

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

	Note	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
<b>ASSETS</b>			
Cash and short-term funds		3,580,920	4,052,396
Securities purchased under resale agreements	9	716,363	1,724,107
Deposits and placements with banks and other financial institutions	10	-	36,886
Financial assets at fair value through profit or loss ('FVTPL')	11	154,733	207,145
Financial assets at fair value through other comprehensive income	12	5,495,775	5,118,305
Financial investments at amortised cost	13	3,693,519	3,407,470
Financing and advances	14	63,572,310	60,263,546
Other assets	15	816,958	268,960
Derivative assets		123,580	130,688
Tax recoverable		15,996	-
Statutory deposits with Bank Negara Malaysia ('BNM')		10,000	1,517,000
Right of use assets		2,488	2,924
Property, plant and equipment		3,647	3,979
Intangible assets		3,412	3,633
<b>TOTAL ASSETS</b>		<b>78,189,701</b>	<b>76,737,039</b>
<b>LIABILITIES AND EQUITY</b>			
Deposits from customers	16	56,966,237	54,416,970
Deposits and placements of banks and other financial institutions	17	5,056,480	5,109,861
Investment account due to designated financial institutions	18	7,857,578	8,229,334
Bills and acceptances payable		15,739	12,460
Other liabilities	19	106,901	928,842
Derivative liabilities		233,826	183,468
Recourse obligation on financing sold to Cagamas Berhad ('Cagamas')		2,270,037	2,270,239
Provision for taxation and zakat		-	36,025
Deferred tax liabilities		48,676	25,421
Lease liabilities		2,528	3,040
Subordinated obligations		754,599	754,565
<b>TOTAL LIABILITIES</b>		<b>73,312,601</b>	<b>71,970,225</b>
Share capital		1,673,424	1,673,424
Reserves		3,203,676	3,093,390
<b>TOTAL EQUITY</b>		<b>4,877,100</b>	<b>4,766,814</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>78,189,701</b>	<b>76,737,039</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	27	<b>28,433,747</b>	<b>25,540,822</b>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2019.

**RHB ISLAMIC BANK BERHAD**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	Note	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
		<u>30 June 2020</u>	<u>30 June 2019</u>	<u>30 June 2020</u>	<u>30 June 2019</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Income derived from investment of depositors' funds	20	<b>689,343</b>	694,602	<b>1,423,342</b>	1,363,860
Income derived from investment account funds	21	<b>91,822</b>	107,692	<b>195,080</b>	214,888
Income derived from investment of shareholders' funds	22	<b>35,616</b>	57,942	<b>81,401</b>	103,017
Net modification loss	23	<b>(232,788)</b>	-	<b>(232,788)</b>	-
Allowance for credit losses on financial assets	24	<b>(25,130)</b>	12,477	<b>(60,008)</b>	8,175
Total distributable income		<b>558,863</b>	872,713	<b>1,407,027</b>	1,689,940
Income attributable to depositors	25	<b>(434,503)</b>	(489,294)	<b>(928,094)</b>	(956,274)
Profit distributed to investment account holders		<b>(71,714)</b>	(84,555)	<b>(153,511)</b>	(169,702)
		<b>52,646</b>	298,864	<b>325,422</b>	563,964
Personnel expenses		<b>(7,118)</b>	(7,775)	<b>(14,438)</b>	(16,758)
Other overheads and expenditures		<b>(89,940)</b>	(87,074)	<b>(178,319)</b>	(187,966)
Profit/(Loss) before taxation and zakat		<b>(44,412)</b>	204,015	<b>132,665</b>	359,240
Taxation and zakat		<b>21,270</b>	(49,688)	<b>(22,221)</b>	(87,067)
Net profit/(loss) for the financial period		<b>(23,142)</b>	154,327	<b>110,444</b>	272,173
Basic earnings/(loss) per share (sen)	26	<b>(1.38)</b>	9.22	<b>6.60</b>	16.26

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2020</u>	<u>30 June 2019</u>	<u>30 June 2020</u>	<u>30 June 2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Net profit/(loss) for the financial period	<u>(23,142)</u>	<u>154,327</u>	<u>110,444</u>	<u>272,173</u>
Other comprehensive income/(loss) in respect of:				
Items that will be reclassified subsequently to profit or loss:				
Debt instruments measured at FVOCI:				
- Unrealised net gain on revaluation	<b>166,347</b>	50,313	<b>141,807</b>	123,224
- Net transfer to income statement on disposal	<b>(15,467)</b>	(1,880)	<b>(22,991)</b>	(5,303)
- Changes in expected credit losses	<b>(218)</b>	(563)	<b>(594)</b>	(1,132)
Income tax relating to components of other comprehensive income	<b>(36,212)</b>	(11,624)	<b>(28,517)</b>	(28,301)
Other comprehensive income, net of tax, for the financial period	<u><b>114,450</b></u>	<u>36,246</u>	<u><b>89,705</b></u>	<u>88,488</u>
Total comprehensive income for the financial period	<u><b>91,308</b></u>	<u>190,573</u>	<u><b>200,149</b></u>	<u>360,661</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 2019.

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	Share capital RM'000	Non distributable		Distributable	Total RM'000
		FVOCI reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	
<b>Balance as at 1 January 2020</b>	<b>1,673,424</b>	<b>120,030</b>	<b>442,869</b>	<b>2,530,491</b>	<b>4,766,814</b>
Net profit for the financial period	-	-	-	<b>110,444</b>	<b>110,444</b>
Other comprehensive income/(loss):					
Debt instruments measured at FVOCI:					
- Unrealised net gain	-	<b>141,807</b>	-	-	<b>141,807</b>
- Net transfer to income statement on disposal	-	<b>(22,991)</b>	-	-	<b>(22,991)</b>
- Changes in expected credit losses	-	<b>(594)</b>	-	-	<b>(594)</b>
Income tax relating to components of other comprehensive income	-	<b>(28,517)</b>	-	-	<b>(28,517)</b>
Other comprehensive income, net of tax, for the financial period	-	<b>89,705</b>	-	-	<b>89,705</b>
Total comprehensive income for the financial period	-	<b>89,705</b>	-	<b>110,444</b>	<b>200,149</b>
Dividend paid	-	-	-	<b>(89,863)</b>	<b>(89,863)</b>
Transfer from regulatory reserve	-	-	<b>(27,465)</b>	<b>27,465</b>	-
<b>Balance as at 30 June 2020</b>	<b>1,673,424</b>	<b>209,735</b>	<b>415,404</b>	<b>2,578,537</b>	<b>4,877,100</b>

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	Share capital	Non distributable		Distributable	Total
	RM'000	FVOCI reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	
<b>Balance as at 1 January 2019</b>	1,673,424	1,898	358,054	2,013,786	4,047,162
Net profit for the financial period	-	-	-	272,173	272,173
Other comprehensive income/(loss):					
Debt instruments measured at FVOCI:					
- Unrealised net gain	-	123,224	-	-	123,224
- Net transfer to income statement on disposal	-	(5,303)	-	-	(5,303)
- Changes in expected credit losses	-	(1,132)	-	-	(1,132)
Income tax relating to components of other comprehensive income	-	(28,301)	-	-	(28,301)
Other comprehensive income, net of tax, for the financial period	-	88,488	-	-	88,488
Total comprehensive income for the financial period	-	88,488	-	272,173	360,661
Transfer to regulatory reserve	-	-	71,977	(71,977)	-
<b>Balance as at 30 June 2019</b>	1,673,424	90,386	430,031	2,213,982	4,407,823

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	Six months ended	
	30 June 2020	30 June 2019
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	132,665	359,240
Adjustments for non-cash items:	125,187	(163,316)
Operating profit before changes in working capital	257,852	195,924
Changes in working capital:		
Net changes in operating assets	(1,581,472)	(5,163,622)
Net changes in operating liabilities	1,384,440	9,373,128
Cash generated from operations	60,820	4,405,430
Profit paid	(16,890)	(18,485)
Net tax and zakat paid	(79,504)	(57,517)
Net cash (used in)/generated from operating activities	(35,574)	4,329,428
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(135)	(636)
Purchase of intangible assets	(408)	(298)
Net purchase of financial assets at FVOCI	(238,044)	(785,976)
Net purchase of financial investments at amortised cost	(284,369)	(49,518)
Income received from financial assets at FVOCI	102,647	79,260
Income received from financial investments at amortised cost	75,870	71,200
Net cash used in investing activities	(344,439)	(685,968)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of subordinated obligation	-	500,000
Redemption of subordinated obligation	-	(500,000)
Principal lease payment	(1,600)	(1,789)
Dividend paid	(89,863)	-
Net cash used in financing activities	(91,463)	(1,789)
Net (decrease)/increase in cash and cash equivalents	(471,476)	3,641,671
Cash and cash equivalents at the beginning of the financial period	4,052,396	3,463,278
Cash and cash equivalents at the end of the financial period	3,580,920	7,104,949
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Cash and short-term funds	3,580,920	7,104,949

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2019.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

**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 2019.

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 2019, except for the adoption of the following 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 2020:
- The Conceptual Framework for Financial Reporting (Revised 2018)
  - Amendments to MFRS 101 and MFRS 108 'Definition of Material'
  - Amendments to MFRS 7, MFRS 9 and MFRS 139 'Interest Rate Benchmark Reform'

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

- (b) Changes in regulatory requirements - additional measures issued by Bank Negara Malaysia ('BNM')

Given the exceptional circumstances brought about by the COVID-19 pandemic, BNM announced on 24 March 2020 the following measures which are aimed to ensure that the financial intermediation function of the financial sector remains intact, access to financing continues to be available and banking institutions remain focused on supporting the economy during this challenging period:

- (i) Banking institutions to grant an automatic moratorium on all financing repayments covering both principal and profit (except for credit card balances) by individuals and small and medium-sized enterprises ('SMEs') for a period of 6 months effective 1 April 2020. This automatic moratorium is applicable to financing that are not in arrears exceeding 90 days as at 1 April 2020 and denominated in Malaysian Ringgit;
- (ii) For credit cards, customers shall have the option of converting the outstanding balances into a term financing of a tenure of not more than 3 years and an effective profit rate capped at 13% per annum. For customers who have been unable to meet the minimum repayment for 3 consecutive months, their credit card balances will be automatically converted into a term loan with the abovementioned terms;
- (iii) Banking institutions are also strongly encouraged to facilitate requests for a moratorium for corporate borrowers in a way that enables viable corporations to preserve jobs and swiftly resume economic activities;
- (iv) Banking institutions are given the following relaxation of the prudential buffers, which will need to be restored to the minimum regulatory requirements by 30 September 2021:
  - Drawdown of capital conservation buffer of 2.5%;
  - Operate below the minimum liquidity coverage ratio ('LCR') of 100%; and
  - Reduce the regulatory reserves held against expected credit losses to 0%.
- (v) The implementation of the Net Stable Funding Ratio ('NSFR') will proceed as scheduled on 1 July 2020. However, the minimum NSFR will be lowered to 80% and banking institutions will be required to comply with the requirement of 100% from 30 September 2021.

The adoption of the above additional measures will give rise to the following observations and financial impact:

- (i) The financial impact to the Bank is as disclosed in Note 23;
- (ii) Financing granted with moratorium will not be considered as 'restructured and rescheduled', unless they come with other concessions such as tenure extension and/or revision of repayment amount;
- (iii) The moratorium does not automatically result in stage transfer under MFRS 9 in the absence of other factors relevant to the assessment of whether there has been a significant increase in credit risk. Instead, the Bank will assess other factors, such as historical repayment and delinquency trends before the COVID-19 outbreak, in considering whether the borrower has experienced a significant increase in credit risk;
- (iv) The Bank has continued to maintain in aggregate the loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

**1 BASIS OF PREPARATION (CONTINUED)**

(b) Changes in regulatory requirements - additional measures issued by Bank Negara Malaysia ('BNM') (continued)

The adoption of the above additional measures will give rise to the following observations and financial impact (continued):

(v) Measurement of expected credit losses

The impact of the COVID-19 pandemic remains uncertain and represents a material downside risk to the economy. While the methodologies and assumptions applied in the base expected credit loss (ECL) calculations remained unchanged from those applied in the 2019 audited financial statements, the Bank has incorporated the following estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic and the associated support packages in the measurement of ECL:

- Forward looking macro-economic information and assumptions relating to the COVID-19 pandemic have been considered, including potential impacts of the COVID-19 pandemic, recognising uncertainty still exists in relation to the duration of the COVID-19 pandemic-related restrictions, the anticipated impact of government stimulus and regulatory actions;
- When determining whether the risk of default has increased significantly since initial recognition, both quantitative and qualitative information is considered, including expert credit assessment, forward looking information and analysis based on the Bank's historical loss experience; and
- Consistent with industry guidance and customer support payment deferrals as part of the COVID-19 pandemic moratorium packages, by itself, will not result in a significant increase in credit risk, and therefore will not trigger an automatic migration from stage 1 (12-month ECL) to stage 2 (Lifetime ECL) in the credit impairment provision for such financing.

**2 AUDITORS' REPORT**

The auditors' report for the financial year ended 31 December 2019 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 2020, other than the impact of COVID-19 and net modification loss as disclosed in Note 23.

**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 2020, other than as disclosed in Note 1(b).

**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 2020.

**7 DIVIDEND PAID**

During the six months ended 30 June 2020, the Bank has paid a single-tier dividend of 5.37 sen per share in respect of the financial year ended 31 December 2019, amounting to RM89,863,000 on 24 March 2020.



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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.
- Details of the IA are as disclosed in Note 18.

9 SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	<b>As at 30 June 2020</b>	<b>As at 31 December 2019</b>
<b>At amortised cost</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian Government Investment Issues	<b>716,363</b>	1,724,107

10 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<b>As at 30 June 2020</b>	<b>As at 31 December 2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed Islamic banks	-	36,886

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

	<b>As at 30 June 2020</b>	<b>As at 31 December 2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	<b>154,733</b>	207,145

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

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

	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
<b>At fair value</b>		
Debt instruments	<u>5,495,775</u>	<u>5,118,305</u>
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	1,265,907	1,451,776
Islamic Cagamas bonds	10,233	10,226
Negotiable Islamic debt certificates	-	149,537
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	4,219,635	3,481,186
<u>Outside Malaysia</u>		
Corporate sukuk	-	25,580
	<u>5,495,775</u>	<u>5,118,305</u>

(a) Movement in allowance for credit losses recognised in FVOCI reserve

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
<b>30 June 2020</b>				
Balance as at the beginning of the financial period	2,395	-	-	2,395
Allowance written back during the financial period	(594)	-	-	(594)
Balance as at the end of the financial period	<u>1,801</u>	<u>-</u>	<u>-</u>	<u>1,801</u>
<b>31 December 2019</b>				
Balance as at the beginning of the financial year	5,090	307	-	5,397
Allowance written back during the financial year	(2,695)	(307)	-	(3,002)
Balance as at the end of the financial year	<u>2,395</u>	<u>-</u>	<u>-</u>	<u>2,395</u>

13 FINANCIAL INVESTMENTS AT AMORTISED COST

	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
<b>At amortised cost</b>		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	261,801	167,390
Sukuk Perumahan Kerajaan	10,021	10,014
Islamic Khazanah bonds	96,166	94,424
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	3,331,004	3,141,013
	<u>3,698,992</u>	<u>3,412,841</u>
Allowance for credit losses	(5,473)	(5,371)
	<u>3,693,519</u>	<u>3,407,470</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

13 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

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

Gross exposure to RIA financing as at 30 June 2020 is RM811,775,000 (31 December 2019: RM811,775,000) and the portfolio expected credit losses for financial investments at amortised cost relating to RIA amounting to RM150,693,000 (31 December 2019: RM149,446,000) is recognised in the financial statements of RHB Bank.

(a) Movement in allowance for credit losses

	<b>12-month ECL (Stage 1) RM'000</b>	<b>Lifetime ECL not credit impaired (Stage 2) RM'000</b>	<b>Lifetime ECL credit impaired (Stage 3) RM'000</b>	<b>Total RM'000</b>
<b>30 June 2020</b>				
Balance as at the beginning of the financial period	5,182	189	-	5,371
Allowance made during the financial period	51	51	-	102
Balance as at the end of the financial period	<u>5,233</u>	<u>240</u>	<u>-</u>	<u>5,473</u>
<b>31 December 2019</b>				
Balance as at the beginning of the financial year	3,897	2,253	-	6,150
Allowance (written back)/made during the financial year	1,285	(2,064)	-	(779)
Balance as at the end of the financial year	<u>5,182</u>	<u>189</u>	<u>-</u>	<u>5,371</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

14 FINANCING AND ADVANCES

<b>30 June 2020</b>	<b>Bai' Bithaman</b>							
<b>At amortised cost</b>	<b>Ajil ('BBA')</b>	<b>Ijarah *</b>	<b>Murabahah</b>	<b>Musyarakah</b>	<b>Bai'Inah</b>	<b>Others</b>	<b>Total</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cashline	-	-	785,888	-	-	33,297	819,185	
Term financing:								
- Housing financing	324,679	-	6,251,920	12,852,934	-	921	19,430,454	
- Syndicated term financing	-	-	2,888,461	-	-	19,181	2,907,642	
- Hire purchase receivables	-	7,613,182	-	-	-	54,729	7,667,911	
- Other term financing	692	116,354	25,136,676	-	1,509,879	2,732	26,766,333	
Bills receivables	-	-	1,097,182	-	-	-	1,097,182	
Trust receipts	-	-	51,387	-	-	-	51,387	
Staff financing	1,775	-	7,388	-	-	-	9,163	
Credit/charge card receivables	-	-	-	-	-	263,625	263,625	
Revolving financing	-	-	4,844,230	-	-	-	4,844,230	
Gross financing and advances	<b>327,146</b>	<b>7,729,536</b>	<b>41,063,132</b>	<b>12,852,934</b>	<b>1,509,879</b>	<b>374,485</b>	<b>63,857,112</b>	
Fair value changes arising from fair value hedge							<b>99,641</b>	
							<b>63,956,753</b>	
Allowance for credit losses on financing and advances							<b>(384,443)</b>	
Net financing and advances							<b>63,572,310</b>	

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

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14 FINANCING AND ADVANCES (CONTINUED)

<b>31 December 2019</b>	<b>Bai'</b>						
	<b>Bithaman</b>						
	<b>Ajil ('BBA')</b>	<b>Ijarah *</b>	<b>Murabahah</b>	<b>Musyarakah</b>	<b>Bai'Inah</b>	<b>Others</b>	<b>Total</b>
<b>At amortised cost</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cashline	-	-	822,018	-	-	25,578	847,596
Term financing:							
- Housing financing	337,097	-	5,290,921	12,728,973	-	936	18,357,927
- Syndicated term financing	-	-	2,862,725	-	-	19,166	2,881,891
- Hire purchase receivables	-	7,666,322	-	-	-	56,705	7,723,027
- Other term financing	705	144,370	23,085,183	-	1,509,993	2,751	24,743,002
Bills receivables	-	-	910,771	-	-	-	910,771
Trust receipts	-	-	29,100	-	-	-	29,100
Staff financing	1,928	-	4,781	-	-	-	6,709
Credit/charge card receivables	-	-	-	-	-	293,523	293,523
Revolving financing	-	-	4,776,914	-	-	-	4,776,914
Gross financing and advances	339,730	7,810,692	37,782,413	12,728,973	1,509,993	398,659	60,570,460
Fair value changes arising from fair value hedge							34,139
							60,604,599
Allowance for credit losses on financing and advances							(341,053)
Net financing and advances							60,263,546

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

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14 FINANCING AND ADVANCES (CONTINUED)

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

As at 30 June 2020, the gross exposure to RIA financing is RM6,945,301,000 (31 December 2019: RM7,320,301,000) and the portfolio expected credit losses for financing and advances relating to RIA amounting to RM116,421,000 (31 December 2019: RM117,930,000) is recognised in the financial statements of RHB Bank.

- (b) Included in term financing are housing financing sold to Cagamas amounting to RM2,148,326,000 (31 December 2019: RM2,139,650,000).

(i) By type of customer	<u>As at</u> <u>30 June 2020</u> <u>RM'000</u>	<u>As at</u> <u>31 December 2019</u> <u>RM'000</u>
Domestic non-bank financial institutions:		
- Others	1,861,683	2,320,347
Domestic business enterprises:		
- Small medium enterprises	4,722,205	4,627,413
- Others	14,266,815	14,552,585
Government and statutory bodies	7,607,971	5,093,705
Individuals	34,863,920	33,508,427
Other domestic entities	121,705	122,341
Foreign entities	412,813	345,642
	<u>63,857,112</u>	<u>60,570,460</u>
(ii) By profit rate sensitivity		
Fixed rate:		
- Housing financing	1,775	1,928
- Hire-purchase receivables	1,785,425	2,245,851
- Other fixed rate financing	10,888,715	9,126,260
Variable rate:		
- Base financing rate-plus	32,110,639	30,310,250
- Cost-plus	18,954,636	18,768,043
- Other variable rates	115,922	118,128
	<u>63,857,112</u>	<u>60,570,460</u>
(iii) By economic sector		
Agriculture, hunting, forestry and fishing	1,417,636	1,389,917
Mining and quarrying	110,725	105,200
Manufacturing	2,013,306	1,949,183
Electricity, gas and water	200,783	213,850
Construction	5,166,185	4,802,590
Wholesale and retail trade and restaurant and hotel	2,040,418	1,843,689
Transport, storage and communication	4,601,124	5,036,663
Finance, insurance, real estate and business services	5,100,823	5,871,291
Government and government agencies	4,595,216	3,583,712
Education, health and others	3,394,624	1,919,904
Household sector	35,004,757	33,692,323
Others	211,515	162,138
	<u>63,857,112</u>	<u>60,570,460</u>

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14 FINANCING AND ADVANCES (CONTINUED)

	<u>As at</u> <u>30 June 2020</u>	<u>As at</u> <u>31 December 2019</u>
	<u>RM'000</u>	<u>RM'000</u>
(iv) By purpose		
Purchase of securities	4,594,928	4,335,604
Purchase of transport vehicles	7,625,724	7,686,652
Purchase of landed property:		
- Residential	18,330,391	17,302,952
- Non-residential	4,807,295	4,500,893
Purchase of property, plant and equipment other than land and building	546,902	542,927
Personal use	4,265,596	4,184,378
Credit card	263,625	293,523
Construction	1,458,842	1,491,230
Working capital	13,485,409	11,698,617
Merger and acquisition	1,300,848	1,400,917
Other purposes	7,177,552	7,132,767
	<u><u>63,857,112</u></u>	<u><u>60,570,460</u></u>
(v) By geographical distribution		
In Malaysia	<u><u>63,857,112</u></u>	<u><u>60,570,460</u></u>
(vi) By remaining contractual maturities		
Maturing within one year	9,053,861	8,882,449
One year to three years	2,248,771	2,069,216
Three years to five years	8,019,693	8,648,635
Over five years	44,534,787	40,970,160
	<u><u>63,857,112</u></u>	<u><u>60,570,460</u></u>
(vii) Impaired financing and advances		
(a) Movement in impaired financing and advances		
Balance as at the beginning of the financial period/year	466,169	509,183
Transfer to 12-month ECL (Stage 1)	(16,758)	(18,522)
Transfer to Lifetime ECL not credit impaired (Stage 2)	(40,159)	(71,197)
Transfer to Lifetime ECL credit impaired (Stage 3)	87,753	209,647
Purchases and origination	8,784	46,347
Derecognition	(50,814)	(99,603)
Amount written off	(26,155)	(109,686)
Balance as at the end of the financial period/year	<u><u>428,820</u></u>	<u><u>466,169</u></u>

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14 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

	As at <b>30 June 2020</b>	As at <b>31 December 2019</b>
	<b>RM'000</b>	<b>RM'000</b>
(b) By economic sector		
Agriculture, hunting, forestry and fishing	1,231	1,527
Mining and quarrying	895	873
Manufacturing	24,890	25,226
Electricity, gas and water	4,051	20,768
Construction	42,240	47,860
Wholesale and retail trade and restaurant and hotel	38,043	42,870
Transport, storage and communication	13,623	13,661
Finance, insurance, real estate and business services	33,690	27,575
Education, health and others	6,770	6,813
Household sector	263,014	278,996
Others	373	-
	<b>428,820</b>	<b>466,169</b>
(c) By purpose		
Purchase of securities	244	366
Purchase of transport vehicles	48,842	52,669
Purchase of landed property:		
- Residential	200,732	208,043
- Non-residential	61,068	69,180
Purchase of property, plant and equipment other than land and building	3,462	6,015
Personal use	8,312	10,303
Credit card	1,158	3,604
Working capital	69,613	85,939
Other purposes	35,389	30,050
	<b>428,820</b>	<b>466,169</b>
(d) By geographical distribution		
In Malaysia	<b>428,820</b>	<b>466,169</b>



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14 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

(e) Movement in allowance for credit losses

	<b>12-month ECL (Stage 1)</b>	<b>Lifetime ECL not credit impaired (Stage 2)</b>	<b>Lifetime ECL credit impaired (Stage 3)</b>	<b>Total</b>
<b>30 June 2020</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Balance as at the beginning of the financial period	67,562	99,609	173,882	341,053
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	25,401	(20,302)	(5,099)	-
- Transferred to Lifetime ECL not credit impaired (Stage 2)	(5,878)	17,089	(11,211)	-
- Transferred to Lifetime ECL credit impaired (Stage 3)	(114)	(3,242)	3,356	-
	19,409	(6,455)	(12,954)	-
Allowance made/(written back) during the financial period	(754)	32,062	46,891	78,199
Bad debts written off	-	-	(18,766)	(18,766)
Derecognised during the financial period	(2,626)	(2,196)	(11,221)	(16,043)
Balance as at the end of the financial period	<u>83,591</u>	<u>123,020</u>	<u>177,832</u>	<u>384,443</u>

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14 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

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

	<b>12-month ECL (Stage 1)</b>	<b>Lifetime ECL not credit impaired (Stage 2)</b>	<b>Lifetime ECL credit impaired (Stage 3)</b>	<b>Total</b>
<b>31 December 2019</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Balance as at the beginning of the financial year	73,615	116,254	233,219	423,088
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	31,585	(25,017)	(6,568)	-
- Transferred to Lifetime ECL not credit impaired (Stage 2)	(5,332)	18,178	(12,846)	-
- Transferred to Lifetime ECL credit impaired (Stage 3)	(483)	(3,649)	4,132	-
	25,770	(10,488)	(15,282)	-
Allowance made/(written back) during the financial year	(20,935)	13,448	66,258	58,771
Bad debts written off	-	-	(84,924)	(84,924)
Changes to model methodologies	(2,628)	(4,104)	-	(6,732)
Derecognised during the financial year	(8,260)	(15,501)	(25,389)	(49,150)
Balance as at the end of the financial year	<u>67,562</u>	<u>99,609</u>	<u>173,882</u>	<u>341,053</u>

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15 OTHER ASSETS

	As at <u>30 June 2020</u> RM'000	As at <u>31 December 2019</u> RM'000
Prepayments	25,064	26,794
Deposits	1,531	1,527
Amount due from a related company	43	-
Amount due from holding company	550,765	-
Other receivables	239,555	240,639
	<u><b>816,958</b></u>	<u><b>268,960</b></u>

16 DEPOSITS FROM CUSTOMERS

	As at <u>30 June 2020</u> RM'000	As at <u>31 December 2019</u> RM'000
<u>Savings Deposits</u>		
Qard	1,957,846	1,546,038
<u>Demand Deposits</u>		
Qard	5,465,999	4,922,269
Commodity Murabahah	1,290,995	899,010
<u>Term Deposits</u>		
Commodity Murabahah	41,930,473	39,937,853
<u>Specific Investment Account</u>		
Commodity Murabahah	6,229,391	7,011,168
<u>General Investment Account</u>		
Mudharabah	91,533	100,632
	<u><b>56,966,237</b></u>	<u><b>54,416,970</b></u>

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

Due within six months	35,367,977	30,039,231
Six months to one year	11,847,917	15,563,054
One year to three years	618,562	964,180
Three years to five years	416,941	483,188
	<u><b>48,251,397</b></u>	<u><b>47,049,653</b></u>

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

Government and statutory bodies	11,628,672	10,093,920
Business enterprises	25,993,372	25,315,576
Individuals	18,908,738	18,615,758
Others	435,455	391,716
	<u><b>56,966,237</b></u>	<u><b>54,416,970</b></u>

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17 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at <b>30 June 2020</b>	As at 31 December 2019
	RM'000	RM'000
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	1,693,054	996,510
Licensed banks	2,648,686	3,733,753
Licensed investment banks	349,319	299,320
BNM	83,025	59,360
	<u>4,774,084</u>	<u>5,088,943</u>
<u>Mudharabah Funds:</u>		
Other financial institutions	282,396	20,918
	<u>5,056,480</u>	<u>5,109,861</u>

18 INVESTMENT ACCOUNT DUE TO DESIGNATED FINANCIAL INSTITUTIONS

	As at <b>30 June 2020</b>	As at 31 December 2019
	RM'000	RM'000
<u>Restricted Investment Account:</u>		
Mudharabah	<u>7,857,578</u>	<u>8,229,334</u>
<u>By type of counterparty:</u>		
Licensed banks	<u>7,857,578</u>	<u>8,229,334</u>
<u>Investment asset (principal):</u>		
Personal financing (Note 14)	1,000,000	1,000,000
Other term financing (Note 14)	5,945,301	6,320,301
Unquoted securities (Note 13)	811,775	811,775
	<u>7,757,076</u>	<u>8,132,076</u>

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

19 OTHER LIABILITIES

	As at <b>30 June 2020</b>	As at 31 December 2019
	RM'000	RM'000
Sundry creditors	24,719	12,964
Amount due to holding company	-	431,027
Amount due to other related companies	191	260
Contract liability	1,022	7,154
Short term employee benefits	1,147	5,907
Accrual for operational expenses	12,630	9,537
Other accruals and payables	67,192	461,993
	<u>106,901</u>	<u>928,842</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 2020</u>	<u>30 June 2019</u>	<u>30 June 2020</u>	<u>30 June 2019</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	<b>1,103</b>	1,396	<b>2,355</b>	2,839
(ii) Other deposits	<b>688,240</b>	693,206	<b>1,420,987</b>	1,361,021
	<b>689,343</b>	694,602	<b>1,423,342</b>	1,363,860
(i) Income derived from investment of general investment deposits:				
Financing and advances	<b>903</b>	1,166	<b>1,963</b>	2,355
Securities purchased under resale agreements	<b>12</b>	18	<b>35</b>	39
Financial assets at FVTPL	<b>2</b>	3	<b>3</b>	8
Financial assets at FVOCI	<b>80</b>	104	<b>163</b>	208
Financial investments at amortised cost	<b>42</b>	48	<b>87</b>	97
Money at call and deposits with banks and other financial institutions	<b>31</b>	44	<b>60</b>	94
Total finance income and hibah	<b>1,070</b>	1,383	<b>2,311</b>	2,801
Other operating income (Note a)	<b>33</b>	13	<b>44</b>	38
	<b>1,103</b>	1,396	<b>2,355</b>	2,839
Of which:				
Financing income earned on impaired financing	<b>4</b>	3	<b>10</b>	10
(a) Other operating income comprise of:				
Fee income:				
- Commission	<b>2</b>	4	<b>6</b>	9
- Guarantee fees	<b>1</b>	2	<b>2</b>	4
	<b>3</b>	6	<b>8</b>	13
Net (loss)/gain on revaluation of financial assets at FVTPL	<b>7</b>	(3)	<b>(9)</b>	(1)
Net gain on disposal of financial assets at FVTPL	<b>-</b>	7	<b>10</b>	15
Net gain on disposal of financial assets at FVOCI	<b>23</b>	3	<b>35</b>	11
	<b>33</b>	13	<b>44</b>	38

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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 2020</u>	<u>30 June 2019</u>	<u>30 June 2020</u>	<u>30 June 2019</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	564,685	578,849	1,184,709	1,128,697
Securities purchased under resale agreements	7,094	8,975	20,830	18,863
Financial assets at FVTPL	1,191	1,511	1,954	3,978
Financial assets at FVOCI	50,065	51,469	98,464	99,607
Financial investments at amortised cost	26,335	24,167	52,476	46,690
Money at call and deposits with banks and other financial institutions	19,252	21,661	36,269	44,979
Other income	16	-	16	-
Total finance income and hibah	<u>668,638</u>	<u>686,632</u>	<u>1,394,718</u>	<u>1,342,814</u>
Other operating income (Note a)	<u>19,602</u>	<u>6,574</u>	<u>26,269</u>	<u>18,207</u>
	<u><b>688,240</b></u>	<u><b>693,206</b></u>	<u><b>1,420,987</b></u>	<u><b>1,361,021</b></u>
Of which:				
Financing income earned on impaired financing	<u>1,962</u>	<u>1,645</u>	<u>5,010</u>	<u>4,930</u>
(a) Other operating income comprise of:				
Fee income:				
- Commission	1,306	1,864	3,721	4,246
- Guarantee fees	392	955	939	1,741
	<u>1,698</u>	<u>2,819</u>	<u>4,660</u>	<u>5,987</u>
Net (loss)/gain on revaluation of financial assets at FVTPL	4,143	(1,746)	(5,464)	(301)
Net gain/(loss) on disposal of financial assets at FVTPL	(63)	3,682	5,950	7,395
Net gain on disposal of financial assets at FVOCI	13,824	1,819	21,123	5,126
	<u>19,602</u>	<u>6,574</u>	<u>26,269</u>	<u>18,207</u>

21 INCOME DERIVED FROM INVESTMENT ACCOUNT FUNDS

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2020</u>	<u>30 June 2019</u>	<u>30 June 2020</u>	<u>30 June 2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Financing and advances	80,283	96,437	171,489	192,504
Financial investments at amortised cost	11,539	11,255	23,565	22,384
Money at call and deposits with banks and other financial institutions	-	-	26	-
Total finance income and hibah	<u>91,822</u>	<u>107,692</u>	<u>195,080</u>	<u>214,888</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 2020</u>	<u>30 June 2019</u>	<u>30 June 2020</u>	<u>30 June 2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Financing and advances	16,329	18,432	34,407	36,650
Securities purchased under resale agreements	204	285	605	613
Financial assets at FVTPL	35	47	57	129
Financial assets at FVOCI	1,449	1,639	2,860	3,234
Financial investments at amortised cost	762	770	1,524	1,516
Money at call and deposits with banks and other financial institutions	557	688	1,053	1,461
Total finance income and hibah	<u>19,336</u>	<u>21,861</u>	<u>40,506</u>	<u>43,603</u>
Other operating income (Note a)	<u>16,280</u>	<u>36,081</u>	<u>40,895</u>	<u>59,414</u>
	<u><b>35,616</b></u>	<u><b>57,942</b></u>	<u><b>81,401</b></u>	<u><b>103,017</b></u>
Of which:				
Financing income earned on impaired financing	<u>57</u>	<u>51</u>	<u>145</u>	<u>160</u>
(a) Other operating income comprise of:				
Fee income:				
- Commission	4,894	11,093	13,453	20,489
- Guarantee and underwriting fees	11	31	27	57
- Service charges and fees	14,768	25,299	32,722	39,897
	<u>19,673</u>	<u>36,423</u>	<u>46,202</u>	<u>60,443</u>
Net (loss)/gain on revaluation of financial assets at FVTPL	121	(58)	(159)	(10)
Net gain/(loss) on disposal of financial assets at FVTPL	(2)	117	173	240
Net gain on disposal of financial investments at FVOCI	400	56	613	166
Net loss on revaluation of derivatives	(5,702)	(1,360)	(8,293)	(3,243)
Net gain/(loss) on fair value hedges	412	(2,174)	1,306	(3,433)
Other income:				
- Foreign exchange gain	1,677	2,595	1,762	4,356
- Other non-operating (loss)/income	(299)	482	(709)	895
	<u>16,280</u>	<u>36,081</u>	<u>40,895</u>	<u>59,414</u>

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**23 NET MODIFICATION LOSS**

The Bank has granted an automatic payment moratorium on certain financing to individuals and SMEs as further disclosed in Note 1(b). As a result of the payment moratorium, the Bank has recognised a loss arising from the modification of cash flows of the financing. This loss is set-off against the fair value gain on concessionary funding received as part of the COVID-19 relief measures. The net modification loss will be unwound through the income statement over the remaining tenure of the financing and funding.

**24 ALLOWANCE FOR CREDIT LOSSES ON FINANCIAL ASSETS**

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2020</u>	30 June 2019	<u>30 June 2020</u>	30 June 2019
	RM'000	RM'000	RM'000	RM'000
<u>Charge/(Writeback)</u>				
Financing and advances:				
- Net charge/(writeback)	24,585	(11,624)	62,156	(6,474)
- Bad debts recovered	(2,782)	(3,287)	(9,285)	(7,542)
- Bad debts written off	3,071	3,042	7,370	9,940
	<u>24,874</u>	(11,869)	<u>60,241</u>	(4,076)
Financial assets at FVOCI	(218)	(563)	(594)	(1,132)
Financial investments at amortised cost	213	87	102	(2,799)
Other financial assets	261	(132)	259	(168)
	<u><u>25,130</u></u>	<u><u>(12,477)</u></u>	<u><u>60,008</u></u>	<u><u>(8,175)</u></u>

**25 INCOME ATTRIBUTABLE TO DEPOSITORS**

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2020</u>	30 June 2019	<u>30 June 2020</u>	30 June 2019
	RM'000	RM'000	RM'000	RM'000
Deposits from customers:				
- Mudharabah funds	4,962	1,428	9,480	2,718
- Non-Mudharabah funds	375,898	427,082	798,803	821,876
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah funds	21,013	27,918	54,443	65,437
Others:				
- Subordinated obligations	8,427	8,451	16,854	17,562
- Recourse obligation on financing sold to Cagamas	24,171	24,357	48,444	48,553
- Others	32	58	70	128
	<u><u>434,503</u></u>	<u><u>489,294</u></u>	<u><u>928,094</u></u>	<u><u>956,274</u></u>

**26 EARNINGS/(LOSS) PER SHARE**

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2020</u>	30 June 2019	<u>30 June 2020</u>	30 June 2019
Net profit/(loss) for the financial period (RM'000)	<u><u>(23,142)</u></u>	154,327	<u><u>110,444</u></u>	272,173
Weighted average number of ordinary shares in issue ('000)	<u><u>1,673,424</u></u>	1,673,424	<u><u>1,673,424</u></u>	1,673,424
Basic earnings/(loss) per share (sen)	<u><u>(1.38)</u></u>	9.22	<u><u>6.60</u></u>	16.26



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**27 COMMITMENTS AND CONTINGENCIES**

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

	<u>As at</u> <u>30 June 2020</u> RM'000	<u>As at</u> <u>31 December 2019</u> RM'000
Transaction-related contingent items	266,815	260,081
Short term self-liquidating trade-related contingencies	148,217	95,289
Irrevocable commitments to extend credit:		
- Maturity less than one year	147	30,233
- Maturity more than one year	6,524,530	7,522,933
Foreign exchange related contracts <sup>^</sup> :		
- Less than one year	12,906,007	9,851,295
- One year to less than five years	861,065	854,063
- More than five years	976,261	954,177
Profit rate related contracts <sup>^</sup> :		
- Less than one year	1,029,441	1,860,000
- One year to less than five years	1,452,821	1,346,015
- More than five years	1,733,000	500,000
Any commitments that are unconditionally cancelled at any time by the time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	<u>2,535,443</u>	<u>2,266,736</u>
	<u><b>28,433,747</b></u>	<u><b>25,540,822</b></u>

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

**28 CAPITAL COMMITMENTS**

	<u>As at</u> <u>30 June 2020</u> RM'000	<u>As at</u> <u>31 December 2019</u> RM'000
Capital expenditure for property, plant and equipment:		
- Authorised and contracted for	<u>772</u>	<u>958</u>

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29 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<b><u>30 June 2020</u></b>				
<b><u>Financial assets</u></b>				
Financial assets at FVTPL:				
- money market instruments	-	154,733	-	154,733
Financial assets at FVOCI:				
- money market instruments	-	5,495,775	-	5,495,775
- unquoted securities	-	1,276,140	-	1,276,140
	-	4,219,635	-	4,219,635
Derivative assets	-	123,580	-	123,580
	-	5,774,088	-	5,774,088
<b><u>Financial liabilities</u></b>				
Derivative liabilities	-	233,826	-	233,826
<b><u>31 December 2019</u></b>				
<b><u>Financial assets</u></b>				
Financial assets at FVTPL:				
- money market instruments	-	207,145	-	207,145
Financial assets at FVOCI:				
- money market instruments	-	5,118,305	-	5,118,305
- unquoted securities	-	1,611,539	-	1,611,539
	-	3,506,766	-	3,506,766
Derivative assets	-	130,688	-	130,688
	-	5,456,138	-	5,456,138
<b><u>Financial liabilities</u></b>				
Derivative liabilities	-	183,468	-	183,468

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29 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(i) Valuation techniques and sensitivity analysis

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

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

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

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30 CAPITAL ADEQUACY

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

The capital adequacy ratios of the Bank are as follows:

	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
<b><u>Common Equity Tier-I ('CET-I') Capital /Tier I Capital</u></b>		
Share capital	1,673,424	1,673,424
Retained profits	2,578,537	2,530,491
FVOCI reserve	207,934	117,635
	<u>4,459,895</u>	<u>4,321,550</u>
Less:		
Deferred tax assets	(17,571)	(12,068)
Intangible assets (include associated deferred tax liabilities)	(2,830)	(3,295)
55% of cumulative gains of financial assets at FVOCI	(114,364)	(64,699)
Other deductions*	(1,478)	(1,955)
Total CET-I/Total Tier I Capital	<u>4,323,652</u>	<u>4,239,533</u>
<b><u>Tier II Capital</u></b>		
Subordinated obligations	750,000	750,000
Surplus eligible provisions over expected losses	121,379	114,957
General provisions <sup>^</sup>	54,843	53,940
Total Tier II Capital	<u>926,222</u>	<u>918,897</u>
Total Capital	<u>5,249,874</u>	<u>5,158,430</u>
<b><u>Capital Ratios</u></b>		
Before proposed dividends:		
CET-I Capital Ratio	13.753%	13.922%
Tier-I Capital Ratio	13.753%	13.922%
Total Capital Ratio	<u>16.699%</u>	<u>16.939%</u>
After proposed dividends:		
CET-I Capital Ratio	13.753%	13.627%
Tier-I Capital Ratio	13.753%	13.627%
Total Capital Ratio	<u>16.699%</u>	<u>16.644%</u>

\* Pursuant to the Basel II Market Risk para 5.18 and 5.19 – Valuation Adjustments, the Capital Adequacy Framework for Islamic Banks (Basel II - Risk Weighted Assets) calculation shall account for the ageing, liquidity and holding back adjustments/reserves on its trading portfolio.

<sup>^</sup> 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 RM45,062,000 (31 December 2019: RM44,447,000).

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30 CAPITAL ADEQUACY (CONTINUED)

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

	<b>As at</b> <b>30 June 2020</b>	<b>As at</b> <b>31 December 2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Credit risk	<b>30,639,038</b>	29,308,355
Credit risk absorbed by PSIA <sup>+</sup>	<b>(6,021,817)</b>	(5,833,615)
Market risk	<b>229,487</b>	293,518
Operational risk	<b>2,045,732</b>	1,937,774
Additional RWA due to capital floor	<b>4,546,066</b>	4,746,219
Total risk-weighted assets	<b>31,438,506</b>	30,452,251

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).

<sup>+</sup> In accordance with BNM's 'Guidelines on the Recognition and Measurement of Profit Sharing Investment Account ('PSIA') as Risk Absorbent', the credit risk 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.

31 CREDIT EXPOSURES ARISING FROM TRANSACTIONS WITH CONNECTED PARTIES

	<b>As at</b> <b>30 June 2020</b>	<b>As at</b> <b>31 December 2019</b>
Outstanding credit exposures with connected parties (RM'000)	<b>3,330,639</b>	3,032,921
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	<b>4.66</b>	4.51
Percentage of outstanding credit exposures with connected parties which is impaired or in default (%)	<b>0.38</b>	0.42

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

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**32 VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

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

**33 EVENTS SUBSEQUENT TO BALANCE SHEET DATE**

There were no significant event subsequent to the balance sheet date that have not been reflected in the financial statements, other than as mentioned below:

- (a) Bankcatakaful service agreements between the Bank and Syarikat Takaful Malaysia Keluarga Berhad ('STMKB') and Syarikat Takaful Malaysia Am Berhad ('STMAB').

The Bank had on 28 July 2020, entered into the following agreements:

- (i) Bancatakaful service agreement in respect of family Takaful products ('Family Bancatakaful Agreement') with STMKB; and
- (ii) Bancatakaful service agreement in respect of general Takaful products ('General Bancatakaful Agreement') with STMAB, a wholly-owned subsidiary of STMKB.

The salient terms of the Bancatakaful Agreements are as follows:

<b>Family Bancatakaful Agreement</b>	<b>General Bancatakaful Agreement</b>
<p>(a) Tenure shall be for a period of 5 years commencing on 1 August 2020 and subject to the Bank meeting the pre-agreed budgets for the family credit Takaful products, and shall end on 31 July 2025. In event that the Bank fails to meet the pre-agreed budgets for the family credit Takaful products at the end of the 5th year of the contract period, the tenure of the Family Bancatakaful Agreement may be extended for a period of up to 1 year;</p> <p>(b) The Bank shall sell, distribute, market and promote family credit Takaful products developed by STMKB for distribution by the Bank on an exclusive basis to the extent permitted by the applicable laws and regulatory requirements. In consideration thereof, STMKB will pay a facilitation fee of RM145 million to the Bank; and</p> <p>(c) STMKB shall have the right of first refusal to develop and offer for sale by the Bank non-credit related/advisory family Takaful products proposed by the Bank, in accordance with the terms of the Family Bancatakaful Agreement.</p>	<p>(a) Tenure shall be for a period of 5 years commencing on 1 August 2020 and subject to the Bank meeting the pre-agreed budgets for the general Takaful products, and shall end on 31 July 2025. In event that the Bank fails to meet the pre-agreed budgets for the general Takaful products at the end of the 5th year of the contract period, the tenure of the General Bancatakaful Agreement may be extended for a period of up to 1 year; and</p> <p>(b) The Bank shall sell, distribute, market and promote general Takaful products developed by STMAB for distribution by the Bank on an exclusive basis to the extent permitted by the applicable laws and regulatory requirements. In consideration thereof, STMAB will pay a facilitation fee of RM6 million to the Bank.</p>

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**34 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 2020.

**35 CHANGES IN PROFIT FOR THE QUARTER**

The Bank reported a pre-tax loss of RM44.4 million for the current quarter, as compared to a pre-tax profit of RM177.1 million recorded in the preceding quarter ended 31 March 2020. The higher loss was mainly attributed to modification loss of RM232.8 million, lower net funding income by RM1.7 million and higher overhead expenses by RM1.3 million, partially offset by lower allowance for credit losses by RM9.7 million and higher non funding income by RM4.6 million.

**36 PERFORMANCE REVIEW**

For the six months ended 30 June 2020, the Bank recorded a pre-tax profit of RM132.7 million, 63.1% lower than previous year corresponding period of RM359.2 million. The lower profit was mainly due to modification loss of RM232.8 million, higher allowance for credit losses by RM68.2 million and lower non funding income by RM10.4 million, partly offset by higher net funding income by RM72.9 million and lower overhead expenses by RM12.0 million.

**37 PROSPECTS FOR 2020**

The COVID-19 pandemic will have a significant impact on global and domestic economic growth. The opening up of economic sectors in Malaysia is a positive sign but the pace and extent of the economic recovery in Malaysia will largely depend on not only Malaysia's ability to contain the pandemic but also the ability of Malaysia's major trading partners to do the same.

As the automatic payment moratorium on all financing repayments by individuals and SME borrowers will end in September 2020, RHB continues to engage with our customers and offer our support to them especially those that are in need of further repayment assistance.

RHB Banking Group's fundamentals remain strong, with sufficient liquidity and ample capital to steer through the pandemic. However, we expect financial performance this year to be affected as we account for the Day-1 modification loss arising from the payment moratorium and set aside additional loan loss provision to account for the unprecedented economic and health crises. Our focus on implementing FIT22 remains, though we will prioritise certain initiatives to proactively respond to the impact of the pandemic crisis and economic slowdown.