

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	As at 31 March 2021 RM'000	As at 31 December 2020 RM'000
ASSETS			
Cash and short-term funds		4,395,364	2,262,454
Securities purchased under resale agreements	9	2,923,589	3,767,531
Deposits and placements with banks and other financial institutions	10	4,413,813	2,410,219
Financial assets at fair value through profit or loss ('FVTPL')	11	112,151	107,678
Financial assets at fair value through other comprehensive income ('FVOCI')	12	6,795,550	6,409,937
Financial investments at amortised cost	13	5,183,794	4,577,078
Financing and advances	14	68,351,414	66,788,344
Other assets	15	699,757	320,985
Derivative assets		146,027	215,979
Statutory deposits with Bank Negara Malaysia ('BNM')		35,000	12,000
Deferred tax assets		67,203	6,794
Right of use assets		4,019	4,750
Property, plant and equipment		3,591	3,944
Intangible assets		3,069	3,133
TOTAL ASSETS		93,134,341	86,890,826
LIABILITIES AND EQUITY			
Deposits from customers	16	71,324,333	60,830,175
Deposits and placements of banks and other financial institutions	17	4,178,445	7,124,095
Investment account due to designated financial institutions	18	9,190,830	8,840,858
Bills and acceptances payable		11,138	12,182
Other liabilities	19	299,393	785,816
Derivative liabilities		167,979	337,929
Recourse obligation on financing sold to Cagamas Berhad ('Cagamas')		2,030,303	3,023,760
Provision for taxation and zakat		88,695	52,548
Lease liabilities		4,311	4,840
Subordinated obligations		762,848	754,514
TOTAL LIABILITIES		88,058,275	81,766,717
Share capital		1,673,424	1,673,424
Reserves		3,402,642	3,450,685
TOTAL EQUITY		5,076,066	5,124,109
TOTAL LIABILITIES AND EQUITY		93,134,341	86,890,826
COMMITMENTS AND CONTINGENCIES	26	31,944,778	34,732,978

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2020.

RHB ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2021

	Note	Three Months Ended	
		31 March 2021	31 March 2020
		RM'000	RM'000
Income derived from investment of depositors' funds	20	716,049	733,999
Income derived from investment account funds	21	85,294	103,258
Income derived from investment of shareholders' funds	22	48,958	45,785
Net modification loss		(20,597)	-
Allowance for credit losses on financial assets	23	(31,712)	(34,878)
Total distributable income		797,992	848,164
Income attributable to depositors	24	(369,406)	(493,591)
Profit distributed to investment account holders		(66,319)	(81,797)
		362,267	272,776
Personnel expenses		(7,846)	(7,320)
Other overheads and expenditures		(99,062)	(88,379)
Profit before taxation and zakat		255,359	177,077
Taxation and zakat		(62,715)	(43,491)
Net profit for the financial period		192,644	133,586
Basic earnings per share (sen)	25	11.51	7.98

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RHB ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2021

	<u>Three Months Ended</u>	
	<u>31 March 2021</u>	<u>31 March 2020</u>
	RM'000	RM'000
Net profit for the financial period	<u>192,644</u>	<u>133,586</u>
Other comprehensive income/(loss) in respect of:		
Items that will be reclassified subsequently to profit or loss:		
Debt instruments measured at FVOCI:		
- Unrealised net loss on revaluation	(214,133)	(24,540)
- Net transfer to income statement on disposal	(36,464)	(7,524)
- Changes in expected credit losses	(30)	(376)
Income tax relating to components of other comprehensive loss	<u>60,143</u>	<u>7,695</u>
Other comprehensive loss, net of tax, for the financial period	<u>(190,484)</u>	<u>(24,745)</u>
Total comprehensive income for the financial period	<u><u>2,160</u></u>	<u><u>108,841</u></u>

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RHB ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2021

	<u>Share capital</u>	<u>Non distributable</u>		<u>Distributable</u>	
	<u>RM'000</u>	<u>FVOCI reserve</u>	<u>Regulatory reserve</u>	<u>Retained profits</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Balance as at 1 January 2021	1,673,424	226,849	327,805	2,896,031	5,124,109
Net profit for the financial period	-	-	-	192,644	192,644
Other comprehensive income/(loss):					
Debt instruments measured at FVOCI:					
- Unrealised net loss on revaluation	-	(214,133)	-	-	(214,133)
- Net transfer to income statement on disposal	-	(36,464)	-	-	(36,464)
- Changes in expected credit losses	-	(30)	-	-	(30)
Income tax relating to components of other comprehensive loss	-	60,143	-	-	60,143
Other comprehensive loss, net of tax, for the financial period	-	(190,484)	-	-	(190,484)
Total comprehensive income/(loss) for the financial period	-	(190,484)	-	192,644	2,160
Dividend paid	-	-	-	(50,203)	(50,203)
Transfer to regulatory reserve	-	-	18,770	(18,770)	-
Balance as at 31 March 2021	1,673,424	36,365	346,575	3,019,702	5,076,066

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2021

	Share capital	Non distributable		Distributable	Total
	RM'000	FVOCI reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	
Balance as at 1 January 2020	1,673,424	120,030	442,869	2,530,491	4,766,814
Net profit for the financial period	-	-	-	133,586	133,586
Other comprehensive income/(loss):					
Debt instruments measured at FVOCI:					
- Unrealised net loss on revaluation	-	(24,540)	-	-	(24,540)
- Net transfer to income statement on disposal	-	(7,524)	-	-	(7,524)
- Changes in expected credit losses	-	(376)	-	-	(376)
Income tax relating to components of other comprehensive loss	-	7,695	-	-	7,695
Other comprehensive loss, net of tax, for the financial period	-	(24,745)	-	-	(24,745)
Total comprehensive income/(loss) for the financial period	-	(24,745)	-	133,586	108,841
Dividend paid	-	-	-	(89,863)	(89,863)
Transfer from regulatory reserve	-	-	(10,782)	10,782	-
Balance as at 31 March 2020	<u>1,673,424</u>	<u>95,285</u>	<u>432,087</u>	<u>2,584,996</u>	<u>4,785,792</u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2020.

RHB ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2021

	Three months ended	
	31 March 2021	31 March 2020
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	255,359	177,077
Adjustments for non-cash items	(55,161)	(40,539)
Operating profit before changes in working capital	200,198	136,538
Changes in working capital:		
Net changes in operating assets	(3,190,824)	442,932
Net changes in operating liabilities	6,307,237	(1,198,017)
Cash generated from/(used in) operations	3,316,611	(618,547)
Profit paid	(36)	(38)
Net tax and zakat paid	(26,833)	(42,629)
Net cash generated from/(used in) operating activities	3,289,742	(661,214)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(94)	(55)
Purchase of intangible assets	(163)	(133)
Proceeds from disposal of property, plant and equipment	160	-
Net purchase of financial assets at FVOCI and financial investments at amortised cost	(1,209,529)	(183,323)
Investment income received from financial assets at FVOCI and financial investments at amortised cost	103,526	86,560
Net cash used in investing activities	(1,106,100)	(96,951)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal lease payment	(529)	(796)
Dividend paid	(50,203)	(89,863)
Net cash used in financing activities	(50,732)	(90,659)
Net increase/(decrease) in cash and cash equivalents	2,132,910	(848,824)
Cash and cash equivalents at the beginning of the financial period	2,262,454	4,052,396
Cash and cash equivalents at the end of the financial period	4,395,364	3,203,572
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds	4,395,364	3,203,572

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2020.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2021

1 BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in compliance with Malaysian Financial Reporting Standard ('MFRS') 134, 'Interim Financial Reporting' issued by Malaysian Accounting Standards Board ('MASB') and should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2020.

The accounting policies and presentation adopted by the Bank for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2020, except for the adoption of the following during the current financial period:

- (a) Accounting standards, annual improvements and amendments to MFRS which are effective and applicable for the Bank for financial period beginning on or after 1 January 2021:
- Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)
 - Amendments to MFRS 16 - COVID-19 Related Rent Concessions

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

2 AUDITORS' REPORT

The auditors' report for the financial year ended 31 December 2020 was not subject to any qualification.

3 SEASONAL OR CYCLICAL ITEMS

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

4 EXCEPTIONAL OR UNUSUAL ITEMS

There were no exceptional or unusual items for the three months ended 31 March 2021.

5 CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in prior financial years that have a material effect for the three months ended 31 March 2021.

6 CHANGES IN DEBT AND EQUITY SECURITIES

There were no issuances and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the three months ended 31 March 2021.

7 DIVIDEND PAID

During the three months ended 31 March 2021, the Bank has paid a single-tier dividend of 3.00 sen per share in respect of the financial year ended 31 December 2020, amounting to RM50,203,000 on 25 March 2021.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2021

8 INVESTMENT ACCOUNT ('IA')

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

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

IA are contracts based on the Shariah concept below:

- Mudharabah between two parties, customer and the Bank, to finance a business venture where the customer provides capital and the business venture is managed solely by the Bank. The profit of the business venture will be shared based on pre-agreed ratios with the Bank as Mudharib (manager or manager of funds), and losses shall be borne solely by customers.
- Details of the IA are as disclosed in Note 18.

9 SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	As at 31 March 2021	As at 31 December 2020
	RM'000	RM'000
At amortised cost		
Malaysian Government Investment Issues	2,923,589	3,767,531

10 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 March 2021	As at 31 December 2020
	RM'000	RM'000
Licensed Islamic banks	615,363	478,762
BNM	3,197,681	1,931,457
Other financial institutions	600,769	-
	4,413,813	2,410,219

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

	As at 31 March 2021	As at 31 December 2020
	RM'000	RM'000
Mandatory measured at fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	112,151	107,678

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FOR THE THREE MONTHS ENDED 31 MARCH 2021

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

	As at 31 March 2021	As at 31 December 2020
	RM'000	RM'000
At fair value		
Debt instruments	6,795,550	6,409,937
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	1,551,642	1,714,309
Islamic Cagamas bonds	-	10,156
Negotiable Islamic debt certificates	948,020	397,744
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	4,295,888	4,287,728
	6,795,550	6,409,937

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

	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
31 March 2021				
Balance as at the beginning of the financial period	2,001	-	-	2,001
Allowance written back during the financial period	(30)	-	-	(30)
Balance as at the end of the financial period	1,971	-	-	1,971
31 December 2020				
Balance as at the beginning of the financial year	2,395	-	-	2,395
Allowance written back during the financial year	(394)	-	-	(394)
Balance as at the end of the financial year	2,001	-	-	2,001

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2021**

13 FINANCIAL INVESTMENTS AT AMORTISED COST

	As at 31 March 2021 RM'000	As at 31 December 2020 RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	445,823	389,129
Sukuk Perumahan Kerajaan	10,126	10,031
Islamic Khazanah bonds	121,250	145,214
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	4,611,923	4,037,396
	<u>5,189,122</u>	<u>4,581,770</u>
Allowance for credit losses	(5,328)	(4,692)
	<u>5,183,794</u>	<u>4,577,078</u>

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

Gross exposure to RIA financing as at 31 March 2021 is RM1,299,992,000 (31 December 2020: RM811,775,000) and the portfolio expected credit losses for financial investments at amortised cost relating to RIA amounting to RM270,669,000 (31 December 2020: RM220,170,000) is recognised in the financial statements of RHB Bank.

(a) Movement in allowance for credit losses

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
31 March 2021				
Balance as at the beginning of the financial period	4,557	135	-	4,692
Allowance made/(written back) during the financial period	693	(57)	-	636
Balance as at the end of the financial period	<u>5,250</u>	<u>78</u>	<u>-</u>	<u>5,328</u>
31 December 2020				
Balance as at the beginning of the financial year	5,182	189	-	5,371
Allowance written back during the financial year	(625)	(54)	-	(679)
Balance as at the end of the financial year	<u>4,557</u>	<u>135</u>	<u>-</u>	<u>4,692</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2021

14 FINANCING AND ADVANCES

31 March 2021	Bai'					
	Bithaman					
At amortised cost	Ajil ('BBA')	Ijarah *	Murabahah	Musyarakah	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cashline	-	-	889,950	-	27,587	917,537
Term financing:						
- Housing financing	299,269	-	8,576,243	13,118,144	298	21,993,954
- Syndicated term financing	-	-	3,295,989	-	19,180	3,315,169
- Hire purchase receivables	-	8,726,481	-	-	61,144	8,787,625
- Other term financing	648	111,213	30,069,544	-	1,486	30,182,891
Bills receivables	-	-	223,527	-	-	223,527
Trust receipts	-	-	32,964	-	-	32,964
Claims on customers under acceptance credits	-	-	889,072	-	-	889,072
Share margin financing	-	-	1,232	-	-	1,232
Staff financing	1,481	-	9,613	-	-	11,094
Credit/charge card receivables	-	-	-	-	267,994	267,994
Revolving financing	-	-	2,258,640	-	-	2,258,640
Gross financing and advances	<u>301,398</u>	<u>8,837,694</u>	<u>46,246,774</u>	<u>13,118,144</u>	<u>377,689</u>	<u>68,881,699</u>
Fair value changes arising from fair value hedge						<u>24,108</u>
						<u>68,905,807</u>
Allowance for credit losses on financing and advances						<u>(554,393)</u>
Net financing and advances						<u><u>68,351,414</u></u>

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

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2021

14 FINANCING AND ADVANCES (CONTINUED)

31 December 2020	Bai'					
	Bithaman					
At amortised cost	Ajil ('BBA')	Ijarah *	Murabahah	Musyarakah	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cashline	-	-	825,982	-	30,384	856,366
Term financing:						
- Housing financing	310,409	-	7,775,856	13,081,273	1,905	21,169,443
- Syndicated term financing	-	-	3,048,044	-	19,181	3,067,225
- Hire purchase receivables	-	8,539,853	-	-	58,646	8,598,499
- Other term financing	670	114,631	29,459,785	-	3,419	29,578,505
Bills receivables	-	-	386,964	-	-	386,964
Trust receipts	-	-	37,079	-	-	37,079
Claims on customers under acceptance credits	-	-	764,298	-	-	764,298
Share margin financing	-	-	2,546	-	-	2,546
Staff financing	1,521	-	9,420	-	-	10,941
Credit/charge card receivables	-	-	-	-	273,966	273,966
Revolving financing	-	-	2,464,088	-	-	2,464,088
Gross financing and advances	312,600	8,654,484	44,774,062	13,081,273	387,501	67,209,920
Fair value changes arising from fair value hedge						109,684
						67,319,604
Allowance for credit losses on financing and advances						(531,260)
Net financing and advances						66,788,344

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

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2021

14 FINANCING AND ADVANCES (CONTINUED)

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

As at 31 March 2021, the gross exposure to RIA financing is RM7,771,280,000 (31 December 2020: RM7,917,534,000) and the portfolio expected credit losses for financing and advances relating to RIA amounting to RM150,328,000 (31 December 2020: RM164,445,000) is recognised in the financial statements of RHB Bank.

- (b) Included in term financing are housing financing sold to Cagamas amounting to RM1,931,819,000 (31 December 2020: RM2,896,091,000).

(i) By type of customer	As at <u>31 March 2021</u> RM'000	As at <u>31 December 2020</u> RM'000
Domestic non-bank financial institutions	2,672,045	2,664,899
Domestic business enterprises:		
- Small medium enterprises	5,724,849	5,317,492
- Others	14,097,707	13,963,090
Government and statutory bodies	6,489,638	6,447,168
Individuals	39,525,741	38,441,528
Other domestic entities	125,628	121,727
Foreign entities	246,091	254,016
	<u>68,881,699</u>	<u>67,209,920</u>
 (ii) By profit rate sensitivity		
Fixed rate:		
- Housing financing	1,481	1,521
- Hire-purchase receivables	1,511,303	1,544,122
- Other fixed rate financing	10,401,170	10,764,142
Variable rate:		
- Base financing rate-plus	37,802,551	36,457,513
- Cost-plus	18,394,853	18,247,514
- Other variable rates	770,341	195,108
	<u>68,881,699</u>	<u>67,209,920</u>
 (iii) By economic sector		
Agriculture, hunting, forestry and fishing	1,469,035	1,447,001
Mining and quarrying	233,205	114,934
Manufacturing	2,011,035	2,079,858
Electricity, gas and water	176,875	226,175
Construction	4,738,833	4,853,654
Wholesale and retail trade and restaurant and hotel	2,326,982	2,177,615
Transport, storage and communication	5,230,968	5,212,091
Finance, insurance, real estate and business services	6,115,181	5,684,002
Government and government agencies	3,473,970	3,432,112
Education, health and others	3,327,736	3,330,492
Household sector	39,737,008	38,608,107
Others	40,871	43,879
	<u>68,881,699</u>	<u>67,209,920</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2021

14 FINANCING AND ADVANCES (CONTINUED)

	As at <u>31 March 2021</u> RM'000	As at <u>31 December 2020</u> RM'000
(iv) By purpose		
Purchase of securities	5,302,064	5,288,201
Purchase of transport vehicles	8,749,205	8,556,880
Purchase of landed property:		
- Residential	20,824,702	20,007,111
- Non-residential	5,256,401	5,101,564
Purchase of property, plant and equipment other than land and building	640,216	614,675
Personal use	4,638,125	4,607,262
Credit card	267,994	273,966
Construction	1,143,994	1,117,589
Working capital	15,129,213	14,660,736
Merger and acquisition	1,314,868	1,314,861
Other purposes	5,614,917	5,667,075
	<u>68,881,699</u>	<u>67,209,920</u>
(v) By geographical distribution		
In Malaysia	<u>68,881,699</u>	<u>67,209,920</u>
(vi) By remaining contractual maturities		
Maturing within one year	6,094,127	6,082,032
One year to three years	4,202,302	4,077,510
Three years to five years	7,165,840	7,105,019
Over five years	51,419,430	49,945,359
	<u>68,881,699</u>	<u>67,209,920</u>
(vii) Impaired financing and advances		
(a) Movement in impaired financing and advances		
Balance as at the beginning of the financial period/year	435,207	466,169
Transfer to 12-month ECL (Stage 1)	(7,377)	(15,918)
Transfer to lifetime ECL not credit impaired (Stage 2)	(41,360)	(42,625)
Transfer to lifetime ECL credit impaired (Stage 3)	154,171	176,565
Purchases and origination	7,033	26,127
Derecognition	(87,454)	(104,208)
Amount written off	(14,800)	(70,664)
Modification of contractual cash flows	(11)	(239)
Balance as at the end of the financial period/year	<u>445,409</u>	<u>435,207</u>

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14 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

	<u>As at</u> <u>31 March 2021</u>	<u>As at</u> <u>31 December 2020</u>
	<u>RM'000</u>	<u>RM'000</u>
(b) By economic sector		
Agriculture, hunting, forestry and fishing	381	359
Mining and quarrying	7	13
Manufacturing	23,311	23,644
Electricity, gas and water	3,655	3,805
Construction	42,161	43,907
Wholesale and retail trade and restaurant and hotel	41,921	47,882
Transport, storage and communication	16,129	14,429
Finance, insurance, real estate and business services	40,891	33,676
Education, health and others	6,381	6,888
Household sector	270,572	260,518
Others	-	86
	<u>445,409</u>	<u>435,207</u>
(c) By purpose		
Purchase of securities	2,011	677
Purchase of transport vehicles	44,302	51,713
Purchase of landed property:		
- Residential	199,992	190,461
- Non-residential	67,863	64,686
Purchase of property, plant and equipment other than land and building	3,180	3,230
Personal use	14,478	7,485
Credit card	4,422	3,610
Working capital	76,559	78,506
Other purposes	32,602	34,839
	<u>445,409</u>	<u>435,207</u>
(d) By geographical distribution		
In Malaysia	<u>445,409</u>	<u>435,207</u>

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14 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

(e) Movement in allowance for credit losses

31 March 2021	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
Balance as at the beginning of the financial period	156,636	195,019	179,605	531,260
Changes due to financial assets recognised				
- in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	17,837	(15,423)	(2,414)	-
- Transferred to lifetime ECL not credit impaired (Stage 2)	(11,210)	25,203	(13,993)	-
- Transferred to lifetime ECL credit impaired (Stage 3)	(96)	(7,034)	7,130	-
	6,531	2,746	(9,277)	-
Allowance made/(written back) during the financial period	(11,991)	21,618	42,032	51,659
Bad debts written off	-	-	(10,086)	(10,086)
Derecognition	(800)	(5,253)	(12,387)	(18,440)
Balance as at the end of the financial period	<u>150,376</u>	<u>214,130</u>	<u>189,887</u>	<u>554,393</u>

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14 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

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

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
31 December 2020				
Balance as at the beginning of the financial year	67,562	99,609	173,882	341,053
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	29,383	(24,092)	(5,291)	-
- Transferred to lifetime ECL not credit impaired (Stage 2)	(8,766)	21,718	(12,952)	-
- Transferred to lifetime ECL credit impaired (Stage 3)	(266)	(3,841)	4,107	-
	20,351	(6,215)	(14,136)	-
Allowance made during the financial year	77,605	107,516	91,163	276,284
Bad debts written off	-	-	(41,550)	(41,550)
Derecognition	(8,882)	(5,891)	(29,754)	(44,527)
Balance as at the end of the financial year	<u>156,636</u>	<u>195,019</u>	<u>179,605</u>	<u>531,260</u>

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15 OTHER ASSETS

	As at 31 March 2021 RM'000	As at 31 December 2020 RM'000
Prepayments	28,566	27,588
Deposits	1,535	1,535
Amount due to a related company	91	-
Amount due from holding company	267,535	-
Other receivables	402,030	291,862
	699,757	320,985

16 DEPOSITS FROM CUSTOMERS

	As at 31 March 2021 RM'000	As at 31 December 2020 RM'000
<u>Savings Deposits</u>		
Qard	2,350,295	2,094,100
<u>Demand Deposits</u>		
Qard	7,896,007	5,981,871
Commodity Murabahah	2,541,039	1,464,521
<u>Term Deposits</u>		
Commodity Murabahah	50,057,564	42,962,476
<u>Specific Investment Account</u>		
Commodity Murabahah	8,462,042	8,289,588
<u>General Investment Account</u>		
Mudharabah	17,386	37,619
	71,324,333	60,830,175

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

Due within six months	40,702,221	37,638,943
Six months to one year	16,848,711	12,325,774
One year to three years	961,333	909,096
Three years to five years	24,727	415,870
	58,536,992	51,289,683

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

Government and statutory bodies	13,784,593	13,311,167
Business enterprises	30,649,777	26,275,936
Individuals	26,166,838	20,612,596
Others	723,125	630,476
	71,324,333	60,830,175

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17 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Note	As at 31 March 2021 RM'000	As at 31 December 2020 RM'000
<u>Non-Mudharabah Funds:</u>			
Licensed Islamic banks		598,069	948,447
Licensed banks		3,426,871	5,882,079
Licensed investment banks		-	149,675
BNM	(a)	130,654	121,750
		<u>4,155,594</u>	<u>7,101,951</u>
<u>Mudharabah Funds:</u>			
Other financial institutions		22,851	22,144
		<u>4,178,445</u>	<u>7,124,095</u>

(a) Included in deposits and placements by BNM is an amount received under the Government scheme as part of the COVID-19 relief measures for the purpose of financing to SMEs at a concessionary rate and with a six-year maturity to be repaid in June 2026.

18 INVESTMENT ACCOUNT DUE TO DESIGNATED FINANCIAL INSTITUTIONS

	As at 31 March 2021 RM'000	As at 31 December 2020 RM'000
<u>Restricted Investment Account:</u>		
Mudharabah	<u>9,190,830</u>	<u>8,840,858</u>
<u>By type of counterparty:</u>		
Licensed banks	<u>9,190,830</u>	<u>8,840,858</u>
<u>Investment asset (principal):</u>		
Personal financing (Note 14(a))	1,000,000	1,000,000
Other term financing (Note 14(a))	6,771,280	6,917,534
Unquoted securities (Note 13)	1,299,992	811,775
	<u>9,071,272</u>	<u>8,729,309</u>

As at 31 March 2021, the amount of the restricted investment account placed by the holding company, RHB Bank, amounted to RM8,841,944,000 (31 December 2020: RM8,840,858,000).

19 OTHER LIABILITIES

	As at 31 March 2021 RM'000	As at 31 December 2020 RM'000
Sundry creditors	10,781	7,959
Amount due to holding company	-	263,326
Amount due to other related companies	597	876
Contract liability	136,513	141,946
Short term employee benefits	2,192	5,306
Accrual for operational expenses	13,369	13,722
Other accruals and payables	135,941	352,681
	<u>299,393</u>	<u>785,816</u>

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20 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	<u>Three Months Ended</u>	
	<u>31 March 2021</u>	<u>31 March 2020</u>
	<u>RM'000</u>	<u>RM'000</u>
Income derived from investment of:		
(i) General investment deposits	254	1,252
(ii) Other deposits	<u>715,795</u>	<u>732,747</u>
	<u>716,049</u>	<u>733,999</u>
 (i) Income derived from investment of general investment deposits:		
Financing and advances	200	1,060
Securities purchased under resale agreements	4	23
Financial assets at FVTPL	-	1
Financial assets at FVOCI	20	83
Financial investments at amortised cost	11	45
Money at call and deposits with banks and other financial institutions	6	29
Total finance income and hibah	<u>241</u>	<u>1,241</u>
Other operating income (Note a)	<u>13</u>	<u>11</u>
	<u>254</u>	<u>1,252</u>
 Of which:		
Financing income earned on impaired financing	<u>1</u>	<u>6</u>
 (a) Other operating income comprise of:		
Fee income:		
- Commission	1	4
- Guarantee fees	<u>-</u>	<u>1</u>
	<u>1</u>	<u>5</u>
 Net loss on revaluation of financial assets at FVTPL	(1)	(16)
 Net gain on disposal of financial assets at FVTPL	-	10
 Net gain on disposal of financial assets at FVOCI	<u>13</u>	<u>12</u>
	<u>13</u>	<u>11</u>

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20 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (CONTINUED)

	Three Months Ended	
	31 March 2021	31 March 2020
	RM'000	RM'000
(ii) Income derived from investment of other deposits:		
Financing and advances	564,015	620,024
Securities purchased under resale agreements	11,142	13,736
Financial assets at FVTPL	844	763
Financial assets at FVOCI	56,474	48,399
Financial investments at amortised cost	31,623	26,141
Money at call and deposits with banks and other financial institutions	17,615	17,017
Total finance income and hibah	<u>681,713</u>	<u>726,080</u>
Other operating income (Note a)	<u>34,082</u>	<u>6,667</u>
	<u>715,795</u>	<u>732,747</u>
Of which:		
Financing income earned on impaired financing	<u>2,879</u>	<u>3,048</u>
(a) Other operating income comprise of:		
Fee income:		
- Commission	2,137	2,415
- Guarantee fees	1,207	547
	<u>3,344</u>	<u>2,962</u>
Net loss on revaluation of financial assets at FVTPL	(4,020)	(9,607)
Net (loss)/gain on disposal of financial assets at FVTPL	(840)	6,013
Net gain on disposal of financial assets at FVOCI	35,598	7,299
	<u>34,082</u>	<u>6,667</u>

21 INCOME DERIVED FROM INVESTMENT ACCOUNT FUNDS

	Three Months Ended	
	31 March 2021	31 March 2020
	RM'000	RM'000
Financing and advances	74,435	91,206
Financial investments at amortised cost	10,859	12,026
Money at call and deposits with banks and other financial institutions	-	26
Total finance income and hibah	<u>85,294</u>	<u>103,258</u>

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22 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Three Months Ended	
	31 March 2021	31 March 2020
	RM'000	RM'000
Financing and advances	13,513	18,078
Securities purchased under resale agreements	267	401
Financial assets at FVTPL	20	22
Financial assets at FVOCI	1,353	1,411
Financial investments at amortised cost	758	762
Money at call and deposits with banks and other financial institutions	422	496
Total finance income and hibah	<u>16,333</u>	<u>21,170</u>
Other operating income (Note a)	<u>32,625</u>	<u>24,615</u>
	<u>48,958</u>	<u>45,785</u>
Of which:		
Financing income earned on impaired financing	<u>69</u>	<u>88</u>
(a) Other operating income comprise of:		
Fee income:		
- Commission	11,140	8,559
- Guarantee and underwriting fees	29	16
- Service charges and fees	<u>26,303</u>	<u>17,954</u>
	<u>37,472</u>	<u>26,529</u>
Net loss on revaluation of financial assets at FVTPL	(96)	(280)
Net (loss)/gain on disposal of financial assets at FVTPL	(20)	175
Net gain on disposal of financial investments at FVOCI	853	213
Net loss on revaluation of derivatives	(10,322)	(2,591)
Net gain on fair value hedges	548	894
Other income:		
- Foreign exchange gain	4,564	85
- Loss on disposal of property, plant and equipment	(32)	-
- Other non-operating loss	<u>(342)</u>	<u>(410)</u>
	<u>32,625</u>	<u>24,615</u>

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23 ALLOWANCE FOR CREDIT LOSSES ON FINANCIAL ASSETS

	Three Months Ended	
	31 March 2021	31 March 2020
	RM'000	RM'000
<u>Charge/(Writeback)</u>		
Financing and advances:		
- Net charge	33,219	37,571
- Bad debts recovered	(6,605)	(6,503)
- Bad debts written off	4,614	4,299
	31,228	35,367
Financial assets at FVOCI	(30)	(376)
Financial investments at amortised cost	636	(111)
Other financial assets	(122)	(2)
	31,712	34,878

24 INCOME ATTRIBUTABLE TO DEPOSITORS

	Three Months Ended	
	31 March 2021	31 March 2020
	RM'000	RM'000
Deposits from customers:		
- Mudharabah funds	3,602	4,518
- Non-Mudharabah funds	309,993	422,905
Deposits and placements of banks and other financial institutions:		
- Non-Mudharabah funds	19,133	33,430
Others:		
- Subordinated obligations	8,334	8,427
- Recourse obligation on financing sold to Cagamas	28,308	24,273
- Others	36	38
	369,406	493,591

25 EARNINGS PER SHARE

	Three Months Ended	
	31 March 2021	31 March 2020
Net profit for the financial period (RM'000)	192,644	133,586
Weighted average number of ordinary shares in issue ('000)	1,673,424	1,673,424
Basic earnings per share (sen)	11.51	7.98

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26 COMMITMENTS AND CONTINGENCIES

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

	As at	As at
	31 March 2021	31 December 2020
	RM'000	RM'000
Transaction-related contingent items	327,947	321,425
Short term self-liquidating trade-related contingencies	70,048	24,011
Irrevocable commitments to extend credit:		
- Maturity less than one year	1,293	705
- Maturity more than one year	9,155,270	8,829,638
Foreign exchange related contracts [^] :		
- Less than one year	12,127,769	13,436,013
- One year to less than five years	417,756	834,440
- More than five years	542,758	946,305
Profit rate related contracts [^] :		
- Less than one year	3,001,451	4,130,225
- One year to less than five years	2,000,000	1,685,000
- More than five years	1,800,000	2,115,000
Any commitments that are unconditionally cancelled at any time by the time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	2,500,486	2,410,216
	31,944,778	34,732,978

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

27 CAPITAL COMMITMENTS

	As at	As at
	31 March 2021	31 December 2020
	RM'000	RM'000
Capital expenditure for property, plant and equipment:		
- Authorised and contracted for	826	900

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28 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Bank analyses its financial instruments measured at fair value into three categories as described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

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

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
31 March 2021				
<u>Financial assets</u>				
Financial assets at FVTPL:				
- money market instruments	-	112,151	-	112,151
Financial assets at FVOCI:				
- money market instruments	-	6,795,550	-	6,795,550
- unquoted securities	-	4,295,888	-	4,295,888
Derivative assets				
	-	146,027	-	146,027
	-	7,053,728	-	7,053,728
<u>Financial liabilities</u>				
Derivative liabilities				
	-	167,979	-	167,979
31 December 2020				
<u>Financial assets</u>				
Financial assets at FVTPL:				
- money market instruments	-	107,678	-	107,678
Financial assets at FVOCI:				
- money market instruments	-	6,409,937	-	6,409,937
- unquoted securities	-	4,287,728	-	4,287,728
Derivative assets				
	-	215,979	-	215,979
	-	6,733,594	-	6,733,594
<u>Financial liabilities</u>				
Derivative liabilities				
	-	337,929	-	337,929

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28 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(i) Valuation techniques and sensitivity analysis

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. This would include quoted securities.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Bank then determines fair value based upon valuation techniques that use market parameters including but not limited to yield curves, volatilities and foreign exchange rates as inputs. The majority of valuation techniques employ only observable market data. These would include certain bonds, government bonds, corporate debt securities and derivatives.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes non-transferable and non-tradable perpetual sukuk and impaired securities.

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29 CAPITAL ADEQUACY

BNM guidelines on capital adequacy requires the Bank to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. The capital adequacy ratio is computed based on the eligible capital in relation to the total risk-weighted assets as determined by BNM.

The capital adequacy ratios of the Bank are as follows:

	As at 31 March 2021	As at 31 December 2020
	RM'000	RM'000
<u>Common Equity Tier-I ('CET-I') Capital /Tier-I Capital</u>		
Share capital	1,673,424	1,673,424
Retained profits	2,827,058	2,896,031
FVOCI reserve	34,394	224,848
	4,534,876	4,794,303
Less:		
Deferred tax assets	(78,656)	(78,167)
Intangible assets (include associated deferred tax liabilities)	(2,477)	(2,767)
55% of cumulative gains of financial assets at FVOCI	(18,917)	(123,666)
Other deductions*	(913)	(2,643)
Total CET-I/Total Tier-I Capital	4,433,913	4,587,060
<u>Tier-II Capital</u>		
Subordinated obligations	750,000	750,000
Surplus eligible provisions over expected losses	141,455	137,002
General provisions [^]	80,390	69,026
Total Tier-II Capital	971,845	956,028
Total Capital	5,405,758	5,543,088
<u>Capital Ratios</u>		
Before proposed dividends:		
CET-I Capital Ratio	13.505%	14.877%
Tier-I Capital Ratio	13.505%	14.877%
Total Capital Ratio	16.465%	17.977%
After proposed dividends:		
CET-I Capital Ratio	13.505%	14.714%
Tier-I Capital Ratio	13.505%	14.714%
Total Capital Ratio	16.465%	17.815%

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

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

Includes the qualifying regulatory reserve of the Bank of RM67,433,000 (31 December 2020: RM54,526,000).

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29 CAPITAL ADEQUACY (CONTINUED)

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

	<u>As at</u> <u>31 March 2021</u> <u>RM'000</u>	<u>As at</u> <u>31 December 2020</u> <u>RM'000</u>
Credit risk	38,111,182	35,557,840
Credit risk absorbed by PSIA ⁺	(8,104,227)	(7,202,054)
Market risk	149,719	210,344
Operational risk	2,291,031	2,223,938
Additional RWA due to capital floor	384,334	43,510
Total risk-weighted assets	<u>32,832,039</u>	<u>30,833,578</u>

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

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

RHB ISLAMIC BANK BERHAD
(Incorporated in Malaysia)
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2021

30 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

31 EVENTS SUBSEQUENT TO BALANCE SHEET DATE

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

32 CHANGES IN THE COMPOSITION OF THE BANK

There are no significant changes in the composition of the Bank for the three months ended 31 March 2021.

33 CHANGES IN PROFIT FOR THE QUARTER

The Bank reported a pre-tax profit of RM255.4 million for the current quarter, 53.9% higher as compared to the preceding quarter ended 31 December 2020 of RM166.0 million. The higher profit was mainly attributed to lower allowance for credit losses by RM79.3 million, higher non funding income by RM20.2 million, lower overhead expenses by RM19.8 million and lower modification loss by RM5.8 million, partly offset by lower net funding income by RM35.7 million.

34 PERFORMANCE REVIEW

For the three months ended 31 March 2021, the Bank recorded a pre-tax profit of RM255.4 million, 44.2% higher than previous year corresponding period of RM177.1 million. The higher profit was mainly due to higher net funding income by RM71.5 million, higher non funding income by RM35.4 million and lower allowance for credit losses by RM3.2 million, partly offset by modification loss of RM20.6 million and higher overhead expenses by RM11.2 million.

35 PROSPECTS FOR 2021

The global economy is expected to recover in 2021, supported by continuous stimulus measures undertaken by governments and the rollout of the COVID-19 vaccination efforts worldwide.

With the economic recovery gaining momentum, Malaysia's GDP is expected to rebound this year, the rate of which will depend largely on the pandemic containment measures and the pace of vaccination. The banking sector is projected to remain resilient, with loans likely to grow around 4.0% while OPR is expected to remain stable for the rest of the year.

Amid the new normal and given the evolving nature of the COVID-19 situation, the Bank continues to remain vigilant and prudent. Our priorities are to preserve our capital and liquidity strength, and monitor asset quality closely by intensifying our recovery and collection efforts. And we will continue to engage our borrowers who may still require assistance to see through this challenging period. On that note, we are seeing pick up in applications for financing across individual and business customers as we facilitate their needs for such financing. With our FIT22 measures, we will continue to focus on improving business performance through digitalisation initiatives to improve customer experience and enhance credit risk management.