

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

INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

| | Note | As at 31 December 2021 RM'000 | As at 31 December 2020 RM'000 |
|---|------|-------------------------------------|-------------------------------------|
| ASSETS | | | |
| Cash and short-term funds | | 8,061,808 | 2,262,454 |
| Securities purchased under resale agreements | 9 | 2,800,958 | 3,767,531 |
| Deposits and placements with banks and other financial institutions | 10 | 2,326,510 | 2,410,219 |
| Financial assets at fair value through profit or loss ('FVTPL') | 11 | 52,093 | 107,678 |
| Financial assets at fair value through other comprehensive income ('FVOCI') | 12 | 5,587,524 | 6,409,937 |
| Financial investments at amortised cost | 13 | 5,235,191 | 4,577,078 |
| Financing and advances | 14 | 74,259,901 | 66,788,344 |
| Other assets | 15 | 411,224 | 320,985 |
| Derivative assets | | 125,320 | 215,979 |
| Statutory deposits with Bank Negara Malaysia ('BNM') | | 20,000 | 12,000 |
| Deferred tax assets | | 110,860 | 6,794 |
| Right of use assets | | 2,528 | 4,750 |
| Property, plant and equipment | | 3,452 | 3,944 |
| Intangible assets | | 3,528 | 3,133 |
| TOTAL ASSETS | | 99,000,897 | 86,890,826 |
| LIABILITIES AND EQUITY | | | |
| Deposits from customers | 16 | 71,661,203 | 60,830,175 |
| Deposits and placements of banks and other financial institutions | 17 | 8,026,615 | 7,124,095 |
| Investment accounts | 18 | 10,794,930 | 8,840,858 |
| Bills and acceptances payable | | 8,287 | 12,182 |
| Other liabilities | 19 | 1,160,202 | 785,816 |
| Derivative liabilities | | 134,410 | 337,929 |
| Recourse obligation on financing sold to Cagamas Berhad ('Cagamas') | | 753,585 | 3,023,760 |
| Provision for taxation and zakat | | 93,685 | 52,548 |
| Lease liabilities | | 2,548 | 4,840 |
| Subordinated obligations | | 754,573 | 754,514 |
| TOTAL LIABILITIES | | 93,390,038 | 81,766,717 |
| Share capital | | 1,673,424 | 1,673,424 |
| Reserves | | 3,937,435 | 3,450,685 |
| TOTAL EQUITY | | 5,610,859 | 5,124,109 |
| TOTAL LIABILITIES AND EQUITY | | 99,000,897 | 86,890,826 |
| COMMITMENTS AND CONTINGENCIES | 27 | 35,011,301 | 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
(Incorporated in Malaysia)
Registration No. 200501003283 (680329-V)

INTERIM FINANCIAL STATEMENTS
AUDITED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

| | Note | <u>4th Quarter Ended</u> | | <u>Twelve Months Ended</u> | |
|--|------|--------------------------|-------------------------|----------------------------|-------------------------|
| | | <u>31 December 2021</u> | <u>31 December 2020</u> | <u>31 December 2021</u> | <u>31 December 2020</u> |
| | | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| Income derived from investment of depositors' funds | 20 | 768,395 | 732,026 | 2,970,546 | 2,818,747 |
| Income derived from investment of investment account funds | 21 | 94,851 | 85,895 | 357,697 | 364,011 |
| Income derived from investment of shareholders' funds | 22 | 45,324 | 56,294 | 185,606 | 183,584 |
| Net modification loss | 23 | (24,432) | (26,445) | (118,521) | (259,233) |
| Allowance for credit losses on financial assets | 24 | 25,651 | (110,998) | (145,879) | (234,976) |
| Total distributable income | | 909,789 | 736,772 | 3,249,449 | 2,872,133 |
| Income attributable to depositors | 25 | (381,348) | (373,114) | (1,480,321) | (1,713,761) |
| Profit distributed to investment account holders | | (77,300) | (70,949) | (290,658) | (288,753) |
| | | 451,141 | 292,709 | 1,478,470 | 869,619 |
| Personnel expenses | | (13,328) | (8,532) | (33,739) | (29,610) |
| Other overheads and expenditures | | (125,972) | (118,213) | (414,216) | (389,490) |
| Profit before taxation and zakat | | 311,841 | 165,964 | 1,030,515 | 450,519 |
| Taxation and zakat | | (63,993) | (38,069) | (241,027) | (110,180) |
| Net profit for the financial period/year | | 247,848 | 127,895 | 789,488 | 340,339 |
| Basic earnings per share (sen) | 26 | 14.81 | 7.64 | 47.18 | 20.34 |

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
(Incorporated in Malaysia)
Registration No. 200501003283 (680329-V)

INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

| | <u>4th Quarter Ended</u> | | <u>Twelve Months Ended</u> | |
|--|--------------------------|-------------------------|----------------------------|-------------------------|
| | <u>31 December 2021</u> | <u>31 December 2020</u> | <u>31 December 2021</u> | <u>31 December 2020</u> |
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| Net profit for the financial period/year | 247,848 | 127,895 | 789,488 | 340,339 |
| 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 | (41,883) | (51,219) | (241,011) | 181,011 |
| - Net transfer to income statement on disposal | - | (4,775) | (91,714) | (39,942) |
| - Changes in expected credit losses | 262 | (171) | 336 | (394) |
| Income tax relating to components of other comprehensive loss/(income) | 10,052 | 13,440 | 79,854 | (33,856) |
| Other comprehensive (loss)/income, net of tax, for the financial period/year | (31,569) | (42,725) | (252,535) | 106,819 |
| Total comprehensive income for the financial period/year | 216,279 | 85,170 | 536,953 | 447,158 |

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
(Incorporated in Malaysia)
Registration No. 200501003283 (680329-V)

INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

| | Share capital RM'000 | Non distributable | | Distributable | Total RM'000 |
|---|----------------------------|----------------------------|---------------------------------|-------------------------------|------------------|
| | | FVOCI reserve RM'000 | Regulatory reserve RM'000 | Retained profits RM'000 | |
| Balance as at 1 January 2021 | 1,673,424 | 226,849 | 327,805 | 2,896,031 | 5,124,109 |
| Net profit for the financial year | - | - | - | 789,488 | 789,488 |
| Other comprehensive income/(loss): | | | | | |
| Debt instruments measured at FVOCI: | | | | | |
| - Unrealised net loss on revaluation | - | (241,011) | - | - | (241,011) |
| - Net transfer to income statement on disposal | - | (91,714) | - | - | (91,714) |
| - Changes in expected credit losses | - | 336 | - | - | 336 |
| Income tax relating to components of other comprehensive loss | - | 79,854 | - | - | 79,854 |
| Other comprehensive loss, net of tax, for the financial year | - | (252,535) | - | - | (252,535) |
| Total comprehensive income/(loss) for the financial year | - | (252,535) | - | 789,488 | 536,953 |
| Dividend paid | - | - | - | (50,203) | (50,203) |
| Transfer from regulatory reserve | - | - | (80,686) | 80,686 | - |
| Balance as at 31 December 2021 | 1,673,424 | (25,686) | 247,119 | 3,716,002 | 5,610,859 |

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
(Incorporated in Malaysia)
Registration No. 200501003283 (680329-V)

INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 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 year | - | - | - | 340,339 | 340,339 |
| Other comprehensive income/(loss): | | | | | |
| Debt instruments measured at FVOCI: | | | | | |
| - Unrealised net gain on revaluation | - | 181,011 | - | - | 181,011 |
| - Net transfer to income statement on disposal | - | (39,942) | - | - | (39,942) |
| - Changes in expected credit losses | - | (394) | - | - | (394) |
| Income tax relating to components of other comprehensive income | - | (33,856) | - | - | (33,856) |
| Other comprehensive income, net of tax, for the financial year | - | 106,819 | - | - | 106,819 |
| Total comprehensive income for the financial year | - | 106,819 | - | 340,339 | 447,158 |
| Dividend paid | - | - | - | (89,863) | (89,863) |
| Transfer from regulatory reserve | - | - | (115,064) | 115,064 | - |
| Balance as at 31 December 2020 | <u>1,673,424</u> | <u>226,849</u> | <u>327,805</u> | <u>2,896,031</u> | <u>5,124,109</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
(Incorporated in Malaysia)
Registration No. 200501003283 (680329-V)

INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

| | <u>Twelve Months Ended</u> | |
|--|----------------------------|-------------------------|
| | <u>31 December 2021</u> | <u>31 December 2020</u> |
| | RM'000 | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation and zakat | 1,030,515 | 450,519 |
| Adjustments for non-cash items | (131,378) | 174,088 |
| Operating profit before changes in working capital | 899,137 | 624,607 |
| Changes in working capital: | | |
| Net changes in operating assets | (6,701,117) | (9,895,686) |
| Net changes in operating liabilities | 11,591,568 | 9,688,087 |
| Cash generated from operations | 5,789,588 | 417,008 |
| Profit paid | (33,885) | (34,145) |
| Net tax and zakat paid | (224,102) | (159,728) |
| Net cash generated from operating activities | <u>5,531,601</u> | <u>223,135</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Property, plant and equipment | | |
| - Purchase | (655) | (931) |
| - Proceeds from disposal | 162 | - |
| Purchase of intangible assets | (1,153) | (525) |
| Net purchase of financial assets at FVOCI and financial investments at amortised cost | (91,896) | (2,276,571) |
| Investment income received from financial assets at FVOCI and financial investments at amortised cost | 415,516 | 357,963 |
| Net cash generated from/(used in) investing activities | <u>321,974</u> | <u>(1,920,064)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal lease payment | (4,018) | (3,150) |
| Dividend paid | (50,203) | (89,863) |
| Net cash used in financing activities | <u>(54,221)</u> | <u>(93,013)</u> |
| Net increase/(decrease) in cash and cash equivalents | 5,799,354 | (1,789,942) |
| Cash and cash equivalents at the beginning of the financial year | 2,262,454 | 4,052,396 |
| Cash and cash equivalents at the end of the financial year | <u>8,061,808</u> | <u>2,262,454</u> |
| ANALYSIS OF CASH AND CASH EQUIVALENTS | | |
| Cash and short-term funds | <u>8,061,808</u> | <u>2,262,454</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
(Incorporated in Malaysia)
Registration No. 200501003283 (680329-V)

NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1 BASIS OF PREPARATION

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

(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:

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 – 'Interest Rate Benchmark Reform - Phase 2'
- 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.

(b) Changes in regulatory requirements - measures issued by BNM

(i) Targeted repayment assistance ('TRA')

I Targeted repayment assistance under Program Strategik Memperkasa Rakyat dan Ekonomi Tambahan ('PEMERKASA+')

TRA under PEMERKASA+ was announced on 31 May 2021. The TRA was applicable to all borrowers/customers who have lost their employment, B40 borrowers/customers registered under Bantuan Sara Hidup ('BSH') or Bantuan Prihatin Rakyat ('BPR'), SMEs and microenterprises with financing facilities not more than RM150,000 whose financing were approved on or before 30 June 2021 and not in arrears for more than 90 days. All these affected borrowers/customers may opt for 3-month deferment of instalment or a 50% reduction in their monthly instalment payment for a period of 6 months.

II 6-month moratorium under Perlindungan Rakyat dan Pemulihan Ekonomi ('PEMULIH')

On 6 July 2021, BNM announced that individuals, microenterprise borrowers and SMEs affected by the COVID-19 pandemic may start applying for the 6-month moratorium from 7 July 2021 onwards, in line with the Government's PEMULIH.

The moratorium applies to ringgit and foreign currency denominated financing approved on or before 30 June 2021, not in arrears exceeding 90 days and customers must not be adjudicated bankrupts or under bankruptcy proceedings. All individuals, SMEs and microenterprises may opt for 6-month deferment of instalment or 50% reduction in their monthly instalment payment for a period of 6 months. There will be no compounding profit and any penalty profit during the moratorium period.

(ii) Waiver of profit

On 14 October 2021, BNM announced that B50 individuals who continue to be affected by the COVID-19 pandemic and are under an existing repayment assistance program, may start applying for financial assistance under the Financial Management and Resilience Programme ('URUS') managed by Agensi Kaunseling dan Pengurusan Kredit ('AKPK') from 15 November 2021 until 31 March 2022. Under URUS, AKPK will provide the customer with a personalised financial plan that is developed holistically, taking into account the customer's financial circumstances and ability to afford repayment of all the customer's financing obligations. The financial plan will encompass options of either a profit waiver of three months or profit waiver of three months together with reduced instalments of up to 24 months. Customers who are not eligible for URUS may apply for assistance under AKPK's Financial Resilience Support Scheme ('FIRST'), which includes features such as reduced instalments, extended financing tenures and financial resilience support programmes. In addition, for eligible B50 customers who have signed up for the Bank's flood relief assistance programmes, the URUS application closing date has been extended to 31 July 2022, or upon the expiry of the flood relief assistance programme, whichever is earlier.

The financial impact arising from the adoption of the above measures is as disclosed in Note 23.

2 AUDITORS' REPORT

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

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

NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

3 SEASONAL OR CYCLICAL ITEMS

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

4 EXCEPTIONAL OR UNUSUAL ITEMS

There were no exceptional or unusual items for the financial year ended 31 December 2021, other than the additional modification loss as disclosed in Note 23.

5 CHANGES IN ESTIMATES

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

7 DIVIDENDS

During the financial year ended 31 December 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.

The Directors proposed a single-tier interim dividend of 14.00 sen per share amounting to RM234,279,000 in respect of the financial year ended 31 December 2021.

The financial statements for the current financial year do not reflect this single-tier interim dividend. This dividend payment will be accounted for in the shareholder's equity as an appropriation of retained profits in the financial year ending 31 December 2022.

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.
- Wakalah, a trust-based contract in which a party (muwakkil) appoints another party as his agent (wakil) to perform a particular task, in matters that may be delegated, either voluntarily or with imposition of a fee. The fee shall be recognised based on agreement. Profit generated/losses incurred is based on net distributable income calculated. Net distributable income derived after deducting Wakalah fee, direct expenses and provisions (if any). Losses (if any) will solely be borne by the investors unless such losses is due to the Bank's misconduct, negligence or breach of specified terms in the contract between the investors and the Bank.
- Details of the IA are as disclosed in Note 18.

9 SECURITIES PURCHASED UNDER RESALE AGREEMENTS

| | As at 31 December 2021 | As at 31 December 2020 |
|--|-----------------------------------|-----------------------------------|
| | RM'000 | RM'000 |
| At amortised cost | | |
| Malaysian Government Investment Issues | 761,355 | 1,492,982 |
| Corporate sukuk | 2,039,603 | 2,274,549 |
| | <u>2,800,958</u> | <u>3,767,531</u> |

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

NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

10 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

| | As at 31 December 2021 | As at 31 December 2020 |
|------------------------------|----------------------------------|---------------------------|
| | RM'000 | RM'000 |
| Licensed Islamic banks | 125,020 | 478,762 |
| BNM | 2,001,467 | 1,931,457 |
| Other financial institutions | 200,023 | - |
| | 2,326,510 | 2,410,219 |

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

| | As at 31 December 2021 | As at 31 December 2020 |
|---|----------------------------------|---------------------------|
| | RM'000 | RM'000 |
| Mandatory measured at fair value | | |
| <u>Money market instruments:</u> | | |
| Malaysian Government Investment Issues | 52,093 | 107,678 |

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

| | As at 31 December 2021 | As at 31 December 2020 |
|--|----------------------------------|---------------------------|
| | RM'000 | RM'000 |
| At fair value | | |
| Debt instruments | 5,587,524 | 6,409,937 |
| <u>Money market instruments:</u> | | |
| Malaysian Government Investment Issues | 1,539,960 | 1,714,309 |
| Islamic Cagamas bonds | - | 10,156 |
| Negotiable Islamic debt certificates | 298,527 | 397,744 |
| <u>Unquoted securities:</u> | | |
| <u>In Malaysia</u> | | |
| Corporate sukuk | 3,749,037 | 4,287,728 |
| | 5,587,524 | 6,409,937 |

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

| | 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 2021 | | | | |
| Balance as at the beginning of the financial year | 2,001 | - | - | 2,001 |
| Changes in credit risk | (26) | - | - | (26) |
| Purchases and origination | 968 | - | - | 968 |
| Derecognition and disposal | (606) | - | - | (606) |
| Balance as at the end of the financial year | 2,337 | - | - | 2,337 |
| 31 December 2020 | | | | |
| Balance as at the beginning of the financial year | 2,395 | - | - | 2,395 |
| Changes in credit risk | (147) | - | - | (147) |
| Purchases and origination | 925 | - | - | 925 |
| Derecognition and disposal | (1,172) | - | - | (1,172) |
| Balance as at the end of the financial year | 2,001 | - | - | 2,001 |

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

**NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

13 FINANCIAL INVESTMENTS AT AMORTISED COST

| | As at 31 December 2021 | As at 31 December 2020 |
|--|----------------------------------|---------------------------|
| | RM'000 | RM'000 |
| At amortised cost | | |
| <u>Money market instruments:</u> | | |
| Malaysian Government Investment Issues | 369,129 | 389,129 |
| Sukuk Perumahan Kerajaan | 10,047 | 10,031 |
| Islamic Cagamas bonds | 15,085 | - |
| Islamic Khazanah bonds | 123,966 | 145,214 |
| <u>Unquoted securities:</u> | | |
| <u>In Malaysia</u> | | |
| Corporate sukuk | 4,723,053 | 4,037,396 |
| | 5,241,280 | 4,581,770 |
| Allowance for credit losses | (6,089) | (4,692) |
| | 5,235,191 | 4,577,078 |

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 investors.

Gross exposure to RIA financing as at 31 December 2021 is RM1,366,975,000 (2020: RM811,775,000), of which RM1,009,105,000 (2020: RM811,775,000) is funded by RHB Bank.

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 RM446,910,000 as at 31 December 2021 (2020: RM220,170,000).

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

| | As at 31 December 2021 | As at 31 December 2020 |
|---|----------------------------------|---------------------------|
| | RM'000 | RM'000 |
| Balance as at the beginning of the financial year | - | - |
| Transferred to lifetime ECL credit impaired (Stage 3) | 608,076 | - |
| Purchases and origination | 496,948 | - |
| Balance as at the end of the financial year | 1,105,024 | - |

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

(b) Movement in allowance for credit losses

| | 12-month ECL (Stage 1) | Lifetime ECL not credit impaired (Stage 2) | Lifetime ECL credit impaired (Stage 3) | Total |
|---|------------------------------|---|---|--------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| 31 December 2021 | | | | |
| Balance as at the beginning of the financial year | 4,557 | 135 | - | 4,692 |
| Transferred to 12-month ECL (Stage 1) | 123 | (123) | - | - |
| Transferred to lifetime ECL not credit impaired (Stage 2) | (238) | 238 | - | - |
| Changes in credit risk | (430) | 804 | - | 374 |
| Purchases and origination | 1,650 | 735 | - | 2,385 |
| Derecognition and disposal | (1,350) | (12) | - | (1,362) |
| Balance as at the end of the financial year | 4,312 | 1,777 | - | 6,089 |
| 31 December 2020 | | | | |
| Balance as at the beginning of the financial year | 5,182 | 189 | - | 5,371 |
| Changes in credit risk | (736) | - | - | (736) |
| Purchases and origination | 3,895 | 135 | - | 4,030 |
| Derecognition and disposal | (3,784) | (189) | - | (3,973) |
| Balance as at the end of the financial year | 4,557 | 135 | - | 4,692 |

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

**NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

14 FINANCING AND ADVANCES

| 31 December 2021 | Bai' | | | | | | |
|---|---------------------|------------------|-------------------|-------------------|---------------|----------------|--------------------------|
| | Bithaman | | | | | | |
| | Ajil ('BBA') | Ijarah * | Murabahah | Musarakah | Qard | Others | Total |
| At amortised cost | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cashline | - | - | 992,380 | - | 28,178 | - | 1,020,558 |
| Term financing: | | | | | | | |
| - Housing financing | 276,125 | - | 10,906,924 | 13,354,042 | - | 155 | 24,537,246 |
| - Syndicated term financing | - | - | 3,238,693 | - | - | 19,181 | 3,257,874 |
| - Hire purchase receivables | - | 9,163,396 | - | - | - | - | 9,163,396 |
| - Other term financing | 696 | 103,223 | 32,721,179 | - | - | 25 | 32,825,123 |
| Bills receivables | - | - | 382,513 | - | - | - | 382,513 |
| Trust receipts | - | - | 40,694 | - | - | - | 40,694 |
| Claims on customers under acceptance credits | - | - | 1,017,087 | - | - | - | 1,017,087 |
| Share margin financing | - | - | 1,752 | - | - | - | 1,752 |
| Staff financing | 1,366 | - | 11,814 | - | - | - | 13,180 |
| Credit/charge card receivables | - | - | - | - | - | 271,518 | 271,518 |
| Revolving financing | - | - | 2,337,239 | - | - | - | 2,337,239 |
| Gross financing and advances | <u>278,187</u> | <u>9,266,619</u> | <u>51,650,275</u> | <u>13,354,042</u> | <u>28,178</u> | <u>290,879</u> | <u>74,868,180</u> |
| Fair value changes arising from fair value hedge | | | | | | | (1,788) |
| | | | | | | | <u>74,866,392</u> |
| Allowance for credit losses on financing and advances | | | | | | | (606,491) |
| Net financing and advances | | | | | | | <u><u>74,259,901</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.

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

NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

14 FINANCING AND ADVANCES (CONTINUED)

| 31 December 2020 | Bai' Bithaman Ajil ('BBA') | Ijarah * | Murabahah | Musyarakah | Qard | Others | Total |
|---|---|-----------------|------------------|-------------------|---------------|---------------|-------------------|
| At amortised cost | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cashline | - | - | 825,982 | - | 30,384 | - | 856,366 |
| Term financing: | | | | | | | |
| - Housing financing | 310,961 | - | 7,776,907 | 13,081,574 | - | - | 21,169,442 |
| - Syndicated term financing | - | - | 3,349,361 | - | - | 19,181 | 3,368,542 |
| - Hire purchase receivables | - | 8,598,499 | - | - | - | - | 8,598,499 |
| - Other term financing | 770 | 114,761 | 29,462,951 | - | - | 24 | 29,578,506 |
| 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 | 313,252 | 8,713,260 | 44,778,279 | 13,081,574 | 30,384 | 293,171 | 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 | | | | | | | <u>66,788,344</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.

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

**NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

14 FINANCING AND ADVANCES (CONTINUED)

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

As at 31 December 2021, gross exposure to RIA financing funded by RHB Bank is RM8,564,457,000 (2020: RM7,917,534,000) and gross exposure to URIA financing funded by other investors is RM220,670,000 (2020: Nil).

The portfolio expected credit losses for financing and advances relating to RIA and URIA is borne solely by the investors and the amount recognised in the financial statements of RHB Bank is RM143,209,000 (2020: RM164,445,000).

- (b) Included in term financing are housing financing sold to Cagamas amounting to RM741,384,000 (2020: RM2,896,091,000).
- (c) Movement of Qard financing

| | <u>As at</u> <u>31 December 2021</u> | <u>As at</u> <u>31 December 2020</u> |
|---|---|---|
| | <u>RM'000</u> | <u>RM'000</u> |
| Balance as at the beginning of the financial year | 30,384 | 25,578 |
| New disbursement | 1,537 | 19,838 |
| Repayment | <u>(3,743)</u> | <u>(15,032)</u> |
| Balance as at the end of the financial year | <u><u>28,178</u></u> | <u><u>30,384</u></u> |
| Sources of Qard fund: | | |
| - Depositors' fund | <u><u>28,178</u></u> | <u><u>30,384</u></u> |
| Uses of Qard fund: | | |
| - Personal use | 635 | 314 |
| - Business purpose | <u>27,543</u> | <u>30,070</u> |
| | <u><u>28,178</u></u> | <u><u>30,384</u></u> |

- (i) By type of customer

| | | |
|--|--------------------------|--------------------------|
| Domestic non-bank financial institutions | 2,372,457 | 2,664,899 |
| Domestic business enterprises: | | |
| - Small medium enterprises | 6,926,561 | 5,317,492 |
| - Others | 15,839,568 | 13,963,090 |
| Government and statutory bodies | 6,251,858 | 6,447,168 |
| Individuals | 43,090,990 | 38,441,528 |
| Other domestic entities | 131,026 | 121,727 |
| Foreign entities | <u>255,720</u> | <u>254,016</u> |
| | <u><u>74,868,180</u></u> | <u><u>67,209,920</u></u> |

- (ii) By profit rate sensitivity

| | | |
|------------------------------|--------------------------|--------------------------|
| Fixed rate: | | |
| - Housing financing | 13,183 | 1,521 |
| - Hire-purchase receivables | 1,107,076 | 1,544,122 |
| - Other fixed rate financing | 10,325,073 | 10,764,142 |
| Variable rate: | | |
| - Base financing rate-plus | 43,909,955 | 36,457,513 |
| - Cost-plus | 19,348,696 | 18,247,514 |
| - Other variable rates | <u>164,197</u> | <u>195,108</u> |
| | <u><u>74,868,180</u></u> | <u><u>67,209,920</u></u> |

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

NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

14 FINANCING AND ADVANCES (CONTINUED)

| | As at 31 December 2021 RM'000 | As at 31 December 2020 RM'000 |
|---|-------------------------------------|-------------------------------------|
| (iii) By economic sector | | |
| Agriculture, hunting, forestry and fishing | 1,483,104 | 1,447,001 |
| Mining and quarrying | 90,179 | 114,934 |
| Manufacturing | 2,480,299 | 2,079,858 |
| Electricity, gas and water | 571,169 | 226,175 |
| Construction | 5,208,674 | 4,853,654 |
| Wholesale and retail trade and restaurant and hotel | 3,026,885 | 2,177,615 |
| Transport, storage and communication | 6,416,740 | 5,212,091 |
| Finance, insurance, real estate and business services | 5,633,879 | 5,684,002 |
| Government and government agencies | 3,236,761 | 3,432,112 |
| Education, health and others | 3,363,859 | 3,330,492 |
| Household sector | 43,348,442 | 38,608,107 |
| Others | 8,189 | 43,879 |
| | 74,868,180 | 67,209,920 |
| (iv) By purpose | | |
| Purchase of securities | 5,577,488 | 5,288,201 |
| Purchase of transport vehicles | 9,132,175 | 8,556,880 |
| Purchase of landed property: | | |
| - Residential | 23,527,874 | 20,007,111 |
| - Non-residential | 5,394,504 | 5,101,564 |
| Purchase of property, plant and equipment other than land and building | 707,150 | 614,675 |
| Personal use | 4,875,001 | 4,607,262 |
| Credit card | 271,518 | 273,966 |
| Construction | 884,448 | 1,117,589 |
| Working capital | 16,518,876 | 14,660,736 |
| Merger and acquisition | 2,615,844 | 1,314,861 |
| Other purposes | 5,363,302 | 5,667,075 |
| | 74,868,180 | 67,209,920 |
| (v) By geographical distribution | | |
| In Malaysia | 74,868,180 | 67,209,920 |
| (vi) By remaining contractual maturities | | |
| Maturing within one year | 6,908,432 | 6,082,032 |
| One year to three years | 6,298,556 | 4,077,510 |
| Three years to five years | 5,730,552 | 7,105,019 |
| Over five years | 55,930,640 | 49,945,359 |
| | 74,868,180 | 67,209,920 |

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

NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

14 FINANCING AND ADVANCES (CONTINUED)

| | As at 31 December 2021 RM'000 | As at 31 December 2020 RM'000 |
|--|-------------------------------------|-------------------------------------|
| (vii) Impaired financing and advances | | |
| (a) Movement in impaired financing and advances | | |
| Balance as at the beginning of the financial year | 435,207 | 466,169 |
| Transfer to 12-month ECL (Stage 1) | (15,496) | (15,918) |
| Transfer to lifetime ECL not credit impaired (Stage 2) | (53,767) | (42,625) |
| Transfer to lifetime ECL credit impaired (Stage 3) | 157,405 | 176,565 |
| Purchases and origination | 27,390 | 26,127 |
| Derecognition | (72,445) | (104,208) |
| Amount written off | (101,293) | (70,664) |
| Modification of contractual cash flows | (12) | (239) |
| Other movements | 8,811 | - |
| Balance as at the end of the financial year | <u>385,800</u> | <u>435,207</u> |
| (b) By economic sector | | |
| Agriculture, hunting, forestry and fishing | 119 | 359 |
| Mining and quarrying | - | 13 |
| Manufacturing | 25,196 | 23,644 |
| Electricity, gas and water | 12,100 | 3,805 |
| Construction | 48,617 | 43,907 |
| Wholesale and retail trade and restaurant and hotel | 33,468 | 47,882 |
| Transport, storage and communication | 15,679 | 14,429 |
| Finance, insurance, real estate and business services | 33,259 | 33,676 |
| Education, health and others | 81 | 6,888 |
| Household sector | 217,281 | 260,518 |
| Others | - | 86 |
| | <u>385,800</u> | <u>435,207</u> |
| (c) By purpose | | |
| Purchase of securities | 621 | 677 |
| Purchase of transport vehicles | 34,283 | 51,713 |
| Purchase of landed property: | | |
| - Residential | 164,115 | 190,461 |
| - Non-residential | 53,653 | 64,686 |
| Purchase of property, plant and equipment other than land and building | 3,234 | 3,230 |
| Personal use | 11,392 | 7,485 |
| Credit card | 2,201 | 3,610 |
| Working capital | 75,912 | 78,506 |
| Other purposes | 40,389 | 34,839 |
| | <u>385,800</u> | <u>435,207</u> |
| (d) By geographical distribution | | |
| In Malaysia | <u>385,800</u> | <u>435,207</u> |

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

NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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 |
|--|---------------------------------------|---|---|----------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| 31 December 2021 | | | | |
| Balance as at the beginning of the financial year | 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) | 43,835 | (38,816) | (5,019) | - |
| - Transferred to lifetime ECL not credit impaired (Stage 2) | (11,059) | 29,202 | (18,143) | - |
| - Transferred to lifetime ECL credit impaired (Stage 3) | (645) | (5,733) | 6,378 | - |
| | 32,131 | (15,347) | (16,784) | - |
| Changes in credit risk | (22,504) | 88,658 | 91,679 | 157,833 |
| Purchases and origination | 16,667 | 5,372 | 6,106 | 28,145 |
| Bad debts written off | - | - | (61,989) | (61,989) |
| Changes to model methodologies | (4,952) | (8,592) | 55 | (13,489) |
| Derecognition | (7,269) | (12,504) | (24,307) | (44,080) |
| Other movements | - | - | 8,811 | 8,811 |
| Balance as at the end of the financial year | <u>170,709</u> | <u>252,606</u> | <u>183,176</u> | <u>606,491</u> |

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

NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

14 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

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

| | 12-month ECL (Stage 1) | Lifetime ECL not credit impaired (Stage 2) | Lifetime ECL credit impaired (Stage 3) | Total |
|--|---------------------------------------|---|---|----------------|
| 31 December 2020 | RM'000 | RM'000 | RM'000 | RM'000 |
| 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) | - |
| Changes in credit risk | 54,231 | 98,014 | 85,435 | 237,680 |
| Purchases and origination | 23,374 | 9,502 | 5,728 | 38,604 |
| 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> |

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

NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

15 OTHER ASSETS

| | As at <u>31 December 2021</u> RM'000 | As at 31 December 2020 RM'000 |
|---------------------------------|--|-------------------------------------|
| Prepayments | 29,816 | 27,588 |
| Deposits | 1,088 | 1,535 |
| Amount due to a related company | 87 | - |
| Other receivables | 380,233 | 291,862 |
| | <u>411,224</u> | <u>320,985</u> |

16 DEPOSITS FROM CUSTOMERS

| | As at <u>31 December 2021</u> RM'000 | As at 31 December 2020 RM'000 |
|------------------------------------|--|-------------------------------------|
| <u>Savings Deposits</u> | | |
| Qard | 2,574,440 | 2,094,100 |
| <u>Demand Deposits</u> | | |
| Qard | 6,183,489 | 5,981,871 |
| Commodity Murabahah | 3,134,399 | 1,464,521 |
| <u>Term Deposits</u> | | |
| Commodity Murabahah | 50,129,731 | 42,962,476 |
| <u>Specific Investment Account</u> | | |
| Commodity Murabahah | 9,638,797 | 8,289,588 |
| <u>General Investment Account</u> | | |
| Mudharabah | 347 | 37,619 |
| | <u>71,661,203</u> | <u>60,830,175</u> |

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

| | | |
|---------------------------|-------------------|-------------------|
| Due within six months | 46,741,264 | 37,638,943 |
| Six months to one year | 11,918,392 | 12,325,774 |
| One year to three years | 1,086,493 | 909,096 |
| Three years to five years | 22,726 | 415,870 |
| | <u>59,768,875</u> | <u>51,289,683</u> |

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

| | | |
|---------------------------------|-------------------|-------------------|
| Government and statutory bodies | 13,071,677 | 13,311,167 |
| Business enterprises | 31,300,199 | 26,275,936 |
| Individuals | 26,283,229 | 20,612,596 |
| Others | 1,006,098 | 630,476 |
| | <u>71,661,203</u> | <u>60,830,175</u> |

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

NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

17 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

| | Note | As at 31 December 2021 RM'000 | As at 31 December 2020 RM'000 |
|------------------------------|------|-------------------------------------|-------------------------------------|
| <u>Non-Mudharabah Funds:</u> | | | |
| Licensed Islamic banks | | 1,296,903 | 948,447 |
| Licensed banks | | 5,888,898 | 5,882,079 |
| Licensed investment banks | | 501,236 | 149,675 |
| BNM | (a) | 151,883 | 121,750 |
| | | <u>7,838,920</u> | <u>7,101,951</u> |
| <u>Mudharabah Funds:</u> | | | |
| Other financial institutions | | 187,695 | 22,144 |
| | | <u>8,026,615</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 six-year maturity period.

18 INVESTMENT ACCOUNTS

| | Note | As at 31 December 2021 RM'000 | As at 31 December 2020 RM'000 |
|--|------|-------------------------------------|-------------------------------------|
| Mudharabah Restricted Investment Account | (a) | 10,574,159 | 8,840,858 |
| Wakalah Unrestricted Investment Account | (b) | 220,771 | - |
| | | <u>10,794,930</u> | <u>8,840,858</u> |

(a) Mudharabah Restricted Investment Account

By type of counterparty:

| | | |
|----------------|-------------------|------------------|
| Licensed banks | <u>10,574,159</u> | <u>8,840,858</u> |
|----------------|-------------------|------------------|

Investment asset (principal):

| | | |
|-----------------------------------|-------------------|------------------|
| Personal financing (Note 14(a)) | 1,500,000 | 1,000,000 |
| Other term financing (Note 14(a)) | 7,064,457 | 6,917,534 |
| Short-term funds | 490,000 | - |
| Unquoted securities (Note 13) | 1,366,975 | 811,775 |
| | <u>10,421,432</u> | <u>8,729,309</u> |

As at 31 December 2021, the amount of the restricted investment account placed by the holding company, RHB Bank, amounted to RM10,213,639,000 (2020: RM8,840,858,000).

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

NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

18 INVESTMENT ACCOUNTS (CONTINUED)

| | As at 31 December 2021 RM'000 | As at 31 December 2020 RM'000 |
|--|-------------------------------------|-------------------------------------|
| (b) Wakalah Unrestricted Investment Account | | |
| <u>By type of counterparty:</u> | | |
| Business enterprises | 220,771 | - |
| <u>Investment asset (principal):</u> | | |
| Personal financing (Note 14(a)) | 176,536 | - |
| Housing financing (Note 14(a)) | 44,134 | - |
| | 220,670 | - |

19 OTHER LIABILITIES

| | As at 31 December 2021 RM'000 | As at 31 December 2020 RM'000 |
|---------------------------------------|-------------------------------------|-------------------------------------|
| Sundry creditors | 8,126 | 7,959 |
| Amount due to holding company | 934,414 | 263,326 |
| Amount due to other related companies | 12,162 | 876 |
| Contract liability | 129,683 | 141,946 |
| Short term employee benefits | 6,719 | 5,306 |
| Accrual for operational expenses | 34,201 | 13,722 |
| Other accruals and payables | 34,897 | 352,681 |
| | 1,160,202 | 785,816 |

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

NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

20 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

| | 4th Quarter Ended | | Twelve Months Ended | |
|--|--------------------------|------------------|----------------------------|------------------|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income derived from investment of: | | | | |
| (i) General investment deposits | 1 | 545 | 370 | 3,673 |
| (ii) Other deposits | 768,394 | 731,481 | 2,970,176 | 2,815,074 |
| | 768,395 | 732,026 | 2,970,546 | 2,818,747 |
| (i) Income derived from investment of general investment deposits: | | | | |
| Financing and advances | 5 | 468 | 297 | 3,070 |
| Securities purchased under resale agreements | - | 12 | 6 | 53 |
| Financial assets at FVTPL | - | 1 | - | 4 |
| Financial assets at FVOCI | - | 38 | 27 | 260 |
| Financial investments at amortised cost | - | 21 | 17 | 140 |
| Money at call and deposits with banks and other financial institutions | - | 3 | 12 | 73 |
| Total finance income and hibah | 5 | 543 | 359 | 3,600 |
| Other operating income/(loss) (Note a) | (4) | 2 | 11 | 73 |
| | 1 | 545 | 370 | 3,673 |
| Of which: | | | | |
| Financing income earned on impaired financing | - | 2 | 2 | 12 |
| (a) Other operating income comprise of: | | | | |
| Fee income: | | | | |
| - Commission | - | 1 | 1 | 9 |
| - Guarantee fees | - | 3 | - | 5 |
| | - | 4 | 1 | 14 |
| Net gain on revaluation of financial assets at FVTPL | - | - | - | 1 |
| Net (loss)/gain on disposal of financial assets at FVTPL | - | (2) | (1) | 7 |
| Net gain/(loss) on disposal of debt instruments of financial assets at FVOCI | (4) | - | 11 | 51 |
| | (4) | 2 | 11 | 73 |

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

**NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

| | 4th Quarter Ended | | Twelve Months Ended | |
|--|--------------------------|------------------|----------------------------|------------------|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| (ii) Income derived from investment of other deposits: | | | | |
| Financing and advances | 640,156 | 619,942 | 2,393,983 | 2,353,022 |
| Securities purchased under resale agreements | 11,503 | 13,140 | 44,294 | 40,515 |
| Financial assets at FVTPL | 139 | 488 | 1,414 | 2,806 |
| Financial assets at FVOCI | 46,187 | 51,309 | 198,369 | 199,128 |
| Financial investments at amortised cost | 33,972 | 27,877 | 133,793 | 107,127 |
| Money at call and deposits with banks and other financial institutions | 33,055 | 9,776 | 99,889 | 56,158 |
| Other income | - | 1 | - | 17 |
| Total finance income and hibah | 765,012 | 722,533 | 2,871,742 | 2,758,773 |
| Other operating income (Note a) | 3,382 | 8,948 | 98,434 | 56,301 |
| | 768,394 | 731,481 | 2,970,176 | 2,815,074 |
| Of which: | | | | |
| Financing income earned on impaired financing | 2,194 | 2,514 | 12,003 | 9,204 |
| (a) Other operating income comprise of: | | | | |
| Fee income: | | | | |
| - Commission | 2,132 | 1,862 | 9,541 | 6,957 |
| - Guarantee fees | 1,215 | 2,501 | 3,690 | 4,160 |
| | 3,347 | 4,363 | 13,231 | 11,117 |
| Net gain/(loss) on revaluation of financial assets at FVTPL | (26) | (90) | 4 | 653 |
| Net (loss)/gain on disposal of financial assets at FVTPL | (2) | 5 | (4,462) | 5,716 |
| Net gain on disposal of debt instruments of financial assets at FVOCI | 41 | 4,670 | 89,639 | 38,815 |
| Net gain arising from derecognition of financial investments at amortised cost | 22 | - | 22 | - |
| | 3,382 | 8,948 | 98,434 | 56,301 |

21 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

| | 4th Quarter Ended | | Twelve Months Ended | |
|--|--------------------------|------------------|----------------------------|------------------|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Financing and advances | 75,282 | 74,858 | 293,271 | 318,187 |
| Financial investments at amortised cost | 17,354 | 11,037 | 61,851 | 45,798 |
| Money at call and deposits with banks and other financial institutions | 2,215 | - | 2,575 | 26 |
| Total finance income and hibah | 94,851 | 85,895 | 357,697 | 364,011 |

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

**NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

22 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

| | <u>4th Quarter Ended</u> | | <u>Twelve Months Ended</u> | |
|---|--------------------------|------------------|----------------------------|------------------|
| | <u>31 December 2021</u> | 31 December 2020 | <u>31 December 2021</u> | 31 December 2020 |
| | <u>RM'000</u> | RM'000 | <u>RM'000</u> | RM'000 |
| Financing and advances | 13,988 | 15,996 | 55,115 | 65,205 |
| Securities purchased under resale agreements | 251 | 346 | 1,020 | 1,123 |
| Financial assets at FVTPL | 3 | 12 | 33 | 78 |
| Financial assets at FVOCI | 998 | 1,321 | 4,567 | 5,518 |
| Financial investments at amortised cost | 739 | 719 | 3,080 | 2,969 |
| Money at call and deposits with banks and other financial institutions | 733 | 239 | 2,300 | 1,556 |
| Total finance income and hibah | 16,712 | 18,633 | 66,115 | 76,449 |
| Other operating income (Note a) | 28,612 | 37,661 | 119,491 | 107,135 |
| | 45,324 | 56,294 | 185,606 | 183,584 |
| Of which: | | | | |
| Financing income earned on impaired financing | 46 | 63 | 276 | 256 |
| (a) Other operating income comprise of: | | | | |
| Fee income: | | | | |
| - Commission | 11,469 | 9,272 | 44,088 | 29,942 |
| - Service charges and fees | 23,529 | 25,590 | 97,481 | 80,489 |
| - Guarantee and underwriting fees | 27 | 68 | 85 | 115 |
| | 35,025 | 34,930 | 141,654 | 110,546 |
| Net gain/(loss) on revaluation of financial assets at FVTPL | (1) | (3) | - | 18 |
| Net (loss)/gain on disposal of financial assets at FVTPL | 2 | (4) | (103) | 158 |
| Net gain/(loss) on disposal of debt instruments of financial investments at FVOCI | (37) | 106 | 2,064 | 1,076 |
| Net gain arising from derecognition of financial investments at amortised cost | 1 | - | 1 | - |
| Net loss on revaluation of derivatives | (14,278) | (10,534) | (40,217) | (27,470) |
| Net gain on fair value hedges | 3,664 | 206 | 2,452 | 1,941 |
| Other income: | | | | |
| - Foreign exchange gain | 4,826 | 13,118 | 15,810 | 21,907 |
| - (Loss)/Gain on disposal of property, plant and equipment | 2 | - | (30) | - |
| - Gain on modification of right of use | 38 | - | 38 | - |
| - Other non-operating loss | (630) | (158) | (2,178) | (1,041) |
| | 28,612 | 37,661 | 119,491 | 107,135 |

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

**NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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 statements over the remaining tenure of the financing and funding.

24 ALLOWANCE FOR CREDIT LOSSES ON FINANCIAL ASSETS

| | <u>4th Quarter Ended</u> | | <u>Twelve Months Ended</u> | |
|---|--------------------------|------------------|----------------------------|------------------|
| | <u>31 December 2021</u> | 31 December 2020 | <u>31 December 2021</u> | 31 December 2020 |
| | <u>RM'000</u> | RM'000 | <u>RM'000</u> | RM'000 |
| <u>Charge/(Writeback)</u> | | | | |
| Financing and advances: | | | | |
| - Net charge/(writeback) | (34,377) | 105,711 | 128,409 | 231,757 |
| - Bad debts recovered | (6,447) | (6,656) | (22,032) | (25,565) |
| - Bad debts written off | 13,946 | 15,868 | 37,911 | 29,736 |
| | <u>(26,878)</u> | 114,923 | <u>144,288</u> | 235,928 |
| Financial assets at FVOCI | 262 | (171) | 336 | (394) |
| Financial investments at amortised cost | 958 | (3,625) | 1,397 | (679) |
| Other financial assets | 7 | (129) | (142) | 121 |
| | <u>(25,651)</u> | 110,998 | <u>145,879</u> | 234,976 |

25 INCOME ATTRIBUTABLE TO DEPOSITORS

| | <u>4th Quarter Ended</u> | | <u>Twelve Months Ended</u> | |
|--|--------------------------|------------------|----------------------------|------------------|
| | <u>31 December 2021</u> | 31 December 2020 | <u>31 December 2021</u> | 31 December 2020 |
| | <u>RM'000</u> | RM'000 | <u>RM'000</u> | RM'000 |
| Deposits from customers: | | | | |
| - Mudharabah funds | 4,403 | 3,434 | 16,295 | 16,666 |
| - Non-Mudharabah funds | 320,646 | 306,298 | 1,252,490 | 1,455,497 |
| Deposits and placements of banks and other financial institutions: | | | | |
| - Non-Mudharabah funds | 38,770 | 26,734 | 104,132 | 106,690 |
| Others: | | | | |
| - Subordinated obligations | 8,519 | 8,520 | 33,800 | 33,893 |
| - Recourse obligation on financing sold to Cagamas | 8,967 | 28,059 | 73,460 | 100,814 |
| - Others | 43 | 69 | 144 | 201 |
| | <u>381,348</u> | 373,114 | <u>1,480,321</u> | 1,713,761 |

26 EARNINGS PER SHARE

| | <u>4th Quarter Ended</u> | | <u>Twelve Months Ended</u> | |
|--|--------------------------|------------------|----------------------------|------------------|
| | <u>31 December 2021</u> | 31 December 2020 | <u>31 December 2021</u> | 31 December 2020 |
| Net profit for the financial period/year (RM'000) | <u>247,848</u> | 127,895 | <u>789,488</u> | 340,339 |
| Weighted average number of ordinary shares in issue ('000) | <u>1,673,424</u> | 1,673,424 | <u>1,673,424</u> | 1,673,424 |
| Basic earnings per share (sen) | <u>14.81</u> | 7.64 | <u>47.18</u> | 20.34 |

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

NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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.

| | As at | As at |
|--|-------------------------|-------------------------|
| | 31 December 2021 | 31 December 2020 |
| | RM'000 | RM'000 |
| Contingent liabilities | | |
| Transaction-related contingent items | 348,068 | 321,425 |
| Short-term self-liquidating trade related contingencies | 27,903 | 24,011 |
| | 375,971 | 345,436 |
| Commitments | | |
| Irrevocable commitments to extend credit: | | |
| - Maturity less than one year | 1,974,669 | 180,691 |
| - Maturity more than one year | 8,105,582 | 8,649,652 |
| 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 | 2,648,467 | 2,410,216 |
| | 12,728,718 | 11,240,559 |
| Derivative financial instruments | | |
| Foreign exchange related contracts [^] : | | |
| - Less than one year | 14,233,787 | 13,436,013 |
| - One year to less than five years | 962,825 | 834,440 |
| - More than five years | - | 946,305 |
| Profit rate related contracts [^] : | | |
| - Less than one year | 2,910,000 | 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 |
| | 21,906,612 | 23,146,983 |
| | 35,011,301 | 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.

28 CAPITAL COMMITMENTS

| | As at | As at |
|--|-------------------------|-------------------------|
| | 31 December 2021 | 31 December 2020 |
| | RM'000 | RM'000 |
| Capital expenditure for property, plant and equipment: | | |
| - Authorised and contracted for | 3,442 | 900 |

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

NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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 |
|-------------------------------------|--------------------------|--------------------------|--------------------------|------------------------|
| <u>31 December 2021</u> | | | | |
| <u>Financial assets</u> | | | | |
| Financial assets at FVTPL: | | | | |
| - money market instruments | - | 52,093 | - | 52,093 |
| Financial assets at FVOCI: | | | | |
| - money market instruments | - | 5,587,524 | - | 5,587,524 |
| - unquoted securities | - | 1,838,487 | - | 1,838,487 |
| | - | 3,749,037 | - | 3,749,037 |
| Derivative assets | - | 125,320 | - | 125,320 |
| | - | 5,764,937 | - | 5,764,937 |
| <u>Financial liabilities</u> | | | | |
| Derivative liabilities | - | 134,410 | - | 134,410 |
| <u>31 December 2020</u> | | | | |
| <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 | - | 2,122,209 | - | 2,122,209 |
| | - | 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 |

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

NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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.

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

NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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.

Pursuant to Capital Adequacy Framework (Basel II – Risk Weighted Assets ('RWA')), the Bank will not apply prudential capital floors on RWA effective from 30 September 2021 upon completion of a three-year Internal Rating Based ('IRB') approach implementation.

The capital adequacy ratios of the Bank are as follows:

| | As at 31 December 2021 RM'000 | As at 31 December 2020 RM'000 |
|---|--|-------------------------------------|
| <u>Common Equity Tier-I ('CET-I') Capital /Tier-I Capital</u> | | |
| Share capital | 1,673,424 | 1,673,424 |
| Retained profits | 3,716,002 | 2,896,031 |
| FVOCI reserve | (28,023) | 224,848 |
| | 5,361,403 | 4,794,303 |
| Less: | | |
| Deferred tax assets | (102,565) | (78,167) |
| Intangible assets (include associated deferred tax liabilities) | (2,976) | (2,767) |
| 55% of cumulative gains arising from change in value of FVOCI instruments | - | (123,666) |
| Other deductions* | (918) | (2,643) |
| Total CET-I/Total Tier-I Capital | 5,254,944 | 4,587,060 |
| <u>Tier-II Capital</u> | | |
| Subordinated obligations | 750,000 | 750,000 |
| Surplus eligible provisions over expected losses | 134,679 | 137,002 |
| General provisions [^] | 52,467 | 69,026 |
| Total Tier-II Capital | 937,146 | 956,028 |
| Total Capital | 6,192,090 | 5,543,088 |
| <u>Capital Ratios</u> | | |
| Before proposed dividends: | | |
| CET-I Capital Ratio | 17.635% | 14.877% |
| Tier-I Capital Ratio | 17.635% | 14.877% |
| Total Capital Ratio | 20.780% | 17.977% |
| After proposed dividends: | | |
| CET-I Capital Ratio | 16.849% | 14.714% |
| Tier-I Capital Ratio | 16.849% | 14.714% |
| Total Capital Ratio | 19.994% | 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 RM41,763,000 (2020: RM54,526,000).

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

NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

30 CAPITAL ADEQUACY (CONTINUED)

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

| | As at 31 December 2021 | As at 31 December 2020 |
|---|---|---|
| | RM'000 | RM'000 |
| Credit risk | 33,329,415 | 35,557,840 |
| Credit risk absorbed by PSIA ⁺ | (6,318,180) | (7,202,054) |
| Market risk | 201,515 | 210,344 |
| Operational risk | 2,585,628 | 2,223,938 |
| Additional RWA due to capital floor | - | 43,510 |
| Total risk-weighted assets | <u>29,798,378</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 weighted assets funded by the Restricted Investment Account and Unrestricted Investment Account which qualifies as risk absorbent are excluded from the capital adequacy ratio calculation.

31 CREDIT EXPOSURES ARISING FROM TRANSACTIONS WITH CONNECTED PARTIES

| | As at 31 December 2021 | As at 31 December 2020 |
|---|---|---|
| Outstanding credit exposures with connected parties (RM'000) | <u>4,216,124</u> | <u>4,338,121</u> |
| Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%) | <u>5.06</u> | <u>5.74</u> |
| Percentage of outstanding credit exposures with connected parties which is impaired or in default (%) | <u>0.12</u> | <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.

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

NOTES TO THE AUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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.

34 CHANGES IN THE COMPOSITION OF THE BANK

There are no significant changes in the composition of the Bank for the financial year ended 31 December 2021.

35 CHANGES IN PROFIT FOR THE QUARTER

The Bank reported a pre-tax profit of RM311.8 million for the current quarter, 54.7% higher as compared to the preceding quarter ended 30 September 2021 of RM201.6 million. The higher profit was mainly attributed to lower allowance for credit losses by RM76.0 million, lower modification loss of RM49.1 million and higher net funding income by RM45.5 million, partly offset by higher overhead expenses by RM41.6 million and lower non funding income by RM18.8 million.

36 PERFORMANCE REVIEW

For the year ended 31 December 2021, the Bank recorded a pre-tax profit of RM1,030.5 million, 128.7% higher than previous year corresponding period of RM450.5 million. The higher profit was mainly due to higher net funding income by RM324.6 million, lower modification loss by RM140.7 million, lower allowance for credit losses by RM89.1 million and higher non funding income by RM54.4 million, partly offset by higher overhead expenses by RM28.8 million.

37 PROSPECTS FOR 2021

The global economy is on its path to recovery, supported by the positive momentum in economic activities worldwide and the gradual reopening of international borders. Domestically, Malaysia's GDP is expected to grow by 5.5% in 2022. However, the emergence of new COVID-19 variants still poses downside risks.

For the banking sector, the demand for credit is expected to improve in tandem with improving economic growth prospect. Interest rate is also expected to gradually normalise with potential increase in OPR in 2022. Overall, the sector is projected to remain resilient supported by strong capital and liquidity levels as well as adequate impairment provisions made in the last two years. Notwithstanding the expectation of economic recovery, RHB Group will remain prudent and continue to monitor market development closely.

In response to the demands brought about by the pandemic including changing customer behaviors and preferences, we decided to reassess, reprioritise and accelerate certain initiatives which are reflected in our newly embarked 5-year (2022-2026) strategy, Together We Progress (TWP26). The focus of TWP26 will be on driving quality growth by embedding continuous emphasis on digitalisation, sustainability and building a future-ready workforce.