

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
ASSETS			
Cash and short-term funds		5,769,285	3,436,239
Securities purchased under resale agreements	9	1,038,267	2,353,950
Deposits and placements with banks and other financial institutions		681,968	537,141
Financial assets held-for-trading ('HFT')	10	153,896	10,177
Financial investments available-for-sale ('AFS')	11	3,463,090	3,459,647
Financial investments held-to-maturity ('HTM')	12	2,552,567	2,820,123
Financing and advances	13	38,016,299	33,841,566
Other assets	14	167,331	171,730
Derivative assets		158,219	402,763
Statutory deposits with Bank Negara Malaysia		898,400	1,051,050
Deferred tax assets		12,362	20,929
Property, plant and equipment		6,292	6,576
Intangible assets		3,845	4,750
TOTAL ASSETS		52,921,821	48,116,641
LIABILITIES AND EQUITY			
Deposits from customers	15	34,863,756	29,419,928
Investment account from customers	16	12,998	-
Deposits and placements of banks and other financial institutions	17	4,606,347	6,430,194
Investment account due to designated financial institutions	18	8,275,787	6,622,471
Bills and acceptances payable		12,492	9,050
Derivative liabilities		163,229	400,812
Recourse obligation on financing sold to Cagamas Berhad ('Cagamas')		667,315	815,243
Subordinated obligations		755,360	503,187
Other liabilities	19	387,494	957,863
Provision for tax and zakat		37,166	29,451
TOTAL LIABILITIES		49,781,944	45,188,199
Share capital		1,273,424	1,273,424
Reserves		1,866,453	1,655,018
TOTAL EQUITY		3,139,877	2,928,442
TOTAL LIABILITIES AND EQUITY		52,921,821	48,116,641
COMMITMENTS AND CONTINGENCIES	26	20,305,881	21,492,582

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2016.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Note	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
		<u>30 June 2017</u>	30 June 2016	<u>30 June 2017</u>	30 June 2016
		<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Income derived from investment of depositors' funds	20	454,121	430,947	909,708	848,985
Income derived from investment account funds	21	94,617	75,348	178,644	157,668
Income derived from investment of shareholders' funds	22	55,635	41,448	87,319	79,913
Allowance for impairment on financing and advances	23	11,376	(18,215)	(16,840)	(33,053)
Total distributable income		615,749	529,528	1,158,831	1,053,513
Income attributable to depositors	24	(308,030)	(303,078)	(605,115)	(604,909)
Profit distributed to investment account holders		(75,596)	(64,887)	(145,077)	(129,826)
		232,123	161,563	408,639	318,778
Personnel expenses		(7,121)	(7,969)	(14,609)	(15,828)
Other overheads and expenditures		(71,816)	(52,980)	(141,451)	(106,080)
Profit before taxation		153,186	100,614	252,579	196,870
Taxation		(37,032)	(24,983)	(60,781)	(47,707)
Net profit for the financial period		116,154	75,631	191,798	149,163
Basic earnings per share (sen)	25	9.12	6.45	15.06	12.71

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2016.

RHB ISLAMIC BANK BERHAD (680329 – V)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2017</u>	30 June 2016	<u>30 June 2017</u>	30 June 2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	116,154	75,631	191,798	149,163
Other comprehensive income in respect of:				
Items that will be reclassified subsequently to profit or loss:				
Financial investments AFS:				
- Unrealised net gain on revaluation	12,355	14,717	27,559	54,237
- Net transfer to income statement on disposal or impairment	(1,080)	(1,705)	(1,721)	(2,661)
Income tax relating to components of other comprehensive income	(2,706)	(3,123)	(6,201)	(12,378)
Other comprehensive income, net of tax, for the financial period	8,569	9,889	19,637	39,198
Total comprehensive income for the financial period	124,723	85,520	211,435	188,361

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2016.

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 2017

Note	Share capital RM'000	Non distributable			Distributable	Total RM'000
		Statutory reserve RM'000	AFS reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	
Balance as at 1 January 2017	1,273,424	762,388	(31,944)	158,516	766,058	2,928,442
Net profit for the financial period	-	-	-	-	191,798	191,798
Other comprehensive income/(loss):						
Financial investments AFS:						
- Unrealised net gain on revaluation	-	-	27,559	-	-	27,559
- Net transfer to income statement on disposal or impairment	-	-	(1,721)	-	-	(1,721)
Income tax relating to components of other comprehensive income	-	-	(6,201)	-	-	(6,201)
Other comprehensive income, net of tax, for the financial period	-	-	19,637	-	-	19,637
Total comprehensive income for the financial period	-	-	19,637	-	191,798	211,435
Transfer from statutory reserve		1(b)(ii) (762,388)			762,388	-
Transfer to regulatory reserve	-	-	-	43,886	(43,886)	-
Balance as at 30 June 2017	1,273,424	-	(12,307)	202,402	1,676,358	3,139,877

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	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

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2016.

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 2017

	Six months ended	
	30 June 2017	30 June 2016
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	252,579	196,870
Adjustments for non-cash items	(98,414)	(67,974)
Operating profit before changes in working capital	<u>154,165</u>	<u>128,896</u>
Changes in working capital:		
Net changes in operating assets	(3,010,877)	(4,917,035)
Net changes in operating liabilities	<u>4,572,875</u>	<u>3,013,825</u>
Cash generated from/(used in) operations	<u>1,716,163</u>	<u>(1,774,314)</u>
Zakat paid	(1,050)	-
Tax paid	<u>(49,650)</u>	<u>(35,359)</u>
Net cash generated from/(used in) operating activities	<u>1,665,463</u>	<u>(1,809,673)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,018)	(240)
Purchase of intangible assets	(20)	(988)
Net proceeds from disposal/(purchase) of financial investments AFS	22,960	(309,509)
Net redemption/(purchase) of financial investments HTM	270,787	(86,000)
Income received from financial investments AFS	73,496	61,716
Income received from financial investments HTM	<u>51,378</u>	<u>38,281</u>
Net cash generated from/(used in) investing activities	<u>417,583</u>	<u>(296,740)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of subordinated sukuk	<u>250,000</u>	-
Net cash generated from financing activities	<u>250,000</u>	-
Net increase/(decrease) in cash and cash equivalents	<u>2,333,046</u>	<u>(2,106,413)</u>
Cash and cash equivalents at the beginning of the financial period	<u>3,436,239</u>	<u>6,149,038</u>
Cash and cash equivalents at the end of the financial period	<u>5,769,285</u>	<u>4,042,625</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds	<u>5,769,285</u>	<u>4,042,625</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 2016.

RHB ISLAMIC BANK BERHAD (680329 – V)
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 Board ('MASB') and should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2016.

(a) 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 2016, 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 2017:

- Amendments to MFRS 112 'Income Taxes'
- Amendments to MFRS 107 'Statements of Cash Flows'

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

(b) Changes in regulatory requirements

(i) Companies Act 2016

The Companies Act 2016 ('New Act') was enacted to replace the Companies Act 1965 with the objective of creating a regulatory structure that will facilitate business and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by Dewan Rakyat and on 29 April 2016 by Dewan Negara and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation (except Section 241 and Division 8 of Part III of the New Act) would be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Bank upon the commencement of the New Act on 31 January 2017 are:

- abolition of the authorised capital; and
- abolition of the concept of nominal value in shares.

(ii) Revised Policy Document on Capital Funds

Bank Negara Malaysia ('BNM') had on 3 May 2017, issued a Revised Policy Document on Capital Funds for Islamic Banks ('Revised Policy Document') which is applicable to banking institutions in Malaysia that covers licensed Islamic bank. The issuance of this Revised Policy Document has superseded the guideline issued by BNM previously, namely Capital Funds for Islamic Banks dated 1 July 2013.

The key changes in the Revised Policy Document are:

- the removal of the requirement on maintenance of a reserve fund; and
- the revised component of capital funds shall exclude share premium and reserve fund.

During the financial period, the Bank had transferred a total of RM762,388,000 from the statutory reserve to retained profits pursuant to the adoption of the Revised Policy Document.

The adoption of the New Act and the Revised Policy Document are not expected to have any financial impact on the Bank for the current financial year as any effect of adoption, if applicable, will mainly be on disclosures to the financial statements.

2 AUDITORS' REPORT

The auditors' report for the financial year ended 31 December 2016 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 2017.

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 2017.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

6 CHANGES IN DEBT AND EQUITY SECURITIES

The Bank had on 27 April 2017 issued Subordinated Sukuk Murabahah of RM250 million in nominal value under a RM1 billion programme. The Subordinated Sukuk Murabahah is issued for a tenure of 10 non-callable 5 years with a fixed profit rate of 4.88% per annum, payable semi-annually in arrears throughout the entire tenure.

Other than the above, there were no other 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 2017.

7 DIVIDENDS PAID

No dividend has been paid during the six months ended 30 June 2017.

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 conditions.

IA are contracts based on the Shariah concept below:

- Mudharabah between two parties, customer and the Bank, to finance a business venture where the customer provides capital and the business venture is managed solely by the Bank. The profit of the business venture will be shared based on pre-agreed ratios with the Bank as Mudharib (manager or manager of funds), and losses shall be borne solely by customers.
- Wakalah, a trust-based contract in which a party (muwakkil) appoints another party as his agent (wakil) to perform a particular task, in matters that may be delegated, either voluntarily or with imposition of a fee. The fee shall be recognised based on agreement.
- Details of the IA are as disclosed in Note 16 and Note 18.

9 SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	As at 30 June 2017	As at 31 December 2016
	RM'000	RM'000
Malaysian Government Investment Issues	1,038,267	2,353,950

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

	As at 30 June 2017	As at 31 December 2016
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	153,896	10,177

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

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

	<u>As at</u> <u>30 June 2017</u>	<u>As at</u> <u>31 December 2016</u>
	<u>RM'000</u>	<u>RM'000</u>
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	651,478	691,196
Wakala Global Sukuk	14,197	14,718
Khazanah bonds	9,217	8,995
Cagamas bonds	40,110	40,018
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	2,547,501	2,504,101
Perpetual sukuk	200,587	200,619
	<u>3,463,090</u>	<u>3,459,647</u>
At cost		
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Shares in Islamic Bank and Financial Institutions of Malaysia ('IBFIM')	549	549
	<u>3,463,639</u>	<u>3,460,196</u>
Accumulated impairment losses	(549)	(549)
	<u>3,463,090</u>	<u>3,459,647</u>

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

	<u>As at</u> <u>30 June 2017</u>	<u>As at</u> <u>31 December 2016</u>
	<u>RM'000</u>	<u>RM'000</u>
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	362,143	402,619
Sukuk Perumahan Kerajaan	9,976	9,971
Khazanah bonds	21,327	20,872
Cagamas bonds	-	150,095
Negotiable Islamic debt certificates	-	895,234
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	2,159,121	1,341,332
	<u>2,552,567</u>	<u>2,820,123</u>

Included in financial investments HTM are securities acquired and funded via the RIA, as part of arrangement between the Bank and RHB Bank Berhad ('RHB Bank'). As at 30 June 2017, the gross exposure to RIA HTM is RM1,260,275,000 (31 December 2016: RM199,000,000).

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

13 FINANCING AND ADVANCES

30 June 2017	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	-	-	454,400	-	-	2,654	457,054
Term financing:							
- Housing financing	476,546	-	196,398	9,294,441	-	480	9,967,865
- Syndicated term financing	-	85,515	1,715,154	-	-	18,899	1,819,568
- Hire purchase receivables	-	5,693,315	-	-	-	33,564	5,726,879
- Other term financing	2,979	485,194	14,554,638	-	1,509,906	9,601	16,562,318
Bills receivables	-	-	1,044,201	-	-	2,063	1,046,264
Trust receipts	-	-	10,263	-	-	-	10,263
Staff financing	2,700	-	-	-	-	-	2,700
Credit/charge card receivables	-	-	-	-	-	262,919	262,919
Revolving financing	-	-	2,411,762	-	-	-	2,411,762
Gross financing and advances	482,225	6,264,024	20,386,816	9,294,441	1,509,906	330,180	38,267,592
Fair value changes arising from fair value hedge							3,676
							38,271,268
Allowance for impaired financing and advances:							
- Individual impairment allowance							(17,577)
- Collective impairment allowance							(237,392)
Net financing and advances							38,016,299

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

13 FINANCING AND ADVANCES (CONTINUED)

31 December 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	-	-	401,337	-	-	1,463	402,800
Term financing:							
- Housing financing	512,215	-	2,913	8,541,764	-	454	9,057,346
- Syndicated term financing	-	93,884	1,309,912	-	-	18,899	1,422,695
- Hire purchase receivables	-	5,600,165	-	-	-	33,345	5,633,510
- Other term financing	3,126	494,435	13,103,916	-	1,862,705	12,204	15,476,386
Bills receivables	-	-	790,186	-	-	3,097	793,283
Trust receipts	-	-	13,773	-	-	253	14,026
Staff financing	3,394	-	-	-	-	-	3,394
Credit/charge card receivables	-	-	-	-	-	274,532	274,532
Revolving financing	-	-	1,009,152	-	-	-	1,009,152
Gross financing and advances	518,735	6,188,484	16,631,189	8,541,764	1,862,705	344,247	34,087,124
Fair value changes arising from fair value hedge							6,831
							34,093,955
Allowance for impaired financing and advances:							
- Individual impairment allowance							(15,864)
- Collective impairment allowance							(236,525)
Net financing and advances							33,841,566

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

13 FINANCING AND ADVANCES (CONTINUED)

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

As at 30 June 2017, the gross exposure to RIA financing is RM6,632,014,000 (31 December 2016: RM5,804,399,000) and the portfolio allowance for impairment losses for financing and advances relating to RIA amounting to RM36,410,000 (31 December 2016: RM33,626,000) is recognised in the financial statements of RHB Bank. There is no individual impairment being made for such RIA financing.

- (b) Included in term financing are hire purchase receivables and other term financing sold to Cagamas amounting to RM652,212,000 (31 December 2016: RM791,238,000).

(i) By type of customer	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
Domestic non-bank financial institutions:		
- Others	1,996,719	995,486
Domestic business enterprises:		
- Small medium enterprises	2,718,281	2,526,817
- Others	11,916,919	10,374,884
Government and statutory bodies	3,212,772	3,087,891
Individuals	18,018,405	16,688,969
Other domestic entities	110,073	103,742
Foreign entities	294,423	309,335
	38,267,592	34,087,124

- (ii) By profit rate sensitivity

Fixed rate:		
- Housing financing	476,814	512,441
- Hire-purchase receivables	5,726,879	5,633,510
- Other fixed rate financing	8,166,780	7,277,587
Variable rate:		
- BFR-plus	21,839,207	19,856,277
- Cost-plus	2,057,912	807,309
	38,267,592	34,087,124

- (iii) By purpose

Purchase of securities	670,572	65,524
Purchase of transport vehicles	5,666,949	5,573,799
Purchase of landed property:		
- Residential	9,586,453	8,709,537
- Non-residential	3,121,730	2,536,021
Purchase of property, plant and equipment other than land and building	710,471	755,946
Personal use	2,361,530	2,162,519
Credit card	262,919	274,532
Construction	606,523	550,030
Working capital	9,297,865	7,422,039
Merger and acquisition	1,399,980	1,437,555
Other purposes	4,582,600	4,599,622
	38,267,592	34,087,124

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 2017**

13 FINANCING AND ADVANCES (CONTINUED)

	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
(iv) By geographical distribution		
In Malaysia	38,267,592	34,087,124
(v) By remaining contractual maturities		
Maturing within one year	4,784,541	3,681,561
One to three years	3,944,221	2,945,639
Three to five years	6,231,538	6,443,749
Over five years	23,307,292	21,016,175
	38,267,592	34,087,124
(vi) Impaired financing and advances		
(a) Movement in impaired financing and advances		
Balance as at the beginning of the financial period/year	393,096	362,736
Classified as impaired	252,436	514,915
Reclassified as non-impaired	(200,234)	(352,703)
Amount recovered	(38,472)	(78,617)
Amount written off	(19,964)	(53,235)
Balance as at the end of the financial period/year	386,862	393,096
(b) By purpose		
Purchase of transport vehicles	55,008	54,189
Purchase of landed property:		
- Residential	146,158	159,833
- Non-residential	43,982	47,259
Purchase of property, plant and equipment other than land and building	3,089	2,826
Personal use	5,873	4,869
Credit card	5,720	5,362
Working capital	104,635	96,456
Other purposes	22,397	22,302
	386,862	393,096
(c) By geographical distribution		
In Malaysia	386,862	393,096
(d) Movement in allowance for impaired financing and advances		
<u>Individual impairment allowance</u>		
Balance as at the beginning of the financial period/year	15,864	22,649
Net allowance made/(written back)	1,713	(3,438)
Amount written off	-	(3,347)
Balance as at the end of the financial period/year	17,577	15,864
<u>Collective impairment allowance</u>		
Balance as at the beginning of the financial period/year	236,525	199,653
Net allowance made	17,088	77,902
Amount written off	(16,221)	(41,030)
Balance as at the end of the financial period/year	237,392	236,525
Collective impairment allowance as % of gross financing and advances (excluding RIA financing) less individual impairment allowance	0.75%	0.84%

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14 OTHER ASSETS

	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
Prepayments	15,116	11,751
Deposits	1,715	1,305
Other debtors	150,500	158,674
	167,331	171,730

15 DEPOSITS FROM CUSTOMERS

	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
<u>Savings Deposits</u>		
Wadiah	1,333,036	1,221,616
<u>Demand Deposits</u>		
Wadiah	5,329,001	3,764,386
Commodity Murabahah	6,854	5,926
<u>Term Deposits</u>		
Commodity Murabahah	21,344,930	16,716,463
<u>Specific Investment Account</u>		
Murabahah	6,708,182	7,556,178
<u>General Investment Account</u>		
Mudharabah	141,753	155,359
	34,863,756	29,419,928

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

Due within six months	18,080,228	20,429,737
Six months to one year	10,101,171	3,953,480
One year to three years	11,888	44,335
Three years to five years	1,578	448
	28,194,865	24,428,000

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

Government and statutory bodies	6,521,117	3,993,795
Business enterprises	23,373,819	19,129,387
Individuals	4,365,187	5,735,775
Others	603,633	560,971
	34,863,756	29,419,928

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16 INVESTMENT ACCOUNT FROM CUSTOMERS

	As at <u>30 June 2017</u>	As at 31 December 2016
	RM'000	RM'000
<u>Restricted Investment Account:</u>		
Wakalah	<u>12,998</u>	-
<u>Investment asset (principal):</u>		
Short term funds	<u>12,998</u>	-
(a) The maturity structure is as follows:		
Due within six months	<u>12,998</u>	-
(b) The investment accounts are sourced from the following class of customers:		
Individuals	103	-
Business Enterprise	<u>12,895</u>	-
	<u>12,998</u>	-

17 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at <u>30 June 2017</u>	As at 31 December 2016
	RM'000	RM'000
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	1,539,750	4,179,222
Licensed banks	2,190,142	1,591,693
Licensed investment banks	448,239	99,761
Bank Negara Malaysia	<u>12,100</u>	<u>3,890</u>
	4,190,230	5,874,566
<u>Mudharabah Funds:</u>		
Other financial institutions	<u>416,117</u>	555,628
	<u>4,606,347</u>	<u>6,430,194</u>

18 INVESTMENT ACCOUNT DUE TO DESIGNATED FINANCIAL INSTITUTIONS

	As at <u>30 June 2017</u>	As at 31 December 2016
	RM'000	RM'000
<u>Restricted Investment Account:</u>		
Mudharabah	<u>8,275,787</u>	<u>6,622,471</u>
<u>By type of counterparty:</u>		
Licensed banks	<u>8,275,787</u>	<u>6,622,471</u>
<u>Investment asset (principal):</u>		
Housing financing	270,339	300,000
Hire purchase receivables	700,000	700,000
Other term financing	5,661,675	4,804,399
Short term funds	46,661	334,047
Unquoted securities	<u>1,260,275</u>	<u>199,000</u>
	<u>7,938,950</u>	<u>6,337,446</u>

The entire restricted investment account is placed by the holding company, RHB Bank.

19 OTHER LIABILITIES

	As at <u>30 June 2017</u>	As at 31 December 2016
	RM'000	RM'000
Sundry creditors	12,735	10,692
Amount due to holding company	275,611	769,591
Amount due to other related companies	241	668
Deferred income	37,814	43,947
Short term employee benefits	4,670	7,397
Accrual for operational expenses	8,519	9,993
Other accruals and payables	<u>47,904</u>	<u>115,575</u>
	<u>387,494</u>	<u>957,863</u>

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20 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2017</u>	<u>30 June 2016</u>	<u>30 June 2017</u>	<u>30 June 2016</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	1,766	2,065	3,649	4,144
(ii) Other deposits	452,355	428,882	906,059	844,841
	<u>454,121</u>	<u>430,947</u>	<u>909,708</u>	<u>848,985</u>
(i) Income derived from investment of general investment deposits:				
Financing and advances	1,372	1,564	2,810	3,116
Securities purchased under resale agreements	39	58	97	59
Financial assets HFT	4	5	6	8
Financial investments AFS	134	154	280	306
Financial investments HTM	50	84	141	181
Money at call and deposits with banks and other financial institution	160	186	304	443
Total finance income and hibah	1,759	2,051	3,638	4,113
Other operating income (Note a to c)	7	14	11	31
	<u>1,766</u>	<u>2,065</u>	<u>3,649</u>	<u>4,144</u>
Of which:				
Financing income earned on impaired financing	<u>11</u>	<u>14</u>	<u>25</u>	<u>30</u>
Other operating income comprise of:				
(a) Fee income:				
- Commission	2	6	2	11
- Guarantee fees	1	1	2	4
	<u>3</u>	<u>7</u>	<u>4</u>	<u>15</u>
(b) Net gain/(loss) on disposal of financial assets HFT	-	(2)	-	3
(c) Net gain on disposal of financial investments AFS	4	9	7	13
	<u>7</u>	<u>14</u>	<u>11</u>	<u>31</u>

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

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2017</u>	<u>30 June 2016</u>	<u>30 June 2017</u>	<u>30 June 2016</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	351,275	324,680	698,013	635,203
Securities purchased under resale agreements	10,084	11,919	23,974	12,064
Financial assets HFT	912	935	1,385	1,560
Financial investments AFS	34,453	32,135	69,622	62,457
Financial investments HTM	13,052	17,559	35,020	36,902
Money at call and deposits with banks and other financial institution	40,732	38,824	75,438	90,221
Total finance income and hibah	<u>450,508</u>	<u>426,052</u>	<u>903,452</u>	<u>838,407</u>
Other operating income (Note a to d)	<u>1,847</u>	<u>2,830</u>	<u>2,607</u>	<u>6,434</u>
	<u>452,355</u>	<u>428,882</u>	<u>906,059</u>	<u>844,841</u>
Of which:				
Financing income earned on impaired financing	<u>2,869</u>	<u>2,895</u>	<u>6,269</u>	<u>6,200</u>
Other operating income comprise of:				
(a) Fee income:				
- Commission	367	1,195	389	2,226
- Guarantee fees	306	195	500	871
	<u>673</u>	<u>1,390</u>	<u>889</u>	<u>3,097</u>
(b) Net gain/(loss) on disposal of financial assets HFT	103	(199)	19	777
(c) Net gain on disposal of financial investments AFS	1,029	1,639	1,657	2,560
(d) Net gain on early redemption of financial investments HTM	42	-	42	-
	<u>1,847</u>	<u>2,830</u>	<u>2,607</u>	<u>6,434</u>

21 INCOME DERIVED FROM INVESTMENT ACCOUNT FUNDS

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2017</u>	<u>30 June 2016</u>	<u>30 June 2017</u>	<u>30 June 2016</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	80,021	72,292	156,413	153,393
Financial investments HTM	12,864	3,056	18,180	4,262
Money at call and deposits with banks and other financial institutions	1,732	-	4,051	13
Total finance income and hibah	<u>94,617</u>	<u>75,348</u>	<u>178,644</u>	<u>157,668</u>

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22 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2017</u>	30 June 2016	<u>30 June 2017</u>	30 June 2016
	<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Financing and advances	18,910	11,161	24,441	21,878
Securities purchased under resale agreements	618	411	840	416
Financial assets HFT	40	32	48	54
Financial investments AFS	1,877	1,105	2,438	2,151
Financial investments HTM	876	603	1,226	1,271
Money at call and deposits with banks and other financial institutions	2,087	1,334	2,641	3,108
Total finance income and hibah	24,408	14,646	31,634	28,878
Other operating income (Note a to g)	31,227	26,802	55,685	51,035
	55,635	41,448	87,319	79,913
Of which:				
Financing income earned on impaired financing	166	99	220	213
Other operating income comprise of:				
(a) Fee income:				
- Commission	6,086	3,781	11,413	7,430
- Service charges and fees	11,813	13,665	31,449	28,291
- Guarantee and underwriting fees	15	7	18	30
	17,914	17,453	42,880	35,751
(b) Net gain/(loss) on disposal of financial assets HFT	2	(7)	1	26
(c) Net loss on revaluation of derivatives	(1,907)	(264)	(7,699)	(1,502)
(d) Net gain/(loss) on fair value hedges	186	(282)	485	210
(e) Net gain on disposal of financial investments AFS	48	56	58	88
(f) Net gain on early redemption of financial investments HTM	1	-	1	-
(g) Other income:				
- Foreign exchange gain	14,968	9,819	19,942	16,434
- Other non-operating income	15	27	17	28
	31,227	26,802	55,685	51,035

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23 ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2017</u>	30 June 2016	<u>30 June 2017</u>	30 June 2016
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment on financing and advances:				
- Individual impairment allowance made/(written back)	1,242	(886)	1,713	(1,777)
- Collective impairment allowance	(11,822)	20,343	17,088	35,992
- Impaired financing recovered	(2,780)	(3,115)	(5,435)	(7,468)
- Impaired financing written off	1,984	1,873	3,474	6,306
	<u>(11,376)</u>	<u>18,215</u>	<u>16,840</u>	<u>33,053</u>

24 INCOME ATTRIBUTABLE TO DEPOSITORS

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2017</u>	30 June 2016	<u>30 June 2017</u>	30 June 2016
	RM'000	RM'000	RM'000	RM'000
Deposits from customers:				
- Mudharabah funds	1,141	1,313	2,284	2,589
- Non-Mudharabah funds	251,555	250,287	486,867	493,390
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah funds	38,785	34,182	83,860	73,836
Subordinated obligations	8,343	6,153	14,446	12,307
Recourse obligation on financing sold to Cagamas	8,206	11,143	17,658	22,787
	<u>308,030</u>	<u>303,078</u>	<u>605,115</u>	<u>604,909</u>

25 EARNINGS PER SHARE

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2017</u>	30 June 2016	<u>30 June 2017</u>	30 June 2016
Net profit for the financial period (RM'000)	<u>116,154</u>	<u>75,631</u>	<u>191,798</u>	<u>149,163</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,273,424</u>	<u>1,173,424</u>	<u>1,273,424</u>	<u>1,173,424</u>
Basic earnings per share (sen)	<u>9.12</u>	<u>6.45</u>	<u>15.06</u>	<u>12.71</u>

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26 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 2017	As at 31 December 2016
	RM'000	RM'000
Transaction-related contingent items	159,852	127,119
Short term self-liquidating trade-related contingencies	77,798	74,479
Obligations under underwriting agreements	-	76,000
Irrevocable commitments to extend credit:		
- maturity more than one year	3,920,328	4,824,220
Foreign exchange related contracts [@] :		
- less than one year	7,611,329	7,577,185
- one year to less than five years	1,663,283	766,434
- more than five years	977,350	999,623
Profit rate related contracts [@] :		
- less than one year	2,110,000	2,585,000
- one year to less than five years	1,438,063	2,279,448
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	2,347,878	2,183,074
Total	20,305,881	21,492,582

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

27 CAPITAL COMMITMENTS

	As at 30 June 2017	As at 31 December 2016
	RM'000	RM'000
Capital expenditure for property, plant and equipment:		
- Authorised but not contracted for	710	1,794
- Authorised and contracted for	4,186	3,084
	4,896	4,878

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28 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 2017</u>				
<u>Financial assets</u>				
Financial assets HFT:				
- money market instruments	-	153,896	-	153,896
Financial investments AFS:				
- money market instruments	-	3,262,503	200,587	3,463,090
- unquoted securities	-	715,002	-	715,002
	-	2,547,501	200,587	2,748,088
Derivative assets				
	-	158,219	-	158,219
	-	3,574,618	200,587	3,775,205
<u>Financial liabilities</u>				
Derivative liabilities				
	-	163,229	-	163,229
<u>31 December 2016</u>				
<u>Financial assets</u>				
Financial assets HFT:				
- money market instruments	-	10,177	-	10,177
Financial investments AFS:				
- money market instruments	-	3,259,028	200,619	3,459,647
- unquoted securities	-	754,927	-	754,927
	-	2,504,101	200,619	2,704,720
Derivative assets				
	-	402,763	-	402,763
	-	3,671,968	200,619	3,872,587
<u>Financial liabilities</u>				
Derivative liabilities				
	-	400,812	-	400,812

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28 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 non-transferable and non-tradable perpetual sukuk and impaired securities.

(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	As at
	30 June 2017	31 December 2016
	RM'000	RM'000
Balance as at the beginning of the financial period/year	200,619	201,162
Profit recognised	5,901	11,900
Payment received	(5,933)	(11,894)
Impairment losses	-	(549)
Balance as at the end of the financial period/year	<u>200,587</u>	<u>200,619</u>

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29 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 2017 RM'000	As at 31 December 2016 RM'000
<u>Common Equity Tier-I ('CET-I') Capital /Tier I Capital</u>		
Share capital	1,273,424	1,273,424
Retained profits	1,676,358	766,058
Statutory reserve	-	762,388
AFS reserve	(12,307)	(31,944)
	<u>2,937,475</u>	<u>2,769,926</u>
Less:		
Deferred tax assets	(17,086)	(25,748)
Ageing Reserves and Liquidity Reserve*	(1,758)	(2,891)
Total CET-I /Total Tier I Capital	<u>2,918,631</u>	<u>2,741,287</u>
<u>Tier II Capital</u>		
Subordinated obligations	750,000	500,000
Collective impairment allowance and regulatory reserve [^]	302,266	290,408
Total Tier II Capital	<u>1,052,266</u>	<u>790,408</u>
Total Capital	<u>3,970,897</u>	<u>3,531,695</u>
<u>Capital Ratios</u>		
CET-I Capital Ratio	11.342%	10.868%
Tier-I Capital Ratio	11.342%	10.868%
Total Capital Ratio	<u>15.431%</u>	<u>14.002%</u>

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

Credit risk-weighted assets	31,404,442	29,623,743
Credit risk-weighted assets absorbed by PSIA	(7,223,198)	(5,665,344)
Market risk-weighted assets	251,048	63,426
Operational risk-weighted assets	1,301,716	1,200,381
Total risk-weighted assets	<u>25,734,008</u>	<u>25,222,206</u>

In accordance with BNM's Guideline on "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 account (RPSIA) which qualifies as risk absorbent are excluded from the risk weighted capital ratio (RWCR) calculation. As at 30 June 2017, credit risks relating to RPSIA assets excluded from the RWCR calculation amounted to RM7,223,198,000 (31 December 2016: RM5,665,344,000).

[^] 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 RM165,884,000 (31 December 2016: RM158,516,000).

* 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.

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30 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 2017 RM'000	As at 31 December 2016 RM'000
Outstanding credit exposures with connected parties	<u>1,839,903</u>	<u>1,607,926</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	<u>4.26</u>	<u>4.22</u>
Percentage of outstanding credit exposures with connected parties which is non-performing 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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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

31 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

32 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.

33 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 2017.

34 CHANGES IN PROFIT FOR THE QUARTER

The Bank reported a pre-tax profit of RM153.2 million for the current quarter, 54.1% higher as compared to the preceding quarter ended 31 March 2017. The higher profit was mainly attributed to lower allowances for financing and advances by RM39.6 million, higher net funding income by RM8.1 million and higher non funding income by RM7.9 million, offset by higher overhead expenses by RM1.8 million.

35 PERFORMANCE REVIEW

For the six months ended 30 June 2017, the Bank recorded a pre-tax profit of RM252.6 million, 28.3% higher than previous year corresponding period of RM196.9 million. The higher profit was mainly due to higher net funding income by RM72.8 million, lower allowances for financing and advances by RM16.2 million and higher non funding income by RM0.8 million, offset by higher overhead expenses by RM34.1 million.

36 PROSPECTS FOR 2017

Malaysia's real GDP recorded a robust growth of 5.8% year-on-year in the second quarter of 2017, up from 5.6% in the first quarter, on the back of stronger external activities and private consumption. Real GDP for the year is forecast to grow at 5.3%, up from 4.2% recorded in 2016 on the back of continued expansion in exports, albeit at a moderate pace, pick up in domestic demand and increase in public spending and investments.

The Malaysian banking sector is expected to see signs of modest growth, underpinned by moderate increase in lending to household sector and recovery in business loans. A rebound in the capital market activities and the return of investors' interest are expected to contribute to an improved outlook for non-funding income.

The Bank will continue to pursue selective growth while also effectively managing asset quality and enhancing productivity. The Bank expects to deliver a better performance this year and is on track to achieve our long term objectives.