

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	As at 30 June 2023 RM'000	As at 31 December 2022 RM'000
ASSETS			
Cash and short-term funds		2,641,608	7,167,727
Securities purchased under resale agreements	9	-	577,051
Financial assets at fair value through profit or loss ('FVTPL')	10	554,236	91,997
Financial assets at fair value through other comprehensive income ('FVOCI')	11	5,944,573	5,700,547
Financial investments at amortised cost	12	10,377,060	7,542,997
Financing and advances	13	81,623,851	80,850,262
Other assets	14	214,628	96,628
Derivative assets		371,258	324,762
Statutory deposits		1,453,000	1,426,500
Deferred tax assets		103,386	137,537
Right-of-use assets		763	1,264
Property, plant and equipment		6,151	6,204
Intangible assets		4,744	4,567
TOTAL ASSETS		103,295,258	103,928,043
LIABILITIES AND EQUITY			
Deposits from customers	15	80,104,379	78,233,590
Deposits and placements of banks and other financial institutions	16	3,918,881	6,125,353
Investment accounts	17	8,134,895	9,597,262
Bills and acceptances payable		8,745	7,421
Other liabilities	18	2,082,011	1,131,965
Derivative liabilities		275,730	256,252
Recourse obligation on financing sold to Cagamas Berhad ('Cagamas')		1,764,850	1,765,061
Provision for taxation and zakat		78,538	111,844
Lease liabilities		777	1,307
Subordinated obligations		754,230	754,428
TOTAL LIABILITIES		97,123,036	97,984,483
Share capital		1,673,424	1,673,424
Reserves		4,498,798	4,270,136
TOTAL EQUITY		6,172,222	5,943,560
TOTAL LIABILITIES AND EQUITY		103,295,258	103,928,043
COMMITMENTS AND CONTINGENCIES	27	34,490,592	32,971,582

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
(Incorporated in Malaysia)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Note	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
		<u>30 June 2023</u>	30 June 2022	<u>30 June 2023</u>	30 June 2022
		<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Income derived from investment of depositors' funds	19	1,064,844	795,095	2,080,572	1,531,497
Income derived from investment of investment account funds	20	115,935	117,889	241,001	227,394
Income derived from investment of shareholders' funds	21	78,347	44,141	157,157	84,769
Allowance for credit losses on financial assets	22	38,753	(74,353)	16,133	(112,048)
Total distributable income		1,297,879	882,772	2,494,863	1,731,612
Income attributable to depositors	23	(751,486)	(397,955)	(1,429,598)	(772,176)
Profit distributed to investment account holders		(88,490)	(85,095)	(180,531)	(170,677)
		457,903	399,722	884,734	788,759
Personnel expenses	24	(5,987)	(6,377)	(16,836)	(14,023)
Other overheads and expenditures	25	(163,204)	(131,366)	(319,524)	(257,669)
Profit before taxation and zakat		288,712	261,979	548,374	517,067
Taxation and zakat		(71,333)	(88,725)	(136,722)	(178,088)
Net profit for the financial period		217,379	173,254	411,652	338,979
Basic earnings per share (sen)	26	12.99	10.35	24.60	20.26

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RHB ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2023</u>	<u>30 June 2022</u>	<u>30 June 2023</u>	<u>30 June 2022</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Net profit for the financial period	<u>217,379</u>	173,254	<u>411,652</u>	338,979
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	27,968	(118,228)	102,933	(177,101)
- Net transfer to income statement on disposal	(5,087)	(810)	(9,141)	(5,269)
- Changes in expected credit losses	(3,708)	4,218	(3,463)	4,060
Income tax relating to components of other comprehensive (income)/loss	(5,491)	28,570	(22,510)	43,769
Other comprehensive income/(loss), net of tax, for the financial period	<u>13,682</u>	(86,250)	<u>67,819</u>	(134,541)
Total comprehensive income for the financial period	<u>231,061</u>	<u>87,004</u>	<u>479,471</u>	<u>204,438</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 STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 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	-	-	-	-	411,652	411,652
Other comprehensive income/(loss):						
Debt instruments measured at FVOCI:						
- Unrealised net gain on revaluation	-	102,933	-	-	-	102,933
- Net transfer to income statement on disposal	-	(9,141)	-	-	-	(9,141)
- Changes in expected credit losses	-	(3,463)	-	-	-	(3,463)
Income tax relating to components of other comprehensive income	-	(22,510)	-	-	-	(22,510)
Other comprehensive income, net of tax, for the financial period	-	67,819	-	-	-	67,819
Total comprehensive income for the financial period	-	67,819	-	-	411,652	479,471
Dividend paid	-	-	-	-	(251,014)	(251,014)
Share-based payment expense	-	-	-	205	-	205
Transfer to regulatory reserve	-	-	256,124	-	(256,124)	-
Balance as at 30 June 2023	1,673,424	(43,961)	460,030	410	4,082,319	6,172,222

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Share capital	Non distributable		Distributable	Total
	RM'000	FVOCI reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	
Balance as at 1 January 2022	1,673,424	(25,686)	247,119	3,716,002	5,610,859
Net profit for the financial period	-	-	-	338,979	338,979
Other comprehensive income/(loss):					
Debt instruments measured at FVOCI:					
- Unrealised net loss on revaluation	-	(177,101)	-	-	(177,101)
- Net transfer to income statement on disposal	-	(5,269)	-	-	(5,269)
- Changes in expected credit losses	-	4,060	-	-	4,060
Income tax relating to components of other comprehensive loss	-	43,769	-	-	43,769
Other comprehensive loss, net of tax, for the financial period	-	(134,541)	-	-	(134,541)
Total comprehensive income/(loss) for the financial period	-	(134,541)	-	338,979	204,438
Dividend paid	-	-	-	(234,279)	(234,279)
Transfer from regulatory reserve	-	-	(62,125)	62,125	-
Balance as at 30 June 2022	1,673,424	(160,227)	184,994	3,882,827	5,581,018

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RHB ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six Months Ended	
	30 June 2023	30 June 2022
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	548,374	517,067
Adjustments for non-cash items	<u>(284,046)</u>	<u>(42,919)</u>
Operating profit before changes in working capital	264,328	474,148
Changes in working capital:		
Net changes in operating assets	(866,326)	(2,194,230)
Net changes in operating liabilities	<u>(799,491)</u>	<u>965,288</u>
Cash used in operations	(1,401,489)	(754,794)
Profit paid	(15,971)	(16,908)
Net tax and zakat paid	<u>(158,387)</u>	<u>(120,916)</u>
Net cash used in operating activities	<u>(1,575,847)</u>	<u>(892,618)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Purchase	(1,089)	(1,379)
Purchase of intangible assets	(729)	(948)
Net purchase of financial assets at FVOCI and financial investments at amortised cost	<u>(2,892,033)</u>	<u>(307,165)</u>
Investment income received from financial assets at FVOCI and financial investments at amortised cost	195,767	173,016
Net cash used in investing activities	<u>(2,698,084)</u>	<u>(136,476)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal lease payment	(1,174)	(781)
Dividend paid	<u>(251,014)</u>	<u>(234,279)</u>
Issuance of subordinated sukuk	-	250,000
Redemption of subordinated sukuk	<u>-</u>	<u>(250,000)</u>
Net cash used in financing activities	<u>(252,188)</u>	<u>(235,060)</u>
Net decrease in cash and cash equivalents	(4,526,119)	(1,264,154)
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>2,641,608</u>	<u>6,797,654</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds	<u>2,641,608</u>	<u>6,797,654</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 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 '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 six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 2023.

7 DIVIDEND PAID

During the six months ended 30 June 2023, the Bank has paid a second single-tier interim dividend of 15.0 sen per share in respect of the financial year ended 31 December 2022, amounting to RM251,014,000 on 27 March 2023.

The Board of Directors have declared a single-tier interim dividend of 8.0 sen per share in respect of the financial year ending 31 December 2023, amounting to RM133,874,000. The payment date for this interim dividend will be determined later.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 17.

9 SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	As at 30 June 2023	As at 31 December 2022
	RM'000	RM'000
At amortised cost		
Malaysian Government Investment Issues	-	199,093
Corporate sukuk	-	377,958
	-	577,051

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

	As at 30 June 2023	As at 31 December 2022
	RM'000	RM'000
Mandatory measured at fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	309,250	91,997
Bank Negara Malaysia ('BNM') Monetary Notes	244,986	-
	554,236	91,997

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

	As at 30 June 2023 RM'000	As at 31 December 2022 RM'000
At fair value		
Debt instruments	<u>5,944,573</u>	<u>5,700,547</u>
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	1,899,707	1,840,246
Islamic Cagamas bonds	194,498	-
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	<u>3,850,368</u>	<u>3,860,301</u>
	<u>5,944,573</u>	<u>5,700,547</u>

(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 June 2023				
Balance as at the beginning of the financial period	6,279	-	-	6,279
Changes in credit risk	(2,748)	-	-	(2,748)
Purchases and origination	473	-	-	473
Changes to model methodologies	(1,188)	-	-	(1,188)
Balance as at the end of the financial period	<u>2,816</u>	<u>-</u>	<u>-</u>	<u>2,816</u>
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	<u>6,279</u>	<u>-</u>	<u>-</u>	<u>6,279</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

12 FINANCIAL INVESTMENTS AT AMORTISED COST

	As at <u>30 June 2023</u>	As at <u>31 December 2022</u>
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	3,894,798	2,217,425
Sukuk Perumahan Kerajaan	-	10,064
Islamic Cagamas bonds	338,750	338,771
Islamic Khazanah bonds	-	127,665
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	6,127,083	4,837,478
<u>Outside Malaysia</u>		
Corporate sukuk	30,414	30,420
	<u>10,391,045</u>	7,561,823
Allowance for credit losses	<u>(13,985)</u>	(18,826)
	<u><u>10,377,060</u></u>	<u><u>7,542,997</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 June 2023 is RM1,411,397,000 (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 RM534,508,000 as at 30 June 2023 (31 December 2022: RM534,632,000).

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

	As at <u>30 June 2023</u>	As at <u>31 December 2022</u>
	RM'000	RM'000
Balance as at the beginning of the financial period/year	1,168,813	1,105,024
Purchases and origination	29,392	63,789
Balance as at the end of the financial period/year	<u>1,198,205</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 RM404,375,000 (31 December 2022: RM741,106,000 and RM392,980,000) respectively.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

12 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 June 2023				
Balance as at the beginning of the financial period	16,673	2,153	-	18,826
Changes in credit risk	(3,505)	120	-	(3,385)
Purchases and origination	1,839	223	-	2,062
Changes to model methodologies	(2,652)	(614)	-	(3,266)
Derecognition and disposal	(252)	-	-	(252)
Balance as at the end of the financial period	<u>12,103</u>	<u>1,882</u>	<u>-</u>	<u>13,985</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 SIX MONTHS ENDED 30 JUNE 2023

13 FINANCING AND ADVANCES

30 June 2023	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	-	-	1,354,891	-	32,405	-	1,387,296
Term financing:							
- Housing financing	220,799	-	16,510,970	13,858,211	-	254	30,590,234
- Syndicated term financing	-	-	5,142,980	-	-	19,230	5,162,210
- Hire purchase receivables	-	10,297,072	-	-	-	-	10,297,072
- Other term financing	142	88,870	30,440,678	-	-	10	30,529,700
Bills receivables	-	-	368,060	-	-	-	368,060
Trust receipts	-	-	85,258	-	-	-	85,258
Claims on customers under acceptance credits	-	-	1,286,383	-	-	-	1,286,383
Share margin financing	-	-	10,406	-	-	-	10,406
Staff financing	913	-	13,577	-	-	-	14,490
Credit/charge card receivables	-	-	-	-	-	316,636	316,636
Revolving financing	-	-	2,370,886	-	-	-	2,370,886
Gross financing and advances	<u>221,854</u>	<u>10,385,942</u>	<u>57,584,089</u>	<u>13,858,211</u>	<u>32,405</u>	<u>336,130</u>	<u>82,418,631</u>
Fair value changes arising from fair value hedge							(72,459)
							<u>82,346,172</u>
Allowance for credit losses on financing and advances							(722,321)
Net financing and advances							<u><u>81,623,851</u></u>

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

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
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13 FINANCING AND ADVANCES (CONTINUED)

31 December 2022	Bai'						
	Bithaman						
At amortised cost	Ajil ('BBA')	Ijarah *	Murabahah	Musarakah	Qard	Others	Total
	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)
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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13 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 June 2023, gross exposure to RIA financing funded by RHB Bank is RM6,043,910,000 (31 December 2022: RM7,238,222,000) and gross exposure to URIA financing funded by the investors is RM314,671,000 (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 RM17,400,000 (31 December 2022: RM20,852,000).

- (b) Included in term financing are housing financing sold to Cagamas amounting to RM1,797,799,000 as at 30 June 2023 (31 December 2022: RM1,820,766,000).

- (c) Movement of Qard financing

	As at	As at
	30 June 2023	31 December 2022
	RM'000	RM'000
Balance as at the beginning of the financial period/year	27,963	28,178
New disbursement	21,443	19,874
Repayment	(17,001)	(20,089)
Balance as at the end of the financial period/year	<u>32,405</u>	<u>27,963</u>
Sources of Qard fund:		
- Depositors' fund	<u>32,405</u>	<u>27,963</u>
Uses of Qard fund:		
- Personal use	369	614
- Business purpose	<u>32,036</u>	<u>27,349</u>
	<u>32,405</u>	<u>27,963</u>

- (i) By type of customer

Domestic non-bank financial institutions	1,764,969	1,878,937
Domestic business enterprises:		
- Small and medium enterprises	8,664,822	8,295,698
- Others	14,465,920	16,247,314
Government and statutory bodies	6,566,221	6,139,471
Individuals	50,533,688	48,743,314
Other domestic entities	131,597	135,061
Foreign entities	291,414	284,896
	<u>82,418,631</u>	<u>81,724,691</u>

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13 FINANCING AND ADVANCES (CONTINUED)

	As at 30 June 2023 RM'000	As at 31 December 2022 RM'000
(ii) By profit rate sensitivity		
Fixed rate:		
- Housing financing	13,577	14,868
- Hire-purchase receivables	502,847	674,513
- Other fixed rate financing	10,284,540	9,953,873
Variable rate:		
- Base financing rate-plus	54,202,781	51,617,837
- Cost-plus	17,290,255	19,369,819
- Other variable rates	124,631	93,781
	82,418,631	81,724,691
(iii) By economic sector		
Agriculture, hunting, forestry and fishing	2,258,254	1,879,454
Mining and quarrying	110,105	108,058
Manufacturing	2,752,334	2,729,512
Electricity, gas and water	1,278,455	1,062,196
Construction	4,029,935	4,642,441
Wholesale and retail trade and restaurant and hotel	3,833,158	3,660,055
Transport, storage and communication	5,294,146	5,953,005
Finance, insurance, real estate and business services	5,450,417	6,079,740
Education, health and others	6,586,724	6,582,020
Household sector	50,814,722	49,018,402
Others	10,381	9,808
	82,418,631	81,724,691
(iv) By purpose		
Purchase of securities	5,363,408	5,955,084
Purchase of transport vehicles	10,287,073	9,873,672
Purchase of landed property:		
- Residential	29,470,460	27,707,282
- Non-residential	5,485,172	5,606,685
Purchase of property, plant and equipment other than land and building	685,495	710,750
Personal use	5,528,634	5,156,803
Credit card	316,636	302,280
Construction	898,817	941,953
Working capital	17,817,514	18,838,276
Merger and acquisition	1,471,380	1,471,708
Other purposes	5,094,042	5,160,198
	82,418,631	81,724,691

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13 FINANCING AND ADVANCES (CONTINUED)

	As at 30 June 2023	As at 31 December 2022
	RM'000	RM'000
(v) By geographical distribution		
In Malaysia	82,418,631	81,724,691
(vi) By remaining contractual maturities		
Maturing within one year	10,375,776	8,457,670
One year to three years	2,552,349	5,420,536
Three years to five years	7,462,770	6,386,156
Over five years	62,027,736	61,460,329
	82,418,631	81,724,691
(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)	(11,916)	(11,868)
Transfer to lifetime ECL not credit impaired (Stage 2)	(80,199)	(18,946)
Transfer to lifetime ECL credit impaired (Stage 3)	480,882	387,988
Purchases and origination	351,545	52,482
Derecognition	(142,163)	(90,088)
Amount written off	(65,566)	(105,466)
Other movements	583	586
Balance as at the end of the financial period/year	1,133,654	600,488
(b) By economic sector		
Agriculture, hunting, forestry and fishing	648	729
Mining and quarrying	4,585	4,833
Manufacturing	23,381	21,122
Electricity, gas and water	10,393	9,954
Construction	62,414	58,085
Wholesale and retail trade and restaurant and hotel	52,585	47,800
Transport, storage and communication	444,121	14,284
Finance, insurance, real estate and business services	40,954	39,879
Education, health and others	88,826	82,623
Household sector	405,747	321,179
	1,133,654	600,488

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13 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

	As at 30 June 2023	As at 31 December 2022
	RM'000	RM'000
(c) By purpose		
Purchase of securities	2,327	1,673
Purchase of transport vehicles	61,021	46,276
Purchase of landed property:		
- Residential	293,145	236,701
- Non-residential	140,645	154,347
Purchase of property, plant and equipment other than land and building	2,762	2,803
Personal use	45,943	29,837
Credit card	3,363	3,216
Working capital	542,217	85,086
Other purposes	42,231	40,549
	1,133,654	600,488
(d) By geographical distribution		
In Malaysia	1,133,654	600,488

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13 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 June 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)	45,974	(42,208)	(3,766)	-
- Transferred to lifetime ECL not credit impaired (Stage 2)	(4,487)	26,788	(22,301)	-
- Transferred to lifetime ECL credit impaired (Stage 3)	(460)	(34,766)	35,226	-
	41,027	(50,186)	9,159	-
Changes in credit risk	(60,221)	(71,766)	145,708	13,721
Purchases and origination	5,817	1,583	277	7,677
Bad debts written off	-	-	(40,131)	(40,131)
Changes to model methodologies	(15,024)	(14,716)	6,141	(23,599)
Derecognition	(3,166)	(2,621)	(12,725)	(18,512)
Other movements	-	-	583	583
Balance as at the end of the financial period	124,878	236,366	361,077	722,321

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13 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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14 OTHER ASSETS

	As at 30 June 2023	As at 31 December 2022
	RM'000	RM'000
Prepayments	34,465	26,241
Deposits	904	1,104
Amount due to a related company	54	91
Other receivables	179,205	69,192
	214,628	96,628

15 DEPOSITS FROM CUSTOMERS

	As at 30 June 2023	As at 31 December 2022
	RM'000	RM'000
<u>Savings Deposits</u>		
Qard	1,462,357	1,510,397
Commodity Murabahah	1,125,708	995,415
<u>Demand Deposits</u>		
Qard	5,790,036	5,982,666
Commodity Murabahah	3,874,861	3,448,658
<u>Term Deposits</u>		
Commodity Murabahah	60,479,217	54,237,696
<u>Specific Investment Account</u>		
Commodity Murabahah	7,372,124	12,058,549
<u>General Investment Account</u>		
Mudharabah	76	209
	80,104,379	78,233,590

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

Due within six months	52,967,278	52,809,960
Six months to one year	13,207,744	11,569,333
One year to three years	705,867	778,256
Three years to five years	970,528	1,138,905
	67,851,417	66,296,454

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

Government and statutory bodies	19,619,729	15,717,516
Business enterprises	27,836,695	33,781,777
Individuals	31,785,840	27,925,437
Others	862,115	808,860
	80,104,379	78,233,590

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16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Note	As at 30 June 2023 RM'000	As at 31 December 2022 RM'000
<u>Non-Mudharabah Funds:</u>			
Licensed Islamic banks		33,404	-
Licensed banks		3,535,114	5,652,451
BNM	(a)	218,937	193,536
		<u>3,787,455</u>	<u>5,845,987</u>
<u>Mudharabah Funds:</u>			
Other financial institutions		131,426	279,366
		<u>3,918,881</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.

17 INVESTMENT ACCOUNTS

	Note	As at 30 June 2023 RM'000	As at 31 December 2022 RM'000
Mudharabah Restricted Investment Account	(a)	7,819,822	8,778,876
Wakalah Unrestricted Investment Account	(b)	315,073	818,386
		<u>8,134,895</u>	<u>9,597,262</u>

(a) Mudharabah Restricted Investment Account

By type of counterparty:

Licensed banks	<u>7,819,822</u>	<u>8,778,876</u>
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Investment asset (principal):

Personal financing (Note 13(a))	1,000,000	1,000,000
Other term financing (Note 13(a))	5,043,910	6,238,222
Short-term funds	231,000	33,000
Unquoted securities (Note 12)	1,411,397	1,401,085
	<u>7,686,307</u>	<u>8,672,307</u>

As at 30 June 2023, the amount of the restricted investment account placed by the holding company, RHB Bank, amounted to RM7,362,661,000 (31 December 2022: RM8,351,236,000).

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17 INVESTMENT ACCOUNTS (CONTINUED)

	As at 30 June 2023 RM'000	As at 31 December 2022 RM'000
(b) Wakalah Unrestricted Investment Account		
<u>By type of counterparty:</u>		
Business enterprises	315,073	818,386
<u>Investment asset (principal):</u>		
Personal financing (Note 13(a))	251,737	642,382
Housing financing (Note 13(a))	62,934	160,596
	314,671	802,978

18 OTHER LIABILITIES

	As at 30 June 2023 RM'000	As at 31 December 2022 RM'000
Sundry creditors	19,219	14,869
Amount due to holding company	1,818,627	828,560
Amount due to other related companies	446	598
Contract liability	83,226	99,411
Short term employee benefits	3,873	4,447
Accrual for operational expenses	31,560	34,272
Structured deposits	41,926	41,020
Other accruals and payables	83,134	108,788
	2,082,011	1,131,965

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19 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	2nd Quarter Ended		Six Months Ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) General investment deposits	1	3	2	5
(ii) Other deposits	1,064,843	795,092	2,080,570	1,531,492
	1,064,844	795,095	2,080,572	1,531,497
(i) Income derived from investment of general investment deposits:				
Financing and advances	1	3	2	5
Total finance income and hibah	1	3	2	5
Of which:				
Financing income earned on impaired financing	-	-	-	1
(ii) Income derived from investment of other deposits:				
Financing and advances	889,259	656,830	1,732,368	1,256,502
Securities purchased under resale agreements	1,281	11,153	4,617	23,168
Financial assets at FVTPL	2,032	1,928	3,368	2,783
Financial assets at FVOCI	52,709	48,282	105,006	95,580
Financial investments at amortised cost	68,399	38,260	119,996	71,079
Money at call and deposits with banks and other financial institutions	39,676	33,076	92,680	69,145
Total finance income and hibah	1,053,356	789,529	2,058,035	1,518,257
Other operating income (Note a)	11,487	5,563	22,535	13,235
	1,064,843	795,092	2,080,570	1,531,492
Of which:				
Financing income earned on impaired financing	6,008	4,771	12,300	8,212
(a) Other operating income comprise of:				
Fee income:				
- Commission	3,454	4,312	7,729	7,064
- Guarantee fees	1,321	872	2,256	1,740
	4,775	5,184	9,985	8,804
Net (loss)/gain on revaluation of financial assets at FVTPL	912	(36)	(583)	(380)
Net gain/(loss) on disposal of financial assets at FVTPL	823	(378)	4,181	(348)
Net gain on disposal of debt instruments of financial assets at FVOCI	4,989	793	8,964	5,159
Net loss arising from derecognition of financial investments at amortised cost	(12)	-	(12)	-
	11,487	5,563	22,535	13,235

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20 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2023</u>	<u>30 June 2022</u>	<u>30 June 2023</u>	<u>30 June 2022</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Financing and advances	90,812	98,846	192,572	189,225
Financial investments at amortised cost	23,038	17,622	44,633	34,899
Money at call and deposits with banks and other financial institutions	2,085	1,421	3,796	3,270
Total finance income and hibah	<u>115,935</u>	<u>117,889</u>	<u>241,001</u>	<u>227,394</u>

21 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2023</u>	<u>30 June 2022</u>	<u>30 June 2023</u>	<u>30 June 2022</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Financing and advances	17,319	13,983	34,074	26,788
Securities purchased under resale agreements	25	237	91	494
Financial assets at FVTPL	39	41	66	59
Financial assets at FVOCI	1,026	1,028	2,065	2,038
Financial investments at amortised cost	1,335	814	2,360	1,515
Money at call and deposits with banks and other financial institutions	770	704	1,823	1,474
Total finance income and hibah	20,514	16,807	40,479	32,368
Other operating income (Note a)	57,833	27,334	116,678	52,401
	<u>78,347</u>	<u>44,141</u>	<u>157,157</u>	<u>84,769</u>
Of which:				
Financing income earned on impaired financing	<u>117</u>	<u>98</u>	<u>242</u>	<u>171</u>

(a) Other operating income comprise of:

Fee income:				
- Commission	15,364	10,571	26,407	22,465
- Service charges and fees	20,934	19,123	44,584	43,798
- Guarantee fees	25	18	44	37
	<u>36,323</u>	<u>29,712</u>	<u>71,035</u>	<u>66,300</u>
Net (loss)/gain on revaluation of financial assets at FVTPL	19	-	(11)	(8)
Net gain on disposal of financial assets at FVTPL	15	(8)	82	(7)
Net gain on disposal of debt instruments of financial investments at FVOCI	97	17	176	110
Net gain/(loss) on revaluation of derivatives	5,570	(9,432)	11,106	(18,956)
Net gain/(loss) on fair value hedges	942	(800)	2,079	(588)
Other income:				
- Foreign exchange gain	16,329	8,434	34,869	6,643
- (Loss)/gain on modification of right-of-use	-	1	(10)	1
- Other non-operating loss	(1,462)	(590)	(2,648)	(1,094)
	<u>57,833</u>	<u>27,334</u>	<u>116,678</u>	<u>52,401</u>

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22 ALLOWANCE FOR CREDIT LOSSES ON FINANCIAL ASSETS

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2023</u>	<u>30 June 2022</u>	<u>30 June 2023</u>	<u>30 June 2022</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Charge/(Writeback)</u>				
Financing and advances:				
- Net (writeback)/charge	(41,601)	73,029	(20,713)	107,344
- Bad debts recovered	(6,567)	(11,728)	(12,703)	(20,321)
- Bad debts written off	16,700	5,912	25,577	16,966
	(31,468)	67,213	(7,839)	103,989
Financial assets at FVOCI	(3,708)	4,218	(3,463)	4,060
Financial investments at amortised cost	(3,664)	2,994	(4,841)	3,946
Other financial assets	87	(72)	10	53
	<u>(38,753)</u>	<u>74,353</u>	<u>(16,133)</u>	<u>112,048</u>

23 INCOME ATTRIBUTABLE TO DEPOSITORS

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2023</u>	<u>30 June 2022</u>	<u>30 June 2023</u>	<u>30 June 2022</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Deposits from customers:				
- Mudharabah funds	6,948	4,535	13,252	8,760
- Non-Mudharabah funds	673,319	341,477	1,259,539	663,240
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah funds	47,945	38,992	110,683	74,335
Others:				
- Subordinated obligations	7,916	8,230	15,745	16,563
- Recourse obligation on financing sold to Cagamas	14,890	4,593	29,445	9,119
- Others	468	128	934	159
	<u>751,486</u>	<u>397,955</u>	<u>1,429,598</u>	<u>772,176</u>

24 PERSONNEL EXPENSES

	Note	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
		<u>30 June 2023</u>	<u>30 June 2022</u>	<u>30 June 2023</u>	<u>30 June 2022</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Salaries, allowances and bonuses		4,626	5,209	13,734	11,340
Contributions to Employees' Provident Fund		782	854	1,966	1,876
Share-based expenses	(a)	103	-	205	-
Other staff related costs		476	314	931	807
		<u>5,987</u>	<u>6,377</u>	<u>16,836</u>	<u>14,023</u>

- (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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25 OTHER OVERHEADS AND EXPENDITURES

	2nd Quarter Ended		Six Months Ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	RM'000	RM'000	RM'000	RM'000
<u>Establishment costs</u>				
Property, plant and equipment:				
- Depreciation	403	291	1,152	580
Computer software license:				
- Amortisation	276	233	552	451
Right-of-use assets:				
- Depreciation	291	385	638	796
Information technology expenses	340	534	690	1,096
Repair and maintenance	28	40	71	77
Rental of premises	209	60	410	137
Water and electricity	122	112	229	215
Rental of equipment	2	1	3	3
Printing and stationeries	3,845	1,073	7,501	1,918
Insurance	2,973	2,956	5,491	5,099
Others	472	474	943	885
	8,961	6,159	17,680	11,257
<u>Marketing expenses</u>				
Advertisement and publicity	109	131	450	372
Sales commission	3,836	3,369	7,686	6,718
Travelling expenses	61	35	141	55
Motor vehicle expenses	9	14	24	29
Others	2,701	284	6,220	677
	6,716	3,833	14,521	7,851
<u>Administration and general expenses</u>				
Communication expenses	507	1,379	3,611	3,410
Legal and professional fee	1,281	573	2,280	1,768
Management fee	142,407	117,248	274,669	229,056
Others	3,332	2,174	6,763	4,327
	147,527	121,374	287,323	238,561
	163,204	131,366	319,524	257,669

26 EARNINGS PER SHARE

	2nd Quarter Ended		Six Months Ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Net profit for the financial period (RM'000)	217,379	173,254	411,652	338,979
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)	12.99	10.35	24.60	20.26

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27 COMMITMENTS AND CONTINGENCIES

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

	As at 30 June 2023	As at 31 December 2022
	RM'000	RM'000
Contingent liabilities		
Transaction-related contingent items	396,289	381,269
Short-term self-liquidating trade related contingencies	280,730	264,229
	677,019	645,498
Commitments		
Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns	52,619	-
Irrevocable commitments to extend credit:		
- Maturity less than one year	267,132	207,642
- Maturity more than one year	10,217,118	10,024,361
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	2,704,543	2,681,811
	13,241,412	12,913,814
Derivative financial instruments		
Foreign exchange related contracts [^] :		
- Less than one year	14,518,655	13,763,168
- One year to less than five years	1,020,061	990,489
Profit rate related contracts [^] :		
- Less than one year	500,000	1,130,000
- One year to less than five years	4,401,200	3,300,000
Commodity related contracts [^] :		
- Less than one year	51,524	100,122
- One year to less than five years	80,721	128,491
	20,572,161	19,412,270
	34,490,592	32,971,582

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

28 CAPITAL COMMITMENTS

	As at 30 June 2023	As at 31 December 2022
	RM'000	RM'000
Capital expenditure for property, plant and equipment:		
- Authorised and contracted for	5,016	5,233

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29 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>30 June 2023</u>				
<u>Financial assets</u>				
Financial assets at FVTPL:				
- money market instruments	-	554,236	-	554,236
Financial assets at FVOCI:				
- money market instruments	-	5,944,573	-	5,944,573
- unquoted securities	-	2,094,205	-	2,094,205
	-	3,850,368	-	3,850,368
Derivative assets	-	371,258	-	371,258
	-	6,870,067	-	6,870,067
<u>Financial liabilities</u>				
Derivative liabilities	-	275,730	-	275,730
<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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29 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(i) Valuation techniques and sensitivity analysis

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

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

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

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30 CAPITAL ADEQUACY

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

The capital adequacy ratios of the Bank are as follows:

	As at 30 June 2023 RM'000	As at 31 December 2022 RM'000
<u>Common Equity Tier-I ('CET-I') Capital /Tier-I Capital</u>		
Share capital	1,673,424	1,673,424
Retained profits	4,082,319	4,177,805
Other reserve	410	205
FVOCI reserve	(46,777)	(118,059)
	5,709,376	5,733,375
Less:		
Deferred tax assets	(89,276)	(100,598)
Intangible assets (include associated deferred tax liabilities)	(4,083)	(4,227)
Other deductions*	(204)	(941)
Total CET-I/Total Tier-I Capital	5,615,813	5,627,609
<u>Tier-II Capital</u>		
Subordinated obligations	750,000	750,000
Surplus eligible provisions over expected losses	152,242	140,835
General provisions^	65,030	55,462
Total Tier-II Capital	967,272	946,297
Total Capital	6,583,085	6,573,906
<u>Capital Ratios</u>		
Before proposed dividends:		
CET-I Capital Ratio	16.441%	17.828%
Tier-I Capital Ratio	16.441%	17.828%
Total Capital Ratio	19.273%	20.826%
After proposed dividends:		
CET-I Capital Ratio	16.049%	17.033%
Tier-I Capital Ratio	16.049%	17.033%
Total Capital Ratio	18.881%	20.031%

* 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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30 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 RM49,798,000 (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 30 June 2023	As at 31 December 2022
	RM'000	RM'000
Credit risk	34,852,077	33,635,942
Credit risk absorbed by PSIA ⁺	(4,276,040)	(5,355,297)
Market risk	302,694	170,490
Operational risk	3,278,906	3,114,515
Total risk-weighted assets	<u>34,157,637</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.

31 CREDIT EXPOSURES ARISING FROM TRANSACTIONS WITH CONNECTED PARTIES

	As at 30 June 2023	As at 31 December 2022
	RM'000	RM'000
Outstanding credit exposures with connected parties (RM'000)	<u>4,056,827</u>	<u>5,257,433</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	<u>4.39</u>	<u>5.81</u>
Percentage of outstanding credit exposures with connected parties which is impaired or in default (%)	<u>0.01</u>	<u>-</u>

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

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32 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

33 EVENTS SUBSEQUENT TO BALANCE SHEET DATE

There 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 RM288.7 million for the current quarter, 11.2% higher as compared to the preceding quarter ended 31 March 2023 of RM259.6 million. The higher profit was mainly attributed to higher allowance for credit losses written back by RM61.4 million, partly offset by lower net funding income by RM29.7 million, higher overhead expenses by RM2.0 million and lower non funding income by RM0.6 million.

35 PERFORMANCE REVIEW

For the six months ended 30 June 2023, the Bank recorded a pre-tax profit of RM548.4 million, 6.1% higher than previous year corresponding period of RM517.1 million. The higher profit was mainly due to higher allowance for credit losses written back by RM128.2 million and higher non funding income by RM73.6 million, partly offset by lower net funding income by RM105.8 million and higher overhead expenses by RM64.7 million.

36 PROSPECTS FOR 2023

Malaysia is expected to sustain its economic growth momentum throughout the remainder of the year, anchored by resilient domestic demand. This is underpinned by robust household spending on the back of healthy labour market conditions, revival of tourism related activities and continued progress of multi-year infrastructure projects. However, the Bank remains vigilant as the growth outlook is still subject to downside risks, mainly from escalation of geopolitical tensions, inflationary pressures, and slower economic expansion in major economies.

The banking sector will continue to play its role as one of the fundamental pillars supporting the country's economic growth. Prudent measures have been taken to create a sector which is well capitalised and sufficiently liquid, with adequate levels of provisioning capable of handling any external shocks. The present OPR rate is also expected to remain accommodative to support Malaysia's economy.

Given the challenging operating environment, the Bank intends to remain resilient, deliver sustainable value while maintaining its robust fundamentals for the rest of the current year. We remain focused on our three-year strategy, TWP24 which aims at achieving quality growth, driving service excellence and improving efficiency.