

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note	As at 31 March 2023 RM'000	As at <u>31 December 2022</u> RM'000
ASSETS			
Cash and short-term funds		5,223,492	7,167,727
Securities purchased under resale agreements	9	381,117	577,051
Deposits and placements with banks and other financial institutions	10	100,161	-
Financial assets at fair value through profit or loss ('FVTPL')	11	174,132	91,997
Financial assets at fair value through other comprehensive income ('FVOCI')	12	5,856,662	5,700,547
Financial investments at amortised cost	13	9,113,613	7,542,997
Financing and advances	14	81,895,103	80,850,262
Other assets	15	777,504	96,628
Derivative assets		204,494	324,762
Statutory deposits		1,391,000	1,426,500
Deferred tax assets		119,714	137,537
Right-of-use assets		1,054	1,264
Property, plant and equipment		5,959	6,204
Intangible assets		4,715	4,567
TOTAL ASSETS		<u>105,248,720</u>	<u>103,928,043</u>
LIABILITIES AND EQUITY			
Deposits from customers	16	79,656,274	78,233,590
Deposits and placements of banks and other financial institutions	17	7,120,633	6,125,353
Investment accounts	18	9,358,942	9,597,262
Bills and acceptances payable		8,119	7,421
Other liabilities	19	424,392	1,131,965
Derivative liabilities		118,601	256,252
Recourse obligation on financing sold to Cagamas Berhad ('Cagamas')		1,769,816	1,765,061
Provision for taxation and zakat		87,530	111,844
Lease liabilities		1,098	1,307
Subordinated obligations		762,257	754,428
TOTAL LIABILITIES		<u>99,307,662</u>	<u>97,984,483</u>
Share capital		1,673,424	1,673,424
Reserves		4,267,634	4,270,136
TOTAL EQUITY		<u>5,941,058</u>	<u>5,943,560</u>
TOTAL LIABILITIES AND EQUITY		<u>105,248,720</u>	<u>103,928,043</u>
COMMITMENTS AND CONTINGENCIES	28	<u>34,455,500</u>	<u>32,971,582</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 2022.

RHB ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2023

	Note	Three Months Ended	
		31 March 2023	31 March 2022
		RM'000	RM'000
Income derived from investment of depositors' funds	20	1,015,728	736,402
Income derived from investment of investment account funds	21	125,066	109,505
Income derived from investment of shareholders' funds	22	78,810	40,628
Allowance for credit losses on financial assets	23	(22,620)	(37,695)
Total distributable income		1,196,984	848,840
Income attributable to depositors	24	(678,112)	(374,221)
Profit distributed to investment account holders		(92,041)	(85,582)
		426,831	389,037
Personnel expenses	25	(10,849)	(7,646)
Other overheads and expenditures	26	(156,320)	(126,303)
Profit before taxation and zakat		259,662	255,088
Taxation and zakat		(65,389)	(89,363)
Net profit for the financial period		194,273	165,725
Basic earnings per share (sen)	27	11.61	9.90

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RHB ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2023

	<u>Three Months Ended</u>	
	<u>31 March 2023</u>	<u>31 March 2022</u>
	<u>RM'000</u>	<u>RM'000</u>
Net profit for the financial period	<u>194,273</u>	<u>165,725</u>
Other comprehensive income/(loss) in respect of:		
Items that will be reclassified subsequently to profit or loss:		
Debt instruments measured at FVOCI:		
- Unrealised net gain/(loss) on revaluation	74,965	(58,873)
- Net transfer to income statement on disposal	(4,054)	(4,459)
- Changes in expected credit losses	245	(158)
Income tax relating to components of other comprehensive (income)/loss	<u>(17,019)</u>	<u>15,199</u>
Other comprehensive income/(loss), net of tax, for the financial period	<u>54,137</u>	<u>(48,291)</u>
Total comprehensive income for the financial period	<u><u>248,410</u></u>	<u><u>117,434</u></u>

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RHB ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2023

	Non distributable			Distributable		Total
	Share capital	FVOCI reserve	Regulatory reserve	Capital contribution by holding company	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2023	1,673,424	(111,780)	203,906	205	4,177,805	5,943,560
Net profit for the financial period	-	-	-	-	194,273	194,273
Other comprehensive income/(loss):						
Debt instruments measured at FVOCI:						
- Unrealised net gain on revaluation	-	74,965	-	-	-	74,965
- Net transfer to income statement on disposal	-	(4,054)	-	-	-	(4,054)
- Changes in expected credit losses	-	245	-	-	-	245
Income tax relating to components of other comprehensive income	-	(17,019)	-	-	-	(17,019)
Other comprehensive income, net of tax, for the financial period	-	54,137	-	-	-	54,137
Total comprehensive income for the financial period	-	54,137	-	-	194,273	248,410
Dividend paid	-	-	-	-	(251,014)	(251,014)
Share-based payment expense	-	-	-	102	-	102
Transfer to regulatory reserve	-	-	22,404	-	(22,404)	-
Balance as at 31 March 2023	1,673,424	(57,643)	226,310	307	4,098,660	5,941,058

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2023

	Share capital	Non distributable		Distributable	Total
		FVOCI reserve	Regulatory reserve	Retained profits	
	RM'000	RM'000	RM'000	RM'000	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	-	-	-	165,725	165,725
Other comprehensive income/(loss):					
Debt instruments measured at FVOCI:					
- Unrealised net loss on revaluation	-	(58,873)	-	-	(58,873)
- Net transfer to income statement on disposal	-	(4,459)	-	-	(4,459)
- Changes in expected credit losses	-	(158)	-	-	(158)
Income tax relating to components of other comprehensive loss	-	15,199	-	-	15,199
Other comprehensive loss, net of tax, for the financial period	-	(48,291)	-	-	(48,291)
Total comprehensive income/(loss) for the financial period	-	(48,291)	-	165,725	117,434
Dividend paid	-	-	-	(234,279)	(234,279)
Transfer from regulatory reserve	-	-	(13,181)	13,181	-
Balance as at 31 March 2022	1,673,424	(73,977)	233,938	3,660,629	5,494,014

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RHB ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2023

	<u>Three Months Ended</u>	
	<u>31 March 2023</u>	<u>31 March 2022</u>
	<u>RM'000</u>	<u>RM'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	259,662	255,088
Adjustments for non-cash items	<u>(103,349)</u>	<u>(45,874)</u>
Operating profit before changes in working capital	156,313	209,214
Changes in working capital:		
Net changes in operating assets	(1,577,586)	(2,237,282)
Net changes in operating liabilities	<u>1,341,785</u>	<u>(270,719)</u>
Cash used in operations	(79,488)	(2,298,787)
Profit paid	(17)	(31)
Net tax and zakat paid	<u>(88,899)</u>	<u>(65,217)</u>
Net cash used in operating activities	<u>(168,404)</u>	<u>(2,364,035)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Purchase	(504)	(818)
Purchase of intangible assets	(424)	(494)
Net purchase of financial assets at FVOCI and financial investments at amortised cost	(1,618,133)	(144,841)
Investment income received from financial assets at FVOCI and financial investments at amortised cost	<u>95,097</u>	<u>103,463</u>
Net cash used in investing activities	<u>(1,523,964)</u>	<u>(42,690)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal lease payment	(853)	(392)
Dividend paid	<u>(251,014)</u>	<u>(234,279)</u>
Net cash used in financing activities	<u>(251,867)</u>	<u>(234,671)</u>
Net decrease in cash and cash equivalents	(1,944,235)	(2,641,396)
Cash and cash equivalents at the beginning of the financial period	<u>7,167,727</u>	<u>8,061,808</u>
Cash and cash equivalents at the end of the financial period	<u>5,223,492</u>	<u>5,420,412</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds	<u>5,223,492</u>	<u>5,420,412</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 2022.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2023

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 2022.

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 2022, except for the adoption of the following accounting standards, annual improvements and amendments to MFRS 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 2023:

- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates
- Amendments to MFRS 112 on 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

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

2 AUDITORS' REPORT

The auditors' report for the financial year ended 31 December 2022 was not subject to any qualification.

3 SEASONAL OR CYCLICAL ITEMS

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

4 EXCEPTIONAL OR UNUSUAL ITEMS

There were no exceptional or unusual items for the three months ended 31 March 2023.

5 CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in prior financial years that have a material effect for the three months ended 31 March 2023.

6 CHANGES IN DEBT AND EQUITY SECURITIES

There were no issuances and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the three months ended 31 March 2023.

7 DIVIDEND PAID

During the three months ended 31 March 2023, the Bank has paid a second single-tier interim dividend of 15.00 sen per share in respect of the financial year ended 31 December 2022, amounting to RM251,014,000 on 27 March 2023.

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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 31 March 2023	As at 31 December 2022
	RM'000	RM'000
At amortised cost		
Malaysian Government Investment Issues	-	199,093
Corporate sukuk	381,117	377,958
	381,117	577,051

10 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 March 2023	As at 31 December 2022
	RM'000	RM'000
Licensed Islamic banks	100,161	-

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2023**

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

	As at 31 March 2023 RM'000	As at 31 December 2022 RM'000
Mandatory measured at fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	174,132	91,997

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

	As at 31 March 2023 RM'000	As at 31 December 2022 RM'000
At fair value		
Debt instruments	5,856,662	5,700,547
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	1,871,359	1,840,246
Islamic Cagamas bonds	194,497	-
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	3,790,806	3,860,301
	5,856,662	5,700,547

(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 March 2023				
Balance as at the beginning of the financial period	6,279	-	-	6,279
Changes in credit risk	(46)	-	-	(46)
Purchases and origination	291	-	-	291
Balance as at the end of the financial period	6,524	-	-	6,524
31 December 2022				
Balance as at the beginning of the financial year	2,337	-	-	2,337
Changes in credit risk	2,588	-	-	2,588
Purchases and origination	1,984	-	-	1,984
Derecognition and disposal	(630)	-	-	(630)
Balance as at the end of the financial year	6,279	-	-	6,279

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2023**

13 FINANCIAL INVESTMENTS AT AMORTISED COST

	<u>As at</u> <u>31 March 2023</u>	<u>As at</u> <u>31 December 2022</u>
	<u>RM'000</u>	<u>RM'000</u>
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	3,871,911	2,217,425
Sukuk Perumahan Kerajaan	10,159	10,064
Islamic Cagamas bonds	338,588	338,771
Islamic Khazanah bonds	128,594	127,665
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	4,751,190	4,837,478
<u>Outside Malaysia</u>		
Corporate sukuk	30,820	30,420
	<u>9,131,262</u>	<u>7,561,823</u>
Allowance for credit losses	<u>(17,649)</u>	<u>(18,826)</u>
	<u>9,113,613</u>	<u>7,542,997</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 31 March 2023 is RM1,405,509,000 (31 December 2022: RM1,401,085,000), of which RM1,007,022,000 (31 December 2022: RM1,008,105,000) 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 RM534,635,000 as at 31 March 2023 (31 December 2022: RM534,632,000).

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

	<u>As at</u> <u>31 March 2023</u>	<u>As at</u> <u>31 December 2022</u>
	<u>RM'000</u>	<u>RM'000</u>
Balance as at the beginning of the financial period/year	1,168,813	1,105,024
Purchases and origination	13,465	63,789
Balance as at the end of the financial period/year	<u>1,182,278</u>	<u>1,168,813</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 RM740,022,000 and RM398,487,000 (31 December 2022: RM741,106,000 and RM392,980,000) respectively.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
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13 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

(b) Movement in allowance for credit losses

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
31 March 2023				
Balance as at the beginning of the financial period	16,673	2,153	-	18,826
Changes in credit risk	(979)	(381)	-	(1,360)
Purchases and origination	18	199	-	217
Derecognition and disposal	(34)	-	-	(34)
Balance as at the end of the financial period	<u>15,678</u>	<u>1,971</u>	<u>-</u>	<u>17,649</u>
31 December 2022				
Balance as at the beginning of the financial year	4,312	1,777	-	6,089
Changes in credit risk	9,694	(119)	-	9,575
Purchases and origination	4,538	495	-	5,033
Derecognition and disposal	(1,871)	-	-	(1,871)
Balance as at the end of the financial year	<u>16,673</u>	<u>2,153</u>	<u>-</u>	<u>18,826</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2023

14 FINANCING AND ADVANCES

31 March 2023	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	-	-	1,329,072	-	26,202	-	1,355,274
Term financing:							
- Housing financing	229,187	-	15,768,599	13,745,118	-	210	29,743,114
- Syndicated term financing	-	-	5,171,123	-	-	19,197	5,190,320
- Hire purchase receivables	-	10,121,395	-	-	-	-	10,121,395
- Other term financing	156	88,516	31,335,305	-	-	9	31,423,986
Bills receivables	-	-	339,321	-	-	-	339,321
Trust receipts	-	-	53,529	-	-	-	53,529
Claims on customers under acceptance credits	-	-	1,311,167	-	-	-	1,311,167
Share margin financing	-	-	11,691	-	-	-	11,691
Staff financing	1,016	-	13,754	-	-	-	14,770
Credit/charge card receivables	-	-	-	-	-	306,617	306,617
Revolving financing	-	-	2,884,466	-	-	-	2,884,466
Gross financing and advances	230,359	10,209,911	58,218,027	13,745,118	26,202	326,033	82,755,650
Fair value changes arising from fair value hedge							(76,907)
							82,678,743
Allowance for credit losses on financing and advances							(783,640)
Net financing and advances							81,895,103

* 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)

31 December 2022	Bai'							
At amortised cost	Bithaman	Ajil ('BBA')	Ijarah *	Murabahah	Musarakah	Qard	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cashline	-	-	1,219,549	-	27,963	-	-	1,247,512
Term financing:								
- Housing financing	239,585	-	14,892,595	13,667,347	-	198	-	28,799,725
- Syndicated term financing	-	-	5,209,468	-	-	19,181	-	5,228,649
- Hire purchase receivables	-	9,923,780	-	-	-	-	-	9,923,780
- Other term financing	579	88,070	31,743,225	-	-	25	-	31,831,899
Bills receivables	-	-	322,098	-	-	-	-	322,098
Trust receipts	-	-	67,708	-	-	-	-	67,708
Claims on customers under acceptance credits	-	-	1,399,155	-	-	-	-	1,399,155
Share margin financing	-	-	9,902	-	-	-	-	9,902
Staff financing	1,093	-	13,775	-	-	-	-	14,868
Credit/charge card receivables	-	-	-	-	-	302,280	-	302,280
Revolving financing	-	-	2,577,115	-	-	-	-	2,577,115
Gross financing and advances	241,257	10,011,850	57,454,590	13,667,347	27,963	321,684	-	81,724,691
Fair value changes arising from fair value hedge								(91,847)
								81,632,844
Allowance for credit losses on financing and advances								(782,582)
Net financing and advances								80,850,262

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

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2023

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 31 March 2023, gross exposure to RIA financing funded by RHB Bank is RM6,986,875,000 (31 December 2022: RM7,238,222,000) and gross exposure to URIA financing funded by the investors is RM511,241,000 (31 December 2022: RM802,978,000).

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 RM22,246,000 (31 December 2022: RM20,852,000).

- (b) Included in term financing are housing financing sold to Cagamas amounting to RM1,798,015,000 as at 31 March 2023 (31 December 2022: RM1,820,766,000).

- (c) Movement of Qard financing

	As at	As at
	31 March 2023	31 December 2022
	RM'000	RM'000
Balance as at the beginning of the financial period/year	27,963	28,178
New disbursement	10,086	19,874
Repayment	(11,847)	(20,089)
Balance as at the end of the financial period/year	26,202	27,963
Sources of Qard fund:		
- Depositors' fund	26,202	27,963
Uses of Qard fund:		
- Personal use	361	614
- Business purpose	25,841	27,349
	26,202	27,963

- (i) By type of customer

Domestic non-bank financial institutions	1,873,095	1,878,937
Domestic business enterprises:		
- Small and medium enterprises	8,535,770	8,295,698
- Others	15,793,529	16,247,314
Government and statutory bodies	6,605,091	6,139,471
Individuals	49,525,544	48,743,314
Other domestic entities	132,867	135,061
Foreign entities	289,754	284,896
	82,755,650	81,724,691

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14 FINANCING AND ADVANCES (CONTINUED)

	As at 31 March 2023 RM'000	As at 31 December 2022 RM'000
(ii) By profit rate sensitivity		
Fixed rate:		
- Housing financing	14,770	14,868
- Hire-purchase receivables	583,630	674,513
- Other fixed rate financing	9,800,370	9,953,873
Variable rate:		
- Base financing rate-plus	52,900,283	51,617,837
- Cost-plus	19,366,443	19,369,819
- Other variable rates	90,154	93,781
	<u>82,755,650</u>	<u>81,724,691</u>
(iii) By economic sector		
Agriculture, hunting, forestry and fishing	2,337,742	1,879,454
Mining and quarrying	97,041	108,058
Manufacturing	2,741,917	2,729,512
Electricity, gas and water	1,140,068	1,062,196
Construction	4,652,154	4,642,441
Wholesale and retail trade and restaurant and hotel	3,735,126	3,660,055
Transport, storage and communication	6,074,397	5,953,005
Finance, insurance, real estate and business services	5,541,741	6,079,740
Education, health and others	6,620,167	6,582,020
Household sector	49,805,473	49,018,402
Others	9,824	9,808
	<u>82,755,650</u>	<u>81,724,691</u>
(iv) By purpose		
Purchase of securities	5,636,040	5,955,084
Purchase of transport vehicles	10,083,053	9,873,672
Purchase of landed property:		
- Residential	28,633,892	27,707,282
- Non-residential	5,496,274	5,606,685
Purchase of property, plant and equipment other than land and building	696,109	710,750
Personal use	5,313,958	5,156,803
Credit card	306,617	302,280
Construction	974,948	941,953
Working capital	18,956,119	18,838,276
Merger and acquisition	1,471,304	1,471,708
Other purposes	5,187,336	5,160,198
	<u>82,755,650</u>	<u>81,724,691</u>

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14 FINANCING AND ADVANCES (CONTINUED)

	As at 31 March 2023 RM'000	As at 31 December 2022 RM'000
(v) By geographical distribution		
In Malaysia	<u>82,755,650</u>	<u>81,724,691</u>
(vi) By remaining contractual maturities		
Maturing within one year	8,807,843	8,457,670
One year to three years	5,307,834	5,420,536
Three years to five years	7,205,760	6,386,156
Over five years	<u>61,434,213</u>	<u>61,460,329</u>
	<u>82,755,650</u>	<u>81,724,691</u>
(vii) Impaired financing and advances		
(a) Movement in impaired financing and advances		
Balance as at the beginning of the financial period/year	600,488	385,800
Transfer to 12-month ECL (Stage 1)	(7,839)	(11,868)
Transfer to lifetime ECL not credit impaired (Stage 2)	(58,707)	(18,946)
Transfer to lifetime ECL credit impaired (Stage 3)	247,721	387,988
Purchases and origination	8,914	52,482
Derecognition	(115,489)	(90,088)
Amount written off	(28,781)	(105,466)
Other movements	171	586
Balance as at the end of the financial period/year	<u>646,478</u>	<u>600,488</u>
(b) By economic sector		
Agriculture, hunting, forestry and fishing	519	729
Mining and quarrying	4,856	4,833
Manufacturing	21,230	21,122
Electricity, gas and water	10,150	9,954
Construction	59,483	58,085
Wholesale and retail trade and restaurant and hotel	47,612	47,800
Transport, storage and communication	17,140	14,284
Finance, insurance, real estate and business services	43,102	39,879
Education, health and others	88,503	82,623
Household sector	<u>353,883</u>	<u>321,179</u>
	<u>646,478</u>	<u>600,488</u>

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14 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

	As at 31 March 2023 RM'000	As at 31 December 2022 RM'000
(c) By purpose		
Purchase of securities	2,459	1,673
Purchase of transport vehicles	55,115	46,276
Purchase of landed property:		
- Residential	261,573	236,701
- Non-residential	148,424	154,347
Purchase of property, plant and equipment other than land and building	2,723	2,803
Personal use	31,885	29,837
Credit card	3,599	3,216
Working capital	100,223	85,086
Other purposes	40,477	40,549
	646,478	600,488
(d) By geographical distribution		
In Malaysia	646,478	600,488

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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
31 March 2023	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of the financial period	156,445	374,072	252,065	782,582
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	39,253	(37,181)	(2,072)	-
- Transferred to lifetime ECL not credit impaired (Stage 2)	(3,384)	22,536	(19,152)	-
- Transferred to lifetime ECL credit impaired (Stage 3)	(203)	(9,404)	9,607	-
	35,666	(24,049)	(11,617)	-
Changes in credit risk	(26,812)	7,025	44,915	25,128
Purchases and origination	3,047	769	-	3,816
Bad debts written off	-	-	(20,001)	(20,001)
Derecognition	(1,004)	(1,130)	(5,922)	(8,056)
Other movements	-	-	171	171
Balance as at the end of the financial period	<u>167,342</u>	<u>356,687</u>	<u>259,611</u>	<u>783,640</u>

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14 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

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

	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
31 December 2022	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of the financial year	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)	47,653	(42,848)	(4,805)	-
- Transferred to lifetime ECL not credit impaired (Stage 2)	(5,976)	12,793	(6,817)	-
- Transferred to lifetime ECL credit impaired (Stage 3)	(2,965)	(6,699)	9,664	-
	38,712	(36,754)	(1,958)	-
Changes in credit risk	(62,225)	174,676	148,855	261,306
Purchases and origination	26,322	5,017	5,256	36,595
Bad debts written off	-	-	(62,422)	(62,422)
Changes to model methodologies	(4,079)	(16,222)	(143)	(20,444)
Derecognition	(12,994)	(5,251)	(21,285)	(39,530)
Other movements	-	-	586	586
Balance as at the end of the financial year	<u>156,445</u>	<u>374,072</u>	<u>252,065</u>	<u>782,582</u>

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15 OTHER ASSETS

	As at 31 March 2023	As at 31 December 2022
	RM'000	RM'000
Prepayments	29,286	26,241
Deposits	1,199	1,104
Amount due to a related company	226	91
Amount due from holding company	657,006	-
Other receivables	89,787	69,192
	777,504	96,628

16 DEPOSITS FROM CUSTOMERS

	As at 31 March 2023	As at 31 December 2022
	RM'000	RM'000
<u>Savings Deposits</u>		
Qard	1,496,488	1,510,397
Commodity Murabahah	1,083,847	995,415
<u>Demand Deposits</u>		
Qard	6,226,791	5,982,666
Commodity Murabahah	3,770,856	3,448,658
<u>Term Deposits</u>		
Commodity Murabahah	55,785,786	54,237,696
<u>Specific Investment Account</u>		
Commodity Murabahah	11,292,431	12,058,549
<u>General Investment Account</u>		
Mudharabah	75	209
	79,656,274	78,233,590

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

Due within six months	51,835,875	52,809,960
Six months to one year	13,490,182	11,569,333
One year to three years	601,670	778,256
Three years to five years	1,150,565	1,138,905
	67,078,292	66,296,454

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

Government and statutory bodies	16,005,997	15,717,516
Business enterprises	32,428,509	33,781,777
Individuals	30,486,093	27,925,437
Others	735,675	808,860
	79,656,274	78,233,590

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17 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Note	As at <u>31 March 2023</u> RM'000	As at 31 December 2022 RM'000
<u>Non-Mudharabah Funds:</u>			
Licensed Islamic banks		249,847	-
Licensed banks		6,265,961	5,652,451
Licensed investment banks		150,690	-
BNM	(a)	<u>203,874</u>	<u>193,536</u>
		6,870,372	5,845,987
<u>Mudharabah Funds:</u>			
Other financial institutions		<u>250,261</u>	<u>279,366</u>
		<u>7,120,633</u>	<u>6,125,353</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 <u>31 March 2023</u> RM'000	As at 31 December 2022 RM'000
Mudharabah Restricted Investment Account	(a)	8,841,834	8,778,876
Wakalah Unrestricted Investment Account	(b)	<u>517,108</u>	<u>818,386</u>
		<u>9,358,942</u>	<u>9,597,262</u>

(a) Mudharabah Restricted Investment Account

By type of counterparty:

Licensed banks	<u>8,841,834</u>	<u>8,778,876</u>
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Investment asset (principal):

Personal financing (Note 14(a))	1,000,000	1,000,000
Other term financing (Note 14(a))	5,986,875	6,238,222
Short-term funds	331,000	33,000
Unquoted securities (Note 13)	<u>1,405,509</u>	<u>1,401,085</u>
	<u>8,723,384</u>	<u>8,672,307</u>

As at 31 March 2023, the amount of the restricted investment account placed by the holding company, RHB Bank, amounted to RM8,400,639,000 (31 December 2022: RM8,351,236,000).

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18 INVESTMENT ACCOUNTS (CONTINUED)

	<u>As at</u> <u>31 March 2023</u>	<u>As at</u> <u>31 December 2022</u>
	<u>RM'000</u>	<u>RM'000</u>
(b) Wakalah Unrestricted Investment Account		
<u>By type of counterparty:</u>		
Business enterprises	<u>517,108</u>	<u>818,386</u>
<u>Investment asset (principal):</u>		
Personal financing (Note 14(a))	408,993	642,382
Housing financing (Note 14(a))	<u>102,248</u>	<u>160,596</u>
	<u>511,241</u>	<u>802,978</u>

19 OTHER LIABILITIES

	<u>As at</u> <u>31 March 2023</u>	<u>As at</u> <u>31 December 2022</u>
	<u>RM'000</u>	<u>RM'000</u>
Sundry creditors	22,084	14,869
Amount due to holding company	-	828,560
Amount due to other related companies	20	598
Contract liability	91,318	99,411
Short term employee benefits	3,215	4,447
Accrual for operational expenses	37,614	34,272
Structured deposits	41,469	41,020
Other accruals and payables	<u>228,672</u>	<u>108,788</u>
	<u>424,392</u>	<u>1,131,965</u>

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20 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	Three Months Ended	
	31 March 2023	31 March 2022
	RM'000	RM'000
Income derived from investment of:		
(i) General investment deposits	1	2
(ii) Other deposits	1,015,727	736,400
	1,015,728	736,402
(i) Income derived from investment of general investment deposits:		
Financing and advances	1	2
Total finance income and hibah	1	2
Of which:		
Financing income earned on impaired financing	-	1
(ii) Income derived from investment of other deposits:		
Financing and advances	843,109	599,672
Securities purchased under resale agreements	3,336	12,015
Financial assets at FVTPL	1,336	855
Financial assets at FVOCI	52,297	47,298
Financial investments at amortised cost	51,597	32,819
Money at call and deposits with banks and other financial institutions	53,004	36,069
Total finance income and hibah	1,004,679	728,728
Other operating income (Note a)	11,048	7,672
	1,015,727	736,400
Of which:		
Financing income earned on impaired financing	6,292	3,431
(a) Other operating income comprise of:		
Fee income:		
- Commission	4,275	2,752
- Guarantee fees	935	868
	5,210	3,620
Net loss on revaluation of financial assets at FVTPL	(1,495)	(344)
Net gain on disposal of financial assets at FVTPL	3,358	30
Net gain on disposal of debt instruments of financial assets at FVOCI	3,975	4,366
	11,048	7,672

21 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Three Months Ended	
	31 March 2023	31 March 2022
	RM'000	RM'000
Financing and advances	101,760	90,379
Financial investments at amortised cost	21,595	17,277
Money at call and deposits with banks and other financial institutions	1,711	1,849
Total finance income and hibah	125,066	109,505

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22 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Three Months Ended	
	31 March 2023	31 March 2022
	RM'000	RM'000
Financing and advances	16,755	12,805
Securities purchased under resale agreements	66	257
Financial assets at FVTPL	27	18
Financial assets at FVOCI	1,039	1,010
Financial investments at amortised cost	1,025	701
Money at call and deposits with banks and other financial institutions	1,053	770
Total finance income and hibah	<u>19,965</u>	<u>15,561</u>
Other operating income (Note a)	<u>58,845</u>	<u>25,067</u>
	<u>78,810</u>	<u>40,628</u>
Of which:		
Financing income earned on impaired financing	<u>125</u>	<u>82</u>
(a) Other operating income comprise of:		
Fee income:		
- Commission	11,043	11,894
- Service charges and fees	23,650	24,675
- Guarantee fees	19	19
	<u>34,712</u>	<u>36,588</u>
Net loss on revaluation of financial assets at FVTPL	(30)	(8)
Net gain on disposal of financial assets at FVTPL	67	1
Net gain on disposal of debt instruments of financial investments at FVOCI	79	93
Net gain/(loss) on revaluation of derivatives	5,536	(9,524)
Net gain on fair value hedges	1,137	212
Other income:		
- Foreign exchange gain/(loss)	18,540	(1,791)
- Loss on modification of right-of-use	(10)	-
- Other non-operating loss	(1,186)	(504)
	<u>58,845</u>	<u>25,067</u>

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23 ALLOWANCE FOR CREDIT LOSSES ON FINANCIAL ASSETS

	Three Months Ended	
	31 March 2023	31 March 2022
<u>Charge/(Writeback)</u>	RM'000	RM'000
Financing and advances:		
- Net charge	20,888	34,315
- Bad debts recovered	(6,136)	(8,593)
- Bad debts written off	8,877	11,054
	23,629	36,776
Financial assets at FVOCI	245	(158)
Financial investments at amortised cost	(1,177)	952
Other financial assets	(77)	125
	22,620	37,695

24 INCOME ATTRIBUTABLE TO DEPOSITORS

	Three Months Ended	
	31 March 2023	31 March 2022
	RM'000	RM'000
Deposits from customers:		
- Mudharabah funds	6,304	4,225
- Non-Mudharabah funds	586,220	321,763
Deposits and placements of banks and other financial institutions:		
- Non-Mudharabah funds	62,738	35,343
Others:		
- Subordinated obligations	7,829	8,333
- Recourse obligation on financing sold to Cagamas	14,555	4,526
- Others	466	31
	678,112	374,221

25 PERSONNEL EXPENSES

	Three Months Ended	
	31 March 2023	31 March 2022
	RM'000	RM'000
Salaries, allowances and bonuses	9,108	5,531
Contributions to Employees' Provident Fund	1,184	1,022
Share-based expenses	102	-
Other staff related costs	455	1,093
	10,849	7,646

- (a) The Share Grant Scheme ('SGS') was established and 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 for eligible employees, which include certain employees of the Bank. The SGS shall be in force for a period of nine years commencing from the effective implementation date of the SGS, and the vesting period for each grant offered will be 3 years from the offer date.

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26 OTHER OVERHEADS AND EXPENDITURES

	Three Months Ended	
	31 March 2023	31 March 2022
	RM'000	RM'000
<u>Establishment costs</u>		
Property, plant and equipment:		
- Depreciation	749	289
Computer software license:		
- Amortisation	276	218
Right-of-use assets:		
- Depreciation	347	411
Information technology expenses	350	562
Repair and maintenance	43	37
Rental of premises	201	77
Water and electricity	107	103
Rental of equipment	1	2
Printing and stationeries	3,656	845
Insurance	2,518	2,143
Others	471	411
	8,719	5,098
<u>Marketing expenses</u>		
Advertisement and publicity	341	241
Sales commission	3,850	3,349
Travelling expenses	80	20
Motor vehicle expenses	15	15
Others	3,519	393
	7,805	4,018
<u>Administration and general expenses</u>		
Communication expenses	3,104	2,031
Legal and professional fee	999	1,195
Management fee	132,262	111,808
Others	3,431	2,153
	139,796	117,187
	156,320	126,303

27 EARNINGS PER SHARE

	Three Months Ended	
	31 March 2023	31 March 2022
Net profit for the financial period (RM'000)	194,273	165,725
Weighted average number of ordinary shares in issue ('000)	1,673,424	1,673,424
Basic earnings per share (sen)	11.61	9.90

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28 COMMITMENTS AND CONTINGENCIES

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

	<u>As at</u> <u>31 March 2023</u>	<u>As at</u> <u>31 December 2022</u>
	<u>RM'000</u>	<u>RM'000</u>
Contingent liabilities		
Transaction-related contingent items	351,099	381,269
Short-term self-liquidating trade related contingencies	<u>305,726</u>	<u>264,229</u>
	<u>656,825</u>	<u>645,498</u>
Commitments		
Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns	38,904	-
Irrevocable commitments to extend credit:		
- Maturity less than one year	374,174	207,642
- Maturity more than one year	<u>10,150,059</u>	<u>10,024,361</u>
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	<u>2,716,876</u>	<u>2,681,811</u>
	<u>13,280,013</u>	<u>12,913,814</u>
Derivative financial instruments		
Foreign exchange related contracts [^] :		
- Less than one year	15,068,466	13,763,168
- One year to less than five years	<u>991,382</u>	<u>990,489</u>
Profit rate related contracts [^] :		
- Less than one year	930,000	1,130,000
- One year to less than five years	<u>3,300,000</u>	<u>3,300,000</u>
Commodity related contracts [^] :		
- Less than one year	100,210	100,122
- One year to less than five years	<u>128,604</u>	<u>128,491</u>
	<u>20,518,662</u>	<u>19,412,270</u>
	<u>34,455,500</u>	<u>32,971,582</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.

29 CAPITAL COMMITMENTS

	<u>As at</u> <u>31 March 2023</u>	<u>As at</u> <u>31 December 2022</u>
	<u>RM'000</u>	<u>RM'000</u>
Capital expenditure for property, plant and equipment:		
- Authorised and contracted for	<u>5,264</u>	<u>5,233</u>

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30 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 March 2023</u>				
<u>Financial assets</u>				
Financial assets at FVTPL:				
- money market instruments	-	174,132	-	174,132
Financial assets at FVOCI:				
- money market instruments	-	5,856,662	-	5,856,662
- unquoted securities	-	2,065,856	-	2,065,856
	-	3,790,806	-	3,790,806
Derivative assets	-	204,494	-	204,494
	-	6,235,288	-	6,235,288
<u>Financial liabilities</u>				
Derivative liabilities	-	118,601	-	118,601
<u>31 December 2022</u>				
<u>Financial assets</u>				
Financial assets at FVTPL:				
- money market instruments	-	91,997	-	91,997
Financial assets at FVOCI:				
- money market instruments	-	5,700,547	-	5,700,547
- unquoted securities	-	1,840,246	-	1,840,246
	-	3,860,301	-	3,860,301
Derivative assets	-	324,762	-	324,762
	-	6,117,306	-	6,117,306
<u>Financial liabilities</u>				
Derivative liabilities	-	256,252	-	256,252

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30 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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31 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:

	<u>As at</u> <u>31 March 2023</u>	<u>As at</u> <u>31 December 2022</u>
	<u>RM'000</u>	<u>RM'000</u>
<u>Common Equity Tier-I ('CET-I') Capital /Tier-I Capital</u>		
Share capital	1,673,424	1,673,424
Retained profits	3,904,387	4,177,805
Other reserve	307	205
FVOCI reserve	(64,167)	(118,059)
	<u>5,513,951</u>	<u>5,733,375</u>
Less:		
Deferred tax assets	(100,178)	(100,598)
Intangible assets (include associated deferred tax liabilities)	(3,988)	(4,227)
Other deductions*	(857)	(941)
Total CET-I/Total Tier-I Capital	<u>5,408,928</u>	<u>5,627,609</u>
<u>Tier-II Capital</u>		
Subordinated obligations	750,000	750,000
Surplus eligible provisions over expected losses	144,938	140,835
General provisions^	60,989	55,462
Total Tier-II Capital	<u>955,927</u>	<u>946,297</u>
Total Capital	<u>6,364,855</u>	<u>6,573,906</u>
<u>Capital Ratios</u>		
Before proposed dividends:		
CET-I Capital Ratio	16.435%	17.828%
Tier-I Capital Ratio	16.435%	17.828%
Total Capital Ratio	<u>19.340%</u>	<u>20.826%</u>
After proposed dividends:		
CET-I Capital Ratio	16.435%	17.033%
Tier-I Capital Ratio	16.435%	17.033%
Total Capital Ratio	<u>19.340%</u>	<u>20.031%</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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31 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 RM39,627,000 (31 December 2022: RM34,664,000).

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

	As at 31 March 2023	As at 31 December 2022
	RM'000	RM'000
Credit risk	34,428,359	33,635,942
Credit risk absorbed by PSIA ⁺	(5,142,690)	(5,355,297)
Market risk	419,726	170,490
Operational risk	3,205,306	3,114,515
Total risk-weighted assets	<u>32,910,701</u>	<u>31,565,650</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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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 were no significant events subsequent to the balance sheet date that have not been reflected in the financial statements.

34 CHANGES IN PROFIT FOR THE QUARTER

The Bank reported a pre-tax profit of RM259.7 million for the current quarter, 23.7% lower as compared to the preceding quarter ended 31 December 2022 of RM340.4 million. The lower profit was mainly attributed to lower net funding income by RM183.4 million, partly offset by lower allowance for credit losses by RM76.9 million, lower overhead expenses by RM12.8 million and higher non funding income by RM13.0 million

35 PERFORMANCE REVIEW

For the three months ended 31 March 2023, the Bank recorded a pre-tax profit of RM259.7 million, 1.8% higher than previous year corresponding period of RM255.1 million. The higher profit was mainly due to higher non funding income by RM37.2 million and lower allowance for credit losses by RM15.1 million, partly offset by higher overhead expenses by RM33.2 million and lower net funding income by RM14.5 million.

36 PROSPECTS FOR 2023

Malaysia economy is projected to grow by 5.0% year-on-year in 2023 despite continued headwinds globally. This is supported by domestic demand which is expected to remain resilient, underpinned by strong consumer spending as the labour market and wages continue to show signs of improvement. Nevertheless, risks to the economic growth remain, primarily stemming from inflationary pressures and external developments such as slower global growth and prolonged geopolitical tensions.

On the banking industry, financing are projected to expand this year albeit at a more moderate pace, whilst the monetary policy continues to remain accommodative, displayed by the normalisation of OPR to 3.00%. Overall, the sector is expected to maintain its resilience with healthy capital and liquidity positions, as well as sufficient levels of provisioning.

Moving ahead, the Group will stay the course in executing its Together We Progress 24 ('TWP2') strategy and continue to put emphasis on achieving quality growth, driving service excellence and improving efficiency. Managing asset quality and adopting the highest level of governance in managing our business and operations are also other key focus areas for the Group.