413,745**	131,483,865	**98,008,362**	94,861,640	**31,565,650**	29,798,378	**1,746,721**	1,965,239

The following tables show the breakdown of RWA by risk types and the corresponding capital requirement as at 31 December 2022 and 31 December 2021:

Table 3a: Risk-Weighted Assets by Risk Types and Minimum Capital Requirements as at 31 December 2022

	RWA				Minimum Capital Requirements			
Risk Types	RHB Bank Group RM'000	RHB Bank RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000	RHB Bank Group RM'000	RHB Bank RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000
Credit Risk, of which	118,007,600	85,761,518	28,280,645	634,603	9,440,608	6,860,921	2,262,452	50,769
Under Foundation Internal Ratings-Based (F-IRB) Approach	57,108,249	44,089,160	16,591,922	–	4,568,660	3,527,133	1,327,354	–
Under Advanced Internal Ratings-Based (A-IRB) Approach	28,519,011	18,078,298	10,537,071	–	2,281,521	1,446,264	842,966	–
Under Standardised Approach	32,380,340	23,594,060	6,506,949	634,603	2,590,427	1,887,524	520,556	50,769
Absorbed by PSIA under F-IRB Approach	–	–	(3,629,132)	–	–	–	(290,331)	–
Absorbed by PSIA under A-IRB Approach	–	–	(27,368)	–	–	–	(2,189)	–
Absorbed by PSIA under Standardised Approach	–	–	(1,698,797)	–	–	–	(135,904)	–
Market Risk								
Under Standardised Approach	3,358,227	3,075,095	170,490	188,204	268,658	246,008	13,639	15,056
Operational Risk								
Under Basic Indicator Approach	14,047,918	9,171,749	3,114,515	923,914	1,123,834	733,740	249,161	73,913
Total	135,413,745	98,008,362	31,565,650	1,746,721	10,833,100	7,840,669	2,525,252	139,738

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.4 Minimum Capital Requirements and Risk-Weighted Assets (RWA) (continued)

Table 3b: Risk-Weighted Assets by Risk Types and Minimum Capital Requirements as at 31 December 2021

	RWA				Minimum Capital Requirements			
Risk Types	RHB Bank Group RM'000	RHB Bank RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000	RHB Bank Group RM'000	RHB Bank RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000
Credit Risk, of which	115,070,774	83,477,653	27,011,235	834,269	9,205,662	6,678,212	2,160,899	66,742
Under Foundation Internal Ratings-Based (F-IRB) Approach	57,177,727	44,194,293	17,575,302	–	4,574,218	3,535,543	1,406,024	–
Under Advanced Internal Ratings-Based (A-IRB) Approach	27,874,370	18,443,749	9,507,477	–	2,229,950	1,475,500	760,598	–
Under Standardised Approach	30,018,677	20,839,611	6,246,636	834,269	2,401,494	1,667,169	499,731	66,742
Absorbed by PSIA under F-IRB Approach	–	–	(4,628,281)	–	–	–	(370,262)	–
Absorbed by PSIA under A-IRB Approach	–	–	(7,965)	–	–	–	(637)	–
Absorbed by PSIA under Standardised Approach	–	–	(1,681,934)	–	–	–	(134,555)	–
Market Risk								
Under Standardised Approach	3,201,115	2,617,689	201,515	162,040	256,089	209,415	16,121	12,963
Operational Risk								
Under Basic Indicator Approach	13,211,976	8,766,298	2,585,628	968,930	1,056,958	701,304	206,850	77,514
Total	131,483,865	94,861,640	29,798,378	1,965,239	10,518,709	7,588,931	2,383,870	157,219

Capital requirement for the three risk types is derived by multiplying the risk-weighted assets by 8%.

Credit RWA for RHB Bank Group increased by RM2.9 billion mainly due to the growth in Singapore REITs and residential mortgage portfolios.

Market RWA increased by RM157 million mainly due to increase in interest rate risk charge mainly contributed by yield curve risk charge.

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4.0 CAPITAL STRUCTURE

The constituents of total eligible capital are set out in BNM's Guideline on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components). These include shareholders' funds, after regulatory-related adjustments, and eligible capital instruments issued by the Group. Tier I capital consists primarily of ordinary share capital, retained profits and other reserves. Tier II capital consists of subordinated obligations, surplus eligible provisions over expected losses and general provisions. Refer to Note 55 in the Financial Statements for the details of these capital instruments.

The following table represents the capital position of RHB Bank Group and RHB Bank as at 31 December 2022 and 31 December 2021:

Table 4: Capital Structure

	RHB Bank Group		RHB Bank@	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Common Equity Tier I Capital/Tier I Capital				
Paid up ordinary share capital	**8,145,585**	7,612,612	**8,145,585**	7,612,612
Retained profits	**19,196,884**	18,689,157	**14,479,618**	13,954,209
Other reserves	**836,784**	704,808	**610,659**	491,179
Fair value through other comprehensive income (FVOCI) reserves	**(599,020)**	406,012	**(517,256)**	394,726
Less:				
Goodwill	**(2,638,198)**	(2,638,198)	**(1,714,913)**	(1,714,913)
Intangible assets (include associated deferred tax liabilities)	**(602,106)**	(567,938)	**(524,689)**	(503,178)
Deferred tax assets	**(384,052)**	(425,268)	**(271,633)**	(291,577)
55% of cumulative gains arising from change in value of FVOCI instruments	**–**	(223,307)	**–**	(217,099)
Investment in subsidiaries	**(102,425)**	(102,425)	**(4,461,272)**	(4,448,364)
Investments in associates and joint ventures	**(25)**	(12)	**–**	–
Other deductions#	**(30,313)**	(11,043)	**(29,388)**	(10,691)
Total Common Equity Tier I Capital	**23,823,114**	23,444,398	**15,716,711**	15,266,904
Qualifying non-controlling interests recognised as Tier I Capital	**159**	170	**–**	–
Total Tier I Capital	**23,823,273**	23,444,568	**15,716,711**	15,266,904
Tier II Capital				
Subordinated obligations meeting all relevant criteria	**1,999,353**	2,249,289	**1,999,353**	2,249,289
Qualifying capital instruments of a subsidiary issued to third parties+	**393,975**	398,771	**–**	–
Surplus eligible provisions over expected losses	**513,764**	510,312	**373,005**	375,828
General provisions^	**404,754**	292,712	**271,763**	210,705
Less:				
Investment in capital instrument of financial and insurance/ takaful entities	**–**	–	**(88,116)**	–
Total Tier II Capital	**3,311,846**	3,451,084	**2,556,005**	2,835,822
Total Capital	**27,135,119**	26,895,652	**18,272,716**	18,102,726

@ *The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank and its wholly-owned offshore banking subsidiary, RHB Bank (L) Ltd.*

\# *Pursuant to Basel II Market Risk Para 5.19 & 5.20 – Valuation Adjustments, the Capital Adequacy Framework (Basel II – Risk-Weighted Assets) calculation shall account for the ageing, liquidity and holding back adjustments on its trading portfolio.*

\+ *Qualifying subordinated sukuk that are recognised as Tier II capital instruments held by third parties as prescribed under paragraph 18.6 of the BNM's Guideline on Capital Adequacy Framework (Capital Components) which are issued by a fully consolidated subsidiary of the Bank.*

^ *Pursuant to BNM's policy document on Financial Reporting and 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 reserves, to the extent they are ascribed to non-credit impaired exposures, determined under standardised approach for credit risk.*
Includes the qualifying regulatory reserves of the Group and Bank of RM242,061,000 (31 December 2021: RM85,609,000) and RM155,937,000 (31 December 2021: RM120,542,000)

5.0 RISK MANAGEMENT

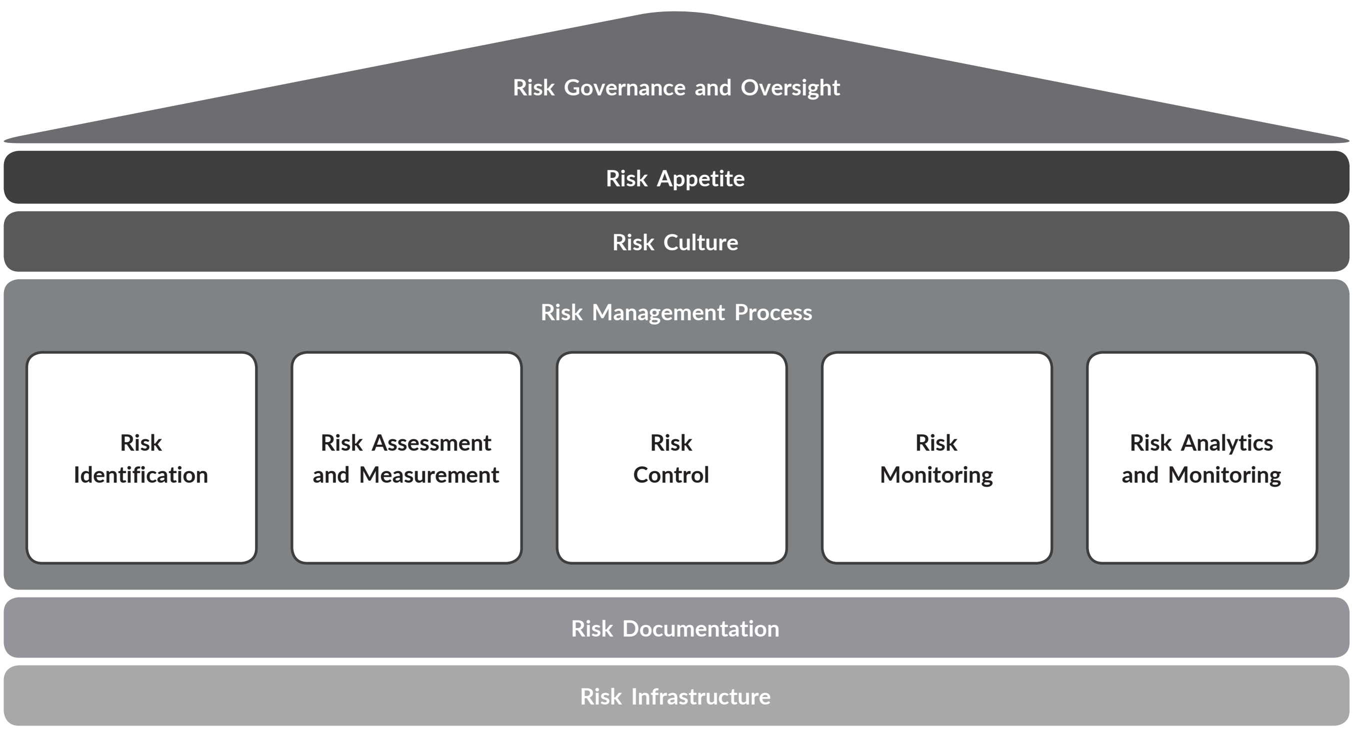
Risk is inherent in the Group's activities and is managed through a process of on-going identification, measurement and monitoring; subject to limits and other controls. In addition to credit risk, the Group is exposed to a range of other risk types such as market, liquidity, operational, legal, Shariah, 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 drive sustainable growth and shareholders' value, while maintaining competitive advantage, and is thus a central part of the proactive risk management of the Group's operating environment.

The Group Risk Management Framework governs the management of risks in the Group, as follows:

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



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.

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

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5.0 RISK MANAGEMENT (CONTINUED)

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

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

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

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

1. The entities' chief risk officers main function is to assess and manage the enterprise risk and liaise with regulators in the respective country/entity under their purviews. They are supported by their respective risk management teams with support from the risk management function from the Group.
2. The risk management function are teams who specialise in the respective risks and responsible for the active oversight of the Group-wide risk management function and support the respective entities/chief risk officers. Group Risk and Credit Management consists of Group Credit Risk Management, Group Market Risk Management, Group Asset and Liability Management, Group Operational Risk Management, Group Technology and Cyber Risk Management, Group Shariah Risk Management, Risk Strategy & Transformation, Enterprise Risk Management, Group Credit Management, 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 alignment of the Group's business strategy with its risk strategy, and vice-versa is articulated through the risk appetite setting, the Group's annual business and financial budgetary plan, which is facilitated by the integration of risk measures in capital management.

Risk Culture

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

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

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

5.0 RISK MANAGEMENT (CONTINUED)

Risk Management

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 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 processes ensures that the Group is aware of the condition of its exposures vis-à-vis its approved appetite and to facilitate early identification of potential problems 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 the necessary information 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.

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

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

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

6.0 CREDIT RISK

Credit Risk Definition

Credit risk is 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 lending/financing, trade finance, placement, underwritings, investment, hedging and trading activities from both on- and off-balance sheet transactions. Credit risk does not happen in isolation as certain risk event (e.g. fluctuation of interest rate and foreign exchange) may give rise to both market and credit risks.

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6.0 CREDIT RISK (CONTINUED)

Credit Risk Definition (continued)

6.1 Credit Risk Management Oversight and Organisation

The Group Credit Committee (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. GCC will direct, monitor, review and consider such issues as may materially impact on the present and future quality of the Group's loan/asset book. GCC also acts as the body which, through the relevant Board committees, recommends to the respective Boards, on matters pertaining to credit risk (such as credit and underwriting evaluation/approval/procedure, and delegated lending/financing authorities).

The 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.

The Board Credit Committee's (BCC) main functions are (i) affirming, vetoing or imposing more stringent conditions on credits of the Group which are duly approved by the GCC and/or GIUC, (ii) overseeing the management of impaired and high risk accounts, and (iii) approving credit transactions to connected parties up to the defined threshold limits. BCC also endorses policy loans/financing and loans/financing required by BNM to be referred to the respective members of the Boards for approval.

The Group Credit Management has the functional responsibility to ensure that internal processes and credit underwriting standards are adhered to before financing proposals are approved. All financing proposals are firstly assessed for its credit worthiness by the originating business units before being evaluated by an independent credit manager and decided upon by the delegated lending/financing authority/relevant committees.

All financing exposure limits are approved within a defined credit approval authority framework. Large financing exposures are further subject to post approval credit review on a sampling basis by Group Internal Audit. With the exception of credit applications for the Bank's approved program lending/financing which can be auto approved by loan 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/financing between business and independent credit underwriters, except for end-financing, which can only be singly assessed by independent reviewers. Loans/financing which are beyond the delegated lending/financing authority limits will be escalated to the relevant committees for approval.

Within Group Risk Management, the Group Credit Risk Management has the functional responsibility for credit risk management, portfolio risk monitoring, risk reporting and development of credit policies and guidelines. The Group also conducts regular credit stress tests to assess the credit portfolio's vulnerability to adverse credit risk events.

Regular risk reporting is made to the senior management, respective commitees and the Board. These reports include various credit risk aspects such as portfolio quality, expected losses, and concentration risk exposures. Such reporting allows senior management to identify adverse credit trends, take prompt corrective actions, and ensure appropriate risk-adjusted decision making.

6.2 Credit Risk Management Approach

The Group's credit risk management framework is founded upon BNM's Policy on Credit Risk. The Group abides by its Group Credit Policy which supports the development of a strong credit culture with the objective of maintaining a diversified portfolio, and a reliable and satisfactory risk-weighted return. Latest regulator requirement and industry best practices are instilled in the continual updating of the Group Credit Policy.

The Group's credit risk management process is documented in the Group Credit Guidelines (GCG) and the Group Credit Procedures Manual (GCPM) which set out the operational procedures and guidelines governing the credit processes within the Group.

The GCG and GCPM have been designed to ensure that:

- The process of credit initiation, administration, supervision and management of loans/financing and advances are carried out consistently and uniformly by the business origination and other credit support functions within the Group.
- Procedures and guidelines governing the credit function are in compliance with the credit policies of the Group.

Lending/Financing to Corporate and Institutional Customers

Loans/financing to corporate and institutional customers are individually evaluated and risk-rated. Credit underwriters identify and assess the credit risk of large corporate or institutional customers, or customer groups, taking into consideration their financial and business profiles, industry and economic factors, collateral, or other credit support.

6.0 CREDIT RISK (CONTINUED)

6.2 Credit Risk Management Approach (continued)

Credit Risk from Investment or Trading Activities

In the course of its trading or investment activities, the Group is also exposed to credit risks from trading, derivative and debt securities activities. Relevant credit guidelines are established to govern the credit risk via guidance on derivatives, hedging and investment related activities of the different exposures.

Lending/Financing to Consumers and Small Businesses

For retail and small business' program lending/financing, credit risk is managed on a portfolio basis leveraging on internal credit rating models; Retail lending/financing products comprise residential mortgages/home financing, credit cards, motor vehicle financing, commercial property loans/financing, personal financing, and Amanah Saham Bumiputera (ASB) financing. Whilst for small business' non-program lending/financing, credit risk is assessed and extended based on a set of clearly defined credit risk acceptance criteria, regular post approval review and credit risk monitoring to enable rigorous risk assessment, objective decision making, cost efficient processing and effective portfolio management.

Lending/Financing to Share Margin Financing

Loans/financing to share margin clients are based on credit/financing facilities made available to these clients for trading or redemption of securities that are listed in Bursa Malaysia Berhad in accordance with the Bursa Securities Rules.

For share margin financing, credit risk is mitigated through the establishment of appropriate approving authority structure/matrix for the extension of trading/credit limits. Within clearly defined guidelines approved by the Board and in line with applicable laws and regulations, credit risk management also encompasses the systematic credit assessment, close monitoring of limits, exposures and concentration risk to counterparties or issuer, through timely management reporting procedures.

Credit Transformation

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 Community Banking (i.e. retail portfolios) and Wholesale 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.

Credit War Room

Continue to maintain the Credit War Room to better steer, coordinate and ensure the effective implementation of the Group's repayment assistance strategy as market conditions transition to endemic phase, in a consistent and structured response across RHB Banking Group.

Credit Risk Measurement

Along with judgement and experience, risk measurement or quantification plays a critical role in making informed risk taking and portfolio management decisions. As the nature of credit risk varies by financing type, the Group applies different credit risk measuring tools, so that the credit risk of each financing type is appropriately reflected. These measurement tools are developed for the material credit exposures, which fall under the IRB Approach.

The followings represent the dimensions considered in the credit risk measurement:

1. Probability of Default (PD)
   Probability of default refer to likelihood that a borrower/customer is unable to meet its debt obligation. For corporate/non-retail financing, the probability of default is measured from obligor (or customer) rating obtained from the risk rating system to determine obligor's level of default risk. The risk rating of each obligor is regularly reviewed to ensure that it actually reflects the debtor's/customer's updated default risk. For retail exposures/financing, the default risk is measured via respective scoring model i.e. application scorecard, behavioural scorecard and customer centric scorecard.
2. Loss Given Default (LGD)
   LGD is the amount of loss incurred when a borrower/customer defaults. For corporate financing, LGD is determined via the credit risk mitigation adjustment, in which the coverage of collateral and security will determine the level of LGD for a specific transaction. For retail financing, LGD is determined at respective segment (or pool) level.

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6.0 CREDIT RISK (CONTINUED)

6.2 Credit Risk Management Approach (continued)

3. Exposure at Default (EAD)
   EAD is calculated from the current outstanding balance and availability of committed financing line. In this regard, the key factor is the Group's obligation related to the available financing line. For corporate financing, the EAD is measured at an individual obligor exposure as per BNM's Guideline on Capital Adequacy Framework (Basel II – Risk-Weighted Assets) and the Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets). For retail financing, the principle of credit risk measurement is similar, but measured on a pooled basis, based on internal models.

6.3 Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR)

The management of the following off-balance sheet exposures of the Group is in accordance to the credit risk management approach as set out under Section 6.2 of this document:

- Financial guarantees and standby letters of credit, which represent undertakings that the Group will make payments in the event that its customer cannot meet its obligations to third-parties. These exposures carry the same credit risk as loans/ financing even though they are contingent in nature;
- Documentary and commercial letters of credit, which are undertakings by the Group on behalf of its customers. These exposures are usually collateralised by the underlying shipment of goods to which they relate;
- Commitments to extend financing, which includes the unutilised or undrawn portions of financing;
- Unutilised credit card lines; and
- Credit equivalent amount of derivative financial instruments.

Counterparty Credit Risk

Counterparty Credit Risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default. Unlike a firm's exposure to credit risk through a loan/financing, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss: the market value of the transaction can be positive or negative to either counterparty to the transaction. The market value is uncertain and can vary over time with the movement of underlying market factors.

Counterparty risk is typically associated with two broad classes of financial products:

- Over-the-counter derivatives such as interest rate/profit rate swaps, FX forwards and credit default swaps.
- Securities financing transactions such as repos and reverse repos; and securities borrowing and lending.

Derivative financial instruments are entered into for hedging or proprietary trading purposes governed by Board approved limits and internal controls.

Any financial loss is calculated based on the cost to replace the defaulted derivative financial instruments with another similar contract in the market. The cost of replacement is equivalent to the difference between the original value of the derivatives at the time of contract with the defaulted counterparty and the current fair value of a similar substitute at current market prices.

All outstanding financial derivative positions are marked-to-market on a daily basis. The Group monitors counterparties' positions and promptly escalates any shortfall in the threshold levels to the relevant parties for next course of action.

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches

The following tables show the credit exposures or Exposure at Default (EAD) as at 31 December 2022 compared with 31 December 2021, segregated by:

- the various types of asset classes, showing details of the exposures by type of approaches, before and after credit risk mitigation (CRM), the corresponding RWA and capital requirements;
- disclosure on off-balance sheet and counterparty credit risk;
- geographical distribution;
- industry sector; and
- residual maturity.

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 5a: Summary of Credit Exposures with Credit Risk Mitigation (CRM) by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2022

RHB Bank Group Exposure Class	Gross Exposures/EAD Before CRM RM'000	Net Exposures/EAD After CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Exposures under Standardised Approach (SA)				
On-Balance Sheet Exposures				
Sovereigns & Central Banks	38,123,599	38,123,599	1,287,238	102,979
Public Sector Entities	12,133,337	11,960,479	258,179	20,654
Banks, Development Financial Institutions & MDBs	17,836,309	17,836,309	5,828,467	466,277
Insurance/Takaful Cos, Securities Firms & Fund Managers	564,070	564,070	520,053	41,604
Corporates	12,671,165	10,839,487	8,273,432	661,875
Regulatory Retail	10,809,819	9,970,697	8,342,211	667,377
Residential Mortgages/Financing	1,043,232	1,034,909	365,274	29,222
Higher Risk Assets	689,881	689,881	1,034,821	82,786
Other Assets	4,504,817	4,504,817	2,474,453	197,956
Equity Exposures	813,587	813,587	813,587	65,087
Defaulted Exposures	412,217	411,662	557,448	44,596
Total On-Balance Sheet Exposures	99,602,033	96,749,497	29,755,163	2,380,413
Off-Balance Sheet Exposures				
OTC Derivatives	2,471,503	1,972,965	508,703	40,696
Off-balance sheet exposures other than OTC derivatives or credit derivatives	11,894,736	8,158,572	2,113,144	169,052
Defaulted Exposures	15,752	15,644	3,330	266
Total Off-Balance Sheet Exposures	14,381,991	10,147,181	2,625,177	210,014
Total On and Off-Balance Sheet Exposures under SA	113,984,024	106,896,678	32,380,340	2,590,427
Exposures under F-IRB Approach				
On-Balance Sheet Exposures				
Corporates, of which	85,960,642	85,960,642	48,626,117	3,890,089
Corporate Exposures (excluding exposures with firm size adjustments)	45,924,370	47,908,829	24,465,139	1,957,211
Corporate Exposures (with firm size adjustments)	27,623,781	27,623,781	16,453,892	1,316,311
Specialised Lending Exposures (Slotting Approach)				
Project Finance	1,891,516	1,535,369	1,191,947	95,356
Income Producing Real Estate	10,520,975	8,892,663	6,515,139	521,211
Defaulted Exposures	3,036,436	3,036,436	31,147	2,492
Total On-Balance Sheet Exposures	88,997,078	88,997,078	48,657,264	3,892,581

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6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 5a: Summary of Credit Exposures with Credit Risk Mitigation (CRM) by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2022 (continued)

RHB Bank Group Exposure Class	Gross Exposures/EAD Before CRM RM'000	Net Exposures/EAD After CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Off-Balance Sheet Exposures				
OTC Derivatives	440,586	440,586	348,524	27,882
Off-balance sheet exposures other than OTC derivatives or credit derivatives	8,629,658	8,629,658	4,869,919	389,594
Defaulted Exposures	4,532	4,532	–	–
Total Off-Balance Sheet Exposures	9,074,776	9,074,776	5,218,443	417,476
Exposures under A-IRB Approach				
On-Balance Sheet Exposures				
Retail, of which	114,945,790	114,945,790	22,402,515	1,792,201
Residential Mortgages/Financing Exposures	64,997,816	64,997,816	9,342,386	747,391
Qualifying Revolving Retail Exposures	1,937,597	1,937,597	1,112,436	88,995
Hire Purchase Exposures	9,689,197	9,689,197	2,974,732	237,978
Other Retail Exposures	38,321,180	38,321,180	8,972,961	717,837
Defaulted Exposures	2,710,444	2,710,444	1,772,935	141,835
Total On-Balance Sheet Exposures	117,656,234	117,656,234	24,175,450	1,934,036
Off-Balance Sheet Exposures				
OTC Derivatives	–	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	18,079,051	18,079,051	2,661,909	212,953
Defaulted Exposures	45,431	45,431	67,368	5,389
Total Off-Balance Sheet Exposures	18,124,482	18,124,482	2,729,277	218,342
Total On and Off-Balance Sheet Exposures before scaling factor under the IRB Approach	233,852,570	233,852,570	80,780,434	6,462,435
Total On and Off-Balance Sheet Exposures after scaling factor, 1.06 under the IRB Approach			85,627,260	6,850,181
Total (Exposures under the SA Approach and Exposures under the IRB Approach)	347,836,594	340,749,248	118,007,600	9,440,608

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 5b: Summary of Credit Exposures with Credit Risk Mitigation (CRM) by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2021

RHB Bank Group Exposure Class	Gross Exposures/EAD Before CRM RM'000	Net Exposures/EAD After CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Exposures under Standardised Approach (SA)				
On-Balance Sheet Exposures				
Sovereigns & Central Banks	35,033,964	35,033,964	1,423,771	113,902
Public Sector Entities	11,683,719	11,612,119	236,735	18,939
Banks, Development Financial Institutions & MDBs	15,649,525	15,649,525	5,399,150	431,932
Insurance/Takaful Cos, Securities Firms & Fund Managers	444,735	444,735	397,631	31,810
Corporates	9,515,896	7,968,339	6,568,385	525,471
Regulatory Retail	10,346,590	9,444,337	8,031,210	642,497
Residential Mortgages/Financing	980,341	973,673	344,118	27,529
Higher Risk Assets	627,060	627,060	940,590	75,247
Other Assets	4,689,205	4,689,205	2,779,269	222,342
Equity Exposures	815,699	815,699	815,699	65,256
Defaulted Exposures	357,543	356,012	352,701	28,216
Total On-Balance Sheet Exposures	90,144,277	87,614,668	27,289,259	2,183,141
Off-Balance Sheet Exposures				
OTC Derivatives	1,325,057	1,124,125	302,216	24,177
Off-balance sheet exposures other than OTC derivatives or credit derivatives	9,344,730	6,827,150	2,424,143	193,931
Defaulted Exposures	15,409	15,295	3,059	245
Total Off-Balance Sheet Exposures	10,685,196	7,966,570	2,729,418	218,353
Total On and Off-Balance Sheet Exposures under SA	100,829,473	95,581,238	30,018,677	2,401,494
Exposures under F-IRB Approach				
On-Balance Sheet Exposures				
Corporates, of which	85,030,639	85,030,639	49,120,636	3,929,651
Corporate Exposures (excluding exposures with firm size adjustments)	45,691,339	47,292,646	25,329,312	2,026,345
Corporate Exposures (with firm size adjustments)	28,389,583	28,389,583	16,659,270	1,332,742
Specialised Lending Exposures (Slotting Approach)				
Project Finance	1,638,344	1,571,659	1,196,887	95,751
Income Producing Real Estate	9,311,373	7,776,751	5,935,167	474,813
Defaulted Exposures	2,749,991	2,749,991	54,232	4,338
Total On-Balance Sheet Exposures	87,780,630	87,780,630	49,174,868	3,933,989

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6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 5b: Summary of Credit Exposures with Credit Risk Mitigation (CRM) by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2021 (continued)

RHB Bank Group Exposure Class	Gross Exposures/EAD Before CRM RM'000	Net Exposures/EAD After CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Off-Balance Sheet Exposures				
OTC Derivatives	186,692	186,692	226,851	18,148
Off-balance sheet exposures other than OTC derivatives or credit derivatives	8,747,227	8,747,227	4,539,533	363,163
Defaulted Exposures	13,118	13,118	–	–
Total Off-Balance Sheet Exposures	8,947,037	8,947,037	4,766,384	381,311
Exposures under A-IRB Approach				
On-Balance Sheet Exposures				
Retail, of which	108,209,719	108,209,719	23,493,197	1,879,456
Residential Mortgages/Financing Exposures	55,825,969	55,825,969	9,345,650	747,652
Qualifying Revolving Retail Exposures	1,816,933	1,816,933	1,124,102	89,928
Hire Purchase Exposures	9,165,730	9,165,730	2,980,699	238,456
Other Retail Exposures	41,401,087	41,401,087	10,042,746	803,420
Defaulted Exposures	1,534,010	1,534,010	396,753	31,740
Total On-Balance Sheet Exposures	109,743,729	109,743,729	23,889,950	1,911,196
Off-Balance Sheet Exposures				
OTC Derivatives	–	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	15,415,984	15,415,984	2,329,435	186,355
Defaulted Exposures	45,898	45,898	77,191	6,175
Total Off-Balance Sheet Exposures	15,461,882	15,461,882	2,406,626	192,530
Total On and Off-Balance Sheet Exposures before scaling factor under the IRB Approach	221,933,278	221,933,278	80,237,828	6,419,026
Total On and Off-Balance Sheet Exposures after scaling factor, 1.06 under the IRB Approach			85,052,097	6,804,168
Total (Exposures under the SA Approach and Exposures under the IRB Approach)	322,762,751	317,514,516	115,070,774	9,205,662

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 6a: Exposures on Off-Balance Sheet and Counterparty Credit Risk (Before Credit Risk Mitigation) as at 31 December 2022

RHB Bank Group Nature of Item	Principal/ Notional Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk–Weighted Assets RM'000
Direct credit substitutes	1,410,617		1,316,820	664,899
Transaction related contingent items	2,788,293		1,327,195	679,421
Short term self liquidating trade related contingencies	984,888		208,415	181,106
Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns	–		–	–
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo style transactions	8,573,179		8,573,179	193,204
Foreign exchange related contracts	7,252,460	49,011	205,263	147,290
1 year or less	6,801,923	46,821	147,145	85,465
Over 1 year to 5 years	450,537	2,190	58,118	61,825
Over 5 years	–	–	–	–
Interest/profit rate related contracts	2,173,478	43,515	86,236	52,933
1 year or less	361,089	–	903	808
Over 1 year to 5 years	1,812,389	43,515	85,333	52,125
Over 5 years	–	–	–	–
Equity related contracts	326,183	35,482	55,115	2,020
1 year or less	323,093	35,416	54,802	2,020
Over 1 year to 5 years	3,090	66	313	–
Over 5 years	–	–	–	–
Commodity contracts	311,060	2,332	7,614	3,330
1 year or less	57,542	–	–	–
Over 1 year to 5 years	203,518	2,332	7,614	3,330
Over 5 years	50,000	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	130,925,191	776,244	2,557,867	651,654
Other commitments, such as formal standby facilities and credit/financing lines, with original maturity of over 1 year	34,119,924		26,137,086	7,811,291
Other commitments, such as formal standby facilities and credit/financing lines, with original maturity of up to 1 year	1,601,881		394,727	47,318
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	16,329,254		711,732	138,431
Total	**206,796,408**	**906,584**	**41,581,249**	**10,572,897**

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6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 6b: Exposures on Off-Balance Sheet and Counterparty Credit Risk (Before Credit Risk Mitigation) as at 31 December 2021

RHB Bank Group Nature of Item	Principal/ Notional Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk–Weighted Assets RM'000
Direct credit substitutes	1,394,350		1,299,080	696,965
Transaction related contingent items	3,077,649		1,475,325	759,897
Short term self liquidating trade related contingencies	977,071		209,385	171,048
Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns	35,530		35,530	–
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo style transactions	5,424,754		5,424,754	219,637
Foreign exchange related contracts	8,199,461	13,185	128,677	64,846
1 year or less	8,178,635	11,208	125,451	63,329
Over 1 year to 5 years	20,826	1,977	3,226	1,517
Over 5 years	–	–	–	–
Interest/profit rate related contracts	1,800,798	12,041	39,005	37,982
1 year or less	599,657	5,327	6,826	6,804
Over 1 year to 5 years	1,201,141	6,714	32,179	31,178
Over 5 years	–	–	–	–
Equity related contracts	572,524	69,455	103,893	–
1 year or less	568,238	69,273	103,367	–
Over 1 year to 5 years	4,286	182	526	–
Over 5 years	–	–	–	–
Commodity contracts	254,299	8,588	21,472	7,923
1 year or less	29,116	–	–	–
Over 1 year to 5 years	175,183	8,588	21,472	7,923
Over 5 years	50,000	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	86,061,242	179,417	1,227,971	418,316
Other commitments, such as formal standby facilities and credit/financing lines, with original maturity of over 1 year	32,851,076		24,033,299	7,287,011
Other commitments, such as formal standby facilities and credit/financing lines, with original maturity of up to 1 year	1,712,664		440,886	111,254
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	15,415,727		654,838	127,549
Total	157,777,145	282,686	35,094,115	9,902,428

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 7a: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31 December 2022

RHB Bank Group Exposure Class	Malaysia (Include Labuan) RM'000	Singapore RM'000	Thailand RM'000	Brunei RM'000	Cambodia RM'000	Lao RM'000	Hong Kong RM'000	Indonesia RM'000	Vietnam RM'000	Total RM'000
Exposures under Standardised Approach										
Sovereigns & Central Banks	34,877,065	5,725,816	843,491	130,638	838,891	180,721	-	-	-	42,596,622
Public Sector Entities	12,543,738	494,856	192,831	-	-	-	-	-	-	13,231,425
Banks, Development Financial Institutions & MDBs	17,531,249	5,521,034	25,290	315,498	326,616	39,913	678	82,766	19,468	23,862,512
Insurance/Takaful Cos, Securities Firms & Fund Managers	612,560	1,804	-	-	-	-	-	-	-	614,364
Corporates	6,544,495	3,617,079	2,532,901	104,649	2,134,192	27,693	-	59,322	-	15,020,331
Regulatory Retail	5,810,395	4,186,049	71,799	105,003	1,233,311	49,688	-	86,153	19,051	11,561,449
Residential Mortgages/Financing	82,799	1,005,537	-	700	-	-	-	-	-	1,089,036
Higher Risk Assets	689,480	-	253	-	110	-	-	38	-	689,881
Other Assets	3,703,352	415,705	137,146	30,781	145,329	12,743	124	55,365	4,272	4,504,817
Total Exposures under Standardised Approach	82,395,133	20,967,880	3,803,711	687,269	4,678,449	310,758	802	283,644	42,791	113,170,437
Exposures under IRB Approach										
Corporates, of which	82,237,086	15,834,768	-	-	-	-	-	-	-	98,071,854
Corporate Exposures (excluding exposures with firm size adjustments)	47,100,483	5,149,068	-	-	-	-	-	-	-	52,249,551
Corporate Exposures (with firm size adjustments)	25,837,379	6,104,495	-	-	-	-	-	-	-	31,941,874
Specialised Lending Exposures (Slotting Approach)										
Project Finance	2,126,269	46,537	-	-	-	-	-	-	-	2,172,806
Income Producing Real Estate	7,172,955	4,534,668	-	-	-	-	-	-	-	11,707,623
Retail, of which	135,780,716	-	-	-	-	-	-	-	-	135,780,716
Residential Mortgages/Financing Exposures	69,537,799	-	-	-	-	-	-	-	-	69,537,799
Qualifying Revolving Retail Exposures	3,501,039	-	-	-	-	-	-	-	-	3,501,039
Hire Purchase Exposures	9,744,265	-	-	-	-	-	-	-	-	9,744,265
Other Retail Exposures	52,997,613	-	-	-	-	-	-	-	-	52,997,613
Total Exposures under IRB Approach	218,017,802	15,834,768	-	-	-	-	-	-	-	233,852,570
Total Exposures under Standardised and IRB Approaches	300,412,935	36,802,648	3,803,711	687,269	4,678,449	310,758	802	283,644	42,791	347,023,007

Note: This table excludes equity exposures

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6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 7b: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31 December 2021

RHB Bank Group Exposure Class	Malaysia (Include Labuan) RM'000	Singapore RM'000	Thailand RM'000	Brunei RM'000	Cambodia RM'000	Lao RM'000	Hong Kong RM'000	Indonesia RM'000	Vietnam RM'000	Total RM'000
Exposures under Standardised Approach										
Sovereigns & Central Banks	29,430,518	4,900,290	672,306	179,962	906,439	189,865	-	-	-	36,279,380
Public Sector Entities	12,522,985	690,320	201,328	-	-	-	-	-	-	13,414,633
Banks, Development Financial Institutions & MDBs	13,676,126	5,090,932	20,189	239,945	345,627	22,033	8,988	67,039	26,413	19,497,292
Insurance/Takaful Cos, Securities Firms & Fund Managers	477,209	5,778	-	-	-	-	2	-	-	482,989
Corporates	5,571,512	2,617,022	2,187,326	95,132	2,187,454	52,955	-	43,588	-	12,754,989
Regulatory Retail	6,270,174	3,497,651	81,268	107,781	1,080,078	99,310	-	112,780	2,594	11,251,636
Residential Mortgages/Financing	85,172	931,418	-	-	-	-	-	-	-	1,016,590
Higher Risk Assets	626,666	-	251	-	104	-	-	39	-	627,060
Other Assets	3,800,148	383,289	152,426	19,144	144,953	21,104	351	165,877	1,913	4,689,205
Total Exposures under Standardised Approach	72,460,510	18,116,700	3,315,094	641,964	4,664,655	385,267	9,341	389,323	30,920	100,013,774
Exposures under IRB Approach										
Corporates, of which	83,664,878	13,062,790	-	-	-	-	-	-	-	96,727,668
Corporate Exposures (excluding exposures with firm size adjustments)	48,088,066	3,933,362	-	-	-	-	-	-	-	52,021,428
Corporate Exposures (with firm size adjustments)	26,522,010	6,126,536	-	-	-	-	-	-	-	32,648,546
Specialised Lending Exposures (Slotting Approach)										
Project Finance	1,696,552	118,839	-	-	-	-	-	-	-	1,815,391
Income Producing Real Estate	7,358,250	2,884,053	-	-	-	-	-	-	-	10,242,303
Retail, of which	125,205,610	-	-	-	-	-	-	-	-	125,205,610
Residential Mortgages/Financing Exposures	59,196,669	-	-	-	-	-	-	-	-	59,196,669
Qualifying Revolving Retail Exposures	2,972,866	-	-	-	-	-	-	-	-	2,972,866
Hire Purchase Exposures	9,203,900	-	-	-	-	-	-	-	-	9,203,900
Other Retail Exposures	53,832,175	-	-	-	-	-	-	-	-	53,832,175
Total Exposures under IRB Approach	208,870,488	13,062,790	-	-	-	-	-	-	-	221,933,278
Total Exposures under Standardised and IRB Approaches	281,330,998	31,179,490	3,315,094	641,964	4,664,655	385,267	9,341	389,323	30,920	321,947,052

Note: This table excludes equity exposures

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 8a: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2022

RHB Bank Group Exposure Class	Agriculture RM'000	Mining & Quarrying RM'000	Manufacturing RM'000	Electricity, Gas & Water Supply RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurants & Hotels RM'000	Transport, Storage & Communication RM'000	Finance, Insurance/ Takaful, Real Estate & Business RM'000	Education, Health & Others RM'000	Household RM'000	Others RM'000	Total RM'000
<u>Exposures under Standardised Approach</u>												
Sovereigns & Central Banks	-	-	-	-	-	-	-	17,634,298	24,962,324	-	-	42,596,622
Public Sector Entities	1,411,025	-	-	-	-	-	-	156,256	11,664,144	-	-	13,231,425
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	23,862,512	-	-	-	23,862,512
Insurance/Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	307	614,057	-	-	-	614,364
Corporates	108,967	18,848	884,953	134,328	405,238	1,124,620	300,611	8,959,930	126,008	2,918,967	37,861	15,020,331
Regulatory Retail	2,134	2,238	77,497	9,032	102,581	195,281	75,850	133,088	22,599	10,930,427	10,722	11,561,449
Residential Mortgages/ Financing	-	-	-	-	-	-	-	-	-	1,089,036	-	1,089,036
Higher Risk Assets	-	-	-	-	-	-	-	689,771	-	-	110	689,881
Other Assets	-	-	-	-	-	-	-	214,249	-	1,876	4,288,692	4,504,817
Total Exposures under Standardised Approach	1,522,126	21,086	962,450	143,360	507,819	1,319,901	376,768	52,264,161	36,775,075	14,940,306	4,337,385	113,170,437
<u>Exposures under IRB Approach</u>												
Corporates, of which	4,769,617	1,231,218	10,702,152	4,585,178	17,509,768	14,016,717	10,986,305	31,344,720	2,776,099	-	150,080	98,071,854
Corporate Exposures (excluding exposures with firm size adjustments)	2,931,081	1,006,367	5,914,468	3,620,317	6,421,656	4,013,888	9,365,096	16,765,379	2,210,311	-	988	52,249,551
Corporate Exposures (with firm size adjustments)	1,838,536	193,994	4,074,298	898,377	6,186,396	8,337,564	1,574,672	8,218,357	470,588	-	149,092	31,941,874
Specialised Lending Exposures (Slotting Approach)												
Project Finance	-	30,857	713,386	66,484	1,219,386	-	46,537	956	95,200	-	-	2,172,806
Income Producing Real Estate	-	-	-	-	3,682,330	1,665,265	-	6,360,028	-	-	-	11,707,623
Retail, of which	415,293	82,595	2,610,431	52,806	2,191,167	8,148,298	1,368,403	3,917,446	296,387	116,522,864	175,026	135,780,716
Residential Mortgages/ Financing Exposures	-	-	-	-	-	-	-	-	-	69,537,799	-	69,537,799
Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	3,501,039	-	3,501,039
Hire Purchase Exposures	-	-	-	-	-	-	-	-	-	9,744,265	-	9,744,265
Other Retail Exposures	415,293	82,595	2,610,431	52,806	2,191,167	8,148,298	1,368,403	3,917,446	296,387	33,739,761	175,026	52,997,613
Total Exposures under IRB Approach	5,184,910	1,313,813	13,312,583	4,637,984	19,700,935	22,165,015	12,354,708	35,262,166	3,072,486	116,522,864	325,106	233,852,570
Total Exposures under Standardised and IRB Approaches	6,707,036	1,334,899	14,275,033	4,781,344	20,208,754	23,484,916	12,731,476	87,526,327	39,847,561	131,463,170	4,662,491	347,023,007

Note: This table excludes equity exposures

Basel II Pillar 3 Disclosures
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6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 8b: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2021 (restated)

RHB Bank Group Exposure Class	Agriculture RM'000	Mining & Quarrying RM'000	Manufacturing RM'000	Electricity, Gas & Water Supply RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurants & Hotels RM'000	Transport, Storage & Communication RM'000	Finance, Insurance/ Takaful, Real Estate & Business RM'000	Education, Health & Others RM'000	Household RM'000	Others RM'000	Total RM'000
Exposures under Standardised Approach												
Sovereigns & Central Banks	-	-	-	-	-	-	-	16,200,909	20,078,471	-	-	36,279,380
Public Sector Entities	-	-	-	-	-	-	-	154,307	13,260,326	-	-	13,414,633
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	19,497,292	-	-	-	19,497,292
Insurance/Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	482,989	-	-	-	482,989
Corporates	116,179	20,202	878,452	144,734	334,578	1,070,169	461,180	6,325,908	483,913	2,877,841	41,833	12,754,989
Regulatory Retail	5,017	2,711	107,016	19,950	111,667	229,591	81,145	132,888	22,572	10,448,268	90,811	11,251,636
Residential Mortgages/ Financing	-	-	-	-	-	-	-	-	-	1,016,590	-	1,016,590
Higher Risk Assets	-	-	-	-	-	-	-	626,956	-	-	104	627,060
Other Assets	-	-	-	-	-	-	-	281,828	-	399	4,406,978	4,689,205
Total Exposures under Standardised Approach	121,196	22,913	985,468	164,684	446,245	1,299,760	542,325	43,703,077	33,845,282	14,343,098	4,539,726	100,013,774
Exposures under IRB Approach												
Corporates, of which	4,740,806	1,091,520	9,762,306	5,415,149	18,039,617	12,854,419	11,735,222	26,198,493	6,686,194	-	203,942	96,727,668
Corporate Exposures (excluding exposures with firm size adjustments)	2,415,136	898,408	5,526,669	4,125,081	6,251,311	4,941,539	8,711,869	12,953,306	6,134,284	-	63,825	52,021,428
Corporate Exposures (with firm size adjustments)	2,325,670	193,112	3,919,269	1,003,404	6,541,569	7,316,261	2,905,010	7,752,224	551,910	-	140,117	32,648,546
Specialised Lending Exposures (Slotting Approach)												
Project Finance	-	-	316,368	286,664	1,090,339	-	118,343	3,677	-	-	-	1,815,391
Income Producing Real Estate	-	-	-	-	4,156,398	596,619	-	5,489,286	-	-	-	10,242,303
Retail, of which	385,432	98,121	2,518,968	55,021	2,186,831	7,314,013	1,209,667	3,765,031	265,258	107,227,980	179,288	125,205,610
Residential Mortgages/ Financing Exposures	-	-	-	-	-	-	-	-	-	59,196,669	-	59,196,669
Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	2,972,866	-	2,972,866
Hire Purchase Exposures	-	-	-	-	-	-	-	-	-	9,203,900	-	9,203,900
Other Retail Exposures	385,432	98,121	2,518,968	55,021	2,186,831	7,314,013	1,209,667	3,765,031	265,258	35,854,545	179,288	53,832,175
Total Exposures under IRB Approach	5,126,238	1,189,641	12,281,274	5,470,170	20,226,448	20,168,432	12,944,889	29,963,524	6,951,452	107,227,980	383,230	221,933,278
Total Exposures under Standardised and IRB Approaches	5,247,434	1,212,554	13,266,742	5,634,854	20,672,693	21,468,192	13,487,214	73,666,601	40,796,734	121,571,078	4,922,956	321,947,052

Note: This table excludes equity exposures

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 9a: Credit Risk Exposures (Before Credit Risk Mitigation) by Remaining Maturity as at 31 December 2022

RHB Bank Group Exposure Class	One Year or Less RM'000	More Than One to Five Years RM'000	Over Five Years RM'000	Total RM'000
<u>Exposures under Standardised Approach</u>				
Sovereigns & Central Banks	18,370,560	7,095,840	17,130,222	42,596,622
Public Sector Entities	1,035,004	3,806,360	8,390,061	13,231,425
Banks, Development Financial Institutions & MDBs	15,436,592	5,826,709	2,599,211	23,862,512
Insurance/Takaful Cos, Securities Firms & Fund Managers	87,004	37,960	489,400	614,364
Corporates	6,080,885	5,985,944	2,953,502	15,020,331
Regulatory Retail	2,085,371	1,594,998	7,881,080	11,561,449
Residential Mortgages/Financing	818	15,542	1,072,676	1,089,036
Higher Risk Assets	253	–	689,628	689,881
Other Assets	703,208	–	3,801,609	4,504,817
Total Exposures under Standardised Approach	43,799,695	24,363,353	45,007,389	113,170,437
<u>Exposures under IRB Approach</u>				
Corporates, of which	31,910,705	32,822,830	33,338,319	98,071,854
Corporate Exposures (excluding exposures with firm size adjustments)	15,879,713	20,578,814	15,791,024	52,249,551
Corporate Exposures (with firm size adjustments)	12,166,401	6,826,182	12,949,291	31,941,874
Specialised Lending Exposures (Slotting Approach)				
Project Finance	1,250,006	136,843	785,957	2,172,806
Income Producing Real Estate	2,614,585	5,280,991	3,812,047	11,707,623
Retail, of which	6,636,596	10,627,757	118,516,363	135,780,716
Residential Mortgages/Financing Exposures	141,509	412,085	68,984,205	69,537,799
Qualifying Revolving Retail Exposures	499,348	2,959,527	42,164	3,501,039
Hire Purchase Exposures	74,921	2,133,487	7,535,857	9,744,265
Other Retail Exposures	5,920,818	5,122,658	41,954,137	52,997,613
Total Exposures under IRB Approach	38,547,301	43,450,587	151,854,682	233,852,570
Total Exposures under Standardised and IRB Approaches	82,346,996	67,813,940	196,862,071	347,023,007

Note: This table excludes equity exposures

Basel II Pillar 3 Disclosures
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6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 9b: Credit Risk Exposures (Before Credit Risk Mitigation) by Remaining Maturity as at 31 December 2021

RHB Bank Group Exposure Class	One Year or Less RM'000	More Than One to Five Years RM'000	Over Five Years RM'000	Total RM'000
Exposures under Standardised Approach				
Sovereigns & Central Banks	18,918,246	5,111,267	12,249,867	36,279,380
Public Sector Entities	1,785,190	3,478,384	8,151,059	13,414,633
Banks, Development Financial Institutions & MDBs	13,258,179	5,037,150	1,201,963	19,497,292
Insurance/Takaful Cos, Securities Firms & Fund Managers	378,939	17,302	86,748	482,989
Corporates	5,444,865	4,199,918	3,110,206	12,754,989
Regulatory Retail	2,250,771	1,658,179	7,342,686	11,251,636
Residential Mortgages/Financing	1,601	15,375	999,614	1,016,590
Higher Risk Assets	355	–	626,705	627,060
Other Assets	766,247	–	3,922,958	4,689,205
Total Exposures under Standardised Approach	42,804,393	19,517,575	37,691,806	100,013,774
Exposures under IRB Approach				
Corporates, of which	30,891,656	32,042,280	33,793,732	96,727,668
Corporate Exposures (excluding exposures with firm size adjustments)	16,516,243	18,374,293	17,130,892	52,021,428
Corporate Exposures (with firm size adjustments)	11,111,579	8,681,530	12,855,437	32,648,546
Specialised Lending Exposures (Slotting Approach)				
Project Finance	1,288,220	284,754	242,417	1,815,391
Income Producing Real Estate	1,975,614	4,701,703	3,564,986	10,242,303
Retail, of which	6,892,737	9,804,427	108,508,446	125,205,610
Residential Mortgages/Financing Exposures	155,236	380,481	58,660,952	59,196,669
Qualifying Revolving Retail Exposures	721,271	2,187,264	64,331	2,972,866
Hire Purchase Exposures	68,861	1,987,399	7,147,640	9,203,900
Other Retail Exposures	5,947,369	5,249,283	42,635,523	53,832,175
Total Exposures under IRB Approach	37,784,393	41,846,707	142,302,178	221,933,278
Total Exposures under Standardised and IRB Approaches	80,588,786	61,364,282	179,993,984	321,947,052

Note: This table excludes equity exposures

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Standardised Approach for Other Portfolios

The Standardised Approach is applied to portfolios that are classified as permanently exempted from the IRB approach, and portfolios that are currently in transition to the IRB approach. Under this Standardised Approach, the risk weights are prescribed by BNM based on the asset class to which the exposure is assigned.

The following tables show RHB Bank Group's credit exposures for its portfolio with the corresponding risk weights and RWA under the Standardised Approach, after credit risk mitigation (CRM):

Table 10a: Portfolios under the Standardised Approach by Risk Weights as at 31 December 2022

RHB Bank Group Exposure Class	Sovereigns & Central Banks RM'000	Public Sector Entities RM'000	Banks, Development Financial Institutions & MDBs RM'000	Insurance/ Takaful Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages/ Financing RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000	Total Exposures After Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
Supervisory Risk Weights (%)												
0%	41,044,517	11,669,621	237,747	-	342,187	-	-	-	1,868,200	-	55,162,272	-
20%	378,817	1,357,711	13,464,849	32,490	2,822,692	359,010	-	-	202,704	-	18,618,273	3,723,655
35%	-	-	-	-	-	-	1,040,358	-	-	-	1,040,358	364,125
50%	97,519	30,560	5,612,292	36,049	157,849	9,461	26,418	-	-	-	5,970,148	2,985,074
75%	-	-	-	-	-	5,687,752	-	-	-	-	5,687,752	4,265,814
100%	901,507	-	1,096,247	544,076	9,120,863	4,246,587	13,501	-	2,433,913	813,587	19,170,281	19,170,281
150%	174,262	-	29,116	-	264,808	89,527	-	689,881	-	-	1,247,594	1,871,391
Total Exposures	42,596,622	13,057,892	20,440,251	612,615	12,708,399	10,392,337	1,080,277	689,881	4,504,817	813,587	106,896,678	32,380,340

Table 10b: Portfolios under the Standardised Approach by Risk Weights as at 31 December 2021

RHB Bank Group Exposure Class	Sovereigns & Central Banks RM'000	Public Sector Entities RM'000	Banks, Development Financial Institutions & MDBs RM'000	Insurance/ Takaful Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages/ Financing RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000	Total Exposures After Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
Supervisory Risk Weights (%)												
0%	34,552,576	12,107,655	305,493	-	1,565,480	-	-	-	1,699,096	-	50,230,300	-
20%	414,510	1,182,111	10,833,669	33,018	820,240	403,980	-	-	263,550	-	13,951,078	2,790,216
35%	-	-	-	-	-	-	966,031	-	-	-	966,031	338,111
50%	105,397	52,697	4,959,325	41,379	451,707	7,901	29,223	-	-	-	5,647,629	2,823,814
75%	-	-	-	-	-	4,950,715	-	-	-	-	4,950,715	3,713,036
100%	1,033,990	-	1,471,536	406,026	7,735,057	4,596,269	14,319	-	2,726,559	815,699	18,799,455	18,799,455
150%	172,907	-	43,024	-	147,907	45,132	-	627,060	-	-	1,036,030	1,554,045
Total Exposures	36,279,380	13,342,463	17,613,047	480,423	10,720,391	10,003,997	1,009,573	627,060	4,689,205	815,699	95,581,238	30,018,677

Basel II Pillar 3 Disclosures
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6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings

For sovereigns, corporate and banking institutions, external ratings from approved external credit assessment institutions (ECAIs) are used to calculate the risk-weighted assets and regulatory capital, where available.

The process used to map ECAIs issuer ratings or comparable ECAIs issue ratings, are in accordance to the standards prescribed by BNM. Approved ECAIs are as follows:

- Standard & Poor's (S&P);
- Moody's Investor Services (Moody's);
- Fitch Ratings (Fitch);
- Malaysian Rating Corporation Berhad (MARC);
- Rating Agency Malaysia (RAM); and
- Rating and Investment Information, Inc (R&I).

External ratings for the counterparties are determined as soon as the relationship is established and these ratings are tracked and kept updated. Only publicly available credit ratings are used for regulatory risk weighting purpose.

The following tables show the Group's credit exposures for 31 December 2022 compared with 31 December 2021, according to the ratings by ECAIs:

Table 11a: Rated Exposures According to Ratings by External Credit Assessment Institutions (ECAIs) as at 31 December 2022

RHB Bank Group

Ratings of Corporates by Approved ECAIs	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B1 to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Public Sector Entities		706,033	1,411,025	-	-	10,940,834
Insurance/Takaful Cos, Securities Firms & Fund Managers		32,490	36,049	-	-	544,076
Corporates		2,777,217	133,537	-	-	9,797,645

Ratings of Sovereigns and Central Banks by Approved ECAIs	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Sovereigns & Central Banks		5,323,436	35,177,964	971,630	838,891	180,721	103,980

Ratings of Banking Institutions by Approved ECAIs	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Banks, Development Financial Institutions & MDBs		8,330,467	6,403,714	2,093,997	896,663	-	2,715,410

6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings (continued)

Table 11b: Rated Exposures According to Ratings by External Credit Assessment Institutions (ECAIs) as at 31 December 2021

RHB Bank Group

Ratings of Corporates by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B1 to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Public Sector Entities		916,065	21,793	–	–	12,404,605
Insurance/Takaful Cos, Securities Firms & Fund Managers		33,018	41,380	–	–	406,025
Corporates		730,163	103,633	22,911	–	9,863,684

Ratings of Sovereigns and Central Banks by Approved ECAIs							
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Sovereigns & Central Banks		4,482,967	29,736,858	808,260	906,439	189,865	154,991

Ratings of Banking Institutions by Approved ECAIs							
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Banks, Development Financial Institutions & MDBs		7,018,772	3,944,997	1,474,393	1,003,679	–	4,171,206

Basel II Pillar 3 Disclosures
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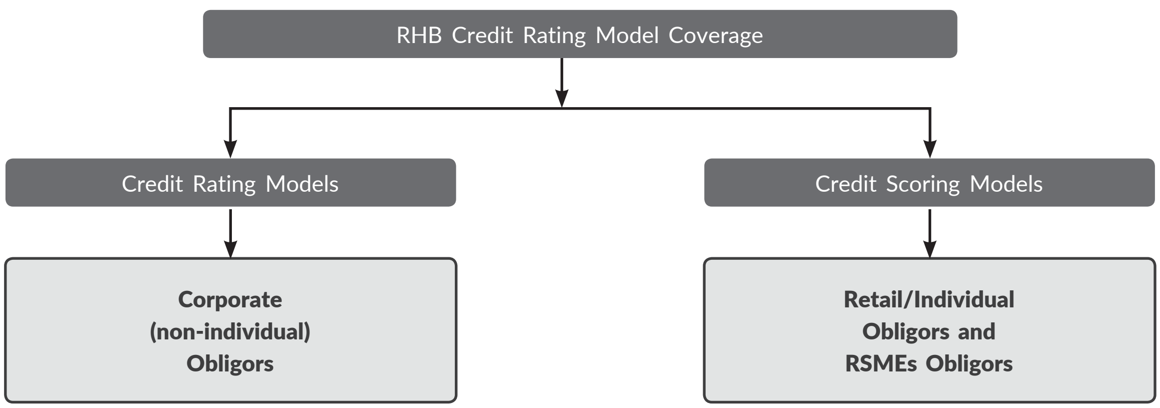
6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models

Internal credit rating models are an integral part of the Group's credit risk management, decision-making process, and regulatory capital calculations. These internal credit rating models are developed by Enterprise Risk Management with active participation by the relevant credit experts from the Group's functional units and/or business units. Group Risk Modelling also continuously explores other techniques or methodologies to enhance the model development process such as implementation of artificial intelligence or machine learning.

Internal rating model development, validation and implementation process have been established to govern the development and validation of rating models and the application of these models. Specifically, all newly developed models prior to implementation, material changes of the rating systems and validation results must be endorsed by GCRC and approved by BRC. All models are also subject to independent validation by Model Risk Management before implementation to ensure that all aspects of the model development process have been satisfied. In addition, the models are also subject to annual review and independent validation by Model Risk Management to ensure that all models are performing as expected.



The credit rating models for corporate (or non-individual) obligors are used to risk rate the creditworthiness of the corporate obligors/guarantors/debt issuers based on their financial standing (such as gearing, expenses and profit) and qualitative aspects (such as management effectiveness and industry environment). Different rating models will be applied subject to the obligor's asset and sales volume to create further risk differentiation.

The credit scoring models are for large volume of exposures that are managed on a portfolio basis, which includes program lending/financing for small and medium-sized enterprises (SMEs). These models are developed through statistical modelling and applied onto the portfolio accordingly. For portfolios where data are readily available or when more granular segmentation is required to support business strategy, more models will be developed and deployed.

The credit scoring models are for large volume of exposures that are managed on a portfolio basis, which includes program lending/financing for RSMEs. These models are developed through statistical modelling and applied onto the portfolio accordingly. For portfolios where data are readily available or when more granular segmentation is required to support business strategy, more models will be developed and deployed.

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Application of Internal Ratings

The three components of risk parameters, i.e. the PD, LGD and EAD are used in variety of applications that measure credit risk across the entire portfolio.

• Credit Approval	:	PD models are used in the credit approval process in both retail and non-retail portfolios. In high volume retail portfolios, application scorecard, behaviour scorecard and customer centric scorecard are used as one of the risk management tools.
• Policy	:	Policies are established to govern the use of ratings in credit decisions and monitoring.
• Reporting	:	Model performance monitoring report is submitted to senior management on periodic basis.
• Capital Management	:	The capital management and allocation plan takes into consideration the projected RWA computed based on internal rating.
• Risk Limits	:	The internal ratings are used in establishing the Group's various internal limits (such as industry risk limit).
• Risk Reward and Pricing	:	PD, EAD and LGD metrics are used to assess profitability of deals to allow for risk-informed pricing considerations and strategic decisions.

F-IRB for Non-Retail Portfolios

The major non-retail portfolios of the Group are on the Foundation Internal Ratings-Based (F-IRB) approach for regulatory capital requirements. Specialised lending/financing uses supervisory slotting criteria. Under this approach, internal rating models are used to estimate the PD for each obligor, while the LGD and EAD parameters are prescribed by BNM. The PD models are developed with a combination of quantitative and qualitative factors.

A-IRB for Retail Portfolios

For regulatory capital requirements, the Group has adopted the Advanced Internal Ratings-Based (A-IRB) approach for the retail portfolios, i.e. residential mortgages/home financing, credit cards, auto loans/financing, commercial property financing, personal financing, ASB financing and RSMEs. The Group is continuously working on migrating its relevant significant portfolio under the Standardised Approach towards IRB compliance. The risk estimates – PD, LGD and EAD; are calibrated for these retail portfolios/pools. In addition, application scorecard, behavioural scorecard and customer centic scorecard are developed and implemented for use in credit approval decision support such as limit setting, credit score cut-off and approval, monitoring and reporting.

The following tables set out:

- Exposures subject to the Supervisory Risk Weights;
- Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default (LGD) and Exposure Weighted Average Risk Weights;
- Exposures under the A-IRB Approach by EL Range and Exposure Weighted Average Risk Weights; and
- Exposures under IRB Approach by Actual Losses versus Expected Losses.

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6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 12a: Exposures Subject to the Supervisory Risk Weights under the IRB Approach as at 31 December 2022

RHB Bank Group	Exposure After Credit Risk Mitigation					
Supervisory Categories	Strong RM'000	Good RM'000	Satisfactory RM'000	Weak RM'000	Default RM'000	Total RM'000
Specialised Lending Exposures						
Project Finance	–	1,434,137	302,258	–	–	1,736,395
Income Producing Real Estate	2,268,612	6,775,820	611,710	17,551	256,816	9,930,509
Total Exposures After Credit Risk Mitigation	2,268,612	8,209,957	913,968	17,551	256,816	11,666,904
Total Risk-Weighted Assets	1,255,811	6,170,614	1,051,063	43,877	–	8,521,365

Table 12b: Exposures Subject to the Supervisory Risk Weights under the IRB Approach as at 31 December 2021

RHB Bank Group	Exposure After Credit Risk Mitigation					
Supervisory Categories	Strong RM'000	Good RM'000	Satisfactory RM'000	Weak RM'000	Default RM'000	Total RM'000
Specialised Lending Exposures						
Project Finance	–	1,554,483	184,834	–	495	1,739,812
Income Producing Real Estate	1,701,982	5,861,551	708,798	59,576	77,199	8,409,106
Total Exposures After Credit Risk Mitigation	1,701,982	7,416,034	893,632	59,576	77,694	10,148,918
Total Risk-Weighted Assets	983,462	5,574,243	1,027,676	148,940	–	7,734,321

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 13a: Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default (LGD) and Exposure Weighted Average Risk Weights as at 31 December 2022

RHB Bank Group Probability of Default (PD) Range (%)	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average LGD %	Exposure Weighted Average Risk Weights %	Undrawn Commitments RM'000
Non Retail Exposures				
Corporate Exposures (excluding exposures with firm size adjustments)				
0 to 1	33,583,526	42.02	52.19	6,659,836
>1 to 4	10,586,392	26.57	67.13	1,650,854
>4 to 12	7,977,970	6.66	24.44	2,605,470
>12 to <100	231,595	28.64	166.87	35,886
Default or 100	2,083,594	44.01	0.62	–
Total Corporate Exposures (excluding exposures with firm size adjustments)	54,463,077			10,952,046
Corporate Exposures (with firm size adjustments)				
0 to 1	17,154,151	35.61	41.67	6,117,665
>1 to 4	8,384,287	34.91	73.69	2,586,945
>4 to 12	4,428,399	24.19	71.42	905,718
>12 to <100	1,274,478	33.34	146.32	185,020
Default or 100	700,558	35.87	2.62	–
Total Corporate Exposures (with firm size adjustments)	31,941,873			9,795,348
Total Non Retail Exposures	86,404,950			20,747,394
Retail Exposures				
Residential Mortgages/Financing Exposures				
0 to 3	64,512,237	16.62	11.15	3,315,189
>3 to 10	2,222,837	16.57	48.59	155,341
>10 to 20	378,876	16.49	78.83	2,041
>20 to <100	1,360,084	16.53	85.65	3,647
Default or 100	1,063,764	16.66	81.83	10,744
Total Residential Mortgages/Financing Exposures	69,537,798			3,486,962

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6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 13a: Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default (LGD) and Exposure Weighted Average Risk Weights as at 31 December 2022 (continued)

RHB Bank Group Probability of Default (PD) Range (%)	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average LGD %	Exposure Weighted Average Risk Weights %	Undrawn Commitments RM'000
Retail Exposures (continued)				
Qualifying Revolving Retail Exposures				
0 to 3	2,132,961	59.17	23.36	3,806,366
>3 to 10	963,761	57.39	67.78	391,975
>10 to 20	222,321	54.14	112.75	51,860
>20 to <100	98,025	54.10	153.59	14,384
Default or 100	83,971	49.81	108.88	–
Total Qualifying Revolving Retail Exposures	3,501,039			4,264,585
Hire Purchase Exposures				
0 to 3	9,277,055	43.93	28.19	–
>3 to 10	196,280	45.84	72.73	–
>10 to 20	174,444	44.88	99.26	–
>20 to <100	41,419	45.20	105.65	–
Default or 100	55,068	45.45	57.95	–
Total Hire Purchase Exposures	9,744,266			–
Other Retail Exposures				
0 to 3	41,311,356	20.12	16.11	14,197,527
>3 to 10	7,720,996	22.27	32.97	297,646
>10 to 20	1,188,641	37.00	67.68	37,266
>20 to <100	1,223,548	27.31	65.04	38,622
Default or 100	1,553,072	33.62	54.50	21,110
Total Other Retail Exposures	52,997,613			14,592,171
Total Retail Exposures	135,780,716			22,343,718
Total Non Retail & Retail Exposures under IRB Approach	222,185,666			43,091,112

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 13b: Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default (LGD) and Exposure Weighted Average Risk Weights as at 31 December 2021

RHB Bank Group Probability of Default (PD) Range (%)	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average LGD %	Exposure Weighted Average Risk Weights %	Undrawn Commitments RM'000
Non Retail Exposures				
Corporate Exposures (excluding exposures with firm size adjustments)				
0 to 1	34,199,885	37.81	46.42	6,298,949
>1 to 4	13,208,860	26.56	67.10	2,869,044
>4 to 12	2,024,644	34.55	126.07	1,451,109
>12 to <100	2,407,812	2.76	14.57	100,561
Default or 100	2,089,003	44.31	2.40	–
Total Corporate Exposures (excluding exposures with firm size adjustments)	53,930,204			10,719,663
Corporate Exposures (with firm size adjustments)				
0 to 1	17,373,300	35.43	43.21	5,619,091
>1 to 4	8,209,773	34.83	74.57	2,251,528
>4 to 12	3,955,619	30.56	90.82	1,201,524
>12 to <100	2,513,442	12.15	51.24	518,774
Default or 100	596,412	38.77	0.69	–
Total Corporate Exposures (with firm size adjustments)	32,648,546			9,590,917
Total Non Retail Exposures	86,578,750			20,310,580
Retail Exposures				
Residential Mortgages/Financing Exposures				
0 to 3	53,155,219	16.63	11.59	2,701,142
>3 to 10	3,397,136	16.62	48.96	133,347
>10 to 20	770,239	16.45	78.91	2,265
>20 to <100	1,346,484	16.60	92.40	6,355
Default or 100	527,591	16.40	26.40	13,815
Total Residential Mortgages/Financing Exposures	59,196,669			2,856,924

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6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 13b: Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default (LGD) and Exposure Weighted Average Risk Weights as at 31 December 2021 (continued)

RHB Bank Group Probability of Default (PD) Range (%)	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average LGD %	Exposure Weighted Average Risk Weights %	Undrawn Commitments RM'000
Retail Exposures (continued)				
Qualifying Revolving Retail Exposures				
0 to 3	1,722,817	58.81	27.77	3,723,610
>3 to 10	866,922	57.39	73.68	393,473
>10 to 20	219,944	55.06	114.00	50,536
>20 to <100	87,486	53.55	148.80	13,318
Default or 100	75,697	51.45	63.88	–
Total Qualifying Revolving Retail Exposures	2,972,866			4,180,937
Hire Purchase Exposures				
0 to 3	8,676,618	43.98	29.40	–
>3 to 10	218,671	45.99	72.75	–
>10 to 20	233,844	44.98	98.94	–
>20 to <100	36,596	45.79	108.00	–
Default or 100	38,171	45.83	25.19	–
Total Hire Purchase Exposures	9,203,900			–
Other Retail Exposures				
0 to 3	38,719,267	20.98	16.54	12,356,398
>3 to 10	11,276,912	18.61	27.61	515,879
>10 to 20	1,418,369	40.00	73.87	30,056
>20 to <100	1,479,179	30.36	74.68	27,004
Default or 100	938,448	30.78	29.48	16,615
Total Other Retail Exposures	53,832,175			12,945,952
Total Retail Exposures	125,205,610			19,983,813
Total Non Retail & Retail Exposures under IRB Approach	211,784,360			40,294,393

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 14a: Exposures under the A-IRB Approach by EL Range and Exposure Weighted Average Risk Weights as at 31 December 2022

RHB Bank Group Expected Losses (EL) Range (%)	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average Risk Weights %	Undrawn Commitments RM'000
Retail Exposures			
Residential Mortgages/Financing Exposures			
0 to 1	66,705,372	12.43	3,473,960
>1 to 10	2,012,718	106.47	11,383
>10 to <100	746,696	22.89	429
100	73,012	0.00	1,190
Total Residential Mortgages/Financing Exposures	69,537,798		3,486,962
Qualifying Revolving Retail Exposures			
0 to 1	1,900,262	21.75	3,568,214
>1 to 10	1,414,719	69.49	679,515
>10 to <100	186,058	133.08	16,856
100	–	0.00	–
Total Qualifying Revolving Retail Exposures	3,501,039		4,264,585
Hire Purchase Exposures			
0 to 1	9,061,573	27.37	–
>1 to 10	586,208	76.85	–
>10 to <100	85,126	88.88	–
100	11,359	0.00	–
Total Hire Purchase Exposures	9,744,266		–
Other Retail Exposures			
0 to 1	46,583,478	15.31	14,427,212
>1 to 10	4,490,477	73.71	135,138
>10 to <100	1,604,126	75.20	28,603
100	319,532	0.00	1,218
Total Other Retail Exposures	52,997,613		14,592,171
Total Retail Exposures	135,780,716		22,343,718

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6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 14b: Exposures under the A-IRB Approach by EL Range and Exposure Weighted Average Risk Weights as at 31 December 2021

RHB Bank Group Expected Losses (EL) Range (%)	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average Risk Weights %	Undrawn Commitments RM'000
Retail Exposures			
Residential Mortgages/Financing Exposures			
0 to 1	56,401,549	13.71	2,840,398
>1 to 10	2,318,006	87.90	14,205
>10 to <100	402,445	10.78	1,080
100	74,669	0.00	1,241
Total Residential Mortgages/Financing Exposures	59,196,669		2,856,924
Qualifying Revolving Retail Exposures			
0 to 1	1,387,219	24.08	3,261,507
>1 to 10	1,412,670	72.30	906,112
>10 to <100	172,976	110.44	13,318
100	1	0.00	–
Total Qualifying Revolving Retail Exposures	2,972,866		4,180,937
Hire Purchase Exposures			
0 to 1	8,430,794	28.43	–
>1 to 10	698,339	77.98	–
>10 to <100	58,859	83.49	–
100	15,908	0.00	–
Total Hire Purchase Exposures	9,203,900		–
Other Retail Exposures			
0 to 1	46,959,813	15.12	12,795,565
>1 to 10	5,337,239	70.19	130,383
>10 to <100	1,269,708	86.66	19,178
100	265,415	0.00	826
Total Other Retail Exposures	53,832,175		12,945,952
Total Retail Exposures	125,205,610		19,983,813

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 15: Exposures under IRB Approach by Actual Losses versus Expected Losses

RHB Bank Group Exposure Class	Actual Losses as at 31 December 2022 RM'000	Expected Losses as at 31 December 2021 RM'000	Actual Losses as at 31 December 2021 RM'000	Expected Losses as at 31 December 2020 RM'000
Corporates, of which				
Corporate Exposures (excluding exposures with firm size adjustments)	**977**	**178,658**	54,349	241,377
Corporate Exposures (with firm size adjustments)	**80,493**	**241,831**	12,298	253,159
Specialised Lending Exposures (Slotting Approach)				
Project Finance	**–**	**12,233**	8,142	15,487
Income Producing Real Estate	**28,156**	**57,529**	10,613	39,417
Retail, of which				
Residential Mortgages/Financing Exposures	**85,497**	**150,247**	43,990	195,565
Qualifying Revolving Retail Exposures	**40,333**	**72,335**	73,956	88,699
Hire Purchase Exposures	**25,340**	**58,562**	18,544	50,365
Other Retail Exposures	**314,451**	**395,216**	236,738	408,958
Total	**575,247**	**1,166,611**	458,630	1,293,027

Actual losses are derived from impairment allowances and write-offs during the year, while expected losses (EL) measures the loss expected from the Group's credit exposures as at 31 December of the preceding year.

A comparison of actual losses and EL provides some insight of the predictive power of the IRB approach models used by the Group; however the two metrics are not directly comparable due to the differences in methodology. In particular, the EL used in this comparison is the forecast credit loss from the counterparty defaults of the Group's exposures over a one-year period and is computed as the product of PD, LGD and EAD for the Group's exposures as at 31 December of the preceding year.

6.7 Credit Risk Monitoring and Control

Credit Risk Mitigation

The Group generally does not grant credit facilities solely on the basis of collateral provided. All credit facilities are granted based on the credit standing of the borrower/customer, source of repayment and debt/financing servicing ability.

Collateral is taken whenever possible to mitigate the credit risk assumed, subject to the Group's policies that govern the eligibility of collateral used for credit risk mitigation. Reliance on collateral when taken is carefully assessed in the light of issues such as legal certainty and enforceability, market valuation and counterparty risk of the guarantor. Recognised collaterals where relevant, include both financial and physical assets. Financial collaterals include cash deposits, shares and unit trusts, while physical collaterals includes land and buildings, and vessels. Apart from financial collateral and physical collateral, the Group has defined standards on the acceptance of guarantors as credit risk mitigants.

Collateral is valued in accordance with the Group's policy on collateral valuation, which prescribes the frequency of valuation for different collateral/securities types, based on liquidity and volatility of the collateral value and the underlying product or risk exposure. The value of collaterals/securities pledged is monitored periodically, analysed and updated concurrently with the annual/periodic renewal of facilities, as well as updated into the Group's collateral system.

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6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (continued)

Credit Risk Mitigation (continued)

The Group also accepts non-tangible securities as credit support, such as guarantees from individuals, corporates and institutions, debenture, assignment of contract proceeds, negative pledge, charge over lease and letter of awareness/comfort/support which are subject to internal guidelines on eligibility. Currently, the Group does not employ the use of derivative credit instruments and On-Balance sheet netting to mitigate its financing exposures. Where possible, the Group enters into International Swaps and Derivatives Association (ISDA) Master Agreement with its derivative and swap counterparties as the master agreement provides the legal certainty that the credit exposures between counterparties will be netted.

Equity securities or collaterals acquired arising from debt conversions are accounted for as disposal of the loan/financing and acquisition of equity securities or investment properties. Any further impairment of the assets or business acquired is treated as impairment of the relevant asset or business rather than as impairment of the original instrument.

The Group has established mechanism to monitor credit and market concentration within its credit mitigation.

The following tables show the credit risk mitigation of portfolios under the Standardised Approach and IRB Approach respectively as at 31 December 2022 compared with 31 December 2021:

Table 16a: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2022

RHB Bank Group Exposure Class	Gross Exposures Before Credit Risk Mitigation RM'000	Gross Exposures Covered by Guarantees/ Credit Derivatives RM'000	Gross Exposures Covered by Eligible Financial Collateral RM'000
On-Balance Sheet Exposures			
Sovereigns & Central Banks	38,123,599	–	–
Public Sector Entities	12,133,337	10,715,429	172,858
Banks, Development Financial Institutions & MDBs	17,836,309	237,747	–
Insurance/Takaful Cos, Securities Firms & Fund Managers	564,070	–	–
Corporates	12,671,165	428,987	1,831,678
Regulatory Retail	10,809,819	352,934	839,122
Residential Mortgages/Financing	1,043,232	–	8,323
Higher Risk Assets	689,881	–	–
Other Assets	4,504,817	–	–
Equity Exposures	813,587	–	–
Defaulted Exposures	412,217	6,070	555
Total On-Balance Sheet Exposures	99,602,033	11,741,167	2,852,536
Off-Balance Sheet Exposures			
OTC Derivatives	2,471,503	–	498,538
Off-balance sheet exposures other than OTC derivatives or credit derivatives	11,894,736	969,057	3,736,164
Defaulted Exposures	15,752	15,392	108
Total Off-Balance Sheet Exposures	14,381,991	984,449	4,234,810
Total On and Off-Balance Sheet Exposures	113,984,024	12,725,616	7,087,346

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (continued)

Table 16b: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2021

RHB Bank Group Exposure Class	Gross Exposures Before Credit Risk Mitigation RM'000	Gross Exposures Covered by Guarantees/ Credit Derivatives RM'000	Gross Exposures Covered by Eligible Financial Collateral RM'000
<u>On-Balance Sheet Exposures</u>			
Sovereigns & Central Banks	35,033,964	–	–
Public Sector Entities	11,683,719	10,507,489	71,600
Banks, Development Financial Institutions & MDBs	15,649,525	305,493	–
Insurance/Takaful Cos, Securities Firms & Fund Managers	444,735	–	–
Corporates	9,515,896	991,492	1,547,557
Regulatory Retail	10,346,590	360,244	902,253
Residential Mortgages/Financing	980,341	–	6,668
Higher Risk Assets	627,060	–	–
Other Assets	4,689,205	–	–
Equity Exposures	815,699	–	–
Defaulted Exposures	357,543	3,691	1,531
Total On-Balance Sheet Exposures	90,144,277	12,168,409	2,529,609
<u>Off-Balance Sheet Exposures</u>			
OTC Derivatives	1,325,057	–	200,932
Off-balance sheet exposures other than OTC derivatives or credit derivatives	9,344,730	2,545,420	2,517,580
Defaulted Exposures	15,409	15,294	114
Total Off-Balance Sheet Exposures	10,685,196	2,560,714	2,718,626
Total On and Off-Balance Sheet Exposures	100,829,473	14,729,123	5,248,235

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6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (continued)

Table 17a: Credit Risk Mitigation of Portfolios under the IRB Approach as at 31 December 2022

RHB Bank Group

Exposure Class	Gross Exposures Before Credit Risk Mitigation RM'000	Gross Exposures Covered by Guarantees/ Credit Derivatives RM'000	Gross Exposures Covered by Eligible Financial Collateral RM'000	Gross Exposures Covered by Other Eligible Collateral RM'000
On-Balance Sheet Exposures				
Corporates, of which	85,960,642	23,448,304	3,062,440	17,133,523
Corporate Exposures (excluding exposures with firm size adjustments)	45,924,370	16,566,743	742,925	4,947,159
Corporate Exposures (with firm size adjustments)	27,623,781	4,897,102	2,319,515	12,186,364
Specialised Lending Exposures (Slotting Approach)				
Project Finance	1,891,516	356,147	–	–
Income Producing Real Estate	10,520,975	1,628,312	–	–
Retail, of which	114,945,790	146,580	7,680,608	79,141,818
Residential Mortgages/Financing Exposures	64,997,816	–	–	64,809,094
Qualifying Revolving Retail Exposures	1,937,597	–	–	–
Hire Purchase Exposures	9,689,197	–	–	–
Other Retail Exposures	38,321,180	146,580	7,680,608	14,332,724
Defaulted Exposures	5,746,880	64,871	32,056	1,839,521
Total On-Balance Sheet Exposures	206,653,312	23,659,755	10,775,104	98,114,862
Off-Balance Sheet Exposures				
OTC Derivatives	440,586	–	2,056	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	26,708,709	1,424,785	886,031	15,067,776
Defaulted Exposures	49,963	–	249	30,340
Total Off-Balance Sheet Exposures	27,199,258	1,424,785	888,336	15,098,116
Total On and Off-Balance Sheet Exposures	233,852,570	25,084,540	11,663,440	113,212,978

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (continued)

Table 17b: Credit Risk Mitigation of Portfolios under the IRB Approach as at 31 December 2021

RHB Bank Group

Exposure Class	Gross Exposures Before Credit Risk Mitigation RM'000	Gross Exposures Covered by Guarantees/ Credit Derivatives RM'000	Gross Exposures Covered by Eligible Financial Collateral RM'000	Gross Exposures Covered by Other Eligible Collateral RM'000
On-Balance Sheet Exposures				
Corporates, of which	85,030,639	24,019,912	3,024,339	17,511,416
Corporate Exposures (excluding exposures with firm size adjustments)	45,691,339	17,237,094	768,095	4,473,035
Corporate Exposures (with firm size adjustments)	28,389,583	5,181,511	2,256,244	13,038,381
Specialised Lending Exposures (Slotting Approach)				
Project Finance	1,638,344	66,685	–	–
Income Producing Real Estate	9,311,373	1,534,622	–	–
Retail, of which	108,209,719	88,759	7,935,963	73,355,404
Residential Mortgages/Financing Exposures	55,825,969	–	–	55,642,836
Qualifying Revolving Retail Exposures	1,816,933	–	–	–
Hire Purchase Exposures	9,165,730	–	–	–
Other Retail Exposures	41,401,087	88,759	7,935,963	17,712,568
Defaulted Exposures	4,284,001	63,564	24,712	1,021,324
Total On-Balance Sheet Exposures	197,524,359	24,172,235	10,985,014	91,888,144
Off-Balance Sheet Exposures				
OTC Derivatives	186,692	–	1,283	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	24,163,211	2,402,627	849,929	12,493,694
Defaulted Exposures	59,016	–	20	27,977
Total Off-Balance Sheet Exposures	24,408,919	2,402,627	851,232	12,521,671
Total On and Off-Balance Sheet Exposures	221,933,278	26,574,862	11,836,246	104,409,815

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6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (continued)

Credit Concentration Risk

Risk concentration refers to an exposure with the potential to produce losses that are substantial enough to threaten the financial condition of a banking institution. Risk concentrations can materialise from excessive exposures to a single counterparty or group of connected counterparties, a particular instrument or a particular market segment.

The Group manages the diversification of its portfolio to avoid undue credit concentration risk. Credit concentration risk exists in lending/financing to single customer groups, borrowers/customers engaged in similar activities, or diverse groups of borrowers/customers that could be affected by similar economic or underlying shares/counters pledged or other factors. To manage this concentration risk, appropriate exposure thresholds/limits are established accordingly.

Analysis of any single large exposure and group of exposures is regularly conducted and the lending/financing units undertake regular account updates, monitoring and management of these exposures. In addition, the Group also continuously updates lending or financing guidelines based on periodic reviews of sector risk factors and economic outlook.

Credit Monitoring and Annual Reviews

The Group regularly monitors credit exposures, portfolio performance, and external trends which may impact risk management outcomes. Internal risk management reports generated for senior management, respective risk committees and Board, and include information on portfolio quality, credit rating migration and concentration risk exposures.

In addition to the on-going qualitative assessment by the account relationship managers, reviews are conducted at least once a year with updated information on the customer's financial position, market position, industry and economic condition and account conduct. Specific loans/financings may be reviewed more frequently under appropriate circumstances. Such circumstances may arise if, for instance, the Group believes that heightened risk exists in a particular industry, or the borrower/customer exhibits early warning signals such as defaulted on obligations to suppliers or other financial institutions or is facing cash flow or other difficulties.

Within Group Risk and Credit Management, there is a mechanism in place for credit monitoring to flag-out problematic loans/financing (watch list accounts) for intensive monitoring under Watchlist Credit Management. These are accounts which may be exhibiting early distress patterns or in the early stages of delinquency but not yet in default. For these cases, Watchlist Credit Management department will conduct independent assessment and work closely with the business units to implement strategies to address lending/business relationships under Watchlist Credit Management to rehabilitate the accounts after discussion with the borrower/customer to determine the root cause of the problem which may result in rescheduling, restructuring or "exit" strategies to be applied. For the larger or selected accounts, regular position update meetings are held with business units to review or revise these strategies. The relevant guidelines are refined from time to time, to better identify, monitor and resolve such accounts.

Group Internal Audit conducts independent post-approval reviews on a sampling basis to ensure that the quality of credit appraisals and approval standards is in accordance with the credit underwriting standards and financing policies established by the Group's management, and relevant laws and regulations.

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing

The Group adopts BNM's guidelines on Financial Reporting. The principles in these guidelines are in line with the Malaysian Financial Reporting Standards 9 (MFRS 9), which is in compliance with the International Financial Reporting Standards framework.

MFRS 9 impairment model requires the recognition of expected credit loss (ECL) for all financial assets, except for financial assets classified or designated as Fair Value Through Profit & Loss or FVTPL and equity securities classified under Fair Value through Other Comprehensive Income or FVOCI, which are not subject to impairment assessment. Off-balance sheet items that are subject to ECL include financial guarantees and undrawn loan commitments.

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

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:

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 not been a significant increase in credit risk since initial recognition and that are not credit impaired, the ECL associated with the probability of default events occurring within the timeline 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 cashflows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL will be recognised.

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

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

The assessment of significant deterioration in credit risk since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition. The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The measurement of ECL is based on the discounted products of the PD, LGD and EAD models. Certain ECL models are leveraging on the existing Group's Basel II Internal Ratings-Based model, where feasible or available, with necessary adjustment to meet MFRS9 requirements.

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6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

Individual Assessment - Impairment Triggers

The borrower/customer assessed under Impairment Allowances (IA) shall be classified as impaired under any one of the following situations:

1. When the principal or interest/profit or both, of any facility(s) of the borrower/customer is past due for 90 days or 3 months and above.
2. In the case of revolving facilities (e.g. overdraft facilities), the borrower/customer of the facility shall be classified as impaired where the outstanding amount has remained in excess of the approved limit for 90 days or 3 months and above.
3. Where the amount is past due or the outstanding amount has been in excess of the approved limit for less than 90 days or 3 months, the loan/financing exhibits weaknesses (refer to impairment trigger) that would render it to be classified as impaired.
4. Where repayments of the loans/financing are scheduled on intervals of 3 months or longer, the borrower/customer is classified as impaired as soon as a default occurs.
5. Upon occurrence of any one Mandatory Status Triggers (MSTs), both Ancillary Status Trigger (AST) 1 and AST 4 or any three ASTs and above. These MSTs and ASTs are pre-defined trigger events approved by the Group to facilitate impairment classification.
6. In the case of share margin facilities, the borrower/customer 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.

Note:
For R&R facilities, the customer shall be classified as impaired in accordance with paras 1 to 4 above based on the revised or restructured terms.

Individual Impairment Allowances

Borrowers/customers under individual assessment and triggered either by any one MSTs, both AST 1 and AST 4, or any 3 ASTs and above will be classified as impaired. Consequently, impairment assessment is to be carried out on these impaired borrowers/customers, based on reasonable and well documented estimates of the future cashflows/realisations of collateral that is expected to recover from the impaired borrowers/customers i.e. net present value of future cashflows are discounted based on original effective interest/profit rates and compared against carrying amount. Any impairment on the shortfalls will be provided in full immediately.

Re-classification and Recovery of Impaired Borrowers/Customers

An impaired borrower/customer may be re-classified as a non-impaired status under the following situations:

1. When the loan/financing repayment of the impaired borrower/customer has improved with the principal or interest/profit or both, of its facilities with the Group being past due less than 90 days or 3 months.
2. Where the borrower/customer exhibits weakness(es) that render it to be classified as impaired, even though the loan/financing is past-due less than 90 days or 3 months, such borrowers may be reclassified as non-impaired status when these weaknesses have been subsequently addressed or resolved.
3. Where the borrower/customer has been individually assessed as impaired due to either any one MSTs, both AST 1 and AST 4, or any three and above, the borrower/customer may be reclassified as non-impaired status when these triggers have since been addressed and resolved.
4. When the borrower's/customer's share margin account no longer meet the impairment criteria above.

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

Write-Off of Impaired Loans/Financing

All loans/financing that satisfy any one of the following criteria, may be recommended for write-off:

1. Deemed irrecoverable, worthless and with slim prospect of recovery.
2. Waiver under approved composite settlement schemes.
3. Abandoned project with no sign of revival. The definition of abandoned project must be in compliance with the definition stated under valuation for abandoned projects.
4. Completed projects but is left abandoned or no occupancy for 12 months with 2 rounds of abortive auctions. This includes units/lots in the same complex/project but have not put up for auction due to cost savings reason.
5. Loans/financing secured with properties which have undergone at least 5 rounds of abortive auctions.
6. Loans/financing secured with property with balance outstanding below RM5,000 subject to judgment obtained against all and borrower(s)/customer(s) uncontactable.
7. For retail and programmed lending/financing impaired loans/financing, the write-off may be expedited for those with ageing of 12 months and above, provided legal action has reached at least writ of summon filed.
8. In the case of credit card and personal financing, aging is at least 6 months and above.

Partial write-offs of impaired loans/financing is permitted under the following circumstances:

1. The value of security (net recoverable amount in the case of IA) is less than the balance outstanding (including principal, accrued interest and other charges) and topping up of the security deficiency is not forthcoming.
2. The shortfall in security value over the outstanding balance (including principal, accrued interest, and any other charges) is uncollectible and worthless; or
3. Loans/financings secured with properties classified as impaired > 3 years with 3 rounds of abortive auctions. The balance outstanding is written down to 50% of the value of security, with the shortfall to be written off.
4. The Group is in the final stage of realising the security/collateral; or
5. The balance outstanding is written down to the value of security i.e. shortfall in security value over the outstanding balances is written-off.
6. Upon disposal of the security, shortfall arising from the set off of auction proceeds against written down balance outstanding, if any, will be written off immediately.
7. In the case of approved settlement arrangement, the Group shall write down the outstanding balance to approved settlement sum at the point of approval of the settlement agreement.

This policy of impairment loans/financing write-off is intended to provide a timely and consistent methodology for loans/financing to be written-off and to reflect the true value of assets in the Group's books.

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6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

The following tables show RHB Bank Group's impaired and past due loans/financing and allowance for credit losses by industry sector as at 31 December 2022 compared with 31 December 2021:

Table 18a: Impaired and Past Due Loans/Financing and Allowance for Credit Losses by Industry Sector as at 31 December 2022

RHB Bank Group Industry Sector	Impaired Loans and Advances/ Financing RM'000	Past Due Loans/ Financing RM'000	Allowance for Credit Losses RM'000
Agriculture	12,112	21,630	58,610
Mining & Quarrying	20,471	928	14,027
Manufacturing	215,294	99,455	189,901
Electricity, Gas & Water Supply	9,965	5	11,401
Construction	421,948	169,288	284,253
Wholesale, Retail Trade, Restaurants & Hotels	355,838	356,589	690,227
Transport, Storage & Communication	37,677	20,747	163,159
Finance, Insurance/Takaful, Real Estate & Business	334,117	224,594	355,870
Education, Health & Others	892,141	116,029	745,948
Household	937,738	4,588,089	1,020,031
Others	51,430	106,845	176,575
Total	**3,288,731**	**5,704,199**	**3,710,002**

Table 18b: Impaired and Past Due Loans/Financing and Allowance for Credit Losses by Industry Sector as at 31 December 2021

RHB Bank Group Industry Sector	Impaired Loans and Advances/ Financing RM'000	Past Due Loans/ Financing RM'000	Allowance for Credit Losses RM'000
Agriculture	11,396	3,973	49,039
Mining & Quarrying	2,876	11,583	39,766
Manufacturing	228,378	20,621	192,643
Electricity, Gas & Water Supply	12,606	2,257	50,422
Construction	343,966	40,773	251,313
Wholesale, Retail Trade, Restaurants & Hotels	287,307	121,038	926,837
Transport, Storage & Communication	275,606	13,946	343,307
Finance, Insurance/Takaful, Real Estate & Business	276,180	53,514	297,438
Education, Health & Others	684,197	63,633	423,363
Household	794,530	1,782,114	915,644
Others	33,465	53,800	120,345
Total	2,950,507	2,167,252	3,610,117

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

The following table shows the net charges/(write back) and write-offs for loans/financing impairment by industry sector as at 31 December 2022 compared with 31 December 2021:

Table 19: Net Charges/(Write back) and Write-Offs for Loans/Financing Impairment by Industry Sector

RHB Bank Group	Twelve Months Period Ended 2022		Twelve Months Period Ended 2021	
Industry Sector	Net Charges/ (Write back) for Lifetime ECL Credit Impaired (Stage 3) RM'000	Write–Offs for Lifetime ECL Credit Impaired (Stage 3) RM'000	Net Charges/ (Write back) for Lifetime ECL Credit Impaired (Stage 3) RM'000	Write-Offs for Lifetime ECL Credit Impaired (Stage 3) RM'000
Agriculture	(36,359)	–	(266)	(7)
Mining & Quarrying	(1,057)	–	(524)	(177,366)
Manufacturing	17,824	(16,866)	9,395	(194,901)
Electricity, Gas & Water Supply	(932)	–	(50,917)	(70)
Construction	30,968	(21,223)	32,554	(32,408)
Wholesale, Retail Trade, Restaurants & Hotels	95,114	(29,845)	14,986	(76,117)
Transport, Storage & Communication	(21,325)	(93,581)	6,200	(138,446)
Finance, Insurance/Takaful, Real Estate & Business	27,537	(21,330)	20,625	(7,051)
Education, Health & Others	264,638	(307)	416,979	(5,858)
Household	312,684	(212,531)	253,140	(336,110)
Others	125,821	(98,897)	6,912	(4,674)
Total	814,913	(494,580)	709,084	(973,008)

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6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

The following tables show RHB Bank Group's Impaired and Past Due Loans/Financing and Allowance for Credit Losses by Geographical Distribution as at 31 December 2022 compared with 31 December 2021:

Table 20a: Impaired and Past Due Loans/Financing and Allowance for Credit Losses by Geographical Distribution as at 31 December 2022

RHB Bank Group Geographical Distribution	Impaired Loans and Advances/ Financing RM'000	Past Due Loans/ Financing RM'000	Allowance for Credit Losses RM'000
Malaysia	2,007,232	4,762,066	2,644,895
Labuan Offshore	756,636	–	745,329
Singapore	198,679	460,927	147,976
Thailand	82,032	94,492	81,497
Brunei	5,973	30,953	2,073
Cambodia	234,447	282,176	65,432
Lao	3,732	73,585	22,800
Total	3,288,731	5,704,199	3,710,002

Table 20b: Impaired and Past Due Loans/Financing and Allowance for Credit Losses by Geographical Distribution as at 31 December 2021

RHB Bank Group Geographical Distribution	Impaired Loans and Advances/ Financing RM'000	Past Due Loans/ Financing RM'000	Allowance for Credit Losses RM'000
Malaysia	1,669,228	1,749,920	2,530,342
Labuan Offshore	678,850	–	419,582
Singapore	372,719	263,332	457,245
Thailand	94,355	700	80,249
Brunei	4,806	12,432	957
Cambodia	127,567	21,699	69,806
Lao	2,982	119,169	51,936
Total	2,950,507	2,167,252	3,610,117

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

The following tables show RHB Bank Group's Movement in Loans/Financing Allowance for Credit Losses as at 31 December 2022 compared with 31 December 2021:

Table 21a: Movement in Loans/Financing Allowance for Credit Losses as at 31 December 2022

RHB Bank Group	12-month ECL (Stage 1) RM'000	Lifetime ECL Not Credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
Balance as at the beginning of the financial year	1,015,663	1,186,991	1,407,463	3,610,117
Changes due to financial assets recognised in the opening balance that have been:				
– Transferred to 12–month ECL (Stage 1)	196,146	(179,726)	(16,420)	–
– Transferred to Lifetime ECL not credit impaired (Stage 2)	(31,853)	65,382	(33,529)	–
– Transferred to Lifetime ECL credit impaired (Stage 3)	(15,483)	(51,693)	67,176	–
	148,810	(166,037)	17,227	–
Changes in credit risk	(352,433)	9,865	1,191,823	849,255
Purchases and origination	113,114	118,999	27,149	259,262
Bad debts written off	–	–	(494,580)	(494,580)
Changes to model methodologies	(11,434)	(40,369)	(1,303)	(53,106)
Derecognition	(70,097)	(54,600)	(419,983)	(544,680)
Exchange differences	2,478	678	37,384	40,540
Other movements	–	–	43,194	43,194
Balance as at the end of the financial year	846,101	1,055,527	1,808,374	3,710,002

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6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

The following tables show RHB Bank Group's Movement in Loans/Financing Allowance for Credit Losses as at 31 December 2022 compared with 31 December 2021 (continued):

Table 21b: Movement in Loans/Financing Allowance for Credit Losses as at 31 December 2021

RHB Bank Group	12-month ECL (Stage 1) RM'000	Lifetime ECL Not Credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
Balance as at the beginning of the financial year	812,037	1,385,283	1,609,038	3,806,358
Changes due to financial assets recognised in the opening balance that have been:				
– Transferred to 12–month ECL (Stage 1)	259,949	(236,692)	(23,257)	–
– Transferred to Lifetime ECL not credit impaired (Stage 2)	(51,684)	157,604	(105,920)	–
– Transferred to Lifetime ECL credit impaired (Stage 3)	(9,678)	(86,802)	96,480	–
	198,587	(165,890)	(32,697)	–
Changes in credit risk	(37,862)	164,989	953,753	1,080,880
Purchases and origination	115,170	72,551	24,452	212,173
Bad debts written off	–	–	(973,008)	(973,008)
Changes to model methodologies	7,191	(79,599)	3,426	(68,982)
Derecognition	(78,646)	(145,393)	(239,850)	(463,889)
Transfer to financial investments at amortised cost	–	(50,496)	–	(50,496)
Exchange differences	(814)	5,546	5,916	10,648
Other movements	–	–	56,433	56,433
Balance as at the end of the financial year	1,015,663	1,186,991	1,407,463	3,610,117

7.0 MARKET RISK

Market risk is the risk of losses arising from adverse movements in market indicators, 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.

The Group transacts in financial instruments such as debt papers and derivative instruments such as futures, forwards, swaps, and options. Derivative instruments are contracts whose characteristics and value are derived from the underlying instruments that can be a reference to an underlying that may constitute of interest/profit rates, exchange rates, debt paper, equity, indices and commodities.

The Group Market Risk Management within Group Risk Management is the working level that forms a centralised function to support senior management in the development of market risk framework, risk limits, operationalise the processes and implement measurement methodologies to ensure adequate risk control and oversight are in place. The main responsibility of managing market risk as the first line of defence remains at the respective business units.

The Group Asset and Liability Committee (Group ALCO), GCRC and IBRMC perform a critical role in the management of market risk and support the board committees in the overall market risk management. The management committees meet regularly and is the forum where strategic and tactical decisions are made for the management of market risk; this includes the development of the Group's market risk strategy, market risk management structure and the policies as well as measurement techniques to be put in place.

The Group has established Group Trading Book Policy Statement, frameworks and risk limits as guidance for market risk management. These documents are reviewed regularly and/or upon change in significant event that has a material impact on policy compliance or regulatory changes.

Market Risk Measurement and Control

The Group 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.

The Group adopts a systematic approach in managing these risks by types of instruments and nature of exposure. 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. In addition, the Group conducts periodic stress testing of its respective portfolios to ascertain market risk under abnormal market conditions.

Market Risk Monitoring and Reporting

For effective control of market risk, defined management action triggers and risk limits are established and actively monitored. Only authorised trading activities may be undertaken by the specific business units within the allocated limits. All trading positions are monitored independently on a daily basis and in accordance to the established escalation procedures and the key actions to be undertaken. Market risk exposure reports are presented to the senior management, relevant committees and the Board.

Hedging Activities

Hedging activities designated for hedge accounting are governed by the Group's Hedging Policy that prescribes the overall hedge activities that can be executed by the Group and the subsequent control procedures such as effectiveness measurement and reporting to Group ALCO. Hedging instruments used to mitigate these risks include options, futures, forwards and swaps that are approved by the Board. Execution of the hedging is carried out by the relevant division through the Group's treasury functions with the approval of Group ALCO.

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7.0 MARKET RISK (CONTINUED)

Capital Treatment for Market Risk

The Group applies the Standardised Approach to calculate market risk capital requirements in accordance with BNM's Guideline. The market risk-weighted assets and the corresponding capital requirements for RHB Bank Group, RHB Bank, RHB Islamic Bank and RHB Investment Bank as at 31 December 2022 and 31 December 2021 are shown in the tables below:

Table 22a: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2022

RHB Bank Group Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk/Profit Rate Risk	117,635,599	116,989,465	2,785,745	222,860
Equity Position Risk	71,918	46,157	106,072	8,486
Foreign Currency Risk	414,814	272,076	387,929	31,034
Options Risk	32,149	61,629	78,481	6,278
Total			3,358,227	268,658

RHB Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk/Profit Rate Risk	118,198,456	117,392,948	2,735,751	218,860
Equity Position Risk	258	–	710	57
Foreign Currency Risk	131,463	362,984	337,207	26,977
Options Risk	2,612	15,473	1,427	114
Total			3,075,095	246,008

RHB Islamic Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Profit Rate Risk	13,712,284	13,659,288	109,266	8,741
Equity Position Risk	–	–	–	–
Foreign Currency Risk	6,956	61,224	61,224	4,898
Options Risk	–	–	–	–
Total			170,490	13,639

RHB Investment Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk/Profit Rate Risk	8,670	8,622	–	–
Equity Position Risk	38,413	27,636	33,187	2,655
Foreign Currency Risk	113,465	698	113,465	9,077
Options Risk	12,640	27,636	41,552	3,324
Total			188,204	15,056

Note:
As at 31 December 2022,
1. *RHB Bank Group did not have any exposure under commodity risk, inventory risk, and market risk exposure absorbed by PSIA.*
2. *RHB Bank did not have any exposure under equity position risk, commodity risk, inventory risk, and market risk exposure absorbed by PSIA.*
3. *RHB Islamic Bank did not have any exposure under equity position risk, commodity risk, inventory risk, options risk, and market risk exposure absorbed by PSIA.*
4. *RHB Investment Bank did not have any exposure under commodity risk and inventory risk. The equity position risk is computed based on net long and net short position.*

7.0 MARKET RISK (CONTINUED)

Capital Treatment for Market Risk (continued)

The Group applies the Standardised Approach to calculate market risk capital requirements in accordance with BNM's Guideline. The market risk-weighted assets and the corresponding capital requirements for RHB Bank Group, RHB Bank, RHB Islamic Bank and RHB Investment Bank as at 31 December 2022 and 31 December 2021 are shown in the tables below (continued):

Table 22b: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2021

RHB Bank Group Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk/Profit Rate Risk	78,808,602	78,158,365	1,950,110	156,009
Equity Position Risk	86,932	68,750	99,883	7,990
Foreign Currency Risk	1,137,784	124,696	1,113,097	89,048
Options Risk	75,691	150,728	38,025	3,042
Total			3,201,115	256,089

RHB Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk/Profit Rate Risk	82,721,361	82,113,579	1,852,821	148,226
Equity Position Risk	–	–	–	–
Foreign Currency Risk	787,136	143,531	762,449	60,996
Options Risk	75,691	81,978	2,419	193
Total			2,617,689	209,415

RHB Islamic Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Profit Rate Risk	13,736,843	13,697,737	176,507	14,120
Equity Position Risk	–	–	–	–
Foreign Currency Risk	4,828	25,008	25,008	2,001
Options Risk	–	–	–	–
Total			201,515	16,121

RHB Investment Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk/Profit Rate Risk	6,741	3,392	3,291	263
Equity Position Risk	80,624	68,750	40,672	3,254
Foreign Currency Risk	82,471	730	82,471	6,598
Options Risk	–	68,750	35,606	2,848
Total			162,040	12,963

Note:
As at 31 December 2021,
1. *RHB Bank Group did not have any exposure under commodity risk, inventory risk, and market risk exposure absorbed by PSIA.*
2. *RHB Bank did not have any exposure under equity position risk, commodity risk, inventory risk, and market risk exposure absorbed by PSIA.*
3. *RHB Islamic Bank did not have any exposure under equity position risk, commodity risk, inventory risk, options risk, and market risk exposure absorbed by PSIA.*
4. *RHB Investment Bank did not have any exposure under commodity risk and inventory risk. The equity position risk is computed based on net long and net short position.*

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8.0 EQUITY EXPOSURES IN THE BANKING BOOK

Equity risk is the risk of decline in the net realisable value of equity exposures in the banking book. These include:

- Investment in securities (listed and unlisted equity holdings, whether direct/indirect, and includes private equity); and
- Investment in associate companies and joint ventures.

The Group holds positions as a result of debt equity conversions and for socio-economic and non-socio-economic purposes, which are deemed as non-trading instruments. Holding of publicly traded equity investments comprise quoted shares which are traded actively in the stock exchange. All publicly traded equity exposures and unquoted investments are stated at fair value.

The Group Impairment Guidelines provides the guidance of debt equity conversions and management of such exposures to ensure that these exposures are effectively managed and accounted for in the Group's books.

For regulatory capital purpose, RHB Bank Group adopts the Standardised Approach to calculate the risk-weighted exposures. The risk-weighted assets of equity investments of the Group as at 31 December 2022 and 31 December 2021 are shown in the tables below:

Table 23: Equity Exposures in the Banking Book

RHB Bank Group	Gross Credit Exposures		Risk-Weighted Assets	
Equity Type	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Publicly traded				
Investment in unit trust funds	**51,028**	55,928	**51,028**	55,928
Holdings of equity investments	**25,018**	2,352	**25,018**	2,352
Privately held				
For socio economic purposes	**737,541**	757,419	**737,541**	757,419
For non-socio economic purposes	**689,881**	627,060	**1,034,821**	940,590
Total	**1,503,468**	1,442,759	**1,848,408**	1,756,289

	2022 RM'000	2021 RM'000
Cumulative Realised Gains/(Loss) from Sale and Liquidations	**(535)**	19,444
Total Net Unrealised Gains/(Loss)	**609,020**	659,095

9.0 LIQUIDITY RISK

Liquidity risk is the risk of the Group 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.

There are two types of liquidity risk, namely funding liquidity and market liquidity risk. Funding liquidity risk is the risk that the Group is unable to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Group. Market liquidity risk is the risk that the Group cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption.

The primary role of a bank in terms of financial intermediation is the transformation of short-term deposits into long-term financing. By fulfilling the role of maturity transformation, banks are inherently susceptible to liquidity mismatches and consequently funding and market liquidity risk. Through the Group's Liquidity Risk Policy, the Group manages the funding and market liquidity risk to ensure that banking operations continue uninterrupted under normal and stressed conditions. The key objective that underpins the Group's Liquidity Risk Policy includes maintaining financial market confidence at all times, protecting key stakeholders' interests and meeting regulatory liquidity requirements.

The Group ALCO supports the board committees by performing the critical role in the management of liquidity risk, and is responsible for establishing strategies that assist in controlling and reducing any potential exposure to liquidity risk. The Group ALCO meets regularly and is the forum where strategic and tactical decisions are made for the management of liquidity risk and the Group's balance sheet profile. Global and domestic economic data, information and events are deliberated at the Group ALCO meetings which enables the Group to determine its actions and reactions in the capital markets. The Group ALCO is also the governance body which sets interest/profit rates for liabilities products as well as reference rates for financing products and services. Group ALCO is supported by Group Asset and Liability Management (Group ALM) at the working level. Group ALM monitors liquidity risk limits/Management Action Triggers (MATs) and reports to Group ALCO the liquidity risk profile on monthly basis.

The liquidity management process involves establishing liquidity 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. Some of the key liquidity risk management tools are top depositors' mixture, funding source mixture, maturity profile of funding sources, and contingency funding lines.

The Group has adopted the BNM's liquidity standards on 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. The Group also adopted the NSFR to ensure maintenance of sufficient stable funding sources over a time horizon of up to one year. The LCR and NSFR at RHB Banking Group level have been maintained at above 100%.

The Group's Liquidity Incident Management Plan Guideline establishes guidelines for managing liquidity crises, identifying early warning signs of a possible liquidity event and the need for heightened liquidity risk monitoring and reduced liquidity risk exposure. In addition, it also identifies the individuals and units responsible for formulating and executing the Group's response to a liquidity event. The Group's Liquidity Incident Management Plan Guideline also covers the entire Group's operations including foreign branch operations. The Guideline is established to manage any potential adverse liquidity incidences which can be implemented on a timely basis so that appropriate actions can be taken to mitigate against any unexpected market developments.

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10.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK

Interest rate risk/rate of return risk in the banking book refers to the risk of the Group's earnings and economic value of equity due to the adverse movements in interest rate/benchmark rate. The risk may arise from the mismatches in the timing of re-pricing of assets and liabilities from both on- and off- balance sheet positions in the banking book, changes in slope and shape of the yield curve, basis risk and optionality risk.

Interest rate risk/rate of return risk in the banking book comprises:

- Re-pricing risk (mismatch risk) – Arises from timing differences in the maturity (for fixed-rate) and re-pricing (for floating-rate) of bank assets, liabilities, and off-balance sheet positions. While such re-pricing mismatches are fundamental to the business of banking, they can expose a bank's income and underlying economic value to unanticipated fluctuations as interest/benchmark rates vary;
- Basis risk – Arises from imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar re-pricing characteristics. When interest/benchmark rates change, these differences can give rise to unexpected changes in the cash flows and earnings spread between assets, liabilities and off-balance sheet instruments of similar maturities or re-pricing frequencies;
- Yield curve risk – Arises when unanticipated shifts of the yield curve have adverse effects on the Group's income or underlying economic value; and
- Embedded optionality – Arises primarily from options that are embedded in many banking book positions (e.g. some fixed rate mortgage/home financing products give borrowers/customers the option to prepay the loan/financing early without penalty, call deposit, where customers have the option of withdrawing the deposit funds at any time).

Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) are used to assess interest rate risk/rate of return risk in the banking book. They are computed based on the re-pricing gap profile of the banking book using BNM's standard template. Assets and liabilities are bucketed based on their remaining tenure to maturity or next re-price dates. The measurement of EaR and EVE is conducted on a monthly basis.

The Group ALCO supports the board risk committees in establishing policies, strategies and limits for the management of balance sheet risk exposure. The Group ALM within Group Risk Management supports the Group ALCO in the monthly monitoring and reporting of the interest rate/rate of return risk profile of the banking book. The primary objective in managing balance sheet risk is to manage the net interest/profit income and economic value of equity, as well as to ensure that interest rate risk/rate of return risk exposures in the banking book are maintained within defined risk tolerances.

In addition, the Group Interest Rate Risk/Rate of Return Risk in the Banking Book Policy is established to provide the governance of interest rate risk/rate of return risk in the banking book. Interest/benchmark rate sensitivity triggers are applied on earnings for the respective profit centres within the Group. The Group regularly considers the economics and necessity of increasing or reducing its interest rate risk/rate of return risk hedges.

In line with the Group Interest Rate Risk/Rate of Return Risk in the Banking Book Policy to achieve a balance between profitability from banking activities and minimising risk to earnings and capital from changes in interest/benchmark rates; interest rate risk/rate of return risk to earnings is controlled using Risk Appetite, MATs and identified escalation procedures.

Stress testing is also performed regularly to determine the adequacy of capital in meeting the impact of extreme interest/benchmark rate movements on the balance sheet. Such tests are also performed to provide early warnings of potential extreme losses, facilitating proactive management of interest rate risk/rate of return risk in the banking book in an environment of rapid financial market changes.

10.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONTINUED)

The impact of changes in interest/benchmark rates to net earnings and economic value as at 31 December 2022 and 31 December 2021 are shown in the following tables:

Table 24a: Interest Rate Risk/Rate of Return Risk in the Banking Book as at 31 December 2022

RHB Bank Group	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase/(Decline) in Earnings		Increase/(Decline) in Economic Value	
Currency	Impact based on +100 basis points RM'000	Impact based on -100 basis points RM'000	Impact based on +100 basis points RM'000	Impact based on -100 basis points RM'000
MYR – Malaysian Ringgit	505,058	(505,058)	(1,478,785)	1,478,785
USD – US Dollar	(87,662)	87,662	9,609	(9,609)
Others[1]	55,199	(55,199)	12,292	(12,292)
Total	472,595	(472,595)	(1,456,884)	1,456,884

Table 24b: Interest Rate Risk/Rate of Return Risk in the Banking Book as at 31 December 2021

RHB Bank Group	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase/(Decline) in Earnings		Increase/(Decline) in Economic Value	
Currency	Impact based on +100 basis points RM'000	Impact based on -100 basis points RM'000	Impact based on +100 basis points RM'000	Impact based on -100 basis points RM'000
MYR – Malaysian Ringgit	527,971	(527,971)	(1,371,131)	1,371,131
USD – US Dollar	(37,190)	37,190	49,581	(49,581)
Others[1]	56,602	(56,602)	(24,437)	24,437
Total	547,383	(547,383)	(1,345,987)	1,345,987

Note:
1. Inclusive of GBP, EUR, SGD, etc
2. The EaR and EVE exposures are additive and do not take into account any correlation impact in the aggregation
3. The earnings and economic values were computed based on the standardised approach adopted by BNM.

The impact to net earnings above represents financial assets and liabilities that have been prepared on the following basis:

- Interest/benchmark rate sensitive assets and liabilities with residual maturity or re-pricing tenure of up to one year that is not captured in the trading portfolio are slotted into time bands based on the maturity or re-pricing tenure whichever is earlier.
- A set of risk weights with its respective time band is used to project the applicable basis point interest/benchmark 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 interest/benchmark rate bearing items.

Economic value is characterised by the impact of interest/benchmark rates changes on the value of all net cash flows, i.e., the effect on the economic value of the Group's assets, liabilities and off-balance sheet positions. This provides a more comprehensive view of the potential long-term effects of changes in interest/benchmark rates than is offered by the earnings perspective. 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.

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11.0 OPERATIONAL RISK

Operational risk is 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. Operational risk is inherent in the Group's operations and can never be eliminated entirely. The impact can be in the form of actual financial loss as well as non-financial loss such as loss of reputation, non-compliance and unsatisfactory service level to customers.

One of the Group's primary safeguards against operational risk is the existence of a sound internal control system, based on the principle of dual control checks and balances, segregation of duties, independent checks and verification processes, and a segmented system access control and authorisation process. These controls are documented through a set of policies and procedures at the respective business and operation level.

The Group's Operational Risk Management Framework comprises a wide range of activities and elements, broadly classified into:

- Enhancement – The Group has implemented a Basel II compliant operational risk management system to support its workflow and analytical capabilities.
- Education and Awareness – The Group undertakes change management activities to improve risk management knowledge, culture and practices of the Group personnel. This is aligned with the principle and requirement that the front-line business and support units of the Group, are by nature of their direct involvement in interfacing with customers and in operating the business, responsible for managing operational risk and acting as the first line of defence.
- Monitoring and Intervention – This is where the principal head office risk control units, including the risk management function, compliance function and the internal audit function, actively manage operational non-compliances and incidences as a second and third line of defence respectively. The second line of defence also monitors and oversees the recovery actions, including business continuity measures in cases of incidents causing disruption to business activities as proposed and undertaken by first line of defence.

Operational Risk Management Function and Organisation

The Group Operational Risk Management within Group Risk Management has functional responsibility for the development of operational risk framework, policy and methodologies, and providing guidance and information to the business units on operational risk areas. Its responsibility also includes generating a broader understanding and awareness of operational risk issues at all levels in the Group. It also ensures that operational risks from new products, processes and systems are adequately managed and mitigated.

The respective business and support units are primarily responsible for managing operational risk on a day-to-day basis.

Regular operational risk reporting is made to the senior management, respective committees and the Board that includes various operational risk information such as risk analysis, risk mitigation action plans, risk tools outcomes, risk appetite breaches, significant operational risk events and control failures, and lessons learnt. In addition, key operational risk incidents are reported to senior management daily. Such reporting enables senior management to be informed and deliberate on the identified operational lapses, promptness of corrective actions, and to ensure appropriate risk mitigation decision making and action plans are performed.

Operational Risk Management Processes and Tools

The Group applies a defined operational risk management process in managing operational risk to enable an institutional and transparent operational risk management practice. The five (5) processes are as follows:

1. Establish the context;
2. Risk identification;
3. Risk analysis;
4. Risk mitigating; and
5. Risk monitoring.

11.0 OPERATIONAL RISK (CONTINUED)

Operational Risk Management Processes and Tools (continued)

The Group uses relevant operational risk tools and methodologies to support and ensure an effective operational risk management process. The following tools are being used:

- **Risk and Control Self-Assessment (RCSA)**

  RCSA is a methodology to build risk profile for each business and support unit. RCSA sets out a structured process for the identification and assessment of inherent operational risk, the effectiveness of the control environment, and the adequacy of the risk mitigation in place. The RCSA process is facilitated by the business and support units themselves jointly with personnel from Group Operational Risk Management.

- **Key Risk Indicators (KRI)**

  KRI is a measurable indicator utilised to track and monitor key operational risk exposures. KRI serves as an early warning signal; once a risk indicator exceeds the predefined threshold, a warning message is sent to a predefined list of users. Business and support units are required to monitor their risk exposures via KRIs and are required to develop specific and concrete plans to address those where indicators are unfavourable. KRIs are embedded into critical processes to provide early warning signals of increasing risk and/or control failures by flagging up frequencies of events as a mechanism for continuous risk assessment and monitoring.

- **Key Control Testing (KCT)**

  KCT is a methodology to assist business/functional units in performing assessments periodically to determine the effectiveness of key controls by evaluating whether the control procedures/activities are adequately designed to achieve the goals of the function and control objectives; and testing whether the key controls are operating as intended in actual practice. Effective KCT can lead to early detection of control weakness and deficiencies which will assist the senior management and business/functional units to quickly focus on control weakness and take concentrated efforts where they are most needed.

- **Incident Management and Loss Data Collection (IMLDC)**

  IMLDC provides structured process for the reporting and management of operational risk incidents that have occurred, from the point of discovery until resolution. Business and functional units are required to report and manage all operational risk incidences and losses within defined timeline with further analysis of root cause to avoid further recurrence. Information obtained from such analysis could also be used to review the effectiveness of the RCSA and KRIs.

- **Operational Risk Scenario Analysis (ORSA)**

  ORSA is used to identify plausible risk scenario that could materialise for assessment. A plausible risk scenario is a possible event resulting in unexpected and extreme losses which may arise when considering a sequence of control failures or individually significant events. Business/functional units are required to assess the potential outcomes related to a variety of operational risks failure, evaluate the vulnerabilities of the Group to the manifestation of plausible risk scenario, and put in appropriate risk mitigation plans to safeguard the Group's safety and soundness.

Risk Mitigation and Controls

Risk mitigation strategies are used to minimise risk to an acceptable level and aim to decrease the likelihood of an undesirable event and the impact on the business, should it occur. The control tools and techniques, amongst others, are as follows:

- **Strengthening internal controls**

  Internal controls are designed to commensurate operational risk exposures faced by the Group. It is mainly categorised into five components, namely:

  a. Control environment – management oversight and risk culture, which sets the tone and serves as a foundation for all other components;
  b. Risk assessment – analyses identified risks to achieve objectives and ensure risks are well managed;
  c. Control activities – policies and procedures implemented manually and/or system-based to ensure management's directives are executed effectively and efficiently;
  d. Information and communication – relevant operational risk information are captured and communicated accordingly for decision making. Such information must be effective for utilisation, delivered timely, confidentiality is preserved, conform integrity needs, comply with relevant law/regulations, sufficient availability and reliable; and
  e. Monitoring – ongoing assessment and correcting deficiencies of internal control to assure it is operating as intended.

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11.0 OPERATIONAL RISK (CONTINUED)

Risk Mitigation and Controls (continued)

- **Business Continuity Management**

  To mitigate the impact of unforeseen operational risk events, the Group has on-going and actively managed Business Continuity Management (BCM) programme for RHB Banking Group. The BCM programme is subject to regular review and testing including continuous enhancement initiatives to ensure efficacy, reliability and functionality, and with coordination and oversight responsibility of the Group Business Continuity Management Department.

  The Board of Directors has an oversight function through the BRC and GCRC. The Group Business Continuity Committee, which reports to GCRC, is the committee that oversees the Group's business continuity framework, policies, budget and plans.

- **Outsourcing**

  Due to the need to outsource for cost and operational efficiency, policy and guidelines are put in place to ensure that the risks arising from outsourcing activities are adequately identified, assessed and managed prior to entering into any new arrangements and on an on-going basis.

- **Insurance/Takaful Management**

  The Group considers risk transfer by means of insurance/Takaful to mitigate operational risk. The Group has a programme of insurance/Takaful designed to reduce its exposure to liability and to protect its assets. The Group purchases insurance/Takaful from leading insurers/Takaful providers in the market covering fraud, theft, property and casualty, business disruption, liability and other risks for which it may be held responsible. These are provided by third-party insurers/Takaful providers and will financially mitigate the economic consequences of risks.

Technology Risk

Technology Risk refers to the business risk associated with the use, ownership, operation, involvement, influence and adoption of Information Technology (IT) within the Group.

The Group recognises the risk arising from the advancement and reliance upon information technology to support business operations through the deployment of advance technology and online systems to provide customers with convenient and reliable products and services. The Group's Technology and Cyber Risk Management Framework ensures that a governance structure is in place for the identification, assessment and management of technology risks within existing IT operations as well as prior to deployment of applications and systems for both internal and external customers.

To ensure that the residual risk is acceptable, the Group has established Technology and Cloud Risk Assessment processes to comprehensively identify and assess relevant risks and corresponding controls for IT and digitalisation initiatives.

Cyber Risk

Cyber Risk refers to threats or vulnerabilities emanating from the connectivity of internal technology infrastructure to the Internet. This is an inherent risk associated to the industry moving towards the Internet as a channel for the delivery of banking services. The Group recognises the risks associated to cyber and as part of the mitigation shall continuously identify suitable security devices to be deployed and ensure sufficient resources with the right skill sets are allocated to manage this risk.

The Group also subscribes to various threat intelligence services to obtain latest information on cyber threat and incidence which can be used for the risk mitigation. To further provide assurance that the Internet facing application systems are secured, the Group engages reputable IT security service providers to perform periodic penetration testing where weaknesses detected shall be duly resolved with attestation from external consultants. To further strengthen the controls, Red Team and compromise assessment activities are performed regularly to test the effectiveness of the implemented safeguards.

11.0 OPERATIONAL RISK (CONTINUED)

New Product and Services Approval Process

The Group has established a Policy on Product Development and Approval and Guidelines on Introduction of New/Variation of Products & Services Lifecycle which governs the risk management of new products, services, or significant changes thereto. The responsible units have a duty to assess the operational risk for new product launches and/or significant changes in product features or related processes and working systems, as well as to ensure that operational risk is at an acceptable level at all times.

Legal Risk

Legal risk is part of operational risk. It can arise from unenforceable, unfavourable, defective or unintended contracts; lawsuits or claims; developments in laws and regulations, or non-compliance with applicable laws and regulations. Business units work together with the Group's legal counsel and external legal counsel to ensure that legal risk is effectively managed.

Capital Treatment for Operational Risk

The Group adopts the Basic Indicator Approach for the calculation of regulatory operational risk capital requirements. The operational risk-weighted assets and the corresponding capital requirements for RHB Bank Group, RHB Bank, RHB Islamic Bank and RHB Investment Bank as at 31 December 2022 and 31 December 2021, are shown below:

Table 25a: Operational Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2022

Operational Risk	RHB Bank Group RM'000	RHB Bank RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000
Risk-Weighted Assets	**14,047,918**	**9,171,749**	**3,114,515**	**923,914**
Minimum Capital Requirements	**1,123,834**	**733,740**	**249,161**	**73,913**

Table 25b: Operational Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2021

Operational Risk	RHB Bank Group RM'000	RHB Bank RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000
Risk-Weighted Assets	13,211,976	8,766,298	2,585,628	968,930
Minimum Capital Requirements	1,056,958	701,304	206,850	77,514

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12.0 COUNTRY CROSS-BORDER RISK

Country cross-border risk is the risk that the Group faced mainly involving multiple legal requirements in various jurisdictions which in turn result in compliance with different sets of standards. Some of these requirements may be unique to a jurisdiction or may be incompatible with each other, including those with respect to fiduciary duties, securities laws requirements and deal structure.

Additionally, political considerations such as the country's national security interest, offering policies on foreign investment, anti-trust and labor and employment policies may also require careful consideration. Due to this, there is a need for the Group to set out the policies and underline the expected conduct when venturing into such business activity.

The Group is guided by the Group Policy on Doing Business Overseas that serves as a high level guidance for the business owner who propose to establish overseas business of the Group. This policy sets out seven (7) principles that must be observed by the business owner in the conduct of overseas business expansion of the Group, including from initiation of overseas business expansion, approval for overseas business expansion as well as continuous monitoring of overseas business. This is to safeguard the Group's interest and reduce the compliance risk associated with the overseas business activities. In addition, the Group is also guided by the Country Risk limit, to manage the credit concentration risk arising from changes in the country's business environment where the Group has exposure in.

13.0 REPUTATIONAL RISK

Reputational risk is often seen as significant threat to business as damage to reputation is often irreparable. It is defined as the risk that negative publicity regarding the conduct of the Group or any of the entities within the Group, and its business practices or associations, whether true or not, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures. It also undermines public confidence in the Group, affecting the share price.

Reputational risk in the Group is managed and controlled through codes of conduct, governance practices and risk management practices, policies, procedures and training. The Group has developed and implemented a reputational risk management policy. The key elements in the management of reputational risk include:

- Practice good corporate governance and culture of integrity to promote execution and achievement of corporate strategies and business objective.
- Manage reputational risk within a very low risk appetite with zero tolerance level reporting approach for incidents that affect the Group's reputation.
- Adopt sound risk management practices that include the practice of building "reputation capital" and earning the goodwill of key stakeholder.
- Maintain proper mechanisms to monitor and escalate material lapses/breaches of internal and regulatory policies/guidelines that may place the Group's reputation at risk.
- Maintain proper channels of communication in dealing with internal and external stakeholders.

For the Group's overseas operations, it is the responsibility of the Country Heads to promote awareness and application of the Group's policy and procedures regarding reputational risk, in all dealings with customers, potential investors and host regulators.

14.0 SHARIAH NON-COMPLIANCE RISK AND GOVERNANCE

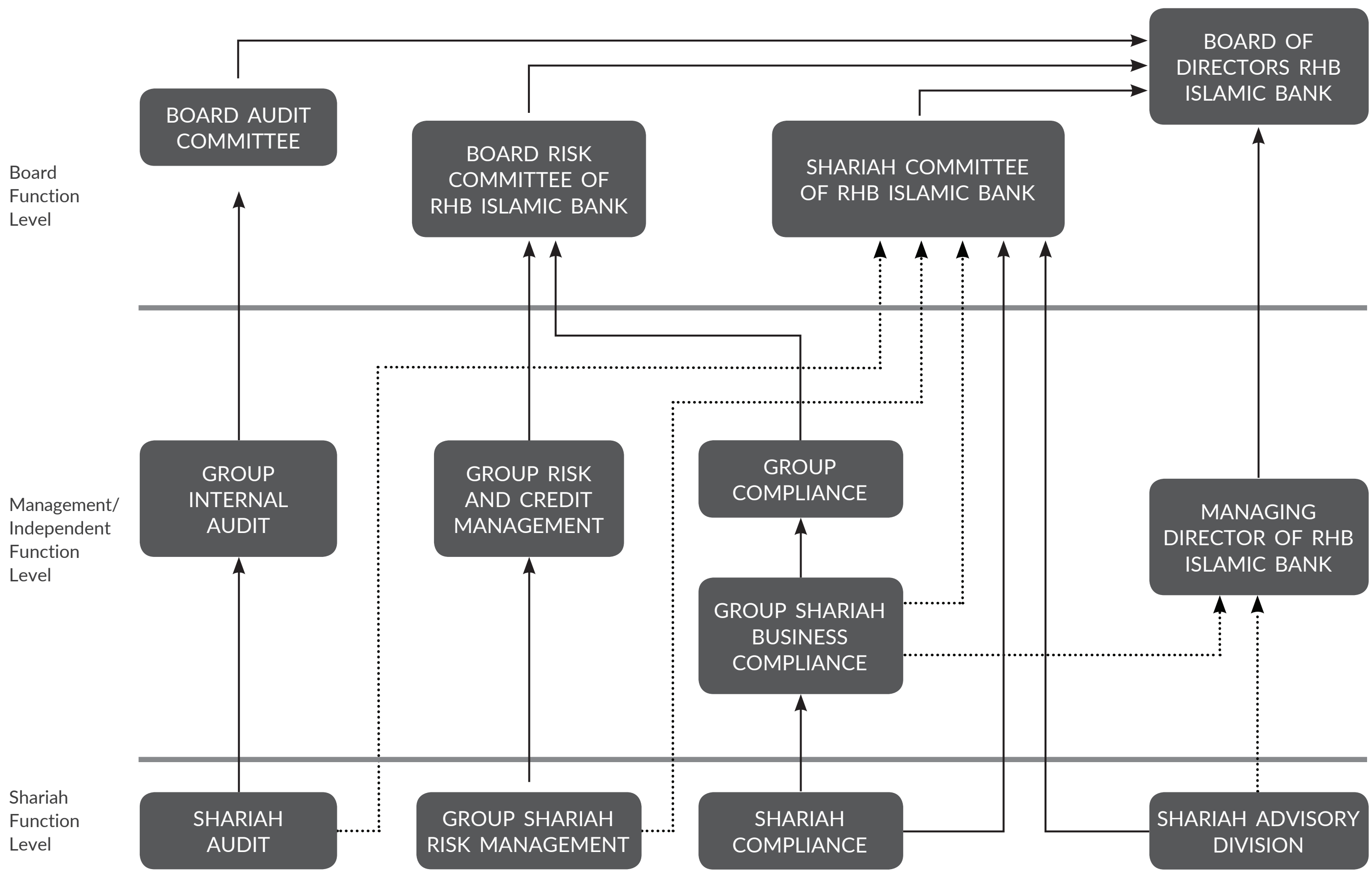
Shariah non-compliance risk is the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which RHB may suffer arising from failure to comply with the rulings of the Shariah Advisory Council (SAC) of local regulatory bodies (such as the SAC of the BNM for Malaysia operations), standards on Shariah matters issued by the local regulator, or decisions or advice of the Shariah committee/adviser appointed by respective RHB entities.

A Shariah Governance Framework has been developed with the objective of governing the entire Shariah compliance process within Islamic banking operations, and to:

- Ensure that the planning, development, and implementation of the Islamic products, services and conduct of business are in accordance with Shariah principles;
- Ensure that the operations do not contravene any of the Shariah principles and authorities' regulations related to the Shariah; and
- Act as a guide on the expectations to all personnel engaged in the Islamic business activities; to ensure that all such functions are based on the Shariah principles, practices and prudence.

14.0 SHARIAH NON-COMPLIANCE RISK AND GOVERNANCE (CONTINUED)

The reporting structure of Shariah governance is as follows:



The Shariah Committee of RHB Islamic Bank (SCR) was established under BNM's Shariah Governance Policy Document.

The main duties and responsibilities of the SCR are to provide objective and sound advice to the Bank on Shariah matters in relation to Islamic business and operations; deliberating, affirming, and addressing any Shariah non-compliance event; as well as to provide written Shariah opinion on new products and RHB Islamic Bank's financial statements. The other entities within the RHB Banking Group without internal Shariah committee established have given the mandate to the SCR to advise on the Shariah matters, which are ultimately governed by the respective entities' board of directors.

On a functional basis, the RHB Banking Group Islamic businesses are supported by Shariah Advisory Division, Group Shariah Risk Management, Shariah Compliance Centre of Expertise (CoE) and Shariah Audit.

The Head of Shariah Advisory Division reports functionally to the SCR and administratively to the Managing Director of RHB Islamic Bank. The main duties and responsibilities of Shariah Advisory Division include, but not limited to, conduct reviews on Islamic products and services; provide internal Shariah advisory support to the management in its daily business and operational matters; assist the SCR in elaborating and discussing on pertinent Shariah issues; provide in-depth research on competitive analysis in order to assist the SCR's decision-making process; ensure the internal Shariah governance, the internal process flow and policies, and Shariah approval processes are well managed and maintained in an efficient manner; ensure the Bank is in compliance with the highest standard of Shariah governance as set by BNM; serve as the secretariat of the SCR and to act as the mediator between the management and the SCR; oversee the computation and distribution of zakat and funds to be channelled to charity; and to represent the management in any Shariah related matters.

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14.0 SHARIAH NON-COMPLIANCE RISK AND GOVERNANCE (CONTINUED)

The key role and responsibilities of Group Shariah Risk Management is to facilitate the identifying, measuring, monitoring and controlling of Shariah non-compliance risks inherent in the Islamic business and operations to mitigate any potential Shariah non-compliance events. Group Shariah Risk Management also performs independent assessment and provides support and reporting to the senior management committees relating to Shariah non-compliance risk.

Shariah Compliance CoE conducts review and assists the SCR in providing opinions from Shariah perspective in relation to the status of Shariah compliance of products, services and operations of the Islamic business operations. Shariah Audit provides independent assessment and objective assurance designed to add value and improve the degree of compliance in relation to the Islamic business operations, with the main objective of ensuring a sound and effective internal control system for Shariah compliance.

Any incidences of Shariah non-compliance decided by the SCR are reported to the GCRC, BRC-i, BRC, the Board of Directors of respective entities in RHB Banking Group and the BNM (for Malaysia operations). Remedial actions may include the immediate termination of the Shariah non-compliant products or services and de-recognition of any Shariah non-compliant income.

There is one (1) Shariah Non-Compliance event reported during the year 2022 with nil income de-recognised.

15.0 PROFIT SHARING INVESTMENT ACCOUNT (PSIA)

Investment Account

The Group via RHB Islamic Bank offers two types of Investment Account (IA) namely, Restricted Investment Account (RIA) which refers to an IA where the Investment Account Holder (IAH) provides a specific investment to RHB Islamic Bank, and Unrestricted Investment Account (URIA) which refers to an IA where the customer provides RHB Islamic Bank with a mandate to make the ultimate investment decision without specifying any particular restriction or condition. Each IA product under the RIA and URIA must be structured based on the application of the approved Shariah contract.

RHB Islamic Bank has put in place the necessary risk management framework, policies and guidelines as well as operational manuals and procedures in ensuring the interests of the IAH are protected. The operationalisation of the RIA and URIA products are governed by RHB Islamic Bank's governance component, amongst others:

1. Shariah Governance Framework,
2. RHB Islamic Bank Investment Account Pricing Framework,
3. RHB Islamic Bank Investment Account Policy,
4. RHB Islamic Bank Investment Account Guideline,
5. Profit Sharing Investment Account-i (PSIA-i) Operations Manual,
6. Restricted Investment Account-i (RIA-i) Operations Manual,
7. Treasury Operations Manual.

The roles and responsibilities of various parties in ensuring the proper management of the IAH's funds are described as follows:

- Board of Directors committees - provide the strategic directions and risk appetite for the Bank, approve relevant governance structure, objectives and policy as well as providing oversight on the risk management and overall control activities;
- Shariah Committee - oversee and endorse the overall management and operations of the investment account business to be in compliance with Shariah, assess the work carried out by Shariah Advisory, Shariah Risk and Shariah Review on the investment account operations, and provide opinion on Shariah compliance of the IAs and the related operations;
- Senior management - formulate and implement investment strategies, internal control and risk management system, including profit distribution policy and valuation policy, in line with the investment objectives;
- GALCO - approve the structure, pricing and terms of IA based on the approved IA product;
- Other control and support functions – Group Treasury, Strategic Business Group, Group Finance, Group Shariah Business, Group Risk Management, Group Compliance and Group Internal Audit providing the necessary operational functions and independent assessment.

15.0 PROFIT SHARING INVESTMENT ACCOUNT (PSIA) (CONTINUED)

Investment Account (continued)

The governing principles as set out in the IA Policy of RHB Islamic Bank include policies related to asset allocations of the IA products which are translated into guidelines and operational document (standard manuals), which help senior management in making the necessary decision during the process. The related policy statements are as below:

1. The management of the assets and funds of the investment accounts must be managed with due care to the rights and safeguarding the interests of the investors;
2. The underlying assets, investment funds and transaction of the various investment accounts must be separated from other funds and assets managed and or owned by the Bank;
3. Transactions between the investment accounts and the Bank, if any, must be conducted in a transparent manner and on an arm's length basis;
4. The records for each investment account must be maintained separately and subjected to the valuation methodology established in accordance with the relevant accounting standards;
5. RHB Islamic Bank shall not implement profit smoothing practices or techniques to manage the Displaced Commercial Risk. The relationship and terms between the parties must be clearly stated in the terms and conditions of each investment account.
6. The Bank shall develop a list of permissible direct expenses that must be approved by the Board and the Shariah Committee. The list must be reviewed at least annually.

Restricted Investment Account (RIA)

Currently RHB Islamic Bank offers the following products under the RIA category:

1. Profit Sharing Investment Account-i (PSIA-i) which uses Mudharabah as the underlying Shariah contract (counterparty restricted to RHB Bank only), and
2. Restricted Investment Account-i (RIA-i) using the Mudharabah contract for retail and non-retail investors.

The products are offered to investors having the following characteristics:

1. Risk appetite match with investment objectives
2. Require investment that comply with Shariah requirements
3. Are willing to accept potential risk of losing the capital invested in order to achieve potential higher profit than normal term deposit rate.
4. IAH must be a legal entity that has legal capacity to enter into the contract.

Unrestricted Investment Account (URIA)

RHB Islamic Bank currently offers the Wakalah Money Market Investment Account-i (WMMIA-i) using the Wakalah bi al-Istithmar contract. This product is offered to corporate investors (resident) having the following characteristics:

1. Risk appetite match with investment objectives
2. Require investment that comply with Shariah requirements
3. Are willing to accept potential risk of losing the capital invested in order to achieve potential higher profit than normal term deposit rate.
4. IAH must be a legal entity that has legal capacity to enter into Wakalah bi al-Istithmar contract.

Basel II Pillar 3 Disclosures
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15.0 PROFIT SHARING INVESTMENT ACCOUNT (PSIA) (CONTINUED)

Unrestricted Investment Account (URIA) (continued)

Table 26: Disclosure on Profit Sharing Investment Account

RHB Bank Group **Unrestricted Investment Account (URIA)**	2022 %	2021 %
Return on Assets (ROA)	**7.58**	7.20
Average Net Distributable Income	**7.49**	7.20
Average Net Distributable Income Attributable to the Investment Account Holder (IAH)	**3.00**	2.37
	RM'000	RM'000
Impaired assets funded by URIA	**12,218**	966
ECL Stage 1 provisions funded by URIA	**496**	176
ECL Stage 2 provisions funded by URIA	**1,465**	117
ECL Stage 3 provisions funded by URIA	**3,778**	457

Note:
1. Return on Assets refers to total gross income/average amount of assets funded by URIA.
2. Average Net Distributable Income refers to total average net distributable income/average amount of assets funded by URIA.

16.0 FORWARD LOOKING STATEMENTS

This document could or may contain forward looking statements that are based on current expectations as well as assumptions or anticipation of future events. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts, and often use words such as anticipate, target, expect, estimate, intend, plan, believe, will, may, should, would, could or other.

Undue reliance should not be placed on any of such statements. By their nature, forward looking statements are subject to risks and uncertainty because they relate to future events and circumstances, including, but not limited to domestic and global economic and business conditions, the effects of continued volatility in the credit markets, market-related risks such as changes in profit rates and exchange rates, changes in regulation, and future business combinations or dispositions. As a result, the Bank's actual future results may differ materially from the plans, goals, and the expectations.

The Bank undertakes no obligation to revise or update any forward looking statements contained in this document, regardless of whether these statements are affected as a result of new information, future events or otherwise.

16.0 FORWARD LOOKING STATEMENTS (CONTINUED)

Table 27: Glossary of Terms

A-IRB	Advanced Internal Ratings-Based Approach
BCC	Board Credit Committee
BCM	Business Continuity Management
BNM	Bank Negara Malaysia
Board	Board of Directors
BRC	Board Risk Committee
CAFIB	Capital Adequacy Framework for Islamic Banks
CCB	Capital Conservation Buffer
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CET	Common Equity Tier
CRM	Credit Risk Mitigation
CoE	Centre of Expertise
DFIs	Development Financial Institutions
DRP	Dividend Reinvestment Plan
EAD	Exposure at Default
EaR	Earnings-at-Risk
ECAIs	External Credit Assessment Institutions
EL	Expected Loss
EUR	Euro Dollar
EVE	Economic Value of Equity
F-IRB	Foundation Internal Ratings-Based Approach
Fitch	Fitch Ratings
GBP	Pound Sterling
GCC	Group Credit Committee
GCG	Group Credit Guidelines
GCPM	Group Credit Procedures Manual
GCRC	Group Capital and Risk Committee
GIUC	Group Investment Underwriting Committee
Group ALCO	Group Asset and Liability Committee
Group ALM	Group Asset and Liability Management
IBRMC	Investment Bank Risk Management Committee
ICAAP	Internal Capital Adequacy Assessment Process
IMLDC	Incident Management and Loss Data Collection
IRB Approach	Internal Ratings-Based Approach
ISDA	International Swaps and Derivatives Association
KCT	Key Control Testing
KRI	Key Risk Indicators
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
MARC	Malaysian Rating Corporation Berhad
MATs	Management Action Triggers
MDBs	Multilateral Development Banks
MFRS 9	Malaysian Financial Reporting Standards 9
Moody’s	Moody’s Investors Service
MYR	Malaysian Ringgit
NSFR	Net Stable Funding Ratio
OTC	Over-the-Counter
PD	Probability of Default
PSIA	Profit Sharing Investment Accounts
R&I	Rating and Investment Information, Inc
RAM	Rating Agency Malaysia
RCSA	Risk and Control Self-Assessment
RM’000	Malaysian Ringgit in nearest thousand
RSME	Retail Small and Medium Sized Enterprises
RWCAF	Risk-Weighted Capital Adequacy Framework
RWA	Risk-Weighted Assets
SA	Standardised Approach
SCR	Shariah Committee of RHB Islamic Bank
SGD	Singapore Dollar
S&P	Standard & Poor's
USD	US Dollar
VaR	Value-at-Risk

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