

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021**

	Note	<u>As at 30 June 2021</u>	<u>As at 31 December 2020</u>
		<u>RM'000</u>	<u>RM'000</u>
<b>ASSETS</b>			
Cash and short-term funds		5,315,344	2,262,454
Securities purchased under resale agreements	9	2,883,793	3,767,531
Deposits and placements with banks and other financial institutions	10	1,838,221	2,410,219
Financial assets at fair value through profit or loss ('FVTPL')	11	30,459	107,678
Financial assets at fair value through other comprehensive income ('FVOCI')	12	5,699,044	6,409,937
Financial investments at amortised cost	13	5,258,810	4,577,078
Financing and advances	14	70,134,624	66,788,344
Other assets	15	247,880	320,985
Derivative assets		95,165	215,979
Statutory deposits with Bank Negara Malaysia ('BNM')		25,000	12,000
Deferred tax assets		67,938	6,794
Right of use assets		2,426	4,750
Property, plant and equipment		3,403	3,944
Intangible assets		2,928	3,133
<b>TOTAL ASSETS</b>		<u><b>91,605,035</b></u>	<u><b>86,890,826</b></u>
<b>LIABILITIES AND EQUITY</b>			
Deposits from customers	16	67,584,062	60,830,175
Deposits and placements of banks and other financial institutions	17	5,902,043	7,124,095
Investment account due to designated financial institutions	18	9,135,723	8,840,858
Bills and acceptances payable		15,383	12,182
Other liabilities	19	629,992	785,816
Derivative liabilities		147,898	337,929
Recourse obligation on financing sold to Cagamas Berhad ('Cagamas')		2,012,373	3,023,760
Provision for taxation and zakat		131,154	52,548
Lease liabilities		2,810	4,840
Subordinated obligations		754,599	754,514
<b>TOTAL LIABILITIES</b>		<u><b>86,316,037</b></u>	<u><b>81,766,717</b></u>
Share capital		1,673,424	1,673,424
Reserves		3,615,574	3,450,685
<b>TOTAL EQUITY</b>		<u><b>5,288,998</b></u>	<u><b>5,124,109</b></u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><b>91,605,035</b></u>	<u><b>86,890,826</b></u>
<b>COMMITMENTS AND CONTINGENCIES</b>	27	<u><b>30,733,416</b></u>	<u><b>34,732,978</b></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 INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	Note	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
		<u>30 June 2021</u>	30 June 2020	<u>30 June 2021</u>	30 June 2020
		<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Income derived from investment of depositors' funds	20	<b>751,885</b>	689,343	<b>1,467,934</b>	1,423,342
Income derived from investment account funds	21	<b>89,698</b>	91,822	<b>174,992</b>	195,080
Income derived from investment of shareholders' funds	22	<b>52,456</b>	35,616	<b>101,414</b>	81,401
Net modification loss	23	-	(232,788)	<b>(20,597)</b>	(232,788)
Allowance for credit losses on financial assets	24	<b>(89,413)</b>	(25,130)	<b>(121,125)</b>	(60,008)
Total distributable income		<b>804,626</b>	558,863	<b>1,602,618</b>	1,407,027
Income attributable to depositors	25	<b>(364,778)</b>	(434,503)	<b>(734,184)</b>	(928,094)
Profit distributed to investment account holders		<b>(74,100)</b>	(71,714)	<b>(140,419)</b>	(153,511)
		<b>365,748</b>	52,646	<b>728,015</b>	325,422
Personnel expenses		<b>(6,455)</b>	(7,118)	<b>(14,301)</b>	(14,438)
Other overheads and expenditures		<b>(97,588)</b>	(89,940)	<b>(196,650)</b>	(178,319)
Profit/(Loss) before taxation and zakat		<b>261,705</b>	(44,412)	<b>517,064</b>	132,665
Taxation and zakat		<b>(64,337)</b>	21,270	<b>(127,052)</b>	(22,221)
Net profit/(loss) for the financial period		<b>197,368</b>	(23,142)	<b>390,012</b>	110,444
Basic earnings/(loss) per share (sen)	26	<b>11.79</b>	(1.38)	<b>23.31</b>	6.60

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**RHB ISLAMIC BANK BERHAD**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2021</u>	<u>30 June 2020</u>	<u>30 June 2021</u>	<u>30 June 2020</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Net profit for the financial period	<b>197,368</b>	(23,142)	<b>390,012</b>	110,444
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)/gain on revaluation	<b>51,017</b>	166,347	<b>(163,116)</b>	141,807
- Net transfer to income statement on disposal	<b>(30,135)</b>	(15,467)	<b>(66,599)</b>	(22,991)
- Changes in expected credit losses	<b>(306)</b>	(218)	<b>(336)</b>	(594)
Income tax relating to components of other comprehensive loss/(income)	<b>(5,012)</b>	(36,212)	<b>55,131</b>	(28,517)
Other comprehensive (loss)/income, net of tax, for the financial period	<b>15,564</b>	114,450	<b>(174,920)</b>	89,705
Total comprehensive income for the financial period	<b>212,932</b>	91,308	<b>215,092</b>	200,149

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	Share capital RM'000	Non distributable		Distributable	Total RM'000
		FVOCI reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	
<b>Balance as at 1 January 2021</b>	<b>1,673,424</b>	<b>226,849</b>	<b>327,805</b>	<b>2,896,031</b>	<b>5,124,109</b>
Net profit for the financial period	-	-	-	<b>390,012</b>	<b>390,012</b>
Other comprehensive income/(loss):					
Debt instruments measured at FVOCI:					
- Unrealised net loss on revaluation	-	<b>(163,116)</b>	-	-	<b>(163,116)</b>
- Net transfer to income statement on disposal	-	<b>(66,599)</b>	-	-	<b>(66,599)</b>
- Changes in expected credit losses	-	<b>(336)</b>	-	-	<b>(336)</b>
Income tax relating to components of other comprehensive loss	-	<b>55,131</b>	-	-	<b>55,131</b>
Other comprehensive loss, net of tax, for the financial period	-	<b>(174,920)</b>	-	-	<b>(174,920)</b>
Total comprehensive income/(loss) for the financial period	-	<b>(174,920)</b>	-	<b>390,012</b>	<b>215,092</b>
Dividend paid	-	-	-	<b>(50,203)</b>	<b>(50,203)</b>
Transfer from regulatory reserve	-	-	<b>(27,888)</b>	<b>27,888</b>	-
<b>Balance as at 30 June 2021</b>	<b>1,673,424</b>	<b>51,929</b>	<b>299,917</b>	<b>3,263,728</b>	<b>5,288,998</b>

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 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>
<b>Balance as at 1 January 2020</b>	1,673,424	120,030	442,869	2,530,491	4,766,814
Net profit for the financial period	-	-	-	110,444	110,444
Other comprehensive income/(loss):					
Debt instruments measured at FVOCI:					
- Unrealised net gain on revaluation	-	141,807	-	-	141,807
- Net transfer to income statement on disposal	-	(22,991)	-	-	(22,991)
- Changes in expected credit losses	-	(594)	-	-	(594)
Income tax relating to components of other comprehensive income	-	(28,517)	-	-	(28,517)
Other comprehensive income, net of tax, for the financial period	-	89,705	-	-	89,705
Total comprehensive income for the financial period	-	89,705	-	110,444	200,149
Dividend paid	-	-	-	(89,863)	(89,863)
Transfer from regulatory reserve	-	-	(27,465)	27,465	-
<b>Balance as at 30 June 2020</b>	<u>1,673,424</u>	<u>209,735</u>	<u>415,404</u>	<u>2,578,537</u>	<u>4,877,100</u>

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	<b>Six months ended</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	517,064	132,665
Adjustments for non-cash items	(74,415)	125,187
Operating profit before changes in working capital	442,649	257,852
Changes in working capital:		
Net changes in operating assets	(1,907,127)	(1,581,472)
Net changes in operating liabilities	4,572,727	1,384,440
Cash generated from operations	3,108,249	60,820
Profit paid	(16,745)	(16,890)
Net tax and zakat paid	(54,458)	(79,504)
Net cash generated from/(used in) operating activities	3,037,046	(35,574)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(134)	(135)
Purchase of intangible assets	(206)	(408)
Proceeds from disposal of property, plant and equipment	160	-
Net purchase of financial assets at FVOCI and financial investments at amortised cost	(152,745)	(522,413)
Investment income received from financial assets at FVOCI and financial investments at amortised cost	221,607	178,517
Net cash generated from/(used in) investing activities	68,682	(344,439)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal lease payment	(2,635)	(1,600)
Dividend paid	(50,203)	(89,863)
Net cash used in financing activities	(52,838)	(91,463)
Net increase/(decrease) in cash and cash equivalents	3,052,890	(471,476)
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	5,315,344	3,580,920
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Cash and short-term funds	5,315,344	3,580,920

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 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 six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 2021.

**7 DIVIDEND PAID**

During the six months ended 30 June 2021, the Bank has paid a single-tier interim 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 SIX MONTHS ENDED 30 JUNE 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

	<b>As at 30 June 2021</b>	<b>As at 31 December 2020</b>
<b>At amortised cost</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian Government Investment Issues	<b>2,883,793</b>	3,767,531

10 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<b>As at 30 June 2021</b>	<b>As at 31 December 2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed Islamic banks	<b>415,149</b>	478,762
BNM	<b>1,322,760</b>	1,931,457
Other financial institutions	<b>100,312</b>	-
	<b>1,838,221</b>	2,410,219

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

	<b>As at 30 June 2021</b>	<b>As at 31 December 2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Mandatory measured at fair value</b>		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	<b>30,459</b>	107,678



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

	As at <b>30 June 2021</b>	As at 31 December 2020
	RM'000	RM'000
<b>At fair value</b>		
Debt instruments	<b>5,699,044</b>	6,409,937
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	1,241,687	1,714,309
Islamic Cagamas bonds	-	10,156
Negotiable Islamic debt certificates	449,386	397,744
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	4,007,971	4,287,728
	<b>5,699,044</b>	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
<b>30 June 2021</b>				
Balance as at the beginning of the financial period	2,001	-	-	2,001
Allowance written back during the financial period	(336)	-	-	(336)
Balance as at the end of the financial period	<b>1,665</b>	-	-	<b>1,665</b>
<b>31 December 2020</b>				
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	<b>2,001</b>	-	-	<b>2,001</b>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**

13 FINANCIAL INVESTMENTS AT AMORTISED COST

	<b>As at 30 June 2021</b>	<b>As at 31 December 2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	370,852	389,129
Sukuk Perumahan Kerajaan	10,037	10,031
Islamic Khazanah bonds	122,142	145,214
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	4,761,026	4,037,396
	<b>5,264,057</b>	<b>4,581,770</b>
Allowance for credit losses	(5,247)	(4,692)
	<b>5,258,810</b>	<b>4,577,078</b>

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') and other financial institutions.

Gross exposure to RIA financing as at 30 June 2021 is RM1,357,992,000 (31 December 2020: RM811,775,000). The portfolio expected credit losses for financial investments at amortised cost relating to RIA is borne solely by the investors and the amount recognised in the financial statements of RHB Bank is RM265,904,000 as at 30 June 2021 (31 December 2020: RM220,170,000).

(a) Movement in allowance for credit losses

	<b>12-month ECL (Stage 1)</b>	<b>Lifetime ECL not credit impaired (Stage 2)</b>	<b>Lifetime ECL credit impaired (Stage 3)</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>30 June 2021</b>				
Balance as at the beginning of the financial period	4,557	135	-	4,692
Allowance made/(written back) during the financial period	690	(135)	-	555
Balance as at the end of the financial period	<b>5,247</b>	<b>-</b>	<b>-</b>	<b>5,247</b>
<b>31 December 2020</b>				
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	<b>4,557</b>	<b>135</b>	<b>-</b>	<b>4,692</b>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
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14 FINANCING AND ADVANCES

<b>30 June 2021</b>	<b>Bai'</b>					
	<b>Bithaman</b>					
<b>At amortised cost</b>	<b>Ajil ('BBA')</b>	<b>Ijarah *</b>	<b>Murabahah</b>	<b>Musyarakah</b>	<b>Others</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cashline	-	-	944,403	-	31,811	976,214
Term financing:						
- Housing financing	291,147	-	9,250,854	13,104,717	368	22,647,086
- Syndicated term financing	-	-	3,375,086	-	19,180	3,394,266
- Hire purchase receivables	-	8,898,684	-	-	62,875	8,961,559
- Other term financing	626	108,763	30,458,815	-	1,148	30,569,352
Bills receivables	-	-	219,300	-	-	219,300
Trust receipts	-	-	60,626	-	-	60,626
Claims on customers under acceptance credits	-	-	1,263,902	-	-	1,263,902
Share margin financing	-	-	1,444	-	-	1,444
Staff financing	1,433	-	9,866	-	-	11,299
Credit/charge card receivables	-	-	-	-	259,367	259,367
Revolving financing	-	-	2,348,835	-	-	2,348,835
Gross financing and advances	<u>293,206</u>	<u>9,007,447</u>	<u>47,933,131</u>	<u>13,104,717</u>	<u>374,749</u>	<u>70,713,250</u>
Fair value changes arising from fair value hedge						<u>44,344</u>
						<u>70,757,594</u>
Allowance for credit losses on financing and advances						<u>(622,970)</u>
Net financing and advances						<u><u>70,134,624</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**  
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14 FINANCING AND ADVANCES (CONTINUED)

<b>31 December 2020</b>	<b>Bai'</b>					
	<b>Bithaman</b>					
	<b>Ajil ('BBA')</b>	<b>Ijarah *</b>	<b>Murabahah</b>	<b>Musyarakah</b>	<b>Others</b>	<b>Total</b>
<b>At amortised cost</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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	-	-	3,349,361	-	19,181	3,368,542
- 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	-	-	2,162,771	-	-	2,162,771
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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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 30 June 2021, the gross exposure to RIA financing is RM7,651,641,000 (31 December 2020: RM7,917,534,000) and the portfolio expected credit losses for financing and advances relating to RIA amounting to RM149,476,000 (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 RM1,906,148,000 (31 December 2020: RM2,896,091,000).

(i) By type of customer	As at <u>30 June 2021</u> RM'000	As at <u>31 December 2020</u> RM'000
Domestic non-bank financial institutions	2,593,037	2,664,899
Domestic business enterprises:		
- Small medium enterprises	5,753,403	5,317,492
- Others	15,034,735	13,963,090
Government and statutory bodies	6,451,213	6,447,168
Individuals	40,513,507	38,441,528
Other domestic entities	125,578	121,727
Foreign entities	241,777	254,016
	<u>70,713,250</u>	<u>67,209,920</u>
 (ii) By profit rate sensitivity		
Fixed rate:		
- Housing financing	11,300	1,521
- Hire-purchase receivables	1,357,331	1,544,122
- Other fixed rate financing	10,154,890	10,764,142
Variable rate:		
- Base financing rate-plus	39,528,786	36,457,513
- Cost-plus	18,875,213	18,247,514
- Other variable rates	785,730	195,108
	<u>70,713,250</u>	<u>67,209,920</u>
 (iii) By economic sector		
Agriculture, hunting, forestry and fishing	1,521,518	1,447,001
Mining and quarrying	85,296	114,934
Manufacturing	2,424,505	2,079,858
Electricity, gas and water	452,594	226,175
Construction	4,802,370	4,853,654
Wholesale and retail trade and restaurant and hotel	2,573,721	2,177,615
Transport, storage and communication	5,298,059	5,212,091
Finance, insurance, real estate and business services	6,034,574	5,684,002
Government and government agencies	3,436,247	3,432,112
Education, health and others	3,322,855	3,330,492
Household sector	40,723,960	38,608,107
Others	37,551	43,879
	<u>70,713,250</u>	<u>67,209,920</u>

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14 FINANCING AND ADVANCES (CONTINUED)

	<u>As at</u> <u>30 June 2021</u>	<u>As at</u> <u>31 December 2020</u>
	<u>RM'000</u>	<u>RM'000</u>
(iv) By purpose		
Purchase of securities	5,229,964	5,288,201
Purchase of transport vehicles	8,925,149	8,556,880
Purchase of landed property:		
- Residential	21,455,146	20,007,111
- Non-residential	5,385,148	5,101,564
Purchase of property, plant and equipment other than land and building	685,178	614,675
Personal use	4,715,704	4,607,262
Credit card	259,367	273,966
Construction	1,198,762	1,117,589
Working capital	16,001,031	14,660,736
Merger and acquisition	1,314,728	1,314,861
Other purposes	5,543,073	5,667,075
	<u>70,713,250</u>	<u>67,209,920</u>
(v) By geographical distribution		
In Malaysia	<u>70,713,250</u>	<u>67,209,920</u>
(vi) By remaining contractual maturities		
Maturing within one year	6,851,897	6,082,032
One year to three years	6,427,123	4,077,510
Three years to five years	4,368,459	7,105,019
Over five years	53,065,771	49,945,359
	<u>70,713,250</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)	(9,228)	(15,918)
Transfer to lifetime ECL not credit impaired (Stage 2)	(45,003)	(42,625)
Transfer to lifetime ECL credit impaired (Stage 3)	174,869	176,565
Purchases and origination	11,571	26,127
Derecognition	(67,118)	(104,208)
Amount written off	(42,465)	(70,664)
Modification of contractual cash flows	(11)	(239)
Balance as at the end of the financial period/year	<u>457,822</u>	<u>435,207</u>

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14 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

	As at <b>30 June 2021</b>	As at 31 December 2020
	<b>RM'000</b>	RM'000
(b) By economic sector		
Agriculture, hunting, forestry and fishing	384	359
Mining and quarrying	4	13
Manufacturing	22,506	23,644
Electricity, gas and water	3,505	3,805
Construction	39,941	43,907
Wholesale and retail trade and restaurant and hotel	43,403	47,882
Transport, storage and communication	16,672	14,429
Finance, insurance, real estate and business services	34,147	33,676
Education, health and others	653	6,888
Household sector	296,535	260,518
Others	72	86
	<b>457,822</b>	<b>435,207</b>
(c) By purpose		
Purchase of securities	856	677
Purchase of transport vehicles	51,200	51,713
Purchase of landed property:		
- Residential	210,306	190,461
- Non-residential	60,590	64,686
Purchase of property, plant and equipment other than land and building	3,116	3,230
Personal use	22,858	7,485
Credit card	3,875	3,610
Working capital	72,355	78,506
Other purposes	32,666	34,839
	<b>457,822</b>	<b>435,207</b>
(d) By geographical distribution		
In Malaysia	<b>457,822</b>	<b>435,207</b>

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14 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

(e) Movement in allowance for credit losses

	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
<b>30 June 2021</b>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
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)	32,067	(29,118)	(2,949)	-
- Transferred to lifetime ECL not credit impaired (Stage 2)	(11,243)	25,932	(14,689)	-
- Transferred to lifetime ECL credit impaired (Stage 3)	(284)	(7,670)	7,954	-
	20,540	(10,856)	(9,684)	-
Allowance made/(written back) during the financial period	(21,017)	99,161	71,803	149,947
Changes in model methodologies	(547)	(1,230)	55	(1,722)
Bad debts written off	-	-	(29,840)	(29,840)
Derecognition	(2,608)	(7,412)	(16,655)	(26,675)
Balance as at the end of the financial period	<u>153,004</u>	<u>274,682</u>	<u>195,284</u>	<u>622,970</u>



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14 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

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

	<b>12-month ECL (Stage 1) RM'000</b>	<b>Lifetime ECL not credit impaired (Stage 2) RM'000</b>	<b>Lifetime ECL credit impaired (Stage 3) RM'000</b>	<b>Total RM'000</b>
<b>31 December 2020</b>				
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 30 June 2021 RM'000	As at 31 December 2020 RM'000
Prepayments	30,767	27,588
Deposits	1,520	1,535
Amount due to a related company	42	-
Other receivables	215,551	291,862
	<b>247,880</b>	<b>320,985</b>

16 DEPOSITS FROM CUSTOMERS

	As at 30 June 2021 RM'000	As at 31 December 2020 RM'000
<u>Savings Deposits</u>		
Qard	2,494,223	2,094,100
<u>Demand Deposits</u>		
Qard	5,550,709	5,981,871
Commodity Murabahah	2,329,362	1,464,521
<u>Term Deposits</u>		
Commodity Murabahah	47,706,417	42,962,476
<u>Specific Investment Account</u>		
Commodity Murabahah	9,501,531	8,289,588
<u>General Investment Account</u>		
Mudharabah	1,820	37,619
	<b>67,584,062</b>	<b>60,830,175</b>

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

Due within six months	40,141,635	37,638,943
Six months to one year	15,762,575	12,325,774
One year to three years	1,282,130	909,096
Three years to five years	23,428	415,870
	<b>57,209,768</b>	<b>51,289,683</b>

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

Government and statutory bodies	12,569,192	13,311,167
Business enterprises	28,768,922	26,275,936
Individuals	25,584,094	20,612,596
Others	661,854	630,476
	<b>67,584,062</b>	<b>60,830,175</b>

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17 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Note	As at 30 June 2021 RM'000	As at 31 December 2020 RM'000
<u>Non-Mudharabah Funds:</u>			
Licensed Islamic banks		867,670	948,447
Licensed banks		4,477,068	5,882,079
Licensed investment banks		100,089	149,675
BNM	(a)	133,966	121,750
		<u>5,578,793</u>	<u>7,101,951</u>
<u>Mudharabah Funds:</u>			
Other financial institutions		323,250	22,144
		<u>5,902,043</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 30 June 2021 RM'000	As at 31 December 2020 RM'000
<u>Restricted Investment Account:</u>		
Mudharabah	<u>9,135,723</u>	<u>8,840,858</u>
<u>By type of counterparty:</u>		
Licensed banks	<u>9,135,723</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))	6,651,641	6,917,534
Unquoted securities (Note 13)	1,357,992	811,775
	<u>9,009,633</u>	<u>8,729,309</u>

As at 30 June 2021, the amount of the restricted investment account placed by the holding company, RHB Bank, amounted to RM8,786,757,000 (31 December 2020: RM8,840,858,000).

19 OTHER LIABILITIES

	As at 30 June 2021 RM'000	As at 31 December 2020 RM'000
Sundry creditors	12,791	7,959
Amount due to holding company	399,178	263,326
Amount due to other related companies	703	876
Contract liability	131,080	141,946
Short term employee benefits	3,327	5,306
Accrual for operational expenses	12,055	13,722
Other accruals and payables	70,858	352,681
	<u>629,992</u>	<u>785,816</u>

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20 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	<b>2nd Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>30 June 2021</b>	30 June 2020	<b>30 June 2021</b>	30 June 2020
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Income derived from investment of:				
(i) General investment deposits	<b>111</b>	1,103	<b>365</b>	2,355
(ii) Other deposits	<b>751,774</b>	688,240	<b>1,467,569</b>	1,420,987
	<b>751,885</b>	689,343	<b>1,467,934</b>	1,423,342
(i) Income derived from investment of general investment deposits:				
Financing and advances	<b>90</b>	903	<b>290</b>	1,963
Securities purchased under resale agreements	<b>2</b>	12	<b>6</b>	35
Financial assets at FVTPL	-	2	-	3
Financial assets at FVOCI	<b>7</b>	80	<b>27</b>	163
Financial investments at amortised cost	<b>5</b>	42	<b>16</b>	87
Money at call and deposits with banks and other financial institutions	<b>4</b>	31	<b>10</b>	60
Total finance income and hibah	<b>108</b>	1,070	<b>349</b>	2,311
Other operating income (Note a)	<b>3</b>	33	<b>16</b>	44
	<b>111</b>	1,103	<b>365</b>	2,355
Of which:				
Financing income earned on impaired financing	<b>1</b>	4	<b>2</b>	10
(a) Other operating income comprise of:				
Fee income:				
- Commission	-	2	<b>1</b>	6
- Guarantee fees	-	1	-	2
	-	3	<b>1</b>	8
Net gain on revaluation of financial assets at FVTPL	<b>1</b>	7	-	(9)
Net (loss)/gain on disposal of financial assets at FVTPL	<b>(1)</b>	-	<b>(1)</b>	10
Net gain on disposal of financial assets at FVOCI	<b>3</b>	23	<b>16</b>	35
	<b>3</b>	33	<b>16</b>	44

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

	<b>2nd Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>30 June 2021</b>	30 June 2020	<b>30 June 2021</b>	30 June 2020
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
(ii) Income derived from investment of other deposits:				
Financing and advances	<b>600,720</b>	564,685	<b>1,164,735</b>	1,184,709
Securities purchased under resale agreements	<b>12,764</b>	7,094	<b>23,906</b>	20,830
Financial assets at FVTPL	<b>429</b>	1,191	<b>1,273</b>	1,954
Financial assets at FVOCI	<b>50,230</b>	50,065	<b>106,704</b>	98,464
Financial investments at amortised cost	<b>33,693</b>	26,335	<b>65,316</b>	52,476
Money at call and deposits with banks and other financial institutions	<b>21,201</b>	19,252	<b>38,816</b>	36,269
Other income	<b>-</b>	16	<b>-</b>	16
Total finance income and hibah	<b>719,037</b>	668,638	<b>1,400,750</b>	1,394,718
Other operating income (Note a)	<b>32,737</b>	19,602	<b>66,819</b>	26,269
	<b>751,774</b>	688,240	<b>1,467,569</b>	1,420,987
Of which:				
Financing income earned on impaired financing	<b>3,395</b>	1,962	<b>6,274</b>	5,010
(a) Other operating income comprise of:				
Fee income:				
- Commission	<b>2,924</b>	1,306	<b>5,061</b>	3,721
- Guarantee fees	<b>379</b>	392	<b>1,586</b>	939
	<b>3,303</b>	1,698	<b>6,647</b>	4,660
Net (loss)/gain on revaluation of financial assets at FVTPL	<b>2,351</b>	4,143	<b>(1,669)</b>	(5,464)
Net (loss)/gain on disposal of financial assets at FVTPL	<b>(2,364)</b>	(63)	<b>(3,204)</b>	5,950
Net gain on disposal of financial assets at FVOCI	<b>29,447</b>	13,824	<b>65,045</b>	21,123
	<b>32,737</b>	19,602	<b>66,819</b>	26,269

21 INCOME DERIVED FROM INVESTMENT ACCOUNT FUNDS

	<b>2nd Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>30 June 2021</b>	30 June 2020	<b>30 June 2021</b>	30 June 2020
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Financing and advances	<b>73,317</b>	80,283	<b>147,752</b>	171,489
Financial investments at amortised cost	<b>16,381</b>	11,539	<b>27,240</b>	23,565
Money at call and deposits with banks and other financial institutions	<b>-</b>	-	<b>-</b>	26
Total finance income and hibah	<b>89,698</b>	91,822	<b>174,992</b>	195,080

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22 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2021</u>	30 June 2020	<u>30 June 2021</u>	30 June 2020
	<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Financing and advances	<b>14,036</b>	16,329	<b>27,549</b>	34,407
Securities purchased under resale agreements	<b>298</b>	204	<b>565</b>	605
Financial assets at FVTPL	<b>10</b>	35	<b>30</b>	57
Financial assets at FVOCI	<b>1,171</b>	1,449	<b>2,524</b>	2,860
Financial investments at amortised cost	<b>787</b>	762	<b>1,545</b>	1,524
Money at call and deposits with banks and other financial institutions	<b>496</b>	557	<b>918</b>	1,053
Total finance income and hibah	<b>16,798</b>	19,336	<b>33,131</b>	40,506
Other operating income (Note a)	<b>35,658</b>	16,280	<b>68,283</b>	40,895
	<b>52,456</b>	35,616	<b>101,414</b>	81,401
Of which:				
Financing income earned on impaired financing	<b>79</b>	57	<b>148</b>	145
(a) Other operating income comprise of:				
Fee income:				
- Commission	<b>12,798</b>	4,894	<b>23,938</b>	13,453
- Guarantee and underwriting fees	<b>9</b>	11	<b>38</b>	27
- Service charges and fees	<b>26,341</b>	14,768	<b>52,644</b>	32,722
	<b>39,148</b>	19,673	<b>76,620</b>	46,202
Net (loss)/gain on revaluation of financial assets at FVTPL	<b>57</b>	121	<b>(39)</b>	(159)
Net (loss)/gain on disposal of financial assets at FVTPL	<b>(56)</b>	(2)	<b>(76)</b>	173
Net gain on disposal of financial investments at FVOCI	<b>685</b>	400	<b>1,538</b>	613
Net loss on revaluation of derivatives	<b>(10,423)</b>	(5,702)	<b>(20,745)</b>	(8,293)
Net gain on fair value hedges	<b>414</b>	412	<b>962</b>	1,306
Other income:				
- Foreign exchange gain	<b>6,383</b>	1,677	<b>10,947</b>	1,762
- Loss on disposal of property, plant and equipment	<b>-</b>	-	<b>(32)</b>	-
- Other non-operating loss	<b>(550)</b>	(299)	<b>(892)</b>	(709)
	<b>35,658</b>	16,280	<b>68,283</b>	40,895

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**23 NET MODIFICATION LOSS**

In connection with the COVID-19 pandemic, BNM and the Ministry of Finance have introduced several relief measures to customers/borrowers. As a result, the Bank has recognised a loss arising from the modification of cash flows of the financing. This loss is set-off against the fair value gain on concessionary funding received as part of the COVID-19 relief measures. The net modification loss is unwound through the income statement over the remaining tenure of the financing and funding.

**24 ALLOWANCE FOR CREDIT LOSSES ON FINANCIAL ASSETS**

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2021</u>	<u>30 June 2020</u>	<u>30 June 2021</u>	<u>30 June 2020</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Charge/(Writeback)</u>				
Financing and advances:				
- Net charge	<b>88,331</b>	24,585	<b>121,550</b>	62,156
- Bad debts recovered	<b>(4,887)</b>	(2,782)	<b>(11,492)</b>	(9,285)
- Bad debts written off	<b>6,197</b>	3,071	<b>10,811</b>	7,370
	<b>89,641</b>	24,874	<b>120,869</b>	60,241
Financial assets at FVOCI	<b>(306)</b>	(218)	<b>(336)</b>	(594)
Financial investments at amortised cost	<b>(81)</b>	213	<b>555</b>	102
Other financial assets	<b>159</b>	261	<b>37</b>	259
	<b>89,413</b>	25,130	<b>121,125</b>	60,008

**25 INCOME ATTRIBUTABLE TO DEPOSITORS**

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2021</u>	<u>30 June 2020</u>	<u>30 June 2021</u>	<u>30 June 2020</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Deposits from customers:				
- Mudharabah funds	<b>4,164</b>	4,962	<b>7,766</b>	9,480
- Non-Mudharabah funds	<b>320,380</b>	375,898	<b>630,373</b>	798,803
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah funds	<b>13,751</b>	21,013	<b>32,884</b>	54,443
Others:				
- Subordinated obligations	<b>8,427</b>	8,427	<b>16,761</b>	16,854
- Recourse obligation on financing sold to Cagamas	<b>18,023</b>	24,171	<b>46,331</b>	48,444
- Others	<b>33</b>	32	<b>69</b>	70
	<b>364,778</b>	434,503	<b>734,184</b>	928,094

**26 EARNINGS/(LOSS) PER SHARE**

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2021</u>	<u>30 June 2020</u>	<u>30 June 2021</u>	<u>30 June 2020</u>
Net profit/(loss) for the financial period (RM'000)	<b>197,368</b>	(23,142)	<b>390,012</b>	110,444
Weighted average number of ordinary shares in issue ('000)	<b>1,673,424</b>	1,673,424	<b>1,673,424</b>	1,673,424
Basic earnings/(loss) per share (sen)	<b>11.79</b>	(1.38)	<b>23.31</b>	6.60

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**27 COMMITMENTS AND CONTINGENCIES**

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

	<b>As at</b>	<b>As at</b>
	<b>30 June 2021</b>	<b>31 December 2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Transaction-related contingent items	<b>330,823</b>	321,425
Short term self-liquidating trade-related contingencies	<b>56,193</b>	24,011
Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns	<b>5,059</b>	-
Irrevocable commitments to extend credit:		
- Maturity less than one year	<b>1,520</b>	705
- Maturity more than one year	<b>9,207,319</b>	8,829,638
Foreign exchange related contracts <sup>^</sup> :		
- Less than one year	<b>11,068,221</b>	13,436,013
- One year to less than five years	<b>418,006</b>	834,440
- More than five years	<b>543,083</b>	946,305
Profit rate related contracts <sup>^</sup> :		
- Less than one year	<b>2,951,501</b>	4,130,225
- One year to less than five years	<b>2,000,000</b>	1,685,000
- More than five years	<b>1,800,000</b>	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	<b>2,351,691</b>	2,410,216
	<b><u>30,733,416</u></b>	<b><u>34,732,978</u></b>

<sup>^</sup> 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.

**28 CAPITAL COMMITMENTS**

	<b>As at</b>	<b>As at</b>
	<b>30 June 2021</b>	<b>31 December 2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Capital expenditure for property, plant and equipment:		
- Authorised and contracted for	<b><u>773</u></b>	<b><u>900</u></b>



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29 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
<b>30 June 2021</b>				
<b><u>Financial assets</u></b>				
Financial assets at FVTPL:				
- money market instruments	-	30,459	-	30,459
Financial assets at FVOCI:				
- money market instruments	-	5,699,044	-	5,699,044
- unquoted securities	-	4,007,971	-	4,007,971
Derivative assets	-	95,165	-	95,165
	<u>-</u>	<u>5,824,668</u>	<u>-</u>	<u>5,824,668</u>
<b><u>Financial liabilities</u></b>				
Derivative liabilities	-	147,898	-	147,898
<b>31 December 2020</b>				
<b><u>Financial assets</u></b>				
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
	<u>-</u>	<u>6,733,594</u>	<u>-</u>	<u>6,733,594</u>
<b><u>Financial liabilities</u></b>				
Derivative liabilities	-	337,929	-	337,929

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29 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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30 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 <u>30 June 2021</u>	As at <u>31 December 2020</u>
	RM'000	RM'000
<b><u>Common Equity Tier-I ('CET-I') Capital /Tier-I Capital</u></b>		
Share capital	1,673,424	1,673,424
Retained profits	3,263,728	2,896,031
FVOCI reserve	<u>50,264</u>	<u>224,848</u>
	<b>4,987,416</b>	<b>4,794,303</b>
Less:		
Deferred tax assets	(84,373)	(78,167)
Intangible assets (include associated deferred tax liabilities)	(2,366)	(2,767)
55% of cumulative gains arising from change in value of FVOCI instruments	(27,645)	(123,666)
Other deductions*	<u>(1,055)</u>	<u>(2,643)</u>
Total CET-I/Total Tier-I Capital	<b><u>4,871,977</u></b>	<b><u>4,587,060</u></b>
<b><u>Tier-II Capital</u></b>		
Subordinated obligations	750,000	750,000
Surplus eligible provisions over expected losses	138,181	137,002
General provisions <sup>^</sup>	<u>66,880</u>	<u>69,026</u>
Total Tier-II Capital	<b><u>955,061</u></b>	<b><u>956,028</u></b>
Total Capital	<b><u>5,827,038</u></b>	<b><u>5,543,088</u></b>
<b><u>Capital Ratios</u></b>		
Before proposed dividends:		
CET-I Capital Ratio	14.486%	14.877%
Tier-I Capital Ratio	14.486%	14.877%
Total Capital Ratio	<b><u>17.326%</u></b>	<b><u>17.977%</u></b>
After proposed dividends:		
CET-I Capital Ratio	14.486%	14.714%
Tier-I Capital Ratio	14.486%	14.714%
Total Capital Ratio	<b><u>17.326%</u></b>	<b><u>17.815%</u></b>

\* 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.

<sup>^</sup> 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 RM54,118,000 (31 December 2020: RM54,526,000).

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30 CAPITAL ADEQUACY (CONTINUED)

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

	<b>As at</b> <b>30 June 2021</b>	<b>As at</b> <b>31 December 2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Credit risk	<b>36,266,110</b>	35,557,840
Credit risk absorbed by PSIA <sup>+</sup>	<b>(7,885,499)</b>	(7,202,054)
Market risk	<b>134,907</b>	210,344
Operational risk	<b>2,400,223</b>	2,223,938
Additional RWA due to capital floor	<b>2,715,490</b>	43,510
Total risk-weighted assets	<b><u>33,631,231</u></b>	<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).

<sup>+</sup> 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.

31 CREDIT EXPOSURES ARISING FROM TRANSACTIONS WITH CONNECTED PARTIES

	<b>As at</b> <b>30 June 2021</b>	<b>As at</b> <b>31 December 2020</b>
Outstanding credit exposures with connected parties (RM'000)	<b><u>4,194,743</u></b>	<u>4,338,121</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	<b><u>5.28</u></b>	<u>5.74</u>
Percentage of outstanding credit exposures with connected parties which is impaired or in default (%)	<b><u>0.13</u></b>	<u>0.28</u>

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

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**32 VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

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

**33 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 other than as mentioned below:

- (a) On 6 July 2021, BNM has announced that individuals, micro-enterprise borrowers and SMEs affected by the COVID-19 pandemic, may start applying for the six-month moratorium from 7 July 2021 onwards, in line with the Government's Pakej Perlindungan Rakyat dan Pemulihan Ekonomi ('PEMULIH'). In addition to the moratorium, banks will offer a reduction in instalments and other packages, including to reschedule and restructure financing and advances to suit the specific financial circumstances of borrowers.

Arising from this, where the original contractual terms of the financing and advances have been modified for credit reasons and the financing and advances have not been derecognised, this may result in modification loss to be recognised in the income statement, with a corresponding decrease in the gross carrying value of the financing and advances.

**34 CHANGES IN THE COMPOSITION OF THE BANK**

There are no significant changes in the composition of the Bank for the six months ended 30 June 2021.

**35 CHANGES IN PROFIT FOR THE QUARTER**

The Bank reported a pre-tax profit of RM261.7 million for the current quarter, 2.5% higher as compared to the preceding quarter ended 31 March 2021 of RM255.4 million. The higher profit was mainly attributed to higher net funding income by RM38.9 million, absence of modification loss of RM20.6 million, lower overhead expenses by RM2.8 million and higher non funding income by RM1.7 million, partly offset by higher allowance for credit losses by RM57.7 million.

**36 PERFORMANCE REVIEW**

For the six months ended 30 June 2021, the Bank recorded a pre-tax profit of RM517.1 million, 289.8% higher than previous year corresponding period of RM132.7 million. The higher profit was mainly due to lower modification loss by RM212.2 million, higher net funding income by RM183.6 million and higher non funding income by RM67.9 million, partly offset by higher allowance for credit losses by RM61.1 million and higher overhead expenses by RM18.2 million.

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37 PROSPECTS FOR 2021

The Group remains prudent and cautious especially in light of the recent surge in COVID-19 cases seen since the second half of Q2 2021. This, together with the extended MCO in Selangor and Kuala Lumpur are expected to have negative impacts on Malaysia's GDP growth in 2021. Nevertheless, the accelerated pace of vaccination nationwide is a positive development towards opening up of more economic activities, relaxation of MCO measures and the overall economic recovery. The banking sector, overall, is projected to remain resilient, from liquidity and capital perspective, to support growth and provide relief to affected borrowers. Our expected credit losses provision remains conservative, having done proactive provisioning since last year. On the monetary front, the OPR is expected to remain stable for the rest of the year.

We continue to engage and facilitate our borrowers in this challenging period especially to those who are in need of assistance, through extending relief measures such as those offered under the PEMULIH package, which includes various cash handouts and loan moratorium, made available effective 7 July 2021.

We will stay the course with our FIT22 measures, with continued focus on improving business performance through digitalisation initiatives and AGILE way of working, improving customer experience and enhancing enterprise risk management.