RHB Investment Bank Berhad

Basel II Pillar 3 Disclosures

31 December 2023

RHB INVESTMENT BANK GROUP
BASEL II PILLAR 3 DISCLOSURES AS AT 31 DECEMBER 2023

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STATEMENT BY 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 Investment Bank Berhad, I am pleased to provide an attestation that the Basel II Pillar 3 disclosures of RHB Investment Bank Berhad for the year ended 31 December 2023 are accurate and complete.

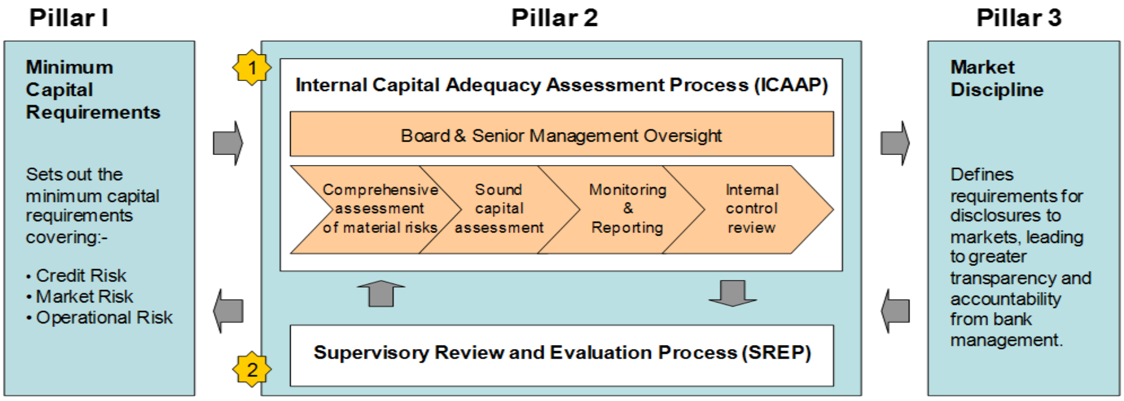
GANESH SABARATNAM
Managing Director

1.0 INTRODUCTION

This document describes RHB Investment Bank Berhad'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 RHB Investment Bank Berhad are as follows:

Entity	Credit Risk	Market Risk	Operational Risk
RHB Investment Bank Berhad	Standardised Approach	Standardised Approach	Basic Indicator 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.

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 2023 with comparative quantitative information of the preceding financial year ended 31 December 2022.

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

RHB Investment Bank Berhad's Pillar 3 disclosure report is made available under the Investor Relations section of RHB Banking Group's website at www.rhbgroup.com as a separate report in the Bank's Annual Report 2023, after the Financial Statements.

2.0 SCOPE OF APPLICATION

In this Pillar 3 document, RHB Investment Bank Berhad's information is presented on a consolidated basis, i.e. RHB Investment Bank Berhad with its subsidiaries and is referred to as "RHB Investment Bank Group".

RHB Investment Bank 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).

In accordance with the accounting standards for financial reporting, all subsidiaries of the RHB Investment Bank Group are fully consolidated from the date it obtains control until the date given control ceases. Refer to Note 13 of the financial statements for list of consolidated entities.

RHB Investment Bank Group is involved in merchant banking business, dealing in securities, stock, debt and derivatives, stockbroking business and the business of brokers and dealers in futures and options contracts, investment management services, Islamic investment management services, management of unit trust funds and Islamic unit trust funds, management of private retirement schemes, provision of investment advisory services, research services and provision of nominee services.

The transfer of funds for regulatory capital within the RHB Investment Bank Group is subject to shareholders' and regulatory approval.

During the financial year 2023, there were no capital deficiencies in RHB Investment Bank Berhad or in 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 RHB Investment Bank Group's balance sheet are sufficient to cover the business capital requirements now and in the foreseeable future. It also indicates the ability of RHB Investment Bank Group to provide financing across the business cycles and in meeting any contingency without compromising the interest of the depositors and investors. RHB Investment Bank Group aims to maintain a strong capital position to drive sustainable business growth through an optimal capital structure while meeting regulatory requirements.

With comprehensive capital management, the RHB Investment Bank Group 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, RHB Investment Bank 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 RHB Investment Bank 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 the multi-year financial projection under both normal and stressed scenarios, the objective of which is to ensure that RHB Investment Bank Group maintains adequate capital on a forward-looking basis.

  RHB Investment Bank 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**
  RHB Investment Bank 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 RHB Investment Bank Group through its impact on cash flow and cost of capital. RHB Investment Bank Group adopts capital structuring that maximises value and minimises overall cost of capital. In order to achieve optimum capital structure, RHB Investment Bank 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.

  RHB Investment Bank Group optimises its capital by integrating risk-based capital into strategy and aligning this with performance measurement.

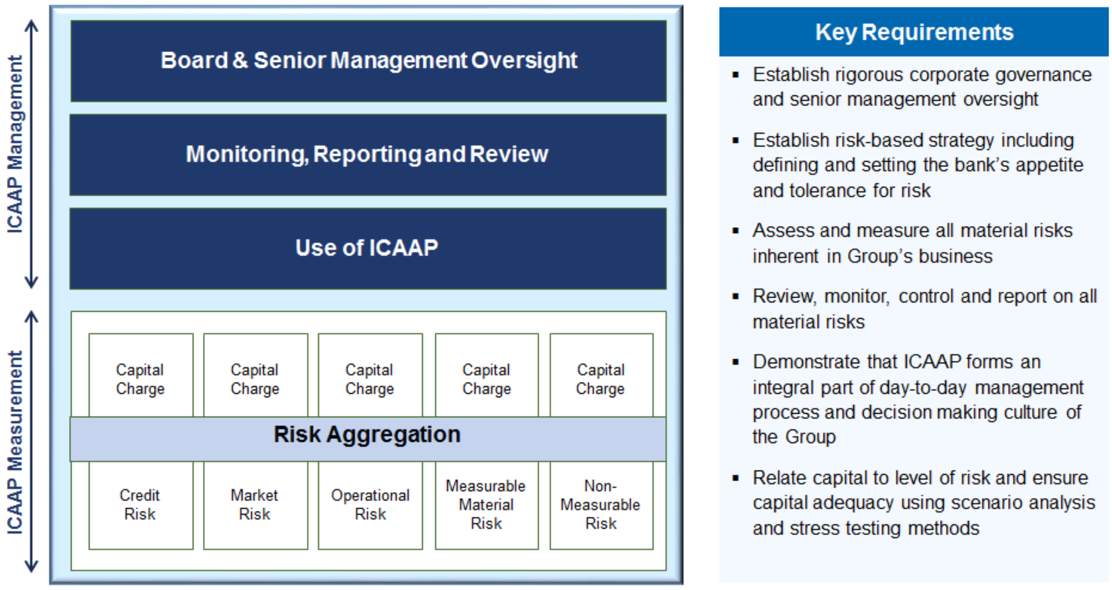
By leveraging on the capital assessment process and reporting tools and aligning the recovery planning process based on BNM requirements, the Group developed early warning triggers and recovery triggers to monitor its risk profile, capture early deterioration, and assess how that affects capital consumption/ requirement. The monitoring process ensures that effective capital restoration strategies are activated and implemented immediately.

RHB Investment Bank Group also aims to achieve a balance between dividend pay-out and the need to retain earnings in order to be consistent with its capital strength and to support business expansion. The Board reviews the dividend pay-out recommendation on an annual basis.

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), RHB Investment Bank Group has implemented ICAAP with the objective to forge a strong alignment between risk and capital. Capital adequacy is assessed in relation to RHB Investment Bank Group's risk profile, and strategies are in place to maintain appropriate capital levels.

The ICAAP Framework developed and adopted across RHB Investment Bank Group summarises the key ICAAP requirements into two functional categories, namely; ICAAP Measurement and ICAAP Management as depicted below:



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 Bank has implemented Basel III for the management of both capital and liquidity. The Bank capital ratios; Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are set above the regulatory requirements as required under Basel III. The Group was able maintain the LCR and NSFR above the Basel III regulatory requirements of 100%.

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	4.50%
Tier I Capital Ratio	6.00%
Total Capital Ratio	8.00%

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 2023. 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 Investment Bank Berhad on consolidated basis (RHB Investment Bank Group), and on global basis (RHB Investment Bank) as at 31 December 2023 and 31 December 2022 are:

Table 1: Capital Adequacy Ratios

	RHB Investment Bank Group		RHB Investment Bank	
	2023	**2022**	**2023**	**2022**
Before proposed dividends				
Common Equity Tier I Capital Ratio	**44.297%**	38.815%	**36.653%**	31.348%
Tier I Capital Ratio	**44.328%**	38.842%	**36.653%**	31.348%
Total Capital Ratio	**47.701%**	41.976%	**43.517%**	37.528%
After proposed dividends				
Common Equity Tier I Capital Ratio	**42.528%**	37.815%	**32.446%**	29.058%
Tier I Capital Ratio	**42.560%**	37.843%	**32.446%**	29.058%
Total Capital Ratio	**45.932%**	40.977%	**39.310%**	35.238%

The above capital ratios are above the minimum level required by BNM.

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 2023 and 31 December 2022:

Table 2: Risk-Weighted Assets (RWA) by Risk Types

	RHB Investment Bank Group		RHB Investment Bank	
Risk Types	**2023**	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Credit RWA	**2,061,013**	2,032,947	**616,039**	634,603
Market RWA	**282,091**	368,264	**155,584**	188,204
Operational RWA	**1,388,888**	1,602,662	**797,424**	923,914
Total RWA	**3,731,992**	4,003,873	**1,569,047**	1,746,721

The following tables show the breakdown of RWA by risk types and the corresponding capital requirement as at 31 December 2023 and 31 December 2022:

Table 3a: Risk-Weighted Assets by Risk Types and Minimum Capital Requirements as at 31 December 2023

	RWA		Minimum Capital Requirements	
Risk Types	**RHB Investment Bank Group**	**RHB Investment Bank**	**RHB Investment Bank Group**	**RHB Investment Bank**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Credit Risk				
Under Standardised Approach	**2,061,013**	**616,039**	**164,881**	**49,283**
Market Risk				
Under Standardised Approach	**282,091**	**155,584**	**22,567**	**12,447**
Operational Risk				
Under Basic Indicator Approach	**1,388,888**	**797,424**	**111,111**	**63,794**
Total	**3,731,992**	**1,569,047**	**298,559**	**125,524**

Table 3b: Risk-Weighted Assets by Risk Types and Minimum Capital Requirements as at 31 December 2022

	RWA		Minimum Capital Requirements	
Risk Types	**RHB Investment Bank Group**	**RHB Investment Bank**	**RHB Investment Bank Group**	**RHB Investment Bank**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Credit Risk				
Under Standardised Approach	2,032,947	634,603	162,636	50,769
Market Risk				
Under Standardised Approach	368,264	188,204	29,461	15,056
Operational Risk				
Under Basic Indicator Approach	1,602,662	923,914	128,213	73,913
Total	4,003,873	1,746,721	320,310	139,738

Capital requirement for the three risk types is derived by multiplying the risk-weighted assets by 8%.

The Credit RWA for RHB Investment Bank Group increased mainly due to market value gains in private equity exposures and the disclosure of corporate guarantee exposures under RHB Investment Bank Group. This has been partially netted off by the decrease in clearing account for unit trust and equity exposures.

4.0 CAPITAL STRUCTURE

The constituents of total eligible capital are set out in BNM's Guideline on Capital Adequacy Framework (Capital Components). These include shareholders' funds, after regulatory-related adjustments, and eligible capital instruments issued by RHB Investment Bank 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 48 in the Financial Statements for the terms of these capital instruments.

The following table represents the capital position of RHB Investment Bank Group and RHB Investment Bank as at 31 December 2023 and 31 December 2022:

Table 4: Capital Structure

	RHB Investment Bank Group		RHB Investment Bank	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Common Equity Tier I Capital/Tier I Capital				
Paid up ordinary share capital	**1,220,000**	1,220,000	**1,220,000**	1,220,000
Retained profits	**832,385**	761,563	**469,723**	426,746
Other reserves	**114,775**	74,947	**2,830**	685
Fair value through other comprehensive income (FVOCI) reserves	**39,473**	35,601	**38,675**	35,060
Less:				
Goodwill	**(449,978)**	(449,978)	**(372,395)**	(372,395)
Investments in subsidiaries	**-**	-	**(715,344)**	(699,324)
Investments in associates and joint ventures	**(13,139)**	(4,721)	**(5,028)**	(5,028)
Other Intangible assets	**(43,076)**	(41,954)	**(25,074)**	(25,592)
Deferred tax assets	**(25,573)**	(21,793)	**(17,020)**	(13,300)
55% of cumulative gains arising from change in value of FVOCI instruments	**(21,710)**	(19,581)	**(21,271)**	(19,283)
Other deductions#	**-**	-	**-**	-
Total Common Equity Tier I Capital	**1,653,157**	1,554,084	**575,096**	547,569
Qualifying non controlling interest recognised as Tier I Capital	**1,177**	1,104	**-**	-
Total Tier I Capital	**1,654,334**	1,555,188	**575,096**	547,569
Tier II Capital				
Subordinated obligations meeting all relevant criteria	**100,000**	100,000	**100,000**	100,000
Qualifying non controlling interest recognised as Tier II Capital	**85**	83	**-**	-
General provisions^	**25,763**	25,412	**7,700**	7,933
Total Tier II Capital	**125,848**	125,495	**107,700**	107,933
Total Capital	**1,780,182**	1,680,683	**682,796**	655,502

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.

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

Includes the qualifying regulatory reserves of RHB Investment Bank Group and RHB Investment Bank of RM25,113,000 (31 December 2022: RM24,741,000) and RM7,611,000 (31 December 2022: RM7,850,000) respectively.

5.0 RISK MANAGEMENT

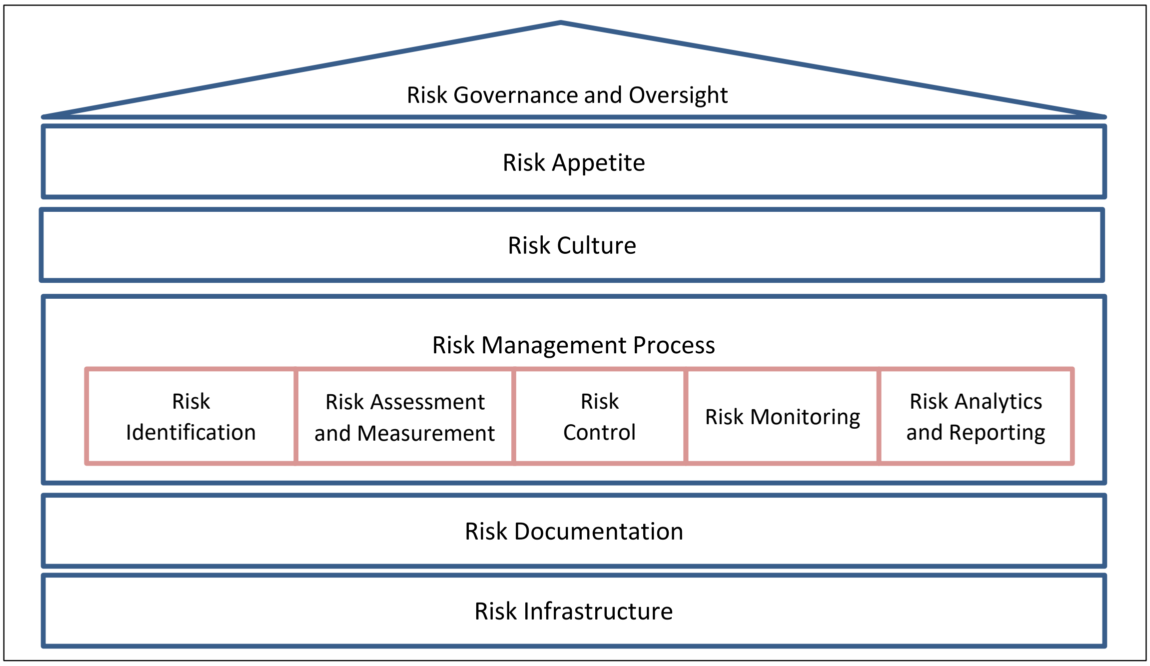
Risk is inherent in RHB Investment Bank Group's activities and is managed through a process of on-going identification, measurement and monitoring, subject to limits and other controls. Besides credit risk, the Group is exposed to a range of other risk types such as market, liquidity, operational, legal, 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 drive sustainable growth and shareholders' value, while maintaining competitive advantage, and is thus a central part of the proactive risk management of RHB Investment Bank Group's operating environment.

The Group Risk Management Framework governs the management of risks in the RHB Banking Group (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.

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. 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 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 senior management of the Group and which reports to the relevant board committees and the Group Management Committee. 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 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 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 and Enterprise Risk Analytics, Enterprise Risk Management, Group Credit Management, and Insurance Risk Management.

Risk Appetite

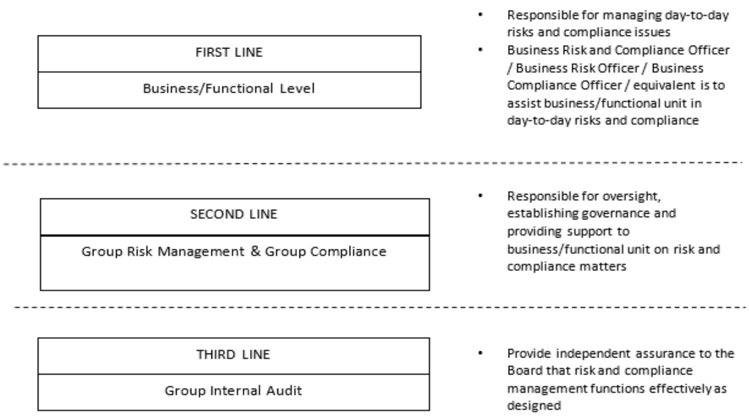
The Board of Directors sets the risk appetite and tolerance level that are consistent with the Group and each entity's overall business objectives and desired risk profile. It describes the types and level of risks the Group is prepared to accept in delivering its business strategies, and reported through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

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

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

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.

6.1 Credit Risk Management Oversight and Organisation

Group Credit Committee (GCC)/Group Investment Underwriting Committee (GIUC) are the senior management committee empowered to (i) deliberate, approve or reject all financial investments, counterparty credit, lending/financing and stockbroking/equities/futures business related proposals up to the defined threshold limits, and (ii) direct, monitor, review and consider such issues as may materially impact on the present and future quality of the Group's loan/asset book.

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. 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.

6.2 Credit Risk Management Approach

RHB Investment Bank Group's credit risk management framework is founded upon guidelines issued by BNM (such as Policy on Credit Risk, Guidelines on Investment Banks and Single Counterparty Exposures Limit) and industry best practices. RHB Investment Bank Group abides by the 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.

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.

Lending/Financing to Corporate and Institutional Customers

Loans/financing to corporate and institutional customers are undertaken in the course of its share margin/trading or investment banking activities in derivatives and debt securities.

Credit Risk from Investment or Trading Activities

In the course of its trading or investment banking activities, RHB Investment Bank Group is also exposed to credit risk from trading, derivative and equity/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 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. 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 issuers, through timely management reporting procedures.

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. The Group also accepts non-tangible securities as credit support. Tables 12a and 12b, show the credit risk mitigation of portfolios under the Standardised Approach as at 31 December 2023 compared with 31 December 2022.

The Group has an established mechanism to monitor credit and market concentration within its credit mitigation.

Credit Concentration Risk

Risk concentrations can materialise from excessive exposure 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. To manage these concentration risks, appropriate exposure thresholds/limits are established accordingly.

6.3 Credit Monitoring and Annual Reviews

The Group regularly monitors credit exposure, 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. Such reporting allows senior management to identify adverse credit trends, take prompt corrective actions, and ensure appropriate risk-adjusted decision making.

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.

Within Group Risk and Credit Management, there is a mechanism in place for credit monitoring to flagout 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, the Watchlist Credit Management department will conduct independent assessments and work closely with the business units to implement strategies to address lending/business relationships. The aim is to rehabilitate these accounts following discussions 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.

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 following represents the dimensions considered in the credit risk measurement:

1. Probability of Default (PD)
   Probability of default refers 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.

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.

6.4 Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR)

The management of the following off-balance sheet exposures of RHB Investment Bank Group is in accordance to the credit risk management approach as set out under Section 6.2 of this document:

- Underwriting commitments in respect of RHB Investment Bank Group's debt capital or equity capital market activities;
- Commitments to extend credit/financing including the unutilised or undrawn portions of credit facilities; 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 swaps, FX forwards and credit default swaps.
- Securities financing transactions such as repos and reverse repos; and securities borrowing and lending/financing.

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. RHB Investment Bank Group monitors counterparties' positions and promptly escalates any shortfall in the threshold levels to the relevant parties for next course of action.

6.5 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 2023 compared with 31 December 2022, 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.

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 2023

RHB Investment Bank Group Exposure Class	Gross Exposures/EAD Before CRM	Net Exposures/EAD After CRM	Risk-Weighted Assets	Minimum Capital Requirement
	RM'000	RM'000	RM'000	RM'000
Exposures under the Standardised Approach				
On-Balance Sheet Exposures				
Sovereigns & Central Banks	**1,633,621**	**1,633,621**	**4,501**	**360**
Public Sector Entities	**140,133**	**140,133**	**-**	**-**
Banks, Development Financial Institutions & MDBs	**1,724,389**	**1,724,389**	**424,046**	**33,924**
Insurance Cos, Securities Firms & Fund Managers	**35,202**	**35,202**	**35,202**	**2,816**
Corporates	**1,433,458**	**277,419**	**33,207**	**2,656**
Regulatory Retail	**719,049**	**17,211**	**12,908**	**1,033**
Residential Mortgages	**204**	**204**	**71**	**6**
Higher Risk Assets	**735,836**	**735,836**	**1,103,754**	**88,300**
Other Assets	**1,358,565**	**1,358,565**	**331,858**	**26,549**
Equity Exposures	**73,857**	**73,857**	**73,857**	**5,908**
Defaulted Exposures	**-**	**-**	**-**	**-**
Total On-Balance Sheet Exposures	**7,854,314**	**5,996,437**	**2,019,404**	**161,552**
Off-Balance Sheet Exposures				
OTC Derivatives	**5,633**	**5,633**	**1,127**	**90**
Off-balance sheet exposures other than OTC derivatives or credit derivatives	**660,627**	**57,000**	**40,482**	**3,239**
Defaulted Exposures	**-**	**-**	**-**	**-**
Total Off-Balance Sheet Exposures	**666,260**	**62,633**	**41,609**	**3,329**
Total On and Off-Balance Sheet Exposures	**8,520,574**	**6,059,070**	**2,061,013**	**164,881**

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 2022

RHB Investment Bank Group Exposure Class	Gross Exposures/EAD Before CRM	Net Exposures/EAD After CRM	Risk-Weighted Assets	Minimum Capital Requirement
	RM'000	RM'000	RM'000	RM'000
Exposures under the Standardised Approach				
On-Balance Sheet Exposures				
Sovereigns & Central Banks	1,848,458	1,848,458	4,281	342
Public Sector Entities	151,203	151,203	-	-
Banks, Development Financial Institutions & MDBs	1,772,120	1,772,120	444,923	35,594
Insurance Cos, Securities Firms & Fund Managers	44,322	44,322	44,322	3,546
Corporates	1,545,149	355,023	12,836	1,027
Regulatory Retail	681,415	15,160	11,369	910
Residential Mortgages	237	237	83	7
Higher Risk Assets	689,771	689,771	1,034,656	82,772
Other Assets	921,879	921,879	349,314	27,945
Equity Exposures	104,266	104,266	104,266	8,341
Defaulted Exposures	-	-	-	-
Total On-Balance Sheet Exposures	7,758,820	5,902,439	2,006,050	160,484
Off-Balance Sheet Exposures				
OTC Derivatives	2,119	2,119	424	34
Off-balance sheet exposures other than OTC derivatives or credit derivatives	1,105,716	119,540	26,473	2,118
Defaulted Exposures	-	-	-	-
Total Off-Balance Sheet Exposures	1,107,835	121,659	26,897	2,152
Total On and Off-Balance Sheet Exposures	8,866,655	6,024,098	2,032,947	162,636

Table 6a: Exposures on Off-Balance Sheet and Counterparty Credit Risk (Before Credit Risk Mitigation) as at 31 December 2023

RHB Investment Bank Group Nature of Item	Principal/ Notional Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk-Weighted Assets
	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	**33,166**		**33,166**	**33,166**
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo style transactions	**388,783**		**388,783**	**3,840**
Foreign exchange related contracts	**28,472**	**20**	**20**	**4**
1 year or less	**28,472**	**20**	**20**	**4**
Over 1 year to 5 years	**-**	**-**	**-**	**-**
Over 5 years	**-**	**-**	**-**	**-**
Interest rate related contracts	**-**	**-**	**-**	**-**
1 year or less	**-**	**-**	**-**	**-**
Over 1 year to 5 years	**-**	**-**	**-**	**-**
Over 5 years	**-**	**-**	**-**	**-**
Equity related contracts	**200**	**5,600**	**5,613**	**1,123**
1 year or less	**200**	**5,600**	**5,613**	**1,123**
Over 1 year to 5 years	**-**	**-**	**-**	**-**
Over 5 years	**-**	**-**	**-**	**-**
Other commitments, such as formal standby facilities and credit lines, with original maturity of over 1 year	**22**		**11**	**7**
Other commitments, such as formal standby facilities and credit lines, with original maturity of up to 1 year	**1,193,334**		**238,667**	**3,469**
Total	**1,643,977**	**5,620**	**666,260**	**41,609**

Table 6b: Exposures on Off-Balance Sheet and Counterparty Credit Risk (Before Credit Risk Mitigation) as at 31 December 2022

RHB Investment Bank Group Nature of Item	Principal/ Notional Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk-Weighted Assets
	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	-		-	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo style transactions	904,157		904,157	22,975
Foreign exchange related contracts	106,289	45	1,043	209
1 year or less	106,289	45	1,043	209
Over 1 year to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Interest rate related contracts	160,000	670	1,069	214
1 year or less	160,000	670	1,069	214
Over 1 year to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Equity related contracts	110	-	7	1
1 year or less	110	-	7	1
Over 1 year to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with original maturity of over 1 year	22		11	8
Other commitments, such as formal standby facilities and credit lines, with original maturity of up to 1 year	1,007,743		201,548	3,490
Total	2,178,321	715	1,107,835	26,897

Table 7a: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31 December 2023

RHB Investment Bank Group

Exposure Class	Malaysia	Singapore	Hong Kong	Indonesia	Thailand	Cambodia	Vietnam	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Exposures under Standardised Approach								
Sovereigns & Central Banks	**1,629,120**	**-**	**-**	**-**	**-**	**4,501**	**-**	**1,633,621**
Public Sector Entities	**140,133**	**-**	**-**	**-**	**-**	**-**	**-**	**140,133**
Banks, Development Financial Institutions & MDBs	**1,976,292**	**13,086**	**678**	**49,911**	**18,752**	**46,450**	**13,636**	**2,118,805**
Insurance Cos, Securities Firms & Fund Managers	**35,202**	**-**	**-**	**-**	**-**	**-**	**-**	**35,202**
Corporates	**1,199,260**	**-**	**-**	**97,651**	**260,191**	**-**	**-**	**1,557,102**
Regulatory Retail	**721,627**	**-**	**-**	**71,582**	**55,159**	**-**	**18,880**	**867,248**
Residential Mortgages	**205**	**-**	**-**	**-**	**-**	**-**	**-**	**205**
Higher Risk Assets	**733,330**	**-**	**-**	**2,240**	**266**	**-**	**-**	**735,836**
Other Assets	**1,207,280**	**2,865**	**124**	**79,600**	**61,402**	**2,661**	**4,633**	**1,358,565**
Total	**7,642,449**	**15,951**	**802**	**300,984**	**395,770**	**53,612**	**37,149**	**8,446,717**

Table 7b: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31 December 2022

RHB Investment Bank Group

Exposure Class	Malaysia	Singapore	Hong Kong	Indonesia	Thailand	Cambodia	Vietnam	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Exposures under Standardised Approach								
Sovereigns & Central Banks	1,844,177	-	-	-	-	4,281	-	1,848,458
Public Sector Entities	151,203	-	-	-	-	-	-	151,203
Banks, Development Financial Institutions & MDBs	2,501,928	13,755	678	82,766	15,895	43,906	19,468	2,678,396
Insurance Cos, Securities Firms & Fund Managers	44,322	-	-	-	-	-	-	44,322
Corporates	1,227,349	-	-	59,322	329,288	-	-	1,615,959
Regulatory Retail	639,771	-	-	86,153	67,188	-	19,051	812,163
Residential Mortgages	238	-	-	-	-	-	-	238
Higher Risk Assets	689,480	-	-	38	253	-	-	689,771
Other Assets	765,196	4,330	124	55,365	89,432	3,160	4,272	921,879
Total	7,863,664	18,085	802	283,644	502,056	51,347	42,791	8,762,389

Note: This table excludes equity exposures

RHB INVESTMENT BANK GROUP
BASEL II PILLAR 3 DISCLOSURES AS AT 31 DECEMBER 2023

Table 8a: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2023

RHB Investment Bank Group

Exposure Class	Agriculture	Mining & Quarrying	Manufacturing	Electricity, Gas & Water Supply	Construction	Wholesale, Retail Trade, Restaurants & Hotels	Transport, Storage & Communication	Finance, Insurance, Real Estate & Business	Education, Health & Others	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Exposures under Standardised Approach												
Sovereigns & Central Banks	-	-	-	-	-	-	-	939,435	694,186	-	-	1,633,621
Public Sector Entities	-	-	-	-	-	-	-	-	140,133	-	-	140,133
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	2,118,805	-	-	-	2,118,805
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	35,202	-	-	-	35,202
Corporates	4,353	76	31,570	26,995	37,022	30,672	128,850	607,002	2,499	688,063	-	1,557,102
Regulatory Retail	-	-	-	-	-	-	-	-	-	867,248	-	867,248
Residential Mortgages	-	-	-	-	-	-	-	-	-	205	-	205
Higher Risk Assets	-	-	-	-	-	-	-	735,836	-	-	-	735,836
Other Assets	-	-	-	-	-	-	-	249,686	-	1,653	1,107,226	1,358,565
Total	4,353	76	31,570	26,995	37,022	30,672	128,850	4,685,966	836,818	1,557,169	1,107,226	8,446,717

Table 8b: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2022

RHB Investment Bank Group

Exposure Class	Agriculture	Mining & Quarrying	Manufacturing	Electricity, Gas & Water Supply	Construction	Wholesale, Retail Trade, Restaurants & Hotels	Transport, Storage & Communication	Finance, Insurance, Real Estate & Business	Education, Health & Others	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Exposures under Standardised Approach												
Sovereigns & Central Banks	-	-	-	-	-	-	-	1,145,562	702,896	-	-	1,848,458
Public Sector Entities	-	-	-	-	-	-	-	-	151,203	-	-	151,203
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	2,678,396	-	-	-	2,678,396
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	44,322	-	-	-	44,322
Corporates	591	76	5,318	35,437	3,700	45,279	89,237	794,567	2,499	639,255	-	1,615,959
Regulatory Retail	-	-	-	-	-	-	-	-	-	812,163	-	812,163
Residential Mortgages	-	-	-	-	-	-	-	-	-	238	-	238
Higher Risk Assets	-	-	-	-	-	-	-	689,771	-	-	-	689,771
Other Assets	-	-	-	-	-	-	-	209,736	-	1,876	710,267	921,879
Total	591	76	5,318	35,437	3,700	45,279	89,237	5,562,354	856,598	1,453,532	710,267	8,762,389

Note: This table excludes equity exposures

Table 9a: Credit Risk Exposures (Before Credit Risk Mitigation) by Remaining Maturity as at 31 December 2023

RHB Investment Bank Group Exposure Class	One Year or Less	More Than One to Five Years	Over Five Years	Total
	RM'000	RM'000	RM'000	RM'000
Exposures under Standardised Approach				
Sovereigns & Central Banks	**881,234**	**554,373**	**198,014**	**1,633,621**
Public Sector Entities	**50,975**	**69,188**	**19,970**	**140,133**
Banks, Development Financial Institutions & MDBs	**1,851,525**	**-**	**267,280**	**2,118,805**
Insurance Cos, Securities Firms & Fund Managers	**35,202**	**-**	**-**	**35,202**
Corporates	**1,269,571**	**111,637**	**175,894**	**1,557,102**
Regulatory Retail	**867,223**	**1**	**24**	**867,248**
Residential Mortgages	**-**	**59**	**146**	**205**
Higher Risk Assets	**266**	**-**	**735,570**	**735,836**
Other Assets	**1,169,566**	**-**	**188,999**	**1,358,565**
Total	**6,125,562**	**735,258**	**1,585,897**	**8,446,717**

Table 9b: Credit Risk Exposures (Before Credit Risk Mitigation) by Remaining Maturity as at 31 December 2022 (Restated)

RHB Investment Bank Group Exposure Class	One Year or Less	More Than One to Five Years	Over Five Years	Total
	RM'000	RM'000	RM'000	RM'000
Exposures under Standardised Approach				
Sovereigns & Central Banks	1,171,818	474,428	202,212	1,848,458
Public Sector Entities	20,336	92,128	38,739	151,203
Banks, Development Financial Institutions & MDBs	2,372,915	-	305,481	2,678,396
Insurance Cos, Securities Firms & Fund Managers	44,322	-	-	44,322
Corporates	1,462,303	78,194	75,462	1,615,959
Regulatory Retail	812,135	-	28	812,163
Residential Mortgages	-	12	226	238
Higher Risk Assets	253	-	689,518	689,771
Other Assets	698,798	-	223,081	921,879
Total	6,582,880	644,762	1,534,747	8,762,389

Note: This table excludes equity exposures

Standardised Approach for Other Portfolios

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 Investment 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 2023

RHB Investment Bank Group Exposure Class	Sovereigns & Central Banks	Public Sector Entities	Banks, Development Financial Institutions & MDBs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity Exposures	Total Exposures After Credit Risk Mitigation	Total Risk-Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Supervisory Risk Weights (%)												
0%	1,629,120	140,133	-	-	231,450	-	-	-	826,958	-	2,827,661	-
20%	-	-	1,585,470	-	-	-	-	-	249,686	-	1,835,156	367,031
35%	-	-	-	-	-	-	205	-	-	-	205	72
50%	-	-	103,664	-	25,523	-	-	-	-	-	129,187	64,593
75%	-	-	-	-	-	21,846	-	-	-	-	21,846	16,384
100%	4,501	-	60,086	35,202	53,612	-	-	-	281,921	73,857	509,179	509,179
150%	-	-	-	-	-	-	-	735,836	-	-	735,836	1,103,754
Total Exposures	1,633,621	140,133	1,749,220	35,202	310,585	21,846	205	735,836	1,358,565	73,857	6,059,070	2,061,013

Table 10b: Portfolios under the Standardised Approach by Risk Weights as at 31 December 2022

RHB Investment Bank Group Exposure Class	Sovereigns & Central Banks	Public Sector Entities	Banks, Development Financial Institutions & MDBs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity Exposures	Total Exposures After Credit Risk Mitigation	Total Risk-Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Supervisory Risk Weights (%)												
0%	1,844,177	151,203	-	-	342,187	-	-	-	410,402	-	2,747,969	-
20%	-	-	1,693,077	-	-	-	-	-	202,704	-	1,895,781	379,156
35%	-	-	-	-	-	-	238	-	-	-	238	83
50%	-	-	132,664	-	-	-	-	-	-	-	132,664	66,332
75%	-	-	-	-	-	19,823	-	-	-	-	19,823	14,867
100%	4,281	-	63,374	44,322	12,836	-	-	-	308,773	104,266	537,852	537,852
150%	-	-	-	-	-	-	-	689,771	-	-	689,771	1,034,657
Total Exposures	1,848,458	151,203	1,889,115	44,322	355,023	19,823	238	689,771	921,879	104,266	6,024,098	2,032,947

6.6 Use of External Ratings

For sovereigns, corporate and banking institutions, external ratings from approved external credit assessment institutions (ECAIs), where available, are used to calculate the risk-weighted assets and regulatory capital.

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 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 RHB Investment Bank Group's credit exposures for 31 December 2023 compared with 31 December 2022, according to the ratings by ECAIs:

Table 11a: Rated Exposures According to Ratings by External Credit Assessment Institutions (ECAIs) as at 31 December 2023

RHB Investment 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
Exposure Class	R&I	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Public Sector Entities		-	-	-	-	140,133
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	35,202
Corporates		-	25,523	-	-	285,062

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
Exposure Class	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Sovereigns & Central Banks		-	1,629,120	-	4,501	-	-

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
Exposure Class	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Banks, Development Financial Institutions & MDBs		1,562,302	41,598	3	-	-	145,317

Table 11b: Rated Exposures According to Ratings by External Credit Assessment Institutions (ECAIs) as at 31 December 2022

RHB Investment 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**
Exposure Class	**R&I**	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures						
Public Sector Entities		-	-	-	-	151,203
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	44,322
Corporates		35,141	-	-	-	319,882

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**
Exposure Class	**R&I**	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to C**	**Unrated**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures							
Sovereigns & Central Banks		-	1,844,177	-	4,281	-	-

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**
Exposure Class	**R&I**	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to C**	**Unrated**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures							
Banks, Development Financial Institutions & MDBs		1,670,167	39,985	3	-	-	178,960

The following tables show the credit risk mitigation of portfolios under the Standardised Approach as at 31 December 2023 compared with 31 December 2022:

Table 12a: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2023

RHB Investment Bank Group Exposure Class	Gross Exposures Before Credit Risk Mitigation	Gross Exposures Covered by Guarantees/ Credit Derivatives	Gross Exposures Covered by Eligible Financial Collateral
	RM'000	RM'000	RM'000
On-Balance Sheet Exposures			
Sovereigns & Central Banks	**1,633,621**	**-**	**-**
Public Sector Entities	**140,133**	**140,133**	**-**
Banks, Development Financial Institutions & MDBs	**1,724,389**	**-**	**-**
Insurance Cos, Securities Firms & Fund Managers	**35,202**	**-**	**-**
Corporates	**1,433,458**	**231,450**	**1,156,039**
Regulatory Retail	**719,049**	**-**	**701,838**
Residential Mortgages	**204**	**-**	**-**
Higher Risk Assets	**735,836**	**-**	**-**
Other Assets	**1,358,565**	**-**	**-**
Equity Exposures	**73,857**	**-**	**-**
Defaulted Exposures	**-**	**-**	**-**
Total On-Balance Sheet Exposures	**7,854,314**	**371,583**	**1,857,877**
Off-Balance Sheet Exposures			
OTC Derivatives	**5,633**	**-**	**-**
Off-balance sheet exposures other than OTC derivatives or credit derivatives	**660,627**	**-**	**603,627**
Defaulted Exposures	**-**	**-**	**-**
Total Off-Balance Sheet Exposures	**666,260**	**-**	**603,627**
Total On and Off-Balance Sheet Exposures	**8,520,574**	**371,583**	**2,461,504**

Table 12b: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2022

RHB Investment Bank Group Exposure Class	Gross Exposures Before Credit Risk Mitigation	Gross Exposures Covered by Guarantees/ Credit Derivatives	Gross Exposures Covered by Eligible Financial Collateral
	RM'000	RM'000	RM'000
On-Balance Sheet Exposures			
Sovereigns & Central Banks	1,848,458	-	-
Public Sector Entities	151,203	151,203	-
Banks, Development Financial Institutions & MDBs	1,772,120	-	-
Insurance Cos, Securities Firms & Fund Managers	44,322	-	-
Corporates	1,545,149	342,187	1,190,126
Regulatory Retail	681,415	-	666,255
Residential Mortgages	237	-	-
Higher Risk Assets	689,771	-	-
Other Assets	921,879	-	-
Equity Exposures	104,266	-	-
Defaulted Exposures	-	-	-
Total On-Balance Sheet Exposures	7,758,820	493,390	1,856,381
Off-Balance Sheet Exposures			
OTC Derivatives	2,119	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	1,105,716	-	986,176
Defaulted Exposures	-	-	-
Total Off-Balance Sheet Exposures	1,107,835	-	986,176
Total On and Off-Balance Sheet Exposures	8,866,655	493,390	2,842,557

6.7 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. As part of RHB Banking Group, RHB Investment Bank Group adopts the Group's policy and guidelines on impairment allowances, where relevant.

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 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 cashflows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL will be recognised.

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

The assessment of significant deterioration in credit risk since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition. The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The measurement of ECL is based on the discounted products of the 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 MFRS 9 requirements.

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 Provisions

Borrowers/customers under individual assessment and triggered either by any one MSTs, both AST 1 and AST 4, or any three 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 Write Back of Impairment Provision

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 RHB Investment Bank 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. For borrower with R&R facilities, when the borrower has complied with the revised repayment terms under cooling period requirement.
5. When the margin account's equity exceeds 130% of the outstanding balance, as determined in accordance with Chapter 7 Rule 7.30 of Bursa Malaysia Securities Berhad at the end of the calendar month of that occurring.

Write-Off of Impaired Loans/Financing

The policy of writing off impaired loans/ financial assets is intended to provide a timely and consistent methodology for loans/ financial assets to be written off, and to reflect the true value of assets in the books of the Bank.

1. All impaired loans/ financial assets which are deemed irrecoverable, worthless, slim in prospect of recovery, or under approved composite settlement schemes, may be recommended for write off.
2. Accelerated write off based on time based approach is allowed for Retail and programmed lending impaired loans/ financial assets.
3. Partial write-offs of impaired loans/ financial assets is permitted for the shortfall portion in outstanding balance over the security value which is uncollectible and worthless; and the Bank is in the final stage of realising the security/collateral; or in the case of approved settlement arrangement, the waiver portion.

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The following tables show RHB Investment Bank Group's impaired and past due loans, allowance for credit losses, charges/(write back) and write-offs for loans impairment by industry sector as at 31 December 2023 compared with 31 December 2022:

Table 13a: Impaired and Past Due Loans and Allowance for Credit Losses by Industry Sector as at 31 December 2023

RHB Investment Bank Group **Industry Sector**	**Impaired Loans and Advances**	**Past Due Loans**	**Allowance For Credit Losses**
	RM'000	**RM'000**	**RM'000**
Agriculture	**-**	**-**	**-**
Mining & Quarrying	**-**	**-**	**-**
Manufacturing	**-**	**-**	**-**
Electricity, Gas & Water Supply	**-**	**-**	**-**
Construction	**-**	**-**	**-**
Wholesale, Retail Trade, Restaurants & Hotels	**-**	**-**	**-**
Transport, Storage & Communication	**-**	**-**	**-**
Finance, Insurance, Real Estate & Business	**-**	**-**	**-**
Education, Health & Others	**-**	**-**	**-**
Household	**-**	**-**	**1**
Others	**-**	**-**	**-**
Total	**-**	**-**	**1**

Table 13b: Impaired and Past Due Loans and Allowance for Credit Losses by Industry Sector as at 31 December 2022

RHB Investment Bank Group **Industry Sector**	**Impaired Loans and Advances**	**Past Due Loans**	**Allowance For Credit Losses**
	RM'000	**RM'000**	**RM'000**
Agriculture	-	-	-
Mining & Quarrying	-	-	-
Manufacturing	-	-	-
Electricity, Gas & Water Supply	-	-	-
Construction	-	-	-
Wholesale, Retail Trade, Restaurants & Hotels	-	-	-
Transport, Storage & Communication	-	-	-
Finance, Insurance, Real Estate & Business	-	-	-
Education, Health & Others	-	-	-
Household	11,713	-	11,714
Others	-	-	-
Total	11,713	-	11,714

Table 14: Net Charges/(Write back) and Write-Offs for Impairment by Industry Sector

RHB Investment Bank Group	**Twelve Months Period Ended 2023**		**Twelve Months Period Ended 2022**	
Industry Sector	**Net Charges/ (Write back) for Lifetime ECL Credit Impaired (Stage 3)**	**Write-Offs for Lifetime ECL Credit Impaired (Stage 3)**	**Net Charges/ (Write back) for Lifetime ECL Credit Impaired (Stage 3)**	**Write-Offs for Lifetime ECL Credit Impaired (Stage 3)**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Agriculture	**-**	**-**	-	-
Mining & Quarrying	**-**	**-**	-	-
Manufacturing	**-**	**-**	-	-
Electricity, Gas & Water Supply	**-**	**-**	-	-
Construction	**-**	**-**	-	-
Wholesale, Retail Trade, Restaurants & Hotels	**-**	**-**	-	-
Transport, Storage & Communication	**-**	**-**	-	-
Finance, Insurance, Real Estate & Business	**-**	**-**	-	-
Education, Health & Others	**-**	**-**	-	-
Household	**-**	**(12,465)**	-	-
Others	**-**	**-**	-	-
Total	**-**	**(12,465)**	-	-

The following tables show RHB Investment Bank Group's impaired and past due loans, allowance for credit losses by geographical distribution and movement in loans allowance for credit losses as at 31 December 2023 compared with 31 December 2022:

Table 15a: Impaired and Past Due Loans and Allowance for Credit Losses by Geographical Distribution as at 31 December 2023

RHB Investment Bank Group Geographical Distribution	Impaired Loans and Advances	Past Due Loans	Allowance For Credit Losses
	RM'000	RM'000	RM'000
Malaysia	**-**	**-**	**1**
Singapore	**-**	**-**	**-**
Hong Kong	**-**	**-**	**-**
Indonesia	**-**	**-**	**-**
Thailand	**-**	**-**	**-**
Total	**-**	**-**	**1**

Table 15b: Impaired and Past Due Loans and Allowance for Credit Losses by Geographical Distribution as at 31 December 2022

RHB Investment Bank Group Geographical Distribution	Impaired Loans and Advances	Past Due Loans	Allowance For Credit Losses
	RM'000	RM'000	RM'000
Malaysia	-	-	1
Singapore	-	-	-
Hong Kong	-	-	-
Indonesia	-	-	-
Thailand	11,713	-	11,713
Total	11,713	-	11,714

Table 16a: Movement in Loans Allowance for Credit Losses as at 31 December 2023

RHB Investment Bank Group	12-month ECL (Stage 1)	Lifetime ECL Not Credit Impaired (Stage 2)	Lifetime ECL Credit Impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of financial year	**1**	**-**	**11,713**	**11,714**
Bad debts written off	**-**	**-**	**(12,465)**	**(12,465)**
Exchange differences and other movements	**-**	**-**	**752**	**752**
Balance as at the end of financial year	**1**	**-**	**-**	**1**

Table 16b: Movement in Loans Allowance for Credit Losses as at 31 December 2022

RHB Investment Bank Group	12-month ECL (Stage 1)	Lifetime ECL Not Credit Impaired (Stage 2)	Lifetime ECL Credit Impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of financial year	1	-	10,983	10,984
Bad debts written off	-	-	-	-
Exchange differences and other movements	-	-	730	730
Balance as at the end of financial year	1	**-**	11,713	11,714

7.0 MARKET RISK

Market risk is the risk of losses arising from adverse movements in market indicators, such as interest rates, credit spreads, equity prices, currency exchange rates and commodity prices. Under this definition, market risk will constitute:

- the interest 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.

RHB Investment Bank 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 ALCO 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 RHB Investment Bank Group's market risk strategy, market risk management structure and the policies as well as measurement techniques to be put in place.

RHB Investment Bank Group has an 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

RHB Investment Bank 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.

RHB Investment Bank 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, RHB Investment Bank 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 RHB Investment Bank 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.

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 Investment Bank Group and RHB Investment Bank as at 31 December 2023 and 31 December 2022 are shown in the tables below:

Table 17a: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2023

RHB Investment Bank Group

Market Risk	Long Position	Short Position	Risk-Weighted Assets	Minimum Capital Requirements
	RM'000	RM'000	RM'000	RM'000
Interest Rate Risk	**30,584**	**10,376**	**8,986**	**719**
Equity Position Risk	**199,933**	**180,686**	**93,013**	**7,441**
Foreign Currency Risk	**98,844**	**1,007**	**98,844**	**7,907**
Options Risk	**32,025**	**137,454**	**81,248**	**6,500**
Total			**282,091**	**22,567**

RHB Investment Bank

Market Risk	Long Position	Short Position	Risk-Weighted Assets	Minimum Capital Requirements
	RM'000	RM'000	RM'000	RM'000
Interest Rate Risk	**14,571**	**10,376**	**4,143**	**331**
Equity Position Risk	**132,267**	**129,438**	**33,169**	**2,654**
Foreign Currency Risk	**67,810**	**1,007**	**67,810**	**5,425**
Options Risk	-	**129,438**	**50,462**	**4,037**
Total			**155,584**	**12,447**

Table 17b: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2022

RHB Investment Bank Group

Market Risk	Long Position	Short Position	Risk-Weighted Assets	Minimum Capital Requirements
	RM'000	RM'000	RM'000	RM'000
Interest Rate Risk	75,313	78,293	3,408	273
Equity Position Risk	71,660	46,157	105,362	8,429
Foreign Currency Risk	182,440	698	182,440	14,595
Options Risk	29,536	46,157	77,054	6,164
Total			368,264	29,461

RHB Investment Bank

Market Risk	Long Position	Short Position	Risk-Weighted Assets	Minimum Capital Requirements
	RM'000	RM'000	RM'000	RM'000
Interest 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:
1. As at 31 December 2023 and 31 December 2022, RHB Investment Bank Group and RHB Investment Bank did not have any exposures under Commodity or Inventory Risk.
2. For the Equity Position risk, the position is computed based on net long and net short position.

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.

RHB Investment Bank 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 books.

For regulatory capital purpose, RHB Investment Bank Group adopts the Standardised Approach to calculate the risk-weighted exposures. The risk-weighted assets of equity investments of RHB Investment Bank Group as at 31 December 2023 and 31 December 2022 are shown in the tables below:

Table 18: Equity Exposures in the Banking Book

RHB Investment Bank Group	**Gross Credit Exposures**		**Risk-Weighted Assets**	
Equity Type	**2023**	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Publicly traded				
Investment in unit trust funds	**27,798**	41,054	**27,798**	41,054
Holdings of equity investments	**5,535**	24,695	**5,535**	24,695
Privately held				
For socio economic purposes	**40,524**	38,517	**40,524**	38,517
For non socio economic purposes	**735,836**	689,771	**1,103,754**	1,034,656
Total	**809,693**	794,037	**1,177,611**	1,138,922

	2023	**2022**
	RM'000	**RM'000**
Cumulative Realised (Loss)/Gains from Sale and Liquidations	**(47)**	(535)
Total Net Unrealised Gains	**309,358**	251,059

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 fundamental role of financial institutions in the maturity transformation of short-term deposits into long-term loans makes financial institutions inherently vulnerable to liquidity risk, both of institution-specific nature and that which affects financial markets as a whole. Guided by the Group's Liquidity Risk Policy, the Group manages the funding and market liquidity risk to ensure that banking operations continue to be uninterrupted under normal and stressed conditions. The key principles in Group's Liquidity Risk Policy includes maintaining financial market confidence at all times, protecting key stakeholders' interests and meeting regulatory liquidity requirements.

In addition, the Group's Liquidity Incident Management Plan Guideline stipulates guidance on managing liquidity crisis. Early warning indicators and triggers are identified, assessed and monitored to guard off adverse liquidity event. The corresponding remedial action plan is documented with clear roles and responsibilities from relevant business and functional units (including overseas operations). The escalation processes are defined to facilitate orderly and timely execution of liquidity management plans.

Group Asset and Liability Management (Group ALM) undertakes the responsibility of liquidity risk management, which involves establishing liquidity management policies and risk limits, identify and monitor risk exposures perform stress testing, establish and review contingency funding plans. These processes are carried out regularly to ensure that they remain relevant in prevailing market conditions. Key liquidity risk ratio/measurement includes but not limited to Liquidity Coverage Ratio (LCR), Net Stable Funding Ration (NSFR), Top Depositor concentration ratio, Liquidity Crisis Trigger and available contingency funding sources.

The Group adopts and adheres to BNM liquidity standards on LCR (ensuring maintenance of adequate stock of unencumbered high quality liquid assets to survive the liquidity needs for 30 calendar day under liquidity stress condition) and NSFR (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 regulatory limit of 100%.

The Group ALCO supports the board committees by performing the critical role in oversight of balance sheet risk, liquidity risk, and market risk. Group ALCO meets regularly to review and assess potential risk arising from interest rate/rate of return risk in banking book, liquidity and market risk, deliberate business strategies and risk mitigation plans on the back of prevailing market condition and business landscape. In addition, Group ALCO reviews and approves interest/profit rates for liabilities products as well as reference rates for financing products and services.

10.0 INTEREST RATE RISK IN THE BANKING BOOK

Interest rate 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. 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 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 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 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 some banking book products (e.g. Mortgage/home financing products which allow early prepayment without penalty. All deposit which allows customers to withdraw its deposit at any time).

Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) are used to assess interest rate risk in the banking book. They are computed based on the re-pricing gap profile of the banking book in accordance to BNM reporting requirement. Assets and liabilities are bucketed based on their remaining maturity or next re-price dates.

EaR measures the impact of interest/benchmark rate on earnings of the bank, over a one-year horizon. Interest rate shock scenarios are determined based on balance sheet structure and repricing gap of the bank/reporting entity to assess the adverse impact to earnings. EVE measures the impact of interest/benchmark rates changes on the value of net cash flows (covering assets, liabilities and off-balance sheet positions) over the total capital of the bank. It is a long term economic measure in assessing the degree of interest rate exposure in relation to the total capital of the bank.

Guided by Group Interest Rate Risk/Rate of Return Risk in the Banking Book Policy, Group Asset and Liability Management (Group ALM) manages interest rate/rate of return risk in banking book in adherence to established governance structure and process. Monthly EaR and EVE are measured, controlled and monitored against risk limits set. These are supplemented with projections to assess potential risk arising from changes in balance sheet structure and market environment. In addition, assessment of EaR and EVE are performed based on stressed scenarios on a regular basis. The Group evaluates the level of capital that it should hold, to ensure it is sufficient to cover interest rate/rate of return risk in banking book. This is performed via internal capital assessment based on internal methodologies.

The Group ALCO supports the board committees by performing the critical role in oversight of balance sheet risk, liquidity risk and market risk. Group ALCO meets regularly to review and assess potential risk arising from interest rate/rate of return risk in banking book, liquidity and market risk, deliberate business strategies and risk mitigation plans on the back of prevailing market condition and business landscape.

The impact of changes in interest rates to net earnings and economic value as at 31 December 2023 and 31 December 2022 are shown in the following tables:

Table 19a: Interest Rate Risk in the Banking Book as at 31 December 2023

RHB Investment 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	Impact based on -100 basis points	Impact based on +100 basis points	Impact based on -100 basis points
	RM'000	RM'000	RM'000	RM'000
MYR - Malaysian Ringgit	**(1,115)**	**1,115**	**(37,727)**	**37,727**
USD - US Dollar	**(3,188)**	**3,188**	**186**	**(186)**
Others[1]	**2,292**	**(2,292)**	**(2,499)**	**2,499**
Total	**(2,011)**	**2,011**	**(40,040)**	**40,040**

Table 19b: Interest Rate Risk in the Banking Book as at 31 December 2022

RHB Investment 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	Impact based on -100 basis points	Impact based on +100 basis points	Impact based on -100 basis points
	RM'000	RM'000	RM'000	RM'000
MYR - Malaysian Ringgit	3,666	(3,666)	(30,419)	30,419
USD - US Dollar	(3,675)	3,675	286	(286)
Others[1]	2,803	(2,803)	(2,425)	2,425
Total	2,794	(2,794)	(32,558)	32,558

Note:
1. Inclusive of GBP, EUR, SGD, etc
2. 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 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 rate change impact.
- For assets and liabilities without maturity, e.g., current and savings accounts, behavioural assumptions are applied while reporting these in the respective time-buckets..

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 may result in direct financial losses as well as indirect financial losses (e.g. loss of business and market share) due to reputational damage.

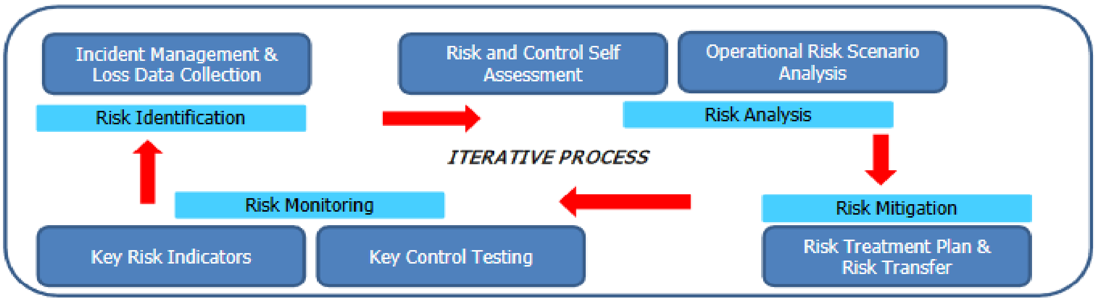
Operational Risk Management Function and Organisation

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 establishes and uses the relevant operational risk tools and methodologies to support and ensure an effective operational risk management processes.



- Incident Management and Data Collection – a process to report and record all operational risk incidents;
- Risk and Control Self-Assessment – a methodology to build risk profile for each business/ function;
- Operational Risk Scenario Analysis – a methodology to identify plausible risk scenarios for assessment;
- Risk Treatment Plan – a register to assist business to monitor the action plans;
- Key Risk indicators – a methodology for business to track and monitor significant risk areas associated to their business/ function; and
- Key Control Testing – a methodology to assist business in performing a test on the controls to determine effectiveness.

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 (i.e. control environment, risk assessment, control activities, information and communication, and monitoring) are designed to commensurate operational risk exposures faced by the Group. The Group monitors and regularly evaluates its internal control systems to ensure that they are operating effectively and to take account of changing internal and external conditions.

- **Business Resilience and Continuity**
  To mitigate the impact of unforeseen operational risk events, the Group has on-going and actively managed Business Continuity Management (BCM) programme for its major critical business operations and activities at the Head Office, data centre, and branches' locations. There are ongoing continuous improvement initiatives to build operational resilience to ensure sustainability of critical services. The BCM programme is subject to regular testing to validate the adequacy and preparedness of all resources to support critical and essential services in the event of disruption. BCM Programme is under the responsibility of the Group Business Continuity Management Department. The Board of Directors has an oversight function through the Board Risk Committee and Group Capital and Risk Committee (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.

- **Fraud Risk Management**
  Robust fraud risk management processes to manage threats from external sources and internally, are in place guided by the Group Fraud Risk Management Policy. The Group constantly assesses and monitors fraud risk to ensure consistent organizational behavior through the development, implementation, and regular review of fraud prevention, detection, and response strategies.

- **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**
  RHB Investment Bank Group considers risk transfer by means of insurance to mitigate operational risk. RHB Investment Bank Group has a programme of insurance designed to reduce its exposure to liability and to protect its assets. Insurance / takaful arrangement is used to complement the management of operational risk and not as a substitute for a sound internal control environment.

Technology Risk

Technology Risk refers to the risk associated with the use, ownership, operation, involvement, influence and adoption of Information Technology (IT) within the Group.

RHB Investment Bank 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 were 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. Phishing simulation exercises are also carried out periodically to maintain staff vigilance and increase awareness on such social engineering cyberattacks.

New Product and Services Approval Process

The Group has established a Group Policy on Product Development & Approval and Group Guideline on Product Development & Approval 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

RHB Investment Bank 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 Investment Bank Group Bank and RHB Investment Bank as at 31 December 2023 and 31 December 2022, are shown below:

Table 20: Operational Risk-Weighted Assets and Minimum Capital Requirements

	RHB Investment Bank Group		RHB Investment Bank	
Operational Risk	**2023**	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Risk-Weighted Assets	**1,388,888**	1,602,662	**797,424**	923,914
Minimum Capital Requirements	**111,111**	128,213	**63,794**	73,913

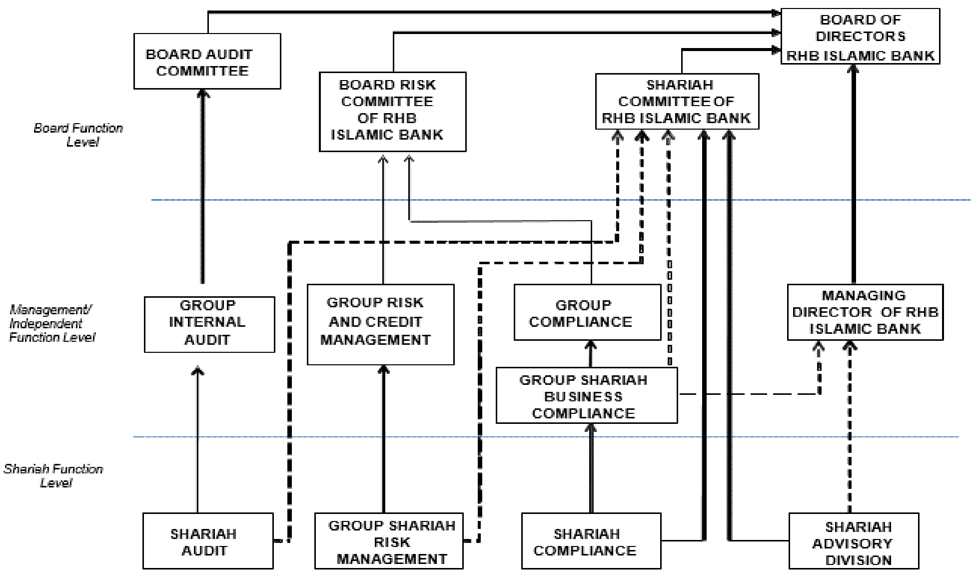
12.0 SHARIAH NON-COMPLIANCE RISK AND GOVERNANCE

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.

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.

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 an independent assessment on the adequacy and effectiveness of the Bank's internal control, risk management systems, governance processes including the overall compliance of the Bank's operations, business, affairs and activities with Shariah requirements.

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 were nil Shariah Non-Compliance events reported in 2023.

13.0 COUNTRY CROSS-BORDER RISK

Country cross-border risk is the risk that RHB Investment Bank 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.

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.

14.0 REPUTATIONAL RISK

Reputational risk is defined as the risk that negative publicity regarding the conduct of RHB Investment Bank 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 the Group Reputational Risk Management Policy which outlines the core principles to manage reputational risk.

15.0 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 words of similar expressions.

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 interest/profit rates and exchange rates, changes in regulation, and future business combinations or dispositions. As a result, RHB Investment Bank Group’s actual future results may differ materially from the plans, goals, and the expectations contained in the forward looking statements.

RHB Investment Bank Group 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.

Table 21: Glossary of Terms

BCC	Board Credit Committee
BCM	Business Continuity Management
BNM	Bank Negara Malaysia
Board	Board of Directors
CCB	Capital Conservation Buffer
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CET	Common Equity Tier
CoE	Centre of Expertise
CRM	Credit Risk Mitigation
EaR	Earnings-at-Risk
ECAIs	External Credit Assessment Institutions
EUR	Euro Dollar
EVE	Economic Value of Equity
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
ISDA	International Swaps and Derivatives Association
KCT	Key Control Testing
KRI	Key Risk Indicators
LCR	Liquidity Coverage Ratio
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 Services
MYR	Malaysian Ringgit
NSFR	Net Stable Funding Ratio
OTC	Over-the-Counter
PD	Probability of Default
R&I	Rating and Investment Information, Inc
RAM	Rating Agency Malaysia
RCSA	Risk and Control Self-Assessment
RM’000	Malaysian Ringgit in nearest thousand
RWCAF	Risk-Weighted Capital Adequacy Framework
RWA	Risk-Weighted Assets
SA	Standardised Approach
SGD	Singapore Dollar
S&P	Standard & Poor’s
USD	US Dollar
VaR	Value-at-Risk