

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

	Note	As at 30 June 2024 RM'000	As at 31 December 2023 RM'000
ASSETS			
Cash and short-term funds		1,507,024	5,801,534
Securities purchased under resale agreements	9	612,994	1,445,151
Deposits and placements with banks and other financial institutions	10	-	92,225
Financial assets at fair value through profit or loss ('FVTPL')	11	232,217	167,678
Financial assets at fair value through other comprehensive income	12	6,986,962	5,937,797
Financial investments at amortised cost	13	9,392,295	8,978,775
Financing and advances	14	84,627,923	83,320,127
Other assets	15	109,452	119,974
Derivative assets		178,461	187,192
Statutory deposits		1,535,500	1,526,500
Deferred tax assets		77,503	82,137
Right-of-use assets		1,578	1,188
Property, plant and equipment		5,446	5,728
Intangible assets		4,783	5,186
TOTAL ASSETS		105,272,138	107,671,192
LIABILITIES AND EQUITY			
Deposits from customers	16	82,833,189	82,184,511
Deposits and placements of banks and other financial institutions	17	4,953,871	6,989,306
Investment accounts	18	5,760,155	6,766,604
Bills and acceptances payable		9,010	9,842
Other liabilities	19	1,738,466	1,877,747
Derivative liabilities		102,245	146,434
Recourse obligation on financing sold to Cagamas Berhad ('Cagamas')		1,611,536	1,611,741
Provision for taxation and zakat		60,268	40,885
Lease liabilities		1,585	1,186
Borrowings		830,655	809,238
Subordinated obligations		754,258	754,373
TOTAL LIABILITIES		98,655,238	101,191,867
Share capital		1,673,424	1,673,424
Reserves		4,943,476	4,805,901
TOTAL EQUITY		6,616,900	6,479,325
TOTAL LIABILITIES AND EQUITY		105,272,138	107,671,192
COMMITMENTS AND CONTINGENCIES	28	50,274,463	35,477,735

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2023.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Note	2nd Quarter Ended		Six Months Ended	
		30 June 2024	30 June 2023	30 June 2024	30 June 2023
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	20	1,111,633	1,064,844	2,232,427	2,080,572
Income derived from investment of investment account funds	21	70,613	115,935	153,611	241,001
Income derived from investment of shareholders' funds	22	100,905	78,347	201,691	157,157
Allowance for credit losses on financial assets	23	(59,797)	38,753	(114,772)	16,133
Total distributable income		1,223,354	1,297,879	2,472,957	2,494,863
Income attributable to depositors	24	(756,462)	(751,486)	(1,527,563)	(1,429,598)
Profit distributed to investment account holders		(52,436)	(88,490)	(115,001)	(180,531)
		414,456	457,903	830,393	884,734
Personnel expenses	25	(6,400)	(5,987)	(10,723)	(16,836)
Other overheads and expenditures	26	(186,548)	(163,204)	(349,194)	(319,524)
Profit before taxation and zakat		221,508	288,712	470,476	548,374
Taxation and zakat		(55,871)	(71,333)	(118,396)	(136,722)
Net profit for the financial period		165,637	217,379	352,080	411,652
Basic earnings per share (sen)	27	9.90	12.99	21.04	24.60

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2023.

RHB ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2024</u>	<u>30 June 2023</u>	<u>30 June 2024</u>	<u>30 June 2023</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Net profit for the financial period	165,637	217,379	352,080	411,652
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 on revaluation	250	27,968	18,230	102,933
- Net transfer to income statement on disposal	(3,461)	(5,087)	(14,515)	(9,141)
- Changes in expected credit losses	238	(3,708)	(171)	(3,463)
Income tax relating to components of other comprehensive (income)/loss	770	(5,491)	(892)	(22,510)
Other comprehensive income/(loss), net of tax, for the financial period	(2,203)	13,682	2,652	67,819
Total comprehensive income for the financial period	163,434	231,061	354,732	479,471

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2023.

RHB ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	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 2024	1,673,424	(36,175)	640,210	798	4,201,068	6,479,325
Net profit for the financial period	-	-	-	-	352,080	352,080
Other comprehensive income/(loss):						
Debt instruments measured at FVOCI:						
- Unrealised net gain on revaluation	-	18,230	-	-	-	18,230
- Net transfer to income statement on disposal	-	(14,515)	-	-	-	(14,515)
- Changes in expected credit losses	-	(171)	-	-	-	(171)
Income tax relating to components of other comprehensive income	-	(892)	-	-	-	(892)
Other comprehensive income, net of tax, for the financial period	-	2,652	-	-	-	2,652
Total comprehensive income for the financial period	-	2,652	-	-	352,080	354,732
Dividend paid	-	-	-	-	(217,545)	(217,545)
Share-based payment expenses	-	-	-	388	-	388
Transfer to regulatory reserve	-	-	110,303	-	(110,303)	-
Balance as at 30 June 2024	1,673,424	(33,523)	750,513	1,186	4,225,300	6,616,900

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Non distributable			Distributable		Total	
	Share capital	FVOCI reserve	Regulatory reserve	Capital contribution by holding company	Retained profits		Total
	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 expenses	-	-	-	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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RHB ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six Months Ended	
	30 June 2024	30 June 2023
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	470,476	548,374
Adjustments for non-cash items	(232,540)	(284,046)
Operating profit before changes in working capital	<u>237,936</u>	<u>264,328</u>
Changes in working capital:		
Net changes in operating assets	(460,326)	(866,326)
Net changes in operating liabilities	(2,559,950)	(799,491)
Cash used in operations	<u>(2,782,340)</u>	<u>(1,401,489)</u>
Profit paid	(42,232)	(15,971)
Net tax and zakat paid	(95,271)	(158,387)
Net cash used in operating activities	<u>(2,919,843)</u>	<u>(1,575,847)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Purchase	(947)	(1,089)
- Proceeds from disposal	478	-
Purchase of intangible assets	(152)	(729)
Net purchase of financial assets at FVOCI and financial investments at amortised cost	(1,383,565)	(2,892,033)
Investment income received from financial assets at FVOCI and financial investments at amortised cost	227,563	195,767
Net cash used in investing activities	<u>(1,156,623)</u>	<u>(2,698,084)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal lease payment	(499)	(1,174)
Dividend paid	(217,545)	(251,014)
Issuance of subordinated sukuk	500,000	-
Redemption of subordinated sukuk	(500,000)	-
Net cash used in financing activities	<u>(218,044)</u>	<u>(252,188)</u>
Net decrease in cash and cash equivalents	(4,294,510)	(4,526,119)
Cash and cash equivalents at the beginning of the financial period	5,801,534	7,167,727
Cash and cash equivalents at the end of the financial period	<u>1,507,024</u>	<u>2,641,608</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds	<u>1,507,024</u>	<u>2,641,608</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 2023.

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 2023, 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 2024:

- Amendments to MFRS 101 'Presentation of Financial Statements' - (i) Classification of liabilities as current or non-current; and (ii) Non-current liabilities with covenants
- Amendments to MFRS 107 'Statement of Cash Flows' and MFRS 7 'Financial Instruments: Disclosures' - Supplier Finance Arrangements
- Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback'

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 2023 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 2024.

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 2024.

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 2024, other than as disclosed below:

- (a) The Bank had on 15 May 2024 issued Subordinated Sukuk Murabahah of RM500 million in nominal value under a RM5.0 billion programme. The Subordinated Sukuk Murabahah is issued for a tenure of 10 non-callable 5 years with a fixed profit rate of 4.00% per annum, payable semi-annually in arrears throughout the entire tenure; and
- (b) The Bank had on 21 May 2024 fully redeemed its existing RM500 million in nominal value of Subordinated Sukuk Murabahah issued on 21 May 2019.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

7 DIVIDEND PAID

During the six months ended 30 June 2024, the Bank has paid a second single-tier interim dividend of 13.0 sen per share in respect of the financial year ended 31 December 2023, amounting to RM217,545,000 on 27 March 2024.

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 2024, amounting to RM133,874,000. The payment date for this interim dividend will be determined later.

8 INVESTMENT ACCOUNTS ('IA')

IA is defined by the application of Shariah contracts as investment with non-principal guaranteed 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 ('RA') and Unrestricted Investment Account ('UA').

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

9 SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	As at 30 June 2024	As at 31 December 2023
At amortised cost	RM'000	RM'000
Malaysian Government Investment Issues	-	287,477
Corporate sukuk	612,994	1,157,674
	612,994	1,445,151

10 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2024	As at 31 December 2023
	RM'000	RM'000
Licensed Islamic banks	-	92,225
	-	92,225

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

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

	As at 30 June 2024	As at 31 December 2023
	RM'000	RM'000
Mandatory measured at fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	102,233	165,042
Bank Negara Malaysia ('BNM') Monetary Notes	129,984	2,636
	232,217	167,678

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

	As at 30 June 2024	As at 31 December 2023
	RM'000	RM'000
At fair value		
Debt instruments	6,986,962	5,937,797
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	2,832,834	2,028,223
Islamic Cagamas bonds	558,707	560,095
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	3,595,421	3,349,479
	6,986,962	5,937,797

(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 2024				
Balance as at the beginning of the financial period	2,157	-	-	2,157
Changes in credit risk	26	-	-	26
Purchases and origination	328	-	-	328
Derecognition and disposal	(525)	-	-	(525)
Balance as at the end of the financial period	1,986	-	-	1,986
31 December 2023				
Balance as at the beginning of the financial year	6,279	-	-	6,279
Changes in credit risk	(2,565)	-	-	(2,565)
Purchases and origination	813	-	-	813
Changes to model methodologies	(1,189)	-	-	(1,189)
Derecognition and disposal	(1,181)	-	-	(1,181)
Balance as at the end of the financial year	2,157	-	-	2,157

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

13 FINANCIAL INVESTMENTS AT AMORTISED COST

	<u>As at</u> <u>30 June 2024</u>	<u>As at</u> <u>31 December 2023</u>
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	2,155,415	1,659,548
BNM Monetary Notes	-	853,733
Islamic Cagamas bonds	503,793	503,848
Islamic Khazanah bonds	42,501	41,617
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	6,672,282	5,898,402
<u>Outside Malaysia</u>		
Corporate sukuk	30,410	30,417
	<u>9,404,401</u>	<u>8,987,565</u>
Fair value changes arising from fair value hedge	(4,181)	(3,276)
	<u>9,400,220</u>	<u>8,984,289</u>
Allowance for credit losses	(7,925)	(5,514)
	<u><u>9,392,295</u></u>	<u><u>8,978,775</u></u>

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

Gross exposure to RA financing as at 30 June 2024 is RM1,438,994,000 (31 December 2023: RM1,425,189,000), of which RM1,004,023,000 (31 December 2023: RM1,004,023,000) is funded by RHB Bank.

The portfolio expected credit losses for financial investments at amortised cost relating to RA is borne solely by RHB Bank and the investors and the amount recognised in the financial statements of RHB Bank is RM534,582,000 as at 30 June 2024 (31 December 2023: RM534,516,000).

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

	<u>As at</u> <u>30 June 2024</u>	<u>As at</u> <u>31 December 2023</u>
	RM'000	RM'000
Balance as at the beginning of the financial period/year	1,235,225	1,168,813
Purchases and origination	33,774	66,412
Balance as at the end of the financial period/year	<u><u>1,268,999</u></u>	<u><u>1,235,225</u></u>

The credit impaired financial investments at amortised cost relate to certain exposures to RA, of which exposure with RHB Bank and the investor amounted to RM740,022,000 and RM434,971,000 (31 December 2023: RM740,022,000 and RM421,166,000) respectively.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

13 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

(b) Movement in allowance for credit losses

	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
30 June 2024				
Balance as at the beginning of the financial period	5,514	-	-	5,514
Changes in credit risk	2,547	-	-	2,547
Purchases and origination	15	-	-	15
Derecognition and disposal	(151)	-	-	(151)
Balance as at the end of the financial period	<u>7,925</u>	<u>-</u>	<u>-</u>	<u>7,925</u>
31 December 2023				
Balance as at the beginning of the financial year	16,673	2,153	-	18,826
Transferred to 12-month ECL (Stage 1)	2,153	(2,153)	-	-
Changes in credit risk	(10,421)	614	-	(9,807)
Purchases and origination	2,608	-	-	2,608
Changes to model methodologies	(2,652)	(614)	-	(3,266)
Derecognition and disposal	(2,847)	-	-	(2,847)
Balance as at the end of the financial year	<u>5,514</u>	<u>-</u>	<u>-</u>	<u>5,514</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

14 FINANCING AND ADVANCES

30 June 2024	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	-	-	1,562,770	-	37,533	-	1,600,303
Term financing:							
- Housing financing	191,102	-	19,458,561	15,164,390	-	499	34,814,552
- Syndicated term financing	-	-	3,106,032	-	-	19,251	3,125,283
- Hire purchase receivables	-	11,456,684	-	-	-	-	11,456,684
- Other term financing	99	92,001	29,503,304	-	-	10	29,595,414
Bills receivables	-	-	619,515	-	-	-	619,515
Trust receipts	-	-	47,287	-	-	-	47,287
Claims on customers under acceptance credits	-	-	1,333,842	-	-	-	1,333,842
Share margin financing	-	-	22,050	-	-	-	22,050
Staff financing	576	-	22,831	-	-	-	23,407
Credit/charge card receivables	-	-	-	-	-	384,753	384,753
Revolving financing	-	-	2,260,358	-	-	-	2,260,358
Gross financing and advances	191,777	11,548,685	57,936,550	15,164,390	37,533	404,513	85,283,448
Fair value changes arising from fair value hedge							(54,724)
							85,228,724
Allowance for credit losses							(600,801)
Net financing and advances							84,627,923

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

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

14 FINANCING AND ADVANCES (CONTINUED)

31 December 2023	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	-	-	1,446,887	-	40,286	-	1,487,173
Term financing:							
- Housing financing	205,436	-	18,048,304	14,378,395	-	391	32,632,526
- Syndicated term financing	-	-	3,657,145	-	-	19,251	3,676,396
- Hire purchase receivables	-	10,729,885	-	-	-	-	10,729,885
- Other term financing	99	90,423	31,526,415	-	-	10	31,616,947
Bills receivables	-	-	425,249	-	-	-	425,249
Trust receipts	-	-	85,560	-	-	-	85,560
Claims on customers under acceptance credits	-	-	1,311,712	-	-	-	1,311,712
Share margin financing	-	-	9,431	-	-	-	9,431
Staff financing	739	-	15,821	-	-	-	16,560
Credit/charge card receivables	-	-	-	-	-	366,999	366,999
Revolving financing	-	-	1,661,726	-	-	-	1,661,726
Gross financing and advances	206,274	10,820,308	58,188,250	14,378,395	40,286	386,651	84,020,164
Fair value changes arising from fair value hedge							(57,324)
							83,962,840
Allowance for credit losses							(642,713)
Net financing and advances							83,320,127

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

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14 FINANCING AND ADVANCES (CONTINUED)

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

As at 30 June 2024, gross exposure to RA financing funded by RHB Bank is RM3,833,064,000 (31 December 2023: RM5,037,480,000) and gross exposure to UA financing funded by the investors is RM43,662,000 (31 December 2023: RM13,500,000).

The portfolio expected credit losses for financing and advances relating to RA and UA is borne solely by RHB Bank and the investors and the amount recognised in the financial statements of RHB Bank is RM14,809,000 as at 30 June 2024 (31 December 2023: RM15,229,000).

- (b) Included in term financing is housing financing sold to Cagamas amounting to RM1,639,775,000 as at 30 June 2024 (31 December 2023: RM1,659,523,000).

- (c) Movement of Qard financing

	As at 30 June 2024	As at 31 December 2023
	RM'000	RM'000
Balance as at the beginning of the financial period/year	40,286	27,963
New disbursement	29,245	33,556
Repayment	(31,998)	(21,233)
Balance as at the end of the financial period/year	<u>37,533</u>	<u>40,286</u>
Sources of Qard fund:		
- Depositors' fund	<u>37,533</u>	<u>40,286</u>
Uses of Qard fund:		
- Personal use	366	327
- Business purpose	<u>37,167</u>	<u>39,959</u>
	<u>37,533</u>	<u>40,286</u>

- (i) By type of customer

Domestic non-bank financial institutions	1,834,862	1,895,851
Domestic business enterprises:		
- Small and medium enterprises	9,854,786	10,038,789
- Others	10,427,187	11,823,727
Government and statutory bodies	6,473,413	6,479,612
Individuals	56,234,007	53,339,326
Other domestic entities	130,262	131,556
Foreign entities	<u>328,931</u>	<u>311,303</u>
	<u>85,283,448</u>	<u>84,020,164</u>

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14 FINANCING AND ADVANCES (CONTINUED)

	As at 30 June 2024	As at 31 December 2023
	RM'000	RM'000
(ii) By profit rate sensitivity		
Fixed rate:		
- Housing financing	22,832	15,821
- Hire-purchase receivables	266,002	363,604
- Other fixed rate financing	9,998,876	10,191,424
Variable rate:		
- Base financing rate-plus	61,201,943	57,792,784
- Cost-plus	13,489,908	15,500,617
- Other variable rates	303,887	155,914
	85,283,448	84,020,164
(iii) By economic sector		
Agriculture, hunting, forestry and fishing	2,150,516	1,971,479
Mining and quarrying	104,320	105,333
Manufacturing	2,932,519	2,814,974
Electricity, gas and water	218,335	1,415,797
Construction	2,609,984	2,329,913
Wholesale and retail trade and restaurant and hotel	4,783,324	4,341,983
Transport, storage and communication	2,625,963	3,733,236
Finance, insurance, real estate and business services	6,618,626	7,014,469
Education, health and others	6,676,922	6,642,350
Household sector	56,552,429	53,640,393
Others	10,510	10,237
	85,283,448	84,020,164
(iv) By purpose		
Purchase of securities	5,130,438	5,358,476
Purchase of transport vehicles	11,453,752	10,723,066
Purchase of landed property:		
- Residential	33,563,568	31,446,805
- Non-residential	5,624,529	5,604,458
Purchase of property, plant and equipment other than land and building	617,619	652,851
Personal use	6,198,637	5,938,503
Credit card	384,753	366,999
Construction	1,158,075	1,028,438
Working capital	15,634,562	17,153,276
Merger and acquisition	108,140	709,162
Other purposes	5,409,375	5,038,130
	85,283,448	84,020,164

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14 FINANCING AND ADVANCES (CONTINUED)

	As at 30 June 2024 RM'000	As at 31 December 2023 RM'000
(v) By geographical distribution		
In Malaysia	85,283,448	84,020,164
(vi) By remaining contractual maturities		
Maturing within one year	7,902,942	10,171,561
One year to three years	2,401,650	2,336,742
Three years to five years	6,786,162	6,490,165
Over five years	68,192,694	65,021,696
	85,283,448	84,020,164
(vii) Impaired financing and advances		
(a) Movement in impaired financing and advances		
Balance as at the beginning of the financial period/year	1,216,853	600,488
Transfer to 12-month ECL (Stage 1)	(15,366)	(20,603)
Transfer to lifetime ECL not credit impaired (Stage 2)	(87,482)	(71,883)
Transfer to lifetime ECL credit impaired (Stage 3)	360,820	562,957
Purchases and origination	371,433	408,648
Derecognition	(447,224)	(81,645)
Amount written off	(98,043)	(187,218)
Other movements	312	6,109
Balance as at the end of the financial period/year	1,301,303	1,216,853
(b) By economic sector		
Agriculture, hunting, forestry and fishing	133	-
Mining and quarrying	4,908	5,248
Manufacturing	37,317	22,571
Electricity, gas and water	5,775	5,781
Construction	49,546	53,955
Wholesale and retail trade and restaurant and hotel	89,421	67,882
Transport, storage and communication	468,071	460,777
Finance, insurance, real estate and business services	69,147	64,751
Education, health and others	94,324	94,787
Household sector	482,661	441,101
	1,301,303	1,216,853

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14 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

	As at 30 June 2024	As at 31 December 2023
	RM'000	RM'000
(c) By purpose		
Purchase of securities	1,544	1,235
Purchase of transport vehicles	51,899	61,988
Purchase of landed property:		
- Residential	378,831	337,861
- Non-residential	169,639	162,904
Purchase of property, plant and equipment other than land and building	2,849	2,796
Personal use	43,334	36,116
Credit card	4,162	3,700
Working capital	604,976	567,633
Other purposes	44,069	42,620
	1,301,303	1,216,853
(d) By geographical distribution		
In Malaysia	1,301,303	1,216,853

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14 FINANCING AND ADVANCES (CONTINUED)

- (vii) Impaired financing and advances (continued)
- (e) Movement in allowance for credit losses

	Note	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 2024					
Balance as at the beginning of the financial period		110,166	171,483	361,064	642,713
Changes due to financial assets recognised in the opening balance that have been:					
- Transferred to 12-month ECL (Stage 1)		47,158	(40,971)	(6,187)	-
- Transferred to lifetime ECL not credit impaired (Stage 2)		(8,532)	36,466	(27,934)	-
- Transferred to lifetime ECL credit impaired (Stage 3)		(637)	(17,628)	18,265	-
		37,989	(22,133)	(15,856)	-
Changes in credit risk		(41,672)	35,950	118,412	112,690
Purchases and origination		16,426	1,435	282	18,143
Bad debts written off		-	-	(62,537)	(62,537)
Derecognition		(2,546)	(3,799)	(22,386)	(28,731)
Transfer to deferred income	(a)	-	-	(81,789)	(81,789)
Other movements		-	-	312	312
Balance as at the end of the financial period		<u>120,363</u>	<u>182,936</u>	<u>297,502</u>	<u>600,801</u>

(a) The transfer of allowance for credit losses relates to RA arrangement entered into with RHB Bank during the current financial period and this is included under other accruals and payables in Note 19.

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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 2023	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of the financial year	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)	59,298	(52,584)	(6,714)	-
- Transferred to lifetime ECL not credit impaired (Stage 2)	(6,750)	27,317	(20,567)	-
- Transferred to lifetime ECL credit impaired (Stage 3)	(921)	(40,271)	41,192	-
	51,627	(65,538)	13,911	-
Changes in credit risk	(97,305)	(120,055)	229,378	12,018
Purchases and origination	22,689	4,983	3,987	31,659
Bad debts written off	-	-	(127,100)	(127,100)
Changes to model methodologies	(15,024)	(14,716)	6,141	(23,599)
Derecognition	(8,266)	(7,263)	(23,427)	(38,956)
Other movements	-	-	6,109	6,109
Balance as at the end of the financial year	<u>110,166</u>	<u>171,483</u>	<u>361,064</u>	<u>642,713</u>

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15 OTHER ASSETS

	As at 30 June 2024 RM'000	As at 31 December 2023 RM'000
Prepayments	35,607	29,303
Deposits	913	912
Amount due from other related companies	58	112
Other receivables	72,874	89,647
	109,452	119,974

16 DEPOSITS FROM CUSTOMERS

	As at 30 June 2024 RM'000	As at 31 December 2023 RM'000
<u>Savings Deposits</u>		
Qard	1,365,705	1,381,073
Commodity Murabahah	1,395,775	1,264,636
<u>Demand Deposits</u>		
Qard	7,774,695	6,867,723
Commodity Murabahah	4,669,462	4,082,360
<u>Term Deposits</u>		
Commodity Murabahah	56,956,082	55,031,898
<u>Specific Investment Account</u>		
Commodity Murabahah	10,671,392	13,556,744
<u>General Investment Account</u>		
Mudharabah	78	77
	82,833,189	82,184,511

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

Due within six months	49,961,724	55,243,958
Six months to one year	16,009,100	11,716,121
One year to three years	1,340,675	611,876
Three years to five years	316,053	1,016,764
	67,627,552	68,588,719

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

Government and statutory bodies	15,820,369	14,985,261
Business enterprises	32,624,773	34,722,633
Individuals	33,641,714	31,760,604
Others	746,333	716,013
	82,833,189	82,184,511

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17 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Note	As at 30 June 2024 RM'000	As at 31 December 2023 RM'000
<u>Non-Mudharabah Funds:</u>			
Licensed banks		4,152,400	6,407,500
BNM/Other central bank	(a)	<u>674,759</u>	<u>507,538</u>
		4,827,159	6,915,038
<u>Mudharabah Funds:</u>			
Other financial institutions		<u>126,712</u>	<u>74,268</u>
		<u>4,953,871</u>	<u>6,989,306</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 30 June 2024 RM'000	As at 31 December 2023 RM'000
Mudharabah Restricted Investment Account	(a)	5,716,340	6,753,004
Wakalah Unrestricted Investment Account	(b)	<u>43,815</u>	<u>13,600</u>
		<u>5,760,155</u>	<u>6,766,604</u>

(a) Mudharabah Restricted Investment Account

By type of counterparty:

Licensed banks	<u>5,716,340</u>	<u>6,753,004</u>
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Investment assets (principal):

Personal financing (Note 14(a))	1,000,000	1,000,000
Other term financing (Note 14(a))	2,833,064	4,037,480
Short-term funds	250,000	129,000
Unquoted securities (Note 13)	<u>1,438,994</u>	<u>1,425,189</u>
	<u>5,522,058</u>	<u>6,591,669</u>

As at 30 June 2024, the amount of the restricted investment account placed by the holding company, RHB Bank, amounted to RM5,188,399,000 (31 December 2023: RM6,258,830,000).

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18 INVESTMENT ACCOUNTS (CONTINUED)

	As at 30 June 2024	As at 31 December 2023
	RM'000	RM'000
(b) Wakalah Unrestricted Investment Account		
<u>By type of counterparty:</u>		
Business enterprises	43,815	13,600
<u>Investment asset (principal):</u>		
Personal financing (Note 14(a))	8,733	2,700
Housing financing (Note 14(a))	34,929	10,800
	43,662	13,500

19 OTHER LIABILITIES

	As at 30 June 2024	As at 31 December 2023
	RM'000	RM'000
Sundry creditors	20,858	14,353
Amount due to holding company	832,202	1,641,546
Amount due to other related companies	1,863	4,144
Contract liability	41,623	58,656
Short-term employee benefits	1,644	5,221
Accrual for operational expenses	12,906	26,601
Cash collateral pledged for derivative transactions	1,644	-
Structured deposits	708,770	53,023
Other accruals and payables	116,956	74,203
	1,738,466	1,877,747

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20 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	2nd Quarter Ended		Six Months Ended	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) General investment deposits	1	1	2	2
(ii) Other deposits	1,111,632	1,064,843	2,232,425	2,080,570
	1,111,633	1,064,844	2,232,427	2,080,572
(i) Income derived from investment of general investment deposits:				
Financing and advances	1	1	2	2
Total finance income and hibah	1	1	2	2
(ii) Income derived from investment of other deposits:				
Financing and advances	961,623	889,259	1,916,983	1,732,368
Securities purchased under resale agreements	6,812	1,281	17,736	4,617
Financial assets at FVTPL	5,803	2,032	7,773	3,368
Financial assets at FVOCI	59,573	52,709	114,366	105,006
Financial investments at amortised cost	62,303	68,399	124,649	119,996
Money at call and deposits with banks and other financial institutions	7,737	39,676	26,408	92,680
Total finance income and hibah	1,103,851	1,053,356	2,207,915	2,058,035
Other operating income (Note a)	7,781	11,487	24,510	22,535
	1,111,632	1,064,843	2,232,425	2,080,570
Of which:				
Financing income earned on impaired financing	8,578	6,008	16,594	12,300
(a) Other operating income comprise of:				
Fee income:				
- Commission	3,192	3,454	7,651	7,729
- Guarantee fees	1,131	1,321	2,392	2,256
	4,323	4,775	10,043	9,985
Net (loss)/gain on revaluation of financial assets at FVTPL	(122)	912	(298)	(583)
Net gain on disposal of financial assets at FVTPL	172	823	549	4,181
Net gain on disposal of debt instruments of financial assets at FVOCI	3,408	4,989	14,203	8,964
Net gain/(loss) arising from derecognition of financial investments at amortised cost	-	(12)	13	(12)
	7,781	11,487	24,510	22,535

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21 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	2nd Quarter Ended		Six Months Ended	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	RM'000	RM'000	RM'000	RM'000
Financing and advances	47,186	90,812	106,957	192,572
Financial investments at amortised cost	23,365	23,038	46,592	44,633
Money at call and deposits with banks and other financial institutions	62	2,085	62	3,796
Total finance income and hibah	70,613	115,935	153,611	241,001

22 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	2nd Quarter Ended		Six Months Ended	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	RM'000	RM'000	RM'000	RM'000
Financing and advances	19,097	17,319	42,064	34,074
Securities purchased under resale agreements	126	25	389	91
Financial assets at FVTPL	124	39	171	66
Financial assets at FVOCI	1,192	1,026	2,509	2,065
Financial investments at amortised cost	1,236	1,335	2,735	2,360
Money at call and deposits with banks and other financial institutions	130	770	579	1,823
Total finance income and hibah	21,905	20,514	48,447	40,479
Other operating income (Note a)	79,000	57,833	153,244	116,678
	100,905	78,347	201,691	157,157
Of which:				
Financing income earned on impaired financing	171	117	364	242

(a) Other operating income comprise of:

Fee income:				
- Commission	13,123	15,364	26,692	26,407
- Service charges and fees	26,336	20,934	49,767	44,584
- Guarantee fees	22	25	52	44
	39,481	36,323	76,511	71,035
Net (loss)/gain on revaluation of financial assets at FVTPL	(3)	19	(7)	(11)
Net gain on disposal of financial assets at FVTPL	3	15	12	82
Net gain on disposal of debt instruments of financial investments at FVOCI	53	97	312	176
Net gain on revaluation of derivatives	12,125	5,570	21,806	11,106
Net gain on fair value hedges	163	942	305	2,079
Other income:				
- Foreign exchange gain	29,921	16,329	59,468	34,869
- Loss on modification of right-of-use assets	-	-	-	(10)
- Other non-operating loss	(2,743)	(1,462)	(5,163)	(2,648)
	79,000	57,833	153,244	116,678

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23 ALLOWANCE FOR CREDIT LOSSES ON FINANCIAL ASSETS

	2nd Quarter Ended		Six Months Ended	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	RM'000	RM'000	RM'000	RM'000
Charge/(Writeback)				
Financing and advances:				
- Net charge/(writeback)	56,246	(41,601)	102,102	(20,713)
- Bad debts recovered	(10,579)	(6,567)	(25,116)	(12,703)
- Bad debts written off	12,487	16,700	35,567	25,577
	58,154	(31,468)	112,553	(7,839)
Financial assets at FVOCI	238	(3,708)	(171)	(3,463)
Financial investments at amortised cost	1,254	(3,664)	2,411	(4,841)
Other financial assets	151	87	(21)	10
	59,797	(38,753)	114,772	(16,133)

24 INCOME ATTRIBUTABLE TO DEPOSITORS

	2nd Quarter Ended		Six Months Ended	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	RM'000	RM'000	RM'000	RM'000
Deposits from customers:				
- Mudharabah funds	10,485	6,948	19,995	13,252
- Non-Mudharabah funds	665,231	673,319	1,345,218	1,259,539
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah funds	38,870	47,945	82,497	110,683
Others:				
- Subordinated obligations	8,071	7,916	15,987	15,745
- Recourse obligation on financing sold to Cagamas	16,244	14,890	32,370	29,445
- Borrowings	12,873	-	26,081	-
- Others	4,688	468	5,415	934
	756,462	751,486	1,527,563	1,429,598

25 PERSONNEL EXPENSES

	Note	2nd Quarter Ended		Six Months Ended	
		30 June 2024	30 June 2023	30 June 2024	30 June 2023
		RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses		4,894	4,626	7,637	13,734
Contributions to Employees' Provident Fund		809	782	1,284	1,966
Share-based expenses	(a)	194	103	388	205
Other staff related costs		503	476	1,414	931
		6,400	5,987	10,723	16,836

- (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

	2nd Quarter Ended		Six Months Ended	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	RM'000	RM'000	RM'000	RM'000
<u>Establishment costs</u>				
Property, plant and equipment:				
- Depreciation	336	403	751	1,152
Computer software license:				
- Amortisation	274	276	555	552
Right-of-use assets:				
- Depreciation	254	291	508	638
Information technology expenses	313	340	636	690
Repair and maintenance	27	28	55	71
Rental of premises	172	209	357	410
Water and electricity	91	122	209	229
Rental of equipment	1	2	2	3
Printing and stationeries	995	3,845	2,060	7,501
Takaful	3,111	2,973	5,821	5,491
Others	439	472	800	943
	6,013	8,961	11,754	17,680
<u>Marketing expenses</u>				
Advertisement and publicity	227	109	395	450
Sales commission	4,796	3,836	9,475	7,686
Travelling expenses	42	61	95	141
Motor vehicle expenses	12	9	23	24
Others	2,685	2,701	5,141	6,220
	7,762	6,716	15,129	14,521
<u>Administration and general expenses</u>				
Communication expenses	2,003	507	3,963	3,611
Legal and professional fee	1,859	1,281	4,355	2,280
Management fee	166,498	142,407	307,429	274,669
Others	2,413	3,332	6,564	6,763
	172,773	147,527	322,311	287,323
	186,548	163,204	349,194	319,524

27 EARNINGS PER SHARE

	2nd Quarter Ended		Six Months Ended	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
Net profit for the financial period (RM'000)	165,637	217,379	352,080	411,652
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)	9.90	12.99	21.04	24.60

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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.

	As at 30 June 2024	As at 31 December 2023
	RM'000	RM'000
Contingent liabilities		
Transaction-related contingent items	354,212	354,714
Short-term self-liquidating trade related contingencies	271,797	264,074
	626,009	618,788
Commitments		
Irrevocable commitments to extend credit:		
- Maturity less than one year	1,832,610	695,930
- Maturity more than one year	8,245,169	9,214,441
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	2,676,206	2,503,444
	12,753,985	12,413,815
Derivative financial instruments		
Foreign exchange related contracts [^] :		
- Less than one year	26,566,031	14,410,642
- One year to less than five years	1,946,727	1,816,829
Profit rate related contracts [^] :		
- Less than one year	1,610,000	2,040,000
- One year to less than five years	5,903,142	3,912,400
- More than five years	725,785	122,573
Commodity related contracts [^] :		
- Less than one year	41,406	56,144
- One year to less than five years	101,378	86,544
	36,894,469	22,445,132
	50,274,463	35,477,735

[^] 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

	As at 30 June 2024	As at 31 December 2023
	RM'000	RM'000
Capital expenditure for property, plant and equipment:		
- Authorised and contracted for	4,109	4,728

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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 significant inputs are not based on observable market data.

The table below shows 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 2024</u>				
<u>Financial assets</u>				
Financial assets at FVTPL:				
- money market instruments	-	232,217	-	232,217
Financial assets at FVOCI:				
- money market instruments	-	6,986,962	-	6,986,962
- unquoted securities	-	3,391,541	-	3,391,541
	-	3,595,421	-	3,595,421
Derivative assets	-	178,461	-	178,461
	-	7,397,640	-	7,397,640
<u>Financial liabilities</u>				
Derivative liabilities	-	102,245	-	102,245
<u>31 December 2023</u>				
<u>Financial assets</u>				
Financial assets at FVTPL:				
- money market instruments	-	167,678	-	167,678
Financial assets at FVOCI:				
- money market instruments	-	5,937,797	-	5,937,797
- unquoted securities	-	2,588,318	-	2,588,318
	-	3,349,479	-	3,349,479
Derivative assets	-	187,192	-	187,192
	-	6,292,667	-	6,292,667
<u>Financial liabilities</u>				
Derivative liabilities	-	146,434	-	146,434

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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 values are 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:

	As at 30 June 2024	As at 31 December 2023
	RM'000	RM'000
<u>Common Equity Tier-I ('CET-I') Capital /Tier-I Capital</u>		
Share capital	1,673,424	1,673,424
Retained profits	4,225,300	4,201,068
Other reserve	1,186	798
FVOCI reserve	(35,509)	(38,332)
	5,864,401	5,836,958
Less:		
Deferred tax assets	(67,084)	(70,560)
Intangible assets (include associated deferred tax liabilities)	(3,989)	(4,661)
Other deductions*	(1,279)	(595)
Total CET-I/Total Tier-I Capital	5,792,049	5,761,142
<u>Tier-II Capital</u>		
Subordinated obligations	749,736	750,000
Surplus eligible provisions over expected losses	156,207	154,065
General provisions^	83,901	80,942
Total Tier-II Capital	989,844	985,007
Total Capital	6,781,893	6,746,149
<u>Capital Ratios</u>		
Before proposed dividends:		
CET-I Capital Ratio	15.820%	16.125%
Tier-I Capital Ratio	15.820%	16.125%
Total Capital Ratio	18.524%	18.882%
After proposed dividends:		
CET-I Capital Ratio	15.455%	15.516%
Tier-I Capital Ratio	15.455%	15.516%
Total Capital Ratio	18.158%	18.273%

* 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 RM68,659,000 (31 December 2023: RM68,476,000).

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

	<u>As at</u> <u>30 June 2024</u> RM'000	<u>As at</u> <u>31 December 2023</u> RM'000
Credit risk	35,026,823	35,235,833
Credit risk absorbed by PSIA ⁺	(2,280,329)	(3,082,919)
Market risk	406,740	187,131
Operational risk	3,458,469	3,387,790
Total risk-weighted assets	<u>36,611,703</u>	<u>35,727,835</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.

32 CREDIT EXPOSURES ARISING FROM TRANSACTIONS WITH CONNECTED PARTIES

	<u>As at</u> <u>30 June 2024</u> RM'000	<u>As at</u> <u>31 December 2023</u> RM'000
Outstanding credit exposures with connected parties (RM'000)	<u>3,535,648</u>	<u>3,437,938</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	<u>3.70</u>	<u>3.69</u>
Percentage of outstanding credit exposures with connected parties which is impaired or in default (%)	<u>-</u>	<u>0.01</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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33 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

34 EVENTS SUBSEQUENT TO BALANCE SHEET DATE

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

35 CHANGES IN PROFIT FOR THE QUARTER

The Bank reported a pre-tax profit of RM221.5 million for the current quarter, 11.0% lower as compared to the preceding quarter ended 31 March 2024 of RM249.0 million. The lower profit was mainly attributed to higher overhead expenses by RM26.0 million, higher allowance for credit losses by RM4.8 million and lower non funding income by RM4.2 million, partly offset by higher net funding income by RM7.5 million.

36 PERFORMANCE REVIEW

For the six months ended 30 June 2024, the Bank recorded a pre-tax profit of RM470.5 million, 14.2% lower than previous corresponding period of RM548.4 million. The lower profit was mainly due to higher allowance for credit losses by RM130.9 million and higher overhead expenses by RM23.5 million, partly offset by higher non funding income by RM38.5 million and higher net funding income by RM38.0 million.

37 PROSPECTS FOR FINANCIAL YEAR 2024

Malaysia's economic growth momentum is expected to remain resilient for the remainder of the year driven by both internal and external drivers. Domestic demand has shown signs of improvement, whilst investment spending is projected to remain robust backed by expansion of infrastructure projects and implementation of initiatives under the national master plan.

Outlook for the banking industry remains positive supported by strong capital and liquidity positions. In addition, banks continue to maintain healthy level of provisioning, whilst the monetary policy is expected to remain conducive to support Malaysia's economy.

Moving forward, the Bank will focus on improving our asset quality through containment of delinquencies and intensifying our recovery efforts. The Bank will remain prudent and maintaining its strong fundamentals through its TWP24 strategy, prioritising on achieving quality growth, driving service excellence and improving efficiency.