

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

	Note	As at <u>30 September 2022</u> RM'000	As at <u>31 December 2021</u> RM'000
ASSETS			
Cash and short-term funds		4,527,649	8,061,808
Securities purchased under resale agreements	9	1,834,849	2,800,958
Deposits and placements with banks and other financial institutions	10	1,774,273	2,326,510
Financial assets at fair value through profit or loss ('FVTPL')	11	71,152	52,093
Financial assets at fair value through other comprehensive income ('FVOCI')	12	5,483,450	5,587,524
Financial investments at amortised cost	13	7,776,479	5,235,191
Financing and advances	14	78,899,515	74,259,901
Other assets	15	127,333	411,224
Derivative assets		361,255	125,320
Statutory deposits with Bank Negara Malaysia ('BNM')		25,000	20,000
Deferred tax assets		162,279	110,860
Right of use assets		1,586	2,528
Property, plant and equipment		4,606	3,452
Intangible assets		4,442	3,528
TOTAL ASSETS		<u>101,053,868</u>	<u>99,000,897</u>
LIABILITIES AND EQUITY			
Deposits from customers	16	74,809,512	71,661,203
Deposits and placements of banks and other financial institutions	17	6,530,738	8,026,615
Investment accounts	18	10,728,563	10,794,930
Bills and acceptances payable		7,013	8,287
Other liabilities	19	959,183	1,160,202
Derivative liabilities		210,551	134,410
Recourse obligation on financing sold to Cagamas Berhad ('Cagamas')		1,261,061	753,585
Provision for taxation and zakat		136,456	93,685
Lease liabilities		1,636	2,548
Subordinated obligations		762,285	754,573
TOTAL LIABILITIES		<u>95,406,998</u>	<u>93,390,038</u>
Share capital		1,673,424	1,673,424
Reserves		3,973,446	3,937,435
TOTAL EQUITY		<u>5,646,870</u>	<u>5,610,859</u>
TOTAL LIABILITIES AND EQUITY		<u>101,053,868</u>	<u>99,000,897</u>
COMMITMENTS AND CONTINGENCIES	29	<u>34,011,204</u>	<u>35,011,301</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 2021.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

	Note	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
		30 September	30 September	30 September	30 September
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	20	863,048	734,217	2,394,545	2,202,151
Income derived from investment of investment account funds	21	120,079	87,854	347,473	262,846
Income derived from investment of shareholders' funds	22	58,066	38,868	142,835	140,282
Modification loss	23	-	(73,492)	-	(94,089)
Allowance for credit losses on financial assets	24	(49,495)	(50,405)	(161,543)	(171,530)
Total distributable income		991,698	737,042	2,723,310	2,339,660
Income attributable to depositors	25	(471,593)	(364,789)	(1,243,769)	(1,098,973)
Profit distributed to investment account holders		(68,165)	(72,939)	(238,842)	(213,358)
		451,940	299,314	1,240,699	1,027,329
Personnel expenses	26	(6,773)	(6,110)	(20,796)	(20,411)
Other overheads and expenditures	27	(163,290)	(91,594)	(420,959)	(288,244)
Profit before taxation and zakat		281,877	201,610	798,944	718,674
Taxation and zakat		(93,198)	(49,982)	(271,286)	(177,034)
Net profit for the financial period		188,679	151,628	527,658	541,640
Basic earnings per share (sen)	28	11.28	9.06	31.53	32.37

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RHB ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September</u>	30 September	<u>30 September</u>	30 September
	<u>2022</u>	2021	<u>2022</u>	2021
	<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Net profit for the financial period	188,679	151,628	527,658	541,640
Other comprehensive income/(loss) in respect of:				
Items that will be reclassified subsequently to profit or loss:				
Debt instruments measured at FVOCI:				
- Unrealised net loss on revaluation	(17,329)	(36,012)	(194,430)	(199,128)
- Net transfer to income statement on disposal	(8,671)	(25,115)	(13,940)	(91,714)
- Changes in expected credit losses	(2,763)	410	1,297	74
Income tax relating to components of other comprehensive loss	6,240	14,671	50,009	69,802
Other comprehensive loss, net of tax, for the financial period	(22,523)	(46,046)	(157,064)	(220,966)
Total comprehensive income for the financial period	166,156	105,582	370,594	320,674

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RHB ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

	Non distributable			Distributable		Total RM'000
	Share capital RM'000	FVOCI reserve RM'000	Regulatory reserve RM'000	Capital contribution by holding company RM'000	Retained profits RM'000	
Balance as at 1 January 2022	1,673,424	(25,686)	247,119	-	3,716,002	5,610,859
Net profit for the financial period	-	-	-	-	527,658	527,658
Other comprehensive income/(loss):						
Debt instruments measured at FVOCI:						
- Unrealised net loss on revaluation	-	(194,430)	-	-	-	(194,430)
- Net transfer to income statement on disposal	-	(13,940)	-	-	-	(13,940)
- Changes in expected credit losses	-	1,297	-	-	-	1,297
Income tax relating to components of other comprehensive loss	-	50,009	-	-	-	50,009
Other comprehensive loss, net of tax, for the financial period	-	(157,064)	-	-	-	(157,064)
Total comprehensive income/(loss) for the financial period	-	(157,064)	-	-	527,658	370,594
Dividend paid	-	-	-	-	(334,685)	(334,685)
Share-based payment expense	-	-	-	102	-	102
Transfer from regulatory reserve	-	-	(36,757)	-	36,757	-
Balance as at 30 September 2022	1,673,424	(182,750)	210,362	102	3,945,732	5,646,870

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

	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 period	-	-	-	541,640	541,640
Other comprehensive income/(loss):					
Debt instruments measured at FVOCI:					
- Unrealised net loss on revaluation	-	(199,128)	-	-	(199,128)
- Net transfer to income statement on disposal	-	(91,714)	-	-	(91,714)
- Changes in expected credit losses		74			74
Income tax relating to components of other comprehensive loss	-	69,802	-	-	69,802
Other comprehensive loss, net of tax, for the financial period	-	(220,966)	-	-	(220,966)
Total comprehensive income/(loss) for the financial period	-	(220,966)	-	541,640	320,674
Dividend paid	-	-	-	(50,203)	(50,203)
Transfer from regulatory reserve	-	-	(47,052)	47,052	-
Balance as at 30 September 2021	1,673,424	5,883	280,753	3,434,520	5,394,580

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RHB ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

	<u>30 September</u> <u>2022</u>	<u>30 September</u> <u>2021</u>
	<u>RM'000</u>	<u>RM'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	798,944	718,674
Adjustments for non-cash items	<u>(81,107)</u>	<u>(54,533)</u>
Operating profit before changes in working capital	717,837	664,141
Changes in working capital:		
Net changes in operating assets	(3,307,096)	(2,590,595)
Net changes in operating liabilities	<u>1,986,955</u>	<u>6,851,268</u>
Cash (used in)/generated from operations	<u>(602,304)</u>	4,924,814
Profit paid	(16,928)	(16,677)
Net tax and zakat paid	<u>(229,925)</u>	<u>(86,083)</u>
Net cash (used in)/generated from operating activities	<u>(849,157)</u>	<u>4,822,054</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Purchase	(2,036)	(185)
- Proceeds from disposal	-	160
Purchase of intangible assets	<u>(1,605)</u>	<u>(476)</u>
Net (purchase)/proceeds from disposal of financial assets at FVOCI and financial investments at amortised cost	<u>(2,612,780)</u>	571,925
Investment income received from financial assets at FVOCI and financial investments at amortised cost	<u>267,288</u>	<u>317,790</u>
Net cash (used in)/generated from investing activities	<u>(2,349,133)</u>	<u>889,214</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal lease payment	(1,184)	(2,794)
Dividend paid	<u>(334,685)</u>	<u>(50,203)</u>
Issuance of subordinated sukuk	250,000	-
Redemption of subordinated sukuk	<u>(250,000)</u>	<u>-</u>
Net cash used in financing activities	<u>(335,869)</u>	<u>(52,997)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(3,534,159)</u>	5,658,271
Cash and cash equivalents at the beginning of the financial period	<u>8,061,808</u>	<u>2,262,454</u>
Cash and cash equivalents at the end of the financial period	<u>4,527,649</u>	<u>7,920,725</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds	<u>4,527,649</u>	<u>7,920,725</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 2021.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

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 2021.

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 2021, 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 2022:
- Amendment to MFRS 16 'COVID-19 - Related Rent Concessions' beyond 30 June 2021
 - Amendments to MFRS 116 'Proceeds Before Intended Use'
 - Annual Improvements to Illustrative Example accompanying MFRS 16 'Leases: Lease Incentives'
 - Annual Improvements to MFRS 9 'Fees in the '10 Percent' Test for Derecognition of Financial Liabilities'
 - Amendments to MFRS 137 'Onerous Contracts - Cost of Fulfilling a Contract'

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

- (b) MFRS 2 'Share-based Payment' in line with the establishment of Share Grant Scheme ('SGS') by the holding company, RHB Bank Berhad ('RHB Bank'), as further disclosed in Note 26.

2 AUDITORS' REPORT

The auditors' report for the financial year ended 31 December 2021 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 nine months ended 30 September 2022.

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 nine months ended 30 September 2022.

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 nine months ended 30 September 2022, other than as disclosed below:

- (a) The Bank, had on 21 April 2022 issued Subordinated Sukuk Murabahah of RM250 million in nominal value under a RM5.0 billion programme. The Subordinated Sukuk Murabahah is issued for a tenure of 10 non-callable 5 years with a fixed profit rate of 4.06% per annum, payable semi-annually in arrears throughout the entire tenure; and
- (b) The Bank, had on 27 April 2022 fully redeemed RM250 million in nominal value of Subordinated Sukuk Murabahah issued on 27 April 2017.

7 DIVIDEND PAID

During the nine months ended 30 September 2022, the Bank has paid the following dividend:

- (a) A single-tier interim dividend of 14.00 sen per share in respect of the financial year ended 31 December 2021, amounting to RM234,279,000 on 25 March 2022; and
- (b) An interim single-tier dividend of 6.00 sen per share in respect of the financial year ending 31 December 2022, amounting to RM100,406,000 on 23 September 2022.

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FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

8 INVESTMENT ACCOUNTS ('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 is derived after deducting Wakalah fee, direct expenses and provisions (if any). Losses (if any) will solely be borne by the investors unless such losses is due to 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 30 September 2022	As at 31 December 2021
	RM'000	RM'000
At amortised cost		
Malaysian Government Investment Issues	372,869	761,355
Corporate sukuk	1,461,980	2,039,603
	1,834,849	2,800,958

10 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 September 2022	As at 31 December 2021
	RM'000	RM'000
Licensed Islamic banks	371,049	125,020
BNM	1,403,224	2,001,467
Other financial institutions	-	200,023
	1,774,273	2,326,510

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

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

As at 30 September 2022 RM'000	As at 31 December 2021 RM'000
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Mandatory measured at fair value

Money market instruments:

Malaysian Government Investment Issues	71,152	52,093
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12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI')

As at 30 September 2022 RM'000	As at 31 December 2021 RM'000
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At fair value

Debt instruments	5,483,450	5,587,524
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Money market instruments:

Malaysian Government Investment Issues	1,764,119	1,539,960
Negotiable Islamic debt certificates	-	298,527

Unquoted securities:

In Malaysia

Corporate sukuk	3,719,331	3,749,037
	5,483,450	5,587,524

(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
30 September 2022				
Balance as at the beginning of the financial period	2,337	-	-	2,337
Changes in credit risk	662	-	-	662
Purchases and origination	1,265	-	-	1,265
Derecognition and disposal	(630)	-	-	(630)
Balance as at the end of the financial period	3,634	-	-	3,634
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

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

13 FINANCIAL INVESTMENTS AT AMORTISED COST

	As at 30 September 2022 RM'000	As at 31 December 2021 RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	2,626,317	369,129
Sukuk Perumahan Kerajaan	10,151	10,047
Islamic Cagamas bonds	236,914	15,085
Islamic Khazanah bonds	126,722	123,966
Bank Negara Malaysia Monetary Notes	149,489	-
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	4,604,988	4,723,053
<u>Outside Malaysia</u>		
Corporate sukuk	30,844	-
	<u>7,785,425</u>	<u>5,241,280</u>
Allowance for credit losses	(8,946)	(6,089)
	<u><u>7,776,479</u></u>	<u><u>5,235,191</u></u>

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

Gross exposure to RIA financing as at 30 September 2022 is RM1,396,428,000 (31 December 2021: RM1,366,975,000), of which RM1,009,105,000 (31 December 2021: RM1,009,105,000) is funded by RHB Bank.

The portfolio expected credit losses for financial investments at amortised cost relating to RIA is borne solely by RHB Bank and the investors and the amount recognised in the financial statements of RHB Bank is RM447,000,000 as at 30 September 2022 (31 December 2021: RM446,910,000).

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

	As at 30 September 2022 RM'000	As at 31 December 2021 RM'000
Balance as at the beginning of the financial period/year	1,105,024	-
Transferred to lifetime ECL credit impaired (Stage 3)	-	608,076
Purchases and origination	23,690	496,948
Balance as at the end of the financial period/year	<u><u>1,128,714</u></u>	<u><u>1,105,024</u></u>

The credit impaired financial investments at amortised cost relate to certain exposures to RIA, of which exposure with RHB Bank and the investor amounted to RM741,106,000 and RM387,322,000 (31 December 2021: RM741,106,000 and RM357,870,000) respectively.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

13 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

(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
30 September 2022				
Balance as at the beginning of the financial period	4,312	1,777	-	6,089
Changes in credit risk	1,106	(243)	-	863
Purchases and origination	3,436	314	-	3,750
Derecognition and disposal	(1,756)	-	-	(1,756)
Balance as at the end of the financial period	<u>7,098</u>	<u>1,848</u>	<u>-</u>	<u>8,946</u>
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	<u>4,312</u>	<u>1,777</u>	<u>-</u>	<u>6,089</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

14 FINANCING AND ADVANCES

30 September 2022	Bai'						
At amortised cost	Bithaman	Ijarah *	Murabahah	Musyarakah	Qard	Others	Total
	Ajil ('BBA')	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cashline	-	-	1,187,096	-	26,545	-	1,213,641
Term financing:							
- Housing financing	248,323	-	13,936,414	13,600,689	-	193	27,785,619
- Syndicated term financing	-	-	4,940,621	-	-	19,181	4,959,802
- Hire purchase receivables	-	9,651,962	-	-	-	-	9,651,962
- Other term financing	597	88,762	31,699,307	-	-	25	31,788,691
Bills receivables	-	-	322,653	-	-	-	322,653
Trust receipts	-	-	55,212	-	-	-	55,212
Claims on customers under acceptance credits	-	-	1,163,092	-	-	-	1,163,092
Share margin financing	-	-	11,190	-	-	-	11,190
Staff financing	1,133	-	12,452	-	-	-	13,585
Credit/charge card receivables	-	-	-	-	-	286,566	286,566
Revolving financing	-	-	2,487,438	-	-	-	2,487,438
Gross financing and advances	250,053	9,740,724	55,815,475	13,600,689	26,545	305,965	79,739,451
Fair value changes arising from fair value hedge							(117,740)
Allowance for credit losses on financing and advances							79,621,711
Net financing and advances							(722,196)
							78,899,515

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

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

14 FINANCING AND ADVANCES (CONTINUED)

31 December 2021	Bai'						
	Bithaman						
At amortised cost	Ajil ('BBA')	Ijarah *	Murabahah	Musyarakah	Qard	Others	Total
	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	278,187	9,266,619	51,650,275	13,354,042	28,178	290,879	74,868,180
Fair value changes arising from fair value hedge							(1,788)
							74,866,392
Allowance for credit losses on financing and advances							(606,491)
Net financing and advances							74,259,901

* 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 and URIA as part of arrangement between the Bank and its holding company, RHB Bank and other investors ('the investors').

As at 30 September 2022, gross exposure to RIA financing funded by RHB Bank is RM8,044,981,000 (31 December 2021: RM8,564,457,000) and gross exposure to URIA financing funded by the investors is RM926,371,000 (31 December 2021: RM220,670,000).

The portfolio expected credit losses for financing and advances relating to RIA and URIA is borne solely by RHB Bank and the investors and the amount recognised in the financial statements of RHB Bank is RM41,460,000 (31 December 2021: RM143,209,000).

- (b) Included in term financing are housing financing sold to Cagamas amounting to RM1,266,316,000 as at 30 September 2022 (31 December 2021: RM741,384,000).
- (c) Movement of Qard financing

	As at 30 September 2022 RM'000	As at 31 December 2021 RM'000
Balance as at the beginning of the financial period/year	28,178	30,384
New disbursement	18,094	1,537
Repayment	(19,727)	(3,743)
Balance as at the end of the financial period/year	<u>26,545</u>	<u>28,178</u>
Sources of Qard fund:		
- Depositors' fund	<u>26,545</u>	<u>28,178</u>
Uses of Qard fund:		
- Personal use	418	635
- Business purpose	26,127	27,543
	<u>26,545</u>	<u>28,178</u>
(i) By type of customer		
Domestic non-bank financial institutions	1,932,888	2,372,457
Domestic business enterprises:		
- Small medium enterprises	8,131,648	6,926,561
- Others	15,797,408	15,839,568
Government and statutory bodies	6,178,618	6,251,858
Individuals	47,283,994	43,090,990
Other domestic entities	135,490	131,026
Foreign entities	279,405	255,720
	<u>79,739,451</u>	<u>74,868,180</u>

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14 FINANCING AND ADVANCES (CONTINUED)

	As at 30 September 2022 RM'000	As at 31 December 2021 RM'000
(ii) By profit rate sensitivity		
Fixed rate:		
- Housing financing	13,585	13,183
- Hire-purchase receivables	774,666	1,107,076
- Other fixed rate financing	10,137,829	10,325,073
Variable rate:		
- Base financing rate-plus	49,756,890	43,909,955
- Cost-plus	18,948,529	19,348,696
- Other variable rates	107,952	164,197
	79,739,451	74,868,180
(iii) By economic sector		
Agriculture, hunting, forestry and fishing	1,906,695	1,483,104
Mining and quarrying	106,015	90,179
Manufacturing	2,648,033	2,480,299
Electricity, gas and water	952,201	571,169
Construction	4,919,302	5,208,674
Wholesale and retail trade and restaurant and hotel	3,660,064	3,026,885
Transport, storage and communication	5,638,342	6,416,740
Finance, insurance, real estate and business services	5,747,787	5,633,879
Government and government agencies	3,162,933	3,236,761
Education, health and others	3,434,237	3,363,859
Household sector	47,553,074	43,348,442
Others	10,768	8,189
	79,739,451	74,868,180
(iv) By purpose		
Purchase of securities	6,013,394	5,577,488
Purchase of transport vehicles	9,596,029	9,132,175
Purchase of landed property:		
- Residential	26,721,442	23,527,874
- Non-residential	5,686,179	5,394,504
Purchase of property, plant and equipment other than land and building	722,591	707,150
Personal use	5,048,055	4,875,001
Credit card	286,566	271,518
Construction	905,280	884,448
Working capital	17,976,415	16,518,876
Merger and acquisition	1,479,844	2,615,844
Other purposes	5,303,656	5,363,302
	79,739,451	74,868,180

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14 FINANCING AND ADVANCES (CONTINUED)

	As at 30 September 2022 RM'000	As at 31 December 2021 RM'000
(v) By geographical distribution		
In Malaysia	<u>79,739,451</u>	<u>74,868,180</u>
(vi) By remaining contractual maturities		
Maturing within one year	8,185,381	6,908,432
One year to three years	4,821,473	6,298,556
Three years to five years	5,851,045	5,730,552
Over five years	<u>60,881,552</u>	<u>55,930,640</u>
	<u>79,739,451</u>	<u>74,868,180</u>
(vii) Impaired financing and advances		
(a) Movement in impaired financing and advances		
Balance as at the beginning of the financial period/year	385,800	435,207
Transfer to 12-month ECL (Stage 1)	(10,283)	(15,496)
Transfer to lifetime ECL not credit impaired (Stage 2)	(23,567)	(53,767)
Transfer to lifetime ECL credit impaired (Stage 3)	326,019	157,405
Purchases and origination	31,377	27,390
Derecognition	(93,798)	(72,445)
Amount written off	(71,081)	(101,293)
Modification of contractual cash flows	-	(12)
Other movements	228	8,811
Balance as at the end of the financial period/year	<u>544,695</u>	<u>385,800</u>
(b) By economic sector		
Agriculture, hunting, forestry and fishing	-	119
Mining and quarrying	4,766	-
Manufacturing	20,238	25,196
Electricity, gas and water	9,364	12,100
Construction	50,237	48,617
Wholesale and retail trade and restaurant and hotel	46,525	33,468
Transport, storage and communication	16,740	15,679
Finance, insurance, real estate and business services	36,935	33,259
Education, health and others	80,790	81
Household sector	277,965	217,281
Others	1,135	-
	<u>544,695</u>	<u>385,800</u>

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14 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

	As at 30 September 2022	As at 31 December 2021
	RM'000	RM'000
(c) By purpose		
Purchase of securities	1,258	621
Purchase of transport vehicles	42,009	34,283
Purchase of landed property:		
- Residential	204,790	164,115
- Non-residential	149,093	53,653
Purchase of property, plant and equipment other than land and building	3,129	3,234
Personal use	24,096	11,392
Credit card	3,252	2,201
Working capital	75,789	75,912
Other purposes	41,279	40,389
	544,695	385,800
(d) By geographical distribution		
In Malaysia	544,695	385,800

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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
30 September 2022	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of the financial period	170,709	252,606	183,176	606,491
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	42,507	(38,504)	(4,003)	-
- Transferred to lifetime ECL not credit impaired (Stage 2)	(5,660)	13,712	(8,052)	-
- Transferred to lifetime ECL credit impaired (Stage 3)	(2,889)	(5,648)	8,537	-
	33,958	(30,440)	(3,518)	-
Changes in credit risk	(55,736)	120,238	92,280	156,782
Purchases and origination	22,021	3,012	2,542	27,575
Bad debts written off	-	-	(39,859)	(39,859)
Changes to model methodologies	(132)	(1,337)	(144)	(1,613)
Derecognition	(9,749)	(4,444)	(13,215)	(27,408)
Other movements	-	-	228	228
Balance as at the end of the financial period	161,071	339,635	221,490	722,196

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14 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

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

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
31 December 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>

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15 OTHER ASSETS

	As at 30 September 2022 RM'000	As at 31 December 2021 RM'000
Prepayments	31,828	29,816
Deposits	1,098	1,088
Amount due to a related company	68	87
Other receivables	94,339	380,233
	127,333	411,224

16 DEPOSITS FROM CUSTOMERS

	As at 30 September 2022 RM'000	As at 31 December 2021 RM'000
<u>Savings Deposits</u>		
Qard	2,611,007	2,574,440
<u>Demand Deposits</u>		
Qard	6,569,406	6,183,489
Commodity Murabahah	3,313,057	3,134,399
<u>Term Deposits</u>		
Commodity Murabahah	50,501,767	50,129,731
<u>Specific Investment Account</u>		
Commodity Murabahah	11,814,028	9,638,797
<u>General Investment Account</u>		
Mudharabah	247	347
	74,809,512	71,661,203

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

Due within six months	48,899,509	46,741,264
Six months to one year	11,859,212	11,918,392
One year to three years	670,373	1,086,493
Three years to five years	886,948	22,726
	62,316,042	59,768,875

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

Government and statutory bodies	14,883,548	13,071,677
Business enterprises	33,423,628	31,300,199
Individuals	25,502,552	26,283,229
Others	999,784	1,006,098
	74,809,512	71,661,203

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17 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Note	As at 30 September 2022 RM'000	As at 31 December 2021 RM'000
<u>Non-Mudharabah Funds:</u>			
Licensed Islamic banks		691,067	1,296,903
Licensed banks		5,359,410	5,888,898
Licensed investment banks		300,940	501,236
BNM	(a)	179,321	151,883
		6,530,738	7,838,920
<u>Mudharabah Funds:</u>			
Other financial institutions		-	187,695
		6,530,738	8,026,615

(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 30 September 2022 RM'000	As at 31 December 2021 RM'000
Mudharabah Restricted Investment Account	(a)	9,791,786	10,574,159
Wakalah Unrestricted Investment Account	(b)	936,777	220,771
		10,728,563	10,794,930

(a) Mudharabah Restricted Investment Account

By type of counterparty:

Licensed banks	9,791,786	10,574,159
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Investment asset (principal):

Personal financing (Note 14(a))	1,500,000	1,500,000
Other term financing (Note 14(a))	6,544,981	7,064,457
Short-term funds	141,000	490,000
Unquoted securities (Note 13)	1,396,428	1,366,975
	9,582,409	10,421,432

As at 30 September 2022, the amount of the restricted investment account placed by the holding company, RHB Bank, amounted to RM9,379,084,000 (31 December 2021: RM10,213,639,000).

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18 INVESTMENT ACCOUNTS (CONTINUED)

	As at 30 September 2022 RM'000	As at 31 December 2021 RM'000
(b) Wakalah Unrestricted Investment Account		
<u>By type of counterparty:</u>		
Business enterprises	936,777	220,771
<u>Investment asset (principal):</u>		
Personal financing (Note 14(a))	741,097	176,536
Housing financing (Note 14(a))	185,274	44,134
	926,371	220,670

19 OTHER LIABILITIES

	As at 30 September 2022 RM'000	As at 31 December 2021 RM'000
Sundry creditors	24,574	8,126
Amount due to holding company	419,954	934,414
Amount due to other related companies	405	12,162
Contract liability	107,503	129,683
Short term employee benefits	4,114	6,719
Accrual for operational expenses	31,835	34,201
Structured deposits	40,561	-
Other accruals and payables	330,237	34,897
	959,183	1,160,202

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20 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) General investment deposits	3	4	8	369
(ii) Other deposits	863,045	734,213	2,394,537	2,201,782
	863,048	734,217	2,394,545	2,202,151
(i) Income derived from investment of general investment deposits:				
Financing and advances	2	2	7	292
Securities purchased under resale agreements	-	-	-	6
Financial assets at FVOCI	1	-	1	27
Financial investments at amortised cost	-	1	-	17
Money at call and deposits with banks and other financial institutions	-	2	-	12
Total finance income and hibah	3	5	8	354
Other operating income (Note a)	-	(1)	-	15
	3	4	8	369
Of which:				
Financing income earned on impaired financing	-	-	-	2
(a) Other operating income comprise of:				
Fee income:				
- Commission	-	-	-	1
Net loss on disposal of financial assets at FVTPL	-	-	-	(1)
Net (loss)/ gain on disposal of debt instruments of financial assets at FVOCI	-	(1)	-	15
	-	(1)	-	15

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

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	30 September 2022	30 September 2021	30 September 2022	30 September 2021
	RM'000	RM'000	RM'000	RM'000
(ii) Income derived from investment of other deposits:				
Financing and advances	726,517	589,092	1,983,019	1,753,827
Securities purchased under resale agreements	11,663	8,885	34,831	32,791
Financial assets at FVTPL	208	2	2,991	1,275
Financial assets at FVOCI	50,608	45,478	146,188	152,182
Financial investments at amortised cost	13,873	34,505	84,952	99,821
Money at call and deposits with banks and other financial institutions	46,908	28,018	116,053	66,834
Total finance income and hibah	849,777	705,980	2,368,034	2,106,730
Other operating income (Note a)	13,268	28,233	26,503	95,052
	<u>863,045</u>	<u>734,213</u>	<u>2,394,537</u>	<u>2,201,782</u>
Of which:				
Financing income earned on impaired financing	<u>5,078</u>	7,660	<u>13,290</u>	13,934
(a) Other operating income comprise of:				
Fee income:				
- Commission	3,002	2,348	10,066	7,409
- Guarantee fees	962	889	2,702	2,475
	<u>3,964</u>	<u>3,237</u>	<u>12,768</u>	<u>9,884</u>
Net (loss)/gain on revaluation of financial assets at FVTPL	175	1,699	(205)	30
Net gain/(loss) on disposal of financial assets at FVTPL	636	(1,256)	288	(4,460)
Net gain on disposal of debt instruments of financial assets at FVOCI	8,493	24,553	13,652	89,598
	<u>13,268</u>	<u>28,233</u>	<u>26,503</u>	<u>95,052</u>

21 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	30 September 2022	30 September 2021	30 September 2022	30 September 2021
	RM'000	RM'000	RM'000	RM'000
Financing and advances	100,747	70,237	289,972	217,989
Financial investments at amortised cost	18,093	17,257	52,992	44,497
Money at call and deposits with banks and other financial institutions	1,239	360	4,509	360
Total finance income and hibah	<u>120,079</u>	<u>87,854</u>	<u>347,473</u>	<u>262,846</u>

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22 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September</u>	30 September	<u>30 September</u>	30 September
	<u>2022</u>	2021	<u>2022</u>	2021
	<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Financing and advances	15,045	13,578	41,833	41,127
Securities purchased under resale agreements	241	204	735	769
Financial assets at FVTPL	4	-	63	30
Financial assets at FVOCI	1,046	1,045	3,084	3,569
Financial investments at amortised cost	277	796	1,792	2,341
Money at call and deposits with banks and other financial institutions	974	649	2,448	1,567
Total finance income and hibah	17,587	16,272	49,955	49,403
Other operating income (Note a)	40,479	22,596	92,880	90,879
	58,066	38,868	142,835	140,282
Of which:				
Financing income earned on impaired financing	109	179	280	327
(a) Other operating income comprise of:				
Fee income:				
- Commission	13,291	8,681	35,756	32,619
- Service charges and fees	23,914	20	67,712	58
- Guarantee fees	20	21,308	57	73,952
	37,225	30,009	103,525	106,629
Net (loss)/gain on revaluation of financial assets at FVTPL	4	40	(4)	1
Net gain/(loss) on disposal of financial assets at FVTPL	13	(29)	6	(105)
Net gain on disposal of debt instruments of financial investments at FVOCI	178	563	288	2,101
Net loss on revaluation of derivatives	(5,859)	(5,194)	(24,815)	(25,939)
Net loss on fair value hedges	(441)	(2,174)	(1,029)	(1,212)
Other income:				
- Foreign exchange gain	10,210	37	16,853	10,984
- Loss on disposal of property, plant and equipment	-	-	-	(32)
- Gain on modification of right of use	-	-	1	-
- Other non-operating loss	(851)	(656)	(1,945)	(1,548)
	40,479	22,596	92,880	90,879

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23 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. 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>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September</u>	30 September	<u>30 September</u>	30 September
	<u>2022</u>	2021	<u>2022</u>	2021
	<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
<u>Charge/(Writeback)</u>				
Financing and advances:				
- Net charge	47,992	41,236	155,336	162,786
- Bad debts recovered	(8,630)	(4,093)	(28,951)	(15,585)
- Bad debts written off	14,054	13,154	31,020	23,965
	<u>53,416</u>	50,297	<u>157,405</u>	171,166
Financial assets at FVOCI	(2,763)	410	1,297	74
Financial investments at amortised cost	(1,089)	(116)	2,857	439
Other financial assets	(69)	(186)	(16)	(149)
	<u>49,495</u>	<u>50,405</u>	<u>161,543</u>	<u>171,530</u>

25 INCOME ATTRIBUTABLE TO DEPOSITORS

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September</u>	30 September	<u>30 September</u>	30 September
	<u>2022</u>	2021	<u>2022</u>	2021
	<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Deposits from customers:				
- Mudharabah funds	5,090	4,126	13,850	11,892
- Non-Mudharabah funds	401,621	301,471	1,064,861	931,844
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah funds	48,875	32,478	123,210	65,362
Others:				
- Subordinated obligations	8,003	8,520	24,566	25,281
- Recourse obligation on financing sold to Cagamas	7,526	18,162	16,645	64,493
- Others	478	32	637	101
	<u>471,593</u>	<u>364,789</u>	<u>1,243,769</u>	<u>1,098,973</u>

26 PERSONNEL EXPENSES

	Note	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
		<u>30 September</u>	30 September	<u>30 September</u>	30 September
		<u>2022</u>	2021	<u>2022</u>	2021
		<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Salaries, allowances and bonuses		5,346	4,909	16,686	16,527
Contributions to Employees' Provident Fund		862	808	2,738	2,614
Share-based expenses	(a)	102	-	102	-
Other staff related costs		463	393	1,270	1,270
		<u>6,773</u>	<u>6,110</u>	<u>20,796</u>	<u>20,411</u>

- (a) The Share Grant Scheme ('SGS') was implemented by the holding company, RHB Bank in June 2022. The SGS is intended to motivate employees, attract talents and retain key employees through the grant of the ordinary shares in RHB Bank. RHB Bank has on 4 July 2022, made an offer to the eligible employees, which include certain employees of the Bank. The SGS related expenses is recognised in the financial statements of the Bank from the effective offer date in accordance with MFRS 2 'Share-based Payment'.

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27 OTHER OVERHEADS AND EXPENDITURES

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<u>Establishment costs</u>				
Property, plant and equipment:				
- Depreciation	301	226	881	708
Computer software license				
- Amortisation	240	169	691	581
Right of use assets:				
- Depreciation	399	557	1,195	1,693
Information technology expenses	564	618	1,660	1,998
Repair and maintenance	33	1	110	156
Rental of premises	92	109	229	332
Water and electricity	121	98	336	317
Rental of equipment	3	2	6	6
Printing and stationeries	1,785	455	3,703	1,639
Insurance	2,510	1,048	7,609	2,969
Others	433	32	1,318	1,344
	6,481	3,315	17,738	11,743
<u>Marketing expenses</u>				
Advertisement and publicity	23	237	395	242
Sales commission	3,514	3,293	10,232	9,577
Travelling expenses	62	9	117	52
Motor vehicle expenses	21	20	50	31
Others	1,335	892	2,012	1,748
	4,955	4,451	12,806	11,650
<u>Administration and general expenses</u>				
Communication expenses	1,275	1,319	4,685	5,770
Legal and professional fee	2,112	1,153	3,880	9,030
Management fee	146,281	79,859	375,337	245,246
Others	2,186	1,497	6,513	4,805
	151,854	83,828	390,415	264,851
	163,290	91,594	420,959	288,244

28 EARNINGS PER SHARE

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2022	2021	2022	2021
Net profit for the financial period (RM'000)	188,679	151,628	527,658	541,640
Weighted average number of ordinary shares in issue ('000)	1,673,424	1,673,424	1,673,424	1,673,424
Basic earnings per share (sen)	11.28	9.06	31.53	32.37

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29 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 30 September 2022 RM'000	As at 31 December 2021 RM'000
Contingent liabilities		
Transaction-related contingent items	352,684	348,068
Short-term self-liquidating trade related contingencies	<u>283,479</u>	<u>27,903</u>
	<u>636,163</u>	<u>375,971</u>
Commitments		
Irrevocable commitments to extend credit:		
- Maturity less than one year	217,393	1,974,669
- Maturity more than one year	9,204,358	8,105,582
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	<u>2,846,928</u>	<u>2,648,467</u>
	<u>12,268,679</u>	<u>12,728,718</u>
Derivative financial instruments		
Foreign exchange related contracts [^] :		
- Less than one year	14,074,632	14,233,787
- One year to less than five years	1,017,105	962,825
Profit rate related contracts [^] :		
- Less than one year	1,980,000	2,910,000
- One year to less than five years	3,500,000	2,000,000
- More than five years	300,000	1,800,000
Commodity related contracts [^] :		
- Less than one year	102,755	-
- One year to less than five years	131,870	-
	<u>21,106,362</u>	<u>21,906,612</u>
	<u>34,011,204</u>	<u>35,011,301</u>

[^] 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.

30 CAPITAL COMMITMENTS

	As at 30 September 2022 RM'000	As at 31 December 2021 RM'000
Capital expenditure for property, plant and equipment:		
- Authorised and contracted for	<u>6,484</u>	<u>3,442</u>

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31 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>30 September 2022</u>				
<u>Financial assets</u>				
Financial assets at FVTPL:				
- money market instruments	-	71,152	-	71,152
Financial assets at FVOCI:				
- money market instruments	-	5,483,450	-	5,483,450
- unquoted securities	-	1,764,119	-	1,764,119
	-	3,719,331	-	3,719,331
Derivative assets	-	361,255	-	361,255
	-	5,915,857	-	5,915,857
<u>Financial liabilities</u>				
Derivative liabilities	-	210,551	-	210,551
<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

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31 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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32 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 30 September 2022 RM'000	As at 31 December 2021 RM'000
<u>Common Equity Tier-I ('CET-I') Capital /Tier-I Capital</u>		
Share capital	1,673,424	1,673,424
Retained profits	3,757,053	3,716,002
Other reserve	102	-
FVOCI reserve	<u>(186,386)</u>	<u>(28,023)</u>
	5,244,193	5,361,403
Less:		
Deferred tax assets	(103,911)	(102,565)
Intangible assets (include associated deferred tax liabilities)	(3,951)	(2,976)
Other deductions*	<u>(372)</u>	<u>(918)</u>
Total CET-I/Total Tier-I Capital	<u>5,135,959</u>	<u>5,254,944</u>
<u>Tier-II Capital</u>		
Subordinated obligations	750,000	750,000
Surplus eligible provisions over expected losses	134,958	134,679
General provisions^	<u>48,577</u>	<u>52,467</u>
Total Tier-II Capital	<u>933,535</u>	<u>937,146</u>
Total Capital	<u><u>6,069,494</u></u>	<u><u>6,192,090</u></u>
<u>Capital Ratios</u>		
Before proposed dividends:		
CET-I Capital Ratio	17.415%	17.635%
Tier-I Capital Ratio	17.415%	17.635%
Total Capital Ratio	<u>20.581%</u>	<u>20.780%</u>
After proposed dividends:		
CET-I Capital Ratio	17.415%	16.849%
Tier-I Capital Ratio	17.415%	16.849%
Total Capital Ratio	<u>20.581%</u>	<u>19.994%</u>

* 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.

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32 CAPITAL ADEQUACY (CONTINUED)

[^] 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 RM29,191,000 (31 December 2021: RM41,763,000).

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

	As at 30 September 2022 RM'000	As at 31 December 2021 RM'000
Credit risk	32,607,524	33,329,415
Credit risk absorbed by PSIA ⁺	(6,228,332)	(6,318,180)
Market risk	192,116	201,515
Operational risk	2,919,480	2,585,628
Total risk-weighted assets	<u>29,490,788</u>	<u>29,798,378</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.

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33 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

34 EVENTS SUBSEQUENT TO BALANCE SHEET DATE

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

35 CHANGES IN PROFIT FOR THE QUARTER

The Bank reported a pre-tax profit of RM281.9 million for the current quarter, 7.6% higher as compared to the preceding quarter ended 30 June 2022 of RM262.0 million. The higher profit was mainly attributed to lower allowance for credit losses by RM24.9 million, higher non funding income by RM20.8 million and higher net funding income by RM6.5 million, partly offset by higher overhead expenses by RM32.3 million.

36 PERFORMANCE REVIEW

For the nine months ended 30 September 2022, the Bank recorded a pre-tax profit of RM798.9 million, 11.2% higher than previous year corresponding period of RM718.7 million. The higher profit was mainly due to higher net funding income by RM175.8 million, lower modification loss by RM94.1 million and lower allowance for credit losses by RM10.0 million, partly offset by higher overhead expenses by RM133.1 million and lower non funding income by RM66.6 million.

37 PROSPECTS FOR FINANCIAL YEAR 2022

Domestic economic growth is expected to sustain for the rest of the year, supported by positive trajectory of economic activities and private consumption. However, lingering effects of the pandemic and macroeconomic headwinds, such as high inflationary pressures, geopolitical conflicts, supply chain disruption and the effects of aggressive monetary policy in the US continue to cast downside risks to the outlook.

Outlook for the banking industry remains positive with robust capital and liquidity positions, as well as sufficient provisioning buffers. The Bank will continue to provide assistance to our customers who are still recovering from the impact of the pandemic, while adjustments to the monetary policy are also expected to continue.

Amid continued challenges in the operating environment, the Bank remains committed to strengthening its fundamentals while improving business performance through the three main objectives of the TWP24 strategy - be everyone's primary bank, drive quality growth and prioritise service excellence; in line with its purpose statement "Making Progress Happen for Everyone".