

RHB ISLAMIC BANK BERHAD (680329 – V)
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
ASSETS			
Cash and short-term funds		4,042,625	6,149,038
Securities purchased under resale agreements		2,443,871	-
Deposits and placements with banks and other financial institutions		517,565	618,072
Financial assets held-for-trading ('HFT')	9	-	20,248
Financial investments available-for-sale ('AFS')	10	3,429,591	3,062,645
Financial investments held-to-maturity ('HTM')	11	1,952,028	1,861,693
Financing and advances	12	33,680,404	30,890,427
Other assets	13	111,682	133,284
Derivative assets		85,488	146,922
Statutory deposits with Bank Negara Malaysia		955,950	1,168,500
Deferred tax assets		11,419	11,964
Property, plant and equipment		6,803	8,384
Intangible assets		5,751	5,564
TOTAL ASSETS		47,243,177	44,076,741
LIABILITIES AND EQUITY			
Deposits from customers	14	30,610,770	27,928,029
Deposits and placements of banks and other financial institutions	15	5,424,878	5,310,572
Investment account due to designated financial institutions	16	6,119,016	6,350,654
Bills and acceptances payable		11,631	5,549
Derivative liabilities		94,050	129,106
Recourse obligation on financing sold to Cagamas Berhad ('Cagamas')		899,241	982,760
Subordinated obligations		503,085	503,119
Other liabilities	17	850,624	349,613
Provision for tax and zakat		45,114	20,932
TOTAL LIABILITIES		44,558,409	41,580,334
Share capital		1,173,424	1,173,424
Reserves		1,511,344	1,322,983
TOTAL EQUITY		2,684,768	2,496,407
TOTAL LIABILITIES AND EQUITY		47,243,177	44,076,741
COMMITMENTS AND CONTINGENCIES	24	18,232,548	13,611,181

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2015.

RHB ISLAMIC BANK BERHAD (680329 – V)
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Note	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
		<u>30 June 2016</u>	30 June 2015	<u>30 June 2016</u>	30 June 2015
		<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Income derived from investment of depositors' funds	18	430,947	422,292	848,985	818,125
Income derived from investment account funds	19	75,348	-	157,668	-
Income derived from investment of shareholders' funds	20	41,448	34,928	79,913	66,605
Allowance for impairment on financing and advances	21	(18,215)	605	(33,053)	(18,123)
Total distributable income		529,528	457,825	1,053,513	866,607
Income attributable to depositors	22	(303,078)	(303,111)	(604,909)	(588,937)
Profit distributed to investment account holders		(64,887)	-	(129,826)	-
		161,563	154,714	318,778	277,670
Personnel expenses		(7,969)	(11,340)	(15,828)	(22,358)
Other overheads and expenditures		(52,980)	(46,070)	(106,080)	(86,473)
Profit before taxation		100,614	97,304	196,870	168,839
Taxation		(24,983)	(24,363)	(47,707)	(42,248)
Net profit for the financial period		75,631	72,941	149,163	126,591
Basic earnings per share (sen)	23	6.45	6.22	12.71	10.79

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2015.

RHB ISLAMIC BANK BERHAD (680329 – V)
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2016</u>	<u>30 June 2015</u>	<u>30 June 2016</u>	<u>30 June 2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Net profit for the financial period	<u>75,631</u>	<u>72,941</u>	<u>149,163</u>	<u>126,591</u>
Other comprehensive income in respect of:				
Items that will be reclassified subsequently to profit or loss:				
Financial investments AFS:				
- Unrealised net gain on revaluation	14,717	3,082	54,237	21,210
- Net transfer to income statement on disposal or impairment	(1,705)	(3,555)	(2,661)	(5,441)
Income tax relating to components of other comprehensive (income)/loss	(3,123)	119	(12,378)	(3,942)
Other comprehensive income, net of tax, for the financial period	<u>9,889</u>	<u>(354)</u>	<u>39,198</u>	<u>11,827</u>
Total comprehensive income for the financial period	<u><u>85,520</u></u>	<u><u>72,587</u></u>	<u><u>188,361</u></u>	<u><u>138,418</u></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 2015.

RHB ISLAMIC BANK BERHAD (680329 – V)
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Share capital	Non distributable			Distributable	Total
		Statutory reserve	AFS reserve	Regulatory reserve	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2016	1,173,424	681,192	(39,195)	160,361	520,625	2,496,407
Net profit for the financial period	-	-	-	-	149,163	149,163
Other comprehensive income/(loss):						
Financial investments AFS:						
- Unrealised net gain on revaluation	-	-	54,237	-	-	54,237
- Net transfer to income statement on disposal or impairment	-	-	(2,661)	-	-	(2,661)
Income tax relating to components of other comprehensive income	-	-	(12,378)	-	-	(12,378)
Other comprehensive income, net of tax, for the financial period	-	-	39,198	-	-	39,198
Total comprehensive income for the financial period	-	-	39,198	-	149,163	188,361
Transfer to statutory reserve		37,291			(37,291)	-
Transfer to regulatory reserve	-	-	-	11,914	(11,914)	-
Balance as at 30 June 2016	1,173,424	718,483	3	172,275	620,583	2,684,768

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RHB ISLAMIC BANK BERHAD (680329 – V)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Share capital	Non distributable			Distributable	Total
		Statutory reserve	AFS reserve	Regulatory reserve	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2015	1,173,424	553,765	(28,352)	-	553,560	2,252,397
Net profit for the financial period	-	-	-	-	126,591	126,591
Other comprehensive income/(loss):						
Financial investments AFS:						
- Unrealised net gain on revaluation	-	-	21,210	-	-	21,210
- Net transfer to income statement on disposal or impairment	-	-	(5,441)	-	-	(5,441)
Income tax relating to components of other comprehensive income	-	-	(3,942)	-	-	(3,942)
Other comprehensive income, net of tax, for the financial period	-	-	11,827	-	-	11,827
Total comprehensive income for the financial period	-	-	11,827	-	126,591	138,418
Transfer to statutory reserve	-	63,295	-	-	(63,295)	-
Transfer to regulatory reserve	-	-	-	123,090	(123,090)	-
Balance as at 30 June 2015	1,173,424	617,060	(16,525)	123,090	493,766	2,390,815

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2015.

RHB ISLAMIC BANK BERHAD (680329 – V)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended	
	30 June 2016	30 June 2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	196,870	168,839
Adjustments for non-cash items	(67,974)	(61,990)
Operating profit before changes in working capital	128,896	106,849
Changes in working capital:		
Net changes in operating assets	(4,917,035)	(2,303,291)
Net changes in operating liabilities	3,013,825	3,407,553
Cash (used in)/generated from operations	(1,774,314)	1,211,111
Tax paid	(35,359)	(40,675)
Net cash (used in)/generated from operating activities	(1,809,673)	1,170,436
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(240)	(373)
Purchase of intangible assets	(988)	(235)
Net purchase of financial investments AFS	(309,509)	(406,380)
Net purchase of financial investments HTM	(86,000)	(177,931)
Income received from financial investments AFS	61,716	52,498
Income received from financial investments HTM	38,281	45,491
Net cash used in investing activities	(296,740)	(486,930)
Net (decrease)/increase in cash and cash equivalents	(2,106,413)	683,506
Cash and cash equivalents at the beginning of the financial period	6,149,038	4,025,661
Cash and cash equivalents at the end of the financial period	4,042,625	4,709,167
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds	4,042,625	4,709,167

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2015.

RHB ISLAMIC BANK BERHAD (680329 – V)
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

1 BASIS OF PREPARATION

The interim financial statements are unaudited and has been prepared in compliance with Malaysian Financial Reporting Standard ('MFRS') 134, 'Interim Financial Reporting' issued by Malaysian Accounting Standards Boards ('MASB') and should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2015.

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 2015, except for the adoption of the following annual improvements and amendments to MFRS which are effective for annual periods beginning on or after 1 January 2016:

- Annual Improvements to MFRSs 2012 - 2014 Cycle
- Amendments to MFRS 116 'Property Plant and Equipment' and MFRS 138 'Intangible Assets'
- Amendments to MFRS 101 'Presentation of Financial Statements'

The adoption of the above 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 2015 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 EXTRAORDINARY ITEMS

There were no exceptional or unusual items for the six months ended 30 June 2016.

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 2016.

6 CHANGES IN DEBT AND EQUITY SECURITIES

There were no issuances and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the financial period under review.

7 DIVIDENDS PAID

No dividend has been paid during the six months ended 30 June 2016.

8 INVESTMENT ACCOUNT ('IA')

IA is defined by the application of Shariah contracts as investment with non-principal guarantee feature. Under the Islamic Financial Services Act 2013, the priority payment for IA upon liquidation of Islamic Financial Institution ('IFI') is treated separately from Islamic deposit, in accordance with the rights and obligations accrued to the investment account holders. IA is further categorised to Restricted Investment Account ('RIA') and Unrestricted Investment Account ('URIA').

RIA refers to a type of investment account where the Investment Account Holder ('IAH') provides a specific investment mandate to the IFI such as purpose, asset class, economic sector and period for investment while URIA refers to a type of investment account where the IAH provides the IFI with the mandate to make the ultimate investment decision without specifying any particular restrictions or

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.
- Refer to Note 16 for details.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

9 FINANCIAL ASSETS HELD-FOR-TRADING ('HFT')

	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	-	20,248
	-	20,248

10 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE ('AFS')

	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	753,118	705,803
Wakala Global Sukuk	13,711	14,175
Khazanah bonds	8,918	8,664
Cagamas bonds	60,301	60,064
 <u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Islamic private debt securities	2,392,381	2,072,777
Perpetual sukuk	200,587	200,587
	3,429,016	3,062,070
 At cost		
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Shares in Islamic Bank and Financial Institutions of Malaysia ('IBFIM')	575	575
	3,429,591	3,062,645

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

11 FINANCIAL INVESTMENTS HELD-TO-MATURITY ('HTM')

	<u>As at</u> <u>30 June 2016</u>	<u>As at</u> <u>31 December 2015</u>
	<u>RM'000</u>	<u>RM'000</u>
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	539,782	540,428
Sukuk Perumahan Kerajaan	9,963	9,957
Khazanah bonds	30,260	29,645
Cagamas bonds	10,012	60,619
Negotiable Islamic debt certificates	-	99,785
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	1,362,011	1,121,259
	<u>1,952,028</u>	<u>1,861,693</u>

Included in financial investments HTM are RIA, as part of arrangement between the Bank and RHB Bank Berhad ('RHB Bank'). As at 30 June 2016, the gross exposure to RIA investment is RM199 million (31 December 2015: RM21 million).

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

12 FINANCING AND ADVANCES

30 June 2016	Bai'						
	Bithaman						
	Ajil ('BBA')	Ijarah	Murabahah	Musyarakah	Bai'Inah	Others	Total
At amortised cost	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cashline	-	-	331,213	-	14	1,005	332,232
Term financing:							
- Housing financing	543,520	-	-	7,787,557	-	538	8,331,615
- Syndicated term financing	-	135,151	1,164,447	-	-	19,106	1,318,704
- Hire purchase receivables	-	5,727,538	-	-	-	34,924	5,762,462
- Other term financing	3,718	485,714	11,402,839	-	3,313,532	12,237	15,218,040
Bills receivables	-	-	748,972	-	-	3,779	752,751
Trust receipts	-	-	12,022	-	-	244	12,266
Staff financing	4,122	-	-	-	-	-	4,122
Credit/charge card receivables	-	-	-	-	-	262,413	262,413
Revolving financing	-	-	1,910,314	-	-	-	1,910,314
Gross financing and advances	<u>551,360</u>	<u>6,348,403</u>	<u>15,569,807</u>	<u>7,787,557</u>	<u>3,313,546</u>	<u>334,246</u>	<u>33,904,919</u>
Fair value changes arising from fair value hedge							<u>6,960</u>
							<u>33,911,879</u>
Allowance for impaired financing and advances:							
- Individual impairment allowance							(17,525)
- Collective impairment allowance							(213,950)
Net financing and advances							<u><u>33,680,404</u></u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

12 FINANCING AND ADVANCES (CONTINUED)

31 December 2015	Bai' Bithaman Ajil ('BBA')	Ijarah	Murabahah	Musyarakah	Bai'Inah	Others	Total
At amortised cost	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cashline	-	-	276,983	-	68	2,814	279,865
Term financing:							
- Housing financing	579,713	-	-	7,024,400	-	1,612	7,605,725
- Syndicated term financing	-	98,095	1,291,353	-	-	19,106	1,408,554
- Hire purchase receivables	-	5,883,569	-	-	-	47,189	5,930,758
- Other term financing	10,511	508,967	9,944,145	-	3,313,854	38,919	13,816,396
Bills receivables	-	-	437,917	-	-	4,471	442,388
Trust receipts	-	-	16,959	-	-	655	17,614
Staff financing	4,465	-	-	-	-	-	4,465
Credit/charge card receivables	-	-	-	-	-	251,270	251,270
Revolving financing	-	-	1,367,287	-	-	-	1,367,287
Gross financing and advances	594,689	6,490,631	13,334,644	7,024,400	3,313,922	366,036	31,124,322
Fair value changes arising from fair value hedge							(11,593)
							31,112,729
Allowance for impaired financing and advances:							
- Individual impairment allowance							(22,649)
- Collective impairment allowance							(199,653)
Net financing and advances							30,890,427

RHB ISLAMIC BANK BERHAD (680329 – V)
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

12 FINANCING AND ADVANCES (CONTINUED)

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

As at 30 June 2016, the gross exposure to RIA financing is RM5,681 million (31 December 2015: RM6,057 million) and the portfolio allowance for impairment losses for financing and advances relating to RIA amounting to RM35.4 million (31 December 2015: RM41.9 million) is recognised in the financial statements of RHB Bank. There was no individual impairment being made for such RIA financing.

- (b) Included in term financing are hire purchase receivables sold to Cagamas amounting to RM894 million (31 December 2015: RM976 million).

(i) By type of customer	As at	As at
	30 June 2016	31 December 2015
	RM'000	RM'000
Domestic non-bank financial institutions:		
- Others	853,085	1,250,142
Domestic business enterprises:		
- Small medium enterprises	2,413,738	2,365,515
- Others	10,421,292	8,566,221
Government and statutory bodies	3,974,832	3,355,987
Individuals	15,971,265	15,304,462
Other domestic entities	103,320	106,447
Foreign entities	167,387	175,548
	<u>33,904,919</u>	<u>31,124,322</u>

- (ii) By profit rate sensitivity

Fixed rate:		
- Housing financing	543,755	580,869
- Hire-purchase receivables	5,762,462	5,930,758
- Other fixed rate financing	8,565,539	8,015,107
Variable rate:		
- BFR-plus	18,268,145	16,137,587
- Cost-plus	765,018	460,001
	<u>33,904,919</u>	<u>31,124,322</u>

- (iii) By purpose

Purchase of securities	65,514	-
Purchase of transport vehicles	5,707,905	5,904,916
Purchase of landed property:		
- Residential	8,029,153	7,320,047
- Non-residential	2,230,753	1,993,971
Purchase of property, plant and equipment other than land and building	721,466	752,254
Personal use	2,021,927	1,899,384
Credit card	262,413	251,270
Purchase of consumer durables	-	2
Construction	304,702	168,231
Working capital	7,676,903	6,948,924
Merger and acquisition	1,473,873	1,184,073
Other purposes	5,410,310	4,701,250
	<u>33,904,919</u>	<u>31,124,322</u>

Included in other purposes are financing to the Government of Malaysia's related agency for the purpose of education and government's staff housing financing.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

12 FINANCING AND ADVANCES (CONTINUED)

	As at 30 June 2016	As at 31 December 2015
	RM'000	RM'000
(iv) By geographical distribution		
In Malaysia	33,904,919	31,124,322
(v) By remaining contractual maturities		
Maturing within one year	4,354,287	3,026,772
One to three years	2,948,029	2,594,196
Three to five years	6,453,918	5,900,673
Over five years	20,148,685	19,602,681
	33,904,919	31,124,322
(vi) Impaired financing and advances		
(a) Movement in impaired financing and advances		
Balance as at the beginning of the financial period/year	362,736	330,701
Classified as impaired during the financial period/year	244,123	627,425
Reclassified as non-impaired	(173,887)	(411,779)
Amount recovered	(36,811)	(121,031)
Amount written off	(31,039)	(62,580)
Balance as at the end of the financial period/year	365,122	362,736
(b) By purpose		
Purchase of transport vehicles	51,260	52,176
Purchase of landed property:		
- Residential	142,953	132,862
- Non-residential	39,855	28,845
Purchase of property, plant and equipment other than land and building	2,997	7,823
Personal use	4,015	2,800
Credit card	5,237	5,763
Working capital	96,429	110,167
Other purposes	22,376	22,300
	365,122	362,736
(c) By geographical distribution		
In Malaysia	365,122	362,736
(d) Movement in allowance for impaired financing and advances		
<u>Individual impairment allowance</u>		
Balance as at the beginning of the financial period/year	22,649	25,289
Net allowance written back during the financial period/year	(1,777)	(2,640)
Amount written off	(3,347)	-
Balance as at the end of the financial period/year	17,525	22,649
<u>Collective impairment allowance</u>		
Balance as at the beginning of the financial period/year	199,653	187,307
Net allowance made during the financial period/year	35,992	65,749
Amount written off	(21,695)	(53,403)
Balance as at the end of the financial period/year	213,950	199,653
Collective impairment allowance as % of gross financing and advances (excluding RIA financing) less individual impairment allowance	0.76%	0.80%

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

13 OTHER ASSETS

	As at 30 June 2016	As at 31 December 2015
	RM'000	RM'000
Prepayments	12,334	10,777
Deposits	1,303	1,297
Amount due from other related companies	-	1,739
Other debtors	98,045	119,471
	111,682	133,284

The amount due from other related companies are unsecured, profit free and receivable within the normal credit period.

14 DEPOSITS FROM CUSTOMERS

	As at 30 June 2016	As at 31 December 2015
	RM'000	RM'000
<u>Savings Deposit</u>		
Wadiah	1,228,785	1,129,320
<u>Demand Deposit</u>		
Wadiah	4,617,529	3,403,515
<u>Term Deposits</u>		
Commodity Murabahah	16,944,906	10,828,229
Wadiah Corporate Deposit	-	1,249,671
<u>Specific Investment Account</u>		
Murabahah	7,654,771	11,136,182
<u>General Investment Account</u>		
Mudharabah	164,779	181,112
	30,610,770	27,928,029

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

Due within six months	15,034,405	20,371,201
Six months to one year	9,648,884	2,990,789
One year to three years	75,598	32,336
Three years to five years	5,569	868
	24,764,456	23,395,194

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

Government and statutory bodies	5,569,484	4,540,209
Business enterprises	18,872,539	18,539,375
Individuals	5,634,361	4,297,238
Others	534,386	551,207
	30,610,770	27,928,029

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15 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	3,689,962	1,853,985
Licensed banks	1,316,116	2,749,230
Licensed investment banks	-	248,847
Bank Negara Malaysia	1,306	1,150
	5,007,384	4,853,212
<u>Mudharabah Funds:</u>		
Other financial institutions	417,494	457,360
	5,424,878	5,310,572

16 INVESTMENT ACCOUNT DUE TO DESIGNATED FINANCIAL INSTITUTIONS

	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
<u>Restricted Investment Account:</u>		
Mudharabah	6,119,016	6,350,654
<u>By type of counterparty:</u>		
Licensed banks	6,119,016	6,350,654
<u>Investment asset (principal):</u>		
Housing financing	300,000	397,110
Hire purchase receivables	700,000	700,000
Other term financing	4,680,735	4,959,508
Marketable securities and short-term funds	199,000	27,890
	5,879,735	6,084,508

17 OTHER LIABILITIES

	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
Sundry creditors	22,611	9,919
Amount due to immediate holding company	549,741	144,591
Amount due to other related companies	2,000	2,231
Deferred income	50,079	56,211
Short term employee benefits	5,072	8,206
Accrual for operational expenses	8,944	9,546
Interbranch clearing account	178,238	97,591
Other accruals and payables	33,939	21,318
	850,624	349,613

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18 INCOME DERIVED FROM INVESTMENTS OF DEPOSITORS' FUNDS

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2016</u>	<u>30 June 2015</u>	<u>30 June 2016</u>	<u>30 June 2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Income derived from investment of:				
(i) General investment deposits	2,065	2,917	4,144	6,484
(ii) Other deposits	428,882	419,375	844,841	811,641
	430,947	422,292	848,985	818,125
(i) Income derived from investment of general investment deposits:				
Financing and advances	1,564	2,272	3,116	5,065
Securities purchased under resale agreements	58	-	59	-
Financial assets HFT	5	14	8	26
Financial investments AFS	154	197	306	433
Financial investments HTM	84	154	181	344
Money at call and deposits with banks and other financial institutions	186	252	443	550
Total finance income and hibah	2,051	2,889	4,113	6,418
Other operating income (Note a to d)	14	28	31	66
	2,065	2,917	4,144	6,484
Of which:				
Financing income earned on impaired financing	14	24	30	59
Other operating income comprise of:				
(a) Fee income:				
- Commission	6	5	11	15
- Guarantee fees	1	1	4	10
	7	6	15	25
(b) Net (loss)/gain on disposal of financial assets HFT	(2)	(7)	3	(4)
(c) Net gain on disposal of financial investments AFS	9	23	13	39
(d) Net gain on early redemption of financial investments HTM	-	6	-	6
	14	28	31	66

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18 INCOME DERIVED FROM INVESTMENTS OF DEPOSITORS' FUNDS (CONTINUED)

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2016</u>	<u>30 June 2015</u>	<u>30 June 2016</u>	<u>30 June 2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
(ii) Income derived from investment of other deposits:				
Financing and advances	324,680	326,773	635,203	633,933
Securities purchased under resale agreements	11,919	-	12,064	-
Financial assets HFT	935	1,995	1,560	3,290
Financial investments AFS	32,135	28,267	62,457	54,196
Financial investments HTM	17,559	22,172	36,902	43,116
Money at call and deposits with banks and other financial institutions	38,824	36,020	90,221	68,787
Total finance income and hibah	<u>426,052</u>	<u>415,227</u>	<u>838,407</u>	<u>803,322</u>
Other operating income (Note a to d)	2,830	4,148	6,434	8,319
	<u>428,882</u>	<u>419,375</u>	<u>844,841</u>	<u>811,641</u>
Of which:				
Financing income earned on impaired financing	<u>2,895</u>	<u>3,552</u>	<u>6,200</u>	<u>7,372</u>
Other operating income comprise of:				
(a) Fee income:				
- Commission	1,195	842	2,226	1,899
- Guarantee fees	195	212	871	1,211
	<u>1,390</u>	<u>1,054</u>	<u>3,097</u>	<u>3,110</u>
(b) Net (loss)/gain on disposal of financial assets HFT	(199)	(778)	777	(466)
(c) Net gain on disposal of financial investments AFS	1,639	3,124	2,560	4,927
(d) Net gain on early redemption of financial investments HTM	-	748	-	748
	<u>2,830</u>	<u>4,148</u>	<u>6,434</u>	<u>8,319</u>

19 INCOME DERIVED FROM INVESTMENT ACCOUNT FUNDS

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2016</u>	<u>30 June 2015</u>	<u>30 June 2016</u>	<u>30 June 2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Finance income and hibah</u>				
Financing and advances	72,292	-	153,393	-
Financial investments HTM	3,056	-	4,262	-
Money at call and deposits with banks and other financial institutions	-	-	13	-
Total finance income and hibah	<u>75,348</u>	<u>-</u>	<u>157,668</u>	<u>-</u>

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20 INCOME DERIVED FROM INVESTMENTS OF SHAREHOLDERS' FUNDS

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2016</u>	<u>30 June 2015</u>	<u>30 June 2016</u>	<u>30 June 2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Financing and advances	11,161	11,441	21,878	22,857
Securities purchased under resale agreements	411	-	416	-
Financial assets HFT	32	71	54	119
Financial investments AFS	1,105	990	2,151	1,954
Financial investments HTM	603	777	1,271	1,555
Money at call and deposits with banks and other financial institutions	1,334	1,262	3,108	2,480
Total finance income and hibah	<u>14,646</u>	<u>14,541</u>	<u>28,878</u>	<u>28,965</u>
Other operating income (Note a to g)	<u>26,802</u>	<u>20,387</u>	<u>51,035</u>	<u>37,640</u>
	<u>41,448</u>	<u>34,928</u>	<u>79,913</u>	<u>66,605</u>
Of which:				
Financing income earned on impaired financing	<u>99</u>	<u>124</u>	<u>213</u>	<u>266</u>
Other operating income comprise of:				
(a) Fee income:				
- Commission	3,781	1,296	7,430	2,062
- Service charges and fees	13,665	14,352	28,291	23,762
- Guarantee and underwriting fees	7	227	30	1,309
	<u>17,453</u>	<u>15,875</u>	<u>35,751</u>	<u>27,133</u>
(b) Net (loss)/gain on financial assets HFT	(7)	(29)	26	(17)
(c) Net loss on revaluation of derivatives	(264)	(722)	(1,502)	(1,507)
(d) Net (loss)/gain on fair value hedges	(282)	(137)	210	66
(e) Net gain on disposal of financial investments AFS	56	111	88	178
(f) Net gain on early redemption of financial investments HTM	-	27	-	27
(g) Other income:				
- Foreign exchange gain	9,819	5,261	16,434	11,759
- Other non-operating income	27	1	28	1
	<u>26,802</u>	<u>20,387</u>	<u>51,035</u>	<u>37,640</u>

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21 ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2016</u>	<u>30 June 2015</u>	<u>30 June 2016</u>	<u>30 June 2015</u>
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment on financing and advances:				
- Individual impairment allowance written back	(886)	(423)	(1,777)	(3,061)
- Collective impairment allowance	20,343	760	35,992	27,260
- Impaired financing recovered	(3,115)	(2,243)	(7,468)	(8,540)
- Impaired financing written off	1,873	1,301	6,306	2,464
	<u>18,215</u>	<u>(605)</u>	<u>33,053</u>	<u>18,123</u>

22 INCOME ATTRIBUTABLE TO DEPOSITORS

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2016</u>	<u>30 June 2015</u>	<u>30 June 2016</u>	<u>30 June 2015</u>
	RM'000	RM'000	RM'000	RM'000
Deposits from customers:				
- Mudharabah funds	1,313	1,702	2,589	4,066
- Non-Mudharabah funds	250,287	199,819	493,390	388,731
Deposits and placements of banks and other financial institutions:				
- Mudharabah funds	-	52,709	-	108,505
- Non-Mudharabah funds	34,182	29,337	73,836	48,135
Subordinated obligations	6,153	6,170	12,307	12,273
Recourse obligation on financing sold to Cagamas	11,143	13,374	22,787	27,227
	<u>303,078</u>	<u>303,111</u>	<u>604,909</u>	<u>588,937</u>

23 EARNINGS PER SHARE

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2016</u>	<u>30 June 2015</u>	<u>30 June 2016</u>	<u>30 June 2015</u>
Net profit for the financial period (RM'000)	<u>75,631</u>	<u>72,941</u>	<u>149,163</u>	<u>126,591</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,173,424</u>	<u>1,173,424</u>	<u>1,173,424</u>	<u>1,173,424</u>
Basic earnings per share (sen)	<u>6.45</u>	<u>6.22</u>	<u>12.71</u>	<u>10.79</u>

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24 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 2016	As at 31 December 2015
	RM'000	RM'000
Transaction-related contingent items	166,421	153,039
Short term self-liquidating trade-related contingencies	18,873	82,857
Obligations under underwriting agreements	76,000	76,000
Irrevocable commitments to extend credit:		
- maturity up to one year	44	-
- maturity more than one year	4,531,695	3,693,518
Foreign exchange related contracts [@] :		
- less than one year	4,783,866	2,975,712
- one year to less than five years	722,152	519,494
- more than five years	411,875	-
Profit rate related contracts [@] :		
- less than one year	3,150,000	850,000
- one year to less than five years	2,425,452	2,425,000
- more than five years	-	500,000
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	1,946,170	2,335,561
Total	<u>18,232,548</u>	<u>13,611,181</u>

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

25 CAPITAL COMMITMENTS

	As at 30 June 2016	As at 31 December 2015
	RM'000	RM'000
Capital expenditure for property, plant and equipment:		
- Authorised but not contracted for	2,907	1,370
- Authorised and contracted for	1,517	1,046
	<u>4,424</u>	<u>2,416</u>

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26 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>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>30 June 2016</u>				
<u>Financial assets</u>				
Financial investments AFS	-	3,228,429	201,162	3,429,591
- money market instruments	-	836,048	-	836,048
- unquoted securities	-	2,392,381	201,162	2,593,543
Derivative assets	-	85,488	-	85,488
	<u>-</u>	<u>3,313,917</u>	<u>201,162</u>	<u>3,515,079</u>
<u>Financial liabilities</u>				
Derivative liabilities	-	94,050	-	94,050
	<u>-</u>	<u>94,050</u>	<u>-</u>	<u>94,050</u>
<u>31 December 2015</u>				
<u>Financial assets</u>				
Financial assets HFT				
- money market instruments	-	20,248	-	20,248
Financial investments AFS	-	2,861,483	201,162	3,062,645
- money market instruments	-	788,706	-	788,706
- unquoted securities	-	2,072,777	201,162	2,273,939
Derivative assets	-	146,922	-	146,922
	<u>-</u>	<u>3,028,653</u>	<u>201,162</u>	<u>3,229,815</u>
<u>Financial liabilities</u>				
Derivative liabilities	-	129,106	-	129,106
	<u>-</u>	<u>129,106</u>	<u>-</u>	<u>129,106</u>

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26 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 unquoted shares held for socio economic reasons, non-transferable and non-tradable perpetual sukuk.

(ii) Reconciliation of movements in Level 3 financial instruments:

The following represents the changes in Level 3 instruments for the Bank:

Financial investments AFS

	As at 30 June 2016	As at 31 December 2015
	RM'000	RM'000
Balance as at the beginning of the financial period/year	201,162	201,129
Profit recognised	5,934	11,900
Payment received	(5,934)	(11,867)
Balance as at the end of the financial period/year	<u>201,162</u>	<u>201,162</u>

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27 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 2016 RM'000	As at 31 December 2015 RM'000
<u>Common Equity Tier-I ('CET-I') Capital /Tier I Capital</u>		
Paid-up ordinary share capital	1,173,424	1,173,424
Retained profits	620,583	520,625
Statutory reserve	718,483	681,192
AFS reserve	3	(39,195)
	<u>2,512,493</u>	<u>2,336,046</u>
Less:		
Deferred tax assets	(16,451)	(16,840)
Intangible assets (include associated deferred tax liabilities)	(719)	(687)
55% of cumulative gains of financial investments AFS	(2)	-
Ageing Reserves and Liquidity Reserve*	(1,820)	(763)
Total CET-I /Total Tier I Capital	<u>2,493,501</u>	<u>2,317,756</u>
<u>Tier II Capital</u>		
Subordinated obligations**	500,000	500,000
Collective impairment allowance^	274,553	248,696
Total Tier II Capital	<u>774,553</u>	<u>748,696</u>
Total Capital	<u>3,268,054</u>	<u>3,066,452</u>
<u>Capital Ratios</u>		
CET-I Capital Ratio	10.732%	11.041%
Tier-I Capital Ratio	10.732%	11.041%
Total Capital Ratio	<u>14.066%</u>	<u>14.608%</u>

Risk-weighted assets by each major risk category are as follows:

Credit risk-weighted assets	27,332,770	25,655,098
Credit risk-weighted assets absorbed by PSIA	(5,368,564)	(5,759,360)
	<u>21,964,206</u>	<u>19,895,738</u>
Market risk-weighted assets	159,902	61,645
Operational risk-weighted assets	1,110,064	1,032,842
Total risk-weighted assets	<u>23,234,172</u>	<u>20,990,225</u>

In accordance with BNM's "Guidelines on the Recognition and Measurement of Profit Sharing Investment Account (PSIA) as Risk Absorbent", the credit and market risks of the assets funded by the Restricted Profit Sharing Investment Accounts (RPSIA) which qualifies as risk absorbent are excluded from the total capital ratio (TCR) calculation. As at 30 June 2016, credit risks relating to RPSIA assets excluded from the TCR calculation amounted to RM5,369 million (31 December 2015: RM5,759 million).

* Pursuant to the Basel II Market Risk para 5.19 and 5.20 – Valuation Adjustments / Reserves, the RWCR computation shall account for the ageing, liquidity and holding back adjustments/reserves on its trading portfolio.

** Subordinated obligations that are recognised as Tier II capital instruments are subject to the gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 37.7 of the BNM's Capital Adequacy Framework (Capital Components).

^ Excludes collective assessment impairment allowance attributable to financing and advances classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on "Classification and Impairment Provisions for Loans/Financing". Include the qualifying regulatory reserve under the Standardised Approach for non-impaired financing and advances of RM154 million (31 December 2015: RM140 million).

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28 CREDIT EXPOSURES ARISING FROM TRANSACTIONS WITH CONNECTED PARTIES

Credit exposures with connected parties as per Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties ('Revised BNM/GP6') are as follows:

	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
Outstanding credit exposures with connected parties	<u>2,003,909</u>	<u>1,829,266</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	<u>5.32</u>	<u>5.33</u>
Percentage of outstanding credit exposures with connected parties which is non-performing or in default (%)	<u>-</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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29 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

30 EVENTS SUBSEQUENT TO BALANCE SHEET DATE

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

31 CHANGES IN THE COMPOSITION OF THE BANK

There are no significant changes in the composition of the Bank for the six months ended 30 June 2016.

32 CHANGES IN PROFIT FOR THE QUARTER

The Bank reported a pre-tax profit of RM100.6 million for the current quarter, 4.5% higher as compared to the preceding quarter ended 31 March 2016. The higher profit was mainly attributed to higher net funding income by RM5.9 million, and higher non funding income by RM1.8 million, partially offset by higher allowances for financing and advances by RM3.4 million.

33 PERFORMANCE REVIEW

For the six months ended 30 June 2016, the Bank recorded a pre-tax profit of RM196.9 million, 16.6% higher than previous year corresponding period of RM168.8 million. The higher profit was mainly due to higher net funding income by RM44.6 million and higher non funding income by RM11.5 million, partially offset by higher allowances for financing and advances by RM14.9 million and higher overhead expenses by RM13.1 million.

34 PROSPECTS FOR 2016

The second half of 2016 will continue to be challenging as macro-economic uncertainties in most parts of the world will not spare Malaysia from the headwinds. Risks on external demands and softer consumer sentiments are expected to moderate Malaysia's GDP growth in 2016 to about 4.0% from 5.0% in 2015.

The Malaysian banking sector growth will remain modest, attributed to a deceleration in corporate loans growth and ongoing consolidation in the growth of household loans. A softer financial and capital market, and rising pressure on liquidity and asset quality will also weigh on the performance of banks.

Effective 14 April 2016, RHB Bank Berhad, the immediate holding company, is the new group holding company and has officially been listed on Bursa Securities on 28 June 2016. The RHB Banking Group is now on a much firmer footing with stronger capitalisation, leaner organisation and greater efficiency.

The Bank will continue to remain steadfast on delivering the various initiatives under the Group 2017 IGNITE transformation programme, that has thus far registered many positive achievements, while remaining vigilant on the challenging macro environment and volatility in the market place.

The Bank is expected to deliver a better performance this year and is on the right trajectory to achieve its long-term objectives.