

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	Note	As at <u>30 September 2020</u> RM'000	As at <u>31 December 2019</u> RM'000
ASSETS			
Cash and short-term funds		1,910,768	4,052,396
Securities purchased under resale agreements	9	2,722,554	1,724,107
Deposits and placements with banks and other financial institutions	10	723,457	36,886
Financial assets at fair value through profit or loss ('FVTPL')	11	33,649	207,145
Financial assets at fair value through other comprehensive income	12	5,764,135	5,118,305
Financial investments at amortised cost	13	4,274,704	3,407,470
Financing and advances	14	65,970,544	60,263,546
Other assets	15	493,798	268,960
Derivative assets		151,029	130,688
Statutory deposits with Bank Negara Malaysia ('BNM')		11,000	1,517,000
Right of use assets		4,474	2,924
Property, plant and equipment		3,771	3,979
Intangible assets		3,192	3,633
TOTAL ASSETS		<u>82,067,075</u>	<u>76,737,039</u>
LIABILITIES AND EQUITY			
Deposits from customers	16	59,106,934	54,416,970
Deposits and placements of banks and other financial institutions	17	5,775,839	5,109,861
Investment account due to designated financial institutions	18	8,198,537	8,229,334
Bills and acceptances payable		16,148	12,460
Other liabilities	19	548,262	928,842
Derivative liabilities		280,882	183,468
Recourse obligation on financing sold to Cagamas Berhad ('Cagamas')		2,272,551	2,270,239
Provision for taxation and zakat		29,444	36,025
Deferred tax liabilities		31,878	25,421
Lease liabilities		4,543	3,040
Subordinated obligations		763,118	754,565
TOTAL LIABILITIES		<u>77,028,136</u>	<u>71,970,225</u>
Share capital		1,673,424	1,673,424
Reserves		3,365,515	3,093,390
TOTAL EQUITY		<u>5,038,939</u>	<u>4,766,814</u>
TOTAL LIABILITIES AND EQUITY		<u>82,067,075</u>	<u>76,737,039</u>
COMMITMENTS AND CONTINGENCIES	27	<u>31,992,488</u>	<u>25,540,822</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.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	Note	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
		30 September	30 September	30 September	30 September
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	20	663,379	726,773	2,086,721	2,090,633
Income derived from investment account funds	21	83,036	108,456	278,116	323,344
Income derived from investment of shareholders' funds	22	45,889	54,194	127,290	157,211
Net modification loss	23	-	-	(232,788)	-
Allowance for credit losses on financial assets	24	(63,970)	(24,216)	(123,978)	(16,041)
Total distributable income		728,334	865,207	2,135,361	2,555,147
Income attributable to depositors	25	(412,553)	(493,351)	(1,340,647)	(1,449,625)
Profit distributed to investment account holders		(64,293)	(85,161)	(217,804)	(254,863)
		251,488	286,695	576,910	850,659
Personnel expenses		(6,640)	(8,204)	(21,078)	(24,962)
Other overheads and expenditures		(92,958)	(85,918)	(271,277)	(273,884)
Profit before taxation and zakat		151,890	192,573	284,555	551,813
Taxation and zakat		(49,890)	(49,171)	(72,111)	(136,238)
Net profit for the financial period		102,000	143,402	212,444	415,575
Basic earnings per share (sen)	26	6.10	8.57	12.70	24.83

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RHB ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September</u>	30 September	<u>30 September</u>	30 September
	<u>2020</u>	2019	<u>2020</u>	2019
	<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Net profit for the financial period	<u>102,000</u>	143,402	<u>212,444</u>	415,575
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	90,423	67,609	232,230	190,833
- Net transfer to income statement on disposal	(12,176)	(7,260)	(35,167)	(12,563)
- Changes in expected credit losses	371	(1,572)	(223)	(2,704)
Income tax relating to components of other comprehensive income	(18,779)	(14,484)	(47,296)	(42,785)
Other comprehensive income, net of tax, for the financial period	<u>59,839</u>	44,293	<u>149,544</u>	132,781
Total comprehensive income for the financial period	<u>161,839</u>	187,695	<u>361,988</u>	548,356

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 STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	Share capital	Non distributable		Distributable	Total
	RM'000	FVOCI reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	
Balance as at 1 January 2020	1,673,424	120,030	442,869	2,530,491	4,766,814
Net profit for the financial period	-	-	-	212,444	212,444
Other comprehensive income/(loss):					
Debt instruments measured at FVOCI:					
- Unrealised net gain	-	232,230	-	-	232,230
- Net transfer to income statement on disposal	-	(35,167)	-	-	(35,167)
- Changes in expected credit losses	-	(223)	-	-	(223)
Income tax relating to components of other comprehensive income	-	(47,296)	-	-	(47,296)
Other comprehensive income, net of tax, for the financial period	-	149,544	-	-	149,544
Total comprehensive income for the financial period	-	149,544	-	212,444	361,988
Dividend paid	-	-	-	(89,863)	(89,863)
Transfer from regulatory reserve	-	-	(64,783)	64,783	-
Balance as at 30 September 2020	1,673,424	269,574	378,086	2,717,855	5,038,939

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	<u>Share capital</u>	<u>Non distributable</u>		<u>Distributable</u>	<u>Total</u>
	<u>RM'000</u>	<u>FVOCI reserve</u>	<u>Regulatory reserve</u>	<u>Retained profits</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Balance as at 1 January 2019	1,673,424	1,898	358,054	2,013,786	4,047,162
Net profit for the financial period	-	-	-	415,575	415,575
Other comprehensive income/(loss):					
Debt instruments measured at FVOCI:					
- Unrealised net gain	-	190,833	-	-	190,833
- Net transfer to income statement on disposal	-	(12,563)	-	-	(12,563)
- Changes in expected credit losses	-	(2,704)	-	-	(2,704)
Income tax relating to components of other comprehensive income	-	(42,785)	-	-	(42,785)
Other comprehensive income, net of tax, for the financial period	-	132,781	-	-	132,781
Total comprehensive income for the financial period	-	132,781	-	415,575	548,356
Transfer to regulatory reserve	-	-	90,378	(90,378)	-
Balance as at 30 September 2019	<u>1,673,424</u>	<u>134,679</u>	<u>448,432</u>	<u>2,338,983</u>	<u>4,595,518</u>

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RHB ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	Nine months ended	
	30 September 2020	30 September 2019
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	284,555	551,813
Adjustments for non-cash items:	137,407	(226,442)
Operating profit before changes in working capital	421,962	325,371
Changes in working capital:		
Net changes in operating assets	(6,329,542)	(6,889,850)
Net changes in operating liabilities	5,010,702	7,242,806
Cash (used in)/generated from operations	(896,878)	678,327
Profit paid	(16,952)	(18,534)
Net tax and zakat paid	(119,529)	(83,017)
Net cash (used in)/generated from operating activities	<u>(1,033,359)</u>	<u>576,776</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(493)	(804)
Purchase of intangible assets	(425)	(366)
Net purchase of financial assets at FVOCI	(417,229)	(681,446)
Net purchase of financial investments at amortised cost	(868,002)	(393,882)
Income received from financial assets at FVOCI	155,865	128,954
Income received from financial investments at amortised cost	114,201	112,380
Net cash used in investing activities	<u>(1,016,083)</u>	<u>(835,164)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of subordinated obligations	-	500,000
Redemption of subordinated obligations	-	(500,000)
Principal lease payment	(2,323)	(2,578)
Dividend paid	(89,863)	-
Net cash used in financing activities	<u>(92,186)</u>	<u>(2,578)</u>
Net decrease in cash and cash equivalents	(2,141,628)	(260,966)
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	<u>1,910,768</u>	<u>3,202,312</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds	<u>1,910,768</u>	<u>3,202,312</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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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2020.

7 DIVIDEND PAID

During the nine months ended 30 September 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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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

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

	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
At amortised cost		
Malaysian Government Investment Issues	2,722,554	1,724,107

10 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
Licensed Islamic banks	723,457	36,886

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

	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	33,649	207,145

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

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

	As at 30 September 2020	As at 31 December 2019
	RM'000	RM'000
At fair value		
Debt instruments	<u>5,764,135</u>	<u>5,118,305</u>
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	1,207,528	1,451,776
Islamic Cagamas bonds	10,103	10,226
Negotiable Islamic debt certificates	299,168	149,537
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	4,247,336	3,481,186
<u>Outside Malaysia</u>		
Corporate sukuk	-	25,580
	<u>5,764,135</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
30 September 2020				
Balance as at the beginning of the financial period	2,395	-	-	2,395
Allowance written back during the financial period	(223)	-	-	(223)
Balance as at the end of the financial period	<u>2,172</u>	<u>-</u>	<u>-</u>	<u>2,172</u>
31 December 2019				
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 September 2020	As at 31 December 2019
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	348,025	167,390
Sukuk Perumahan Kerajaan	10,119	10,014
Islamic Khazanah bonds	144,055	94,424
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	3,780,822	3,141,013
	<u>4,283,021</u>	<u>3,412,841</u>
Allowance for credit losses	(8,317)	(5,371)
	<u>4,274,704</u>	<u>3,407,470</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
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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 September 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 RM149,348,000 (31 December 2019: RM149,446,000) is recognised in the financial statements of RHB Bank.

(a) Movement in allowance for credit losses

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
30 September 2020				
Balance as at the beginning of the financial period	5,182	189	-	5,371
Allowance made/(written back) during the financial period	3,007	(61)	-	2,946
Balance as at the end of the financial period	<u>8,189</u>	<u>128</u>	<u>-</u>	<u>8,317</u>
31 December 2019				
Balance as at the beginning of the financial year	3,897	2,253	-	6,150
Allowance made/(written back) 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 NINE MONTHS ENDED 30 SEPTEMBER 2020**

14 FINANCING AND ADVANCES

30 September 2020	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	-	-	798,608	-	-	31,964	830,572
Term financing:							
- Housing financing	321,839	-	6,992,803	13,026,293	-	1,429	20,342,364
- Syndicated term financing	-	-	2,713,733	-	-	19,181	2,732,914
- Hire purchase receivables	-	8,216,486	-	-	-	56,242	8,272,728
- Other term financing	699	116,927	28,389,358	-	-	2,609	28,509,593
Bills receivables	-	-	1,208,025	-	-	-	1,208,025
Trust receipts	-	-	67,845	-	-	-	67,845
Staff financing	1,577	-	8,406	-	-	-	9,983
Credit/charge card receivables	-	-	-	-	-	269,184	269,184
Revolving financing	-	-	4,043,194	-	-	-	4,043,194
Gross financing and advances	324,115	8,333,413	44,221,972	13,026,293	-	380,609	66,286,402
Fair value changes arising from fair value hedge							120,341
							66,406,743
Allowance for credit losses on financing and advances							(436,199)
Net financing and advances							65,970,544

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

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

31 December 2019	Bai' Bithaman							
At amortised cost	Ajil ('BBA')	Ijarah *	Murabahah	Musyarakah	Bai'Inah	Others	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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 September 2020, the gross exposure to RIA financing is RM7,282,801,000 (31 December 2019: RM7,320,301,000) and the portfolio expected credit losses for financing and advances relating to RIA amounting to RM117,144,000 (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 RM2,161,072,000 (31 December 2019: RM2,139,650,000).

- (i) By type of customer

	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
Domestic non-bank financial institutions:		
- Others	2,556,283	2,320,347
Domestic business enterprises:		
- Small medium enterprises	4,902,089	4,627,413
- Others	13,791,810	14,552,585
Government and statutory bodies	7,469,807	5,093,705
Individuals	37,032,041	33,508,427
Other domestic entities	121,585	122,341
Foreign entities	412,787	345,642
	66,286,402	60,570,460

- (ii) By profit rate sensitivity

Fixed rate:		
- Housing financing	1,577	1,928
- Hire-purchase receivables	1,680,997	2,245,851
- Other fixed rate financing	11,144,098	9,126,260
Variable rate:		
- Base financing rate-plus	34,390,058	30,310,250
- Cost-plus	18,919,716	18,768,043
- Other variable rates	149,956	118,128
	66,286,402	60,570,460

- (iii) By economic sector

Agriculture, hunting, forestry and fishing	1,456,564	1,389,917
Mining and quarrying	114,222	105,200
Manufacturing	2,068,202	1,949,183
Electricity, gas and water	215,964	213,850
Construction	4,651,154	4,802,590
Wholesale and retail trade and restaurant and hotel	2,171,204	1,843,689
Transport, storage and communication	4,609,644	5,036,663
Finance, insurance, real estate and business services	5,817,820	5,871,291
Government and government agencies	4,454,165	3,583,712
Education, health and others	3,344,672	1,919,904
Household sector	37,178,254	33,692,323
Others	204,537	162,138
	66,286,402	60,570,460

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14 FINANCING AND ADVANCES (CONTINUED)

	As at	As at
	30 September 2020	31 December 2019
	RM'000	RM'000
(iv) By purpose		
Purchase of securities	4,990,858	4,335,604
Purchase of transport vehicles	8,227,603	7,686,652
Purchase of landed property:		
- Residential	19,210,130	17,302,952
- Non-residential	4,914,291	4,500,893
Purchase of property, plant and equipment other than land and building	551,176	542,927
Personal use	4,518,325	4,184,378
Credit card	269,184	293,523
Construction	1,270,268	1,491,230
Working capital	15,407,485	11,698,617
Merger and acquisition	1,311,024	1,400,917
Other purposes	5,616,058	7,132,767
	66,286,402	60,570,460
(v) By geographical distribution		
In Malaysia	66,286,402	60,570,460
(vi) By remaining contractual maturities		
Maturing within one year	6,938,000	8,882,449
One year to three years	2,959,054	2,069,216
Three years to five years	6,994,197	8,648,635
Over five years	49,395,151	40,970,160
	66,286,402	60,570,460
(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)	(24,755)	(18,522)
Transfer to Lifetime ECL not credit impaired (Stage 2)	(40,791)	(71,197)
Transfer to Lifetime ECL credit impaired (Stage 3)	79,627	209,647
Purchases and origination	12,955	46,347
Derecognition	(67,247)	(99,603)
Amount written off	(44,218)	(109,686)
Balance as at the end of the financial period/year	381,740	466,169

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14 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
(b) By economic sector		
Agriculture, hunting, forestry and fishing	642	1,527
Mining and quarrying	30	873
Manufacturing	25,736	25,226
Electricity, gas and water	4,051	20,768
Construction	41,629	47,860
Wholesale and retail trade and restaurant and hotel	38,699	42,870
Transport, storage and communication	13,134	13,661
Finance, insurance, real estate and business services	33,222	27,575
Education, health and others	7,103	6,813
Household sector	217,223	278,996
Others	271	-
	381,740	466,169
(c) By purpose		
Purchase of securities	435	366
Purchase of transport vehicles	34,907	52,669
Purchase of landed property:		
- Residential	170,900	208,043
- Non-residential	63,641	69,180
Purchase of property, plant and equipment other than land and building	3,259	6,015
Personal use	3,659	10,303
Credit card	2,635	3,604
Working capital	67,891	85,939
Other purposes	34,413	30,050
	381,740	466,169
(d) By geographical distribution		
In Malaysia	381,740	466,169

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14 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

(e) Movement in allowance for credit losses

	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
30 September 2020				
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)	35,309	(28,007)	(7,302)	-
- Transferred to Lifetime ECL not credit impaired (Stage 2)	(7,008)	19,149	(12,141)	-
- Transferred to Lifetime ECL credit impaired (Stage 3)	(116)	(2,967)	3,083	-
	28,185	(11,825)	(16,360)	-
Allowance made during the financial period	46,030	50,257	54,934	151,221
Bad debts written off	-	-	(30,900)	(30,900)
Derecognised during the financial period	(3,398)	(3,502)	(18,275)	(25,175)
Balance as at the end of the financial period	<u>138,379</u>	<u>134,539</u>	<u>163,281</u>	<u>436,199</u>

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14 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

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

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
31 December 2019				
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 30 September 2020	As at 31 December 2019
	RM'000	RM'000
Prepayments	24,248	26,794
Deposits	1,535	1,527
Amount due from a related company	65	-
Amount due from holding company	213,345	-
Other receivables	254,605	240,639
	493,798	268,960

16 DEPOSITS FROM CUSTOMERS

	As at 30 September 2020	As at 31 December 2019
	RM'000	RM'000
<u>Savings Deposits</u>		
Qard	2,063,747	1,546,038
<u>Demand Deposits</u>		
Qard	7,096,216	4,922,269
Commodity Murabahah	1,456,681	899,010
<u>Term Deposits</u>		
Commodity Murabahah	42,431,757	39,937,853
<u>Specific Investment Account</u>		
Commodity Murabahah	5,996,749	7,011,168
<u>General Investment Account</u>		
Mudharabah	61,784	100,632
	59,106,934	54,416,970

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

Due within six months	36,151,106	30,039,231
Six months to one year	10,791,201	15,563,054
One year to three years	1,135,410	964,180
Three years to five years	412,573	483,188
	48,490,290	47,049,653

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

Government and statutory bodies	13,476,278	10,093,920
Business enterprises	24,746,900	25,315,576
Individuals	20,299,760	18,615,758
Others	583,996	391,716
	59,106,934	54,416,970

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17 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	808,695	996,510
Licensed banks	3,719,535	3,733,753
Licensed investment banks	855,961	299,320
BNM	91,572	59,360
	<u>5,475,763</u>	<u>5,088,943</u>
<u>Mudharabah Funds:</u>		
Other financial institutions	300,076	20,918
	<u>5,775,839</u>	<u>5,109,861</u>

18 INVESTMENT ACCOUNT DUE TO DESIGNATED FINANCIAL INSTITUTIONS

	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
<u>Restricted Investment Account:</u>		
Mudharabah	<u>8,198,537</u>	<u>8,229,334</u>
<u>By type of counterparty:</u>		
Licensed banks	<u>8,198,537</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)	6,282,801	6,320,301
Unquoted securities (Note 13)	811,775	811,775
	<u>8,094,576</u>	<u>8,132,076</u>

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

19 OTHER LIABILITIES

	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
Sundry creditors	10,032	12,964
Amount due to holding company	-	431,027
Amount due to other related companies	355	260
Contract liability	147,378	7,154
Short term employee benefits	2,407	5,907
Accrual for operational expenses	13,064	9,537
Other accruals and payables	375,026	461,993
	<u>548,262</u>	<u>928,842</u>

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20 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September 2020</u>	30 September 2019	<u>30 September 2020</u>	30 September 2019
	<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Income derived from investment of:				
(i) General investment deposits	773	1,352	3,128	4,191
(ii) Other deposits	<u>662,606</u>	<u>725,421</u>	<u>2,083,593</u>	<u>2,086,442</u>
	<u>663,379</u>	<u>726,773</u>	<u>2,086,721</u>	<u>2,090,633</u>
(i) Income derived from investment of general investment deposits:				
Financing and advances	639	1,114	2,602	3,469
Securities purchased under resale agreements	6	37	41	76
Financial assets at FVTPL	-	2	3	10
Financial assets at FVOCI	59	93	222	301
Financial investments at amortised cost	32	49	119	146
Money at call and deposits with banks and other financial institutions	10	34	70	128
Total financing income and hibah	<u>746</u>	1,329	<u>3,057</u>	4,130
Other operating income (Note a)	<u>27</u>	23	<u>71</u>	61
	<u>773</u>	<u>1,352</u>	<u>3,128</u>	<u>4,191</u>
Of which:				
Financing income earned on impaired financing	<u>-</u>	<u>6</u>	<u>10</u>	<u>16</u>
(a) Other operating income comprise of:				
Fee income:				
- Commission	2	4	8	13
- Guarantee fees	-	2	2	6
	<u>2</u>	<u>6</u>	<u>10</u>	<u>19</u>
Net gain on revaluation of financial assets at FVTPL	10	1	1	-
Net (loss)/gain on disposal of financial assets at FVTPL	(1)	3	9	18
Net gain on disposal of financial assets at FVOCI	16	13	51	24
	<u>27</u>	<u>23</u>	<u>71</u>	<u>61</u>

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

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September 2020</u>	<u>30 September 2019</u>	<u>30 September 2020</u>	<u>30 September 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	548,371	597,903	1,733,080	1,726,600
Securities purchased under resale agreements	6,545	18,904	27,375	37,767
Financial assets at FVTPL	364	1,234	2,318	5,212
Financial assets at FVOCI	49,355	50,360	147,819	149,967
Financial investments at amortised cost	26,774	26,143	79,250	72,833
Money at call and deposits with banks and other financial institutions	10,113	18,747	46,382	63,726
Other income	-	-	16	-
Total financing income and hibah	<u>641,522</u>	<u>713,291</u>	<u>2,036,240</u>	<u>2,056,105</u>
Other operating income (Note a)	<u>21,084</u>	<u>12,130</u>	<u>47,353</u>	<u>30,337</u>
	<u>662,606</u>	<u>725,421</u>	<u>2,083,593</u>	<u>2,086,442</u>
Of which:				
Financing income earned on impaired financing	<u>1,680</u>	<u>3,080</u>	<u>6,690</u>	<u>8,010</u>
(a) Other operating income comprise of:				
Fee income:				
- Commission	1,374	2,055	5,095	6,301
- Guarantee fees	720	1,204	1,659	2,945
	<u>2,094</u>	<u>3,259</u>	<u>6,754</u>	<u>9,246</u>
Net gain on revaluation of financial assets at FVTPL	6,207	386	743	85
Net (loss)/gain on disposal of financial assets at FVTPL	(239)	1,459	5,711	8,854
Net gain on disposal of financial assets at FVOCI	13,022	7,026	34,145	12,152
	<u>21,084</u>	<u>12,130</u>	<u>47,353</u>	<u>30,337</u>

21 INCOME DERIVED FROM INVESTMENT ACCOUNT FUNDS

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September 2020</u>	<u>30 September 2019</u>	<u>30 September 2020</u>	<u>30 September 2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Financing and advances	71,840	96,445	243,329	288,949
Financial investments at amortised cost	11,196	12,011	34,761	34,395
Money at call and deposits with banks and other financial institutions	-	-	26	-
Total finance income and hibah	<u>83,036</u>	<u>108,456</u>	<u>278,116</u>	<u>323,344</u>

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22 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
Financing and advances	14,802	18,259	49,209	54,909
Securities purchased under resale agreements	172	588	777	1,201
Financial assets at FVTPL	9	37	66	166
Financial assets at FVOCI	1,337	1,535	4,197	4,769
Financial investments at amortised cost	726	800	2,250	2,316
Money at call and deposits with banks and other financial institutions	264	566	1,317	2,027
Total financing income and hibah	17,310	21,785	57,816	65,388
Other operating income (Note a)	28,579	32,409	69,474	91,823
	<u>45,889</u>	<u>54,194</u>	<u>127,290</u>	<u>157,211</u>
Of which:				
Financing income earned on impaired financing	<u>48</u>	<u>95</u>	<u>193</u>	<u>255</u>
(a) Other operating income comprise of:				
Fee income:				
- Commission	7,217	10,780	20,670	31,269
- Guarantee and underwriting fees	20	37	47	94
- Service charges and fees	22,177	19,439	54,899	59,336
	<u>29,414</u>	<u>30,256</u>	<u>75,616</u>	<u>90,699</u>
Net gain on revaluation of financial assets at FVTPL	180	13	21	3
Net (loss)/gain on disposal of financial assets at FVTPL	(11)	42	162	282
Net gain on disposal of financial investments at FVOCI	357	220	970	386
Net loss on revaluation of derivatives	(8,643)	(1,981)	(16,936)	(5,224)
Net gain/(loss) on fair value hedges	429	103	1,735	(3,330)
Other income:				
- Foreign exchange gain	7,027	3,849	8,789	8,205
- Other non-operating (loss)/income	(174)	(93)	(883)	802
	<u>28,579</u>	<u>32,409</u>	<u>69,474</u>	<u>91,823</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>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September 2020</u>	30 September 2019	<u>30 September 2020</u>	30 September 2019
	<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
<u>Charge/(Writeback)</u>				
Financing and advances:				
- Net charge	63,890	24,382	126,046	17,908
- Bad debts recovered	(9,624)	(4,231)	(18,909)	(11,773)
- Bad debts written off	6,498	3,354	13,868	13,294
	<u>60,764</u>	23,505	<u>121,005</u>	19,429
Financial assets at FVOCI	371	(1,572)	(223)	(2,704)
Financial investments at amortised cost	2,844	2,215	2,946	(584)
Other financial assets	(9)	68	250	(100)
	<u><u>63,970</u></u>	<u>24,216</u>	<u><u>123,978</u></u>	<u>16,041</u>

25 INCOME ATTRIBUTABLE TO DEPOSITORS

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September 2020</u>	30 September 2019	<u>30 September 2020</u>	30 September 2019
	<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Deposits from customers:				
- Mudharabah funds	3,752	2,507	13,232	5,225
- Non-Mudharabah funds	350,396	410,174	1,149,199	1,232,050
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah funds	25,513	47,730	79,956	113,167
Others:				
- Subordinated obligations	8,519	8,520	25,373	26,082
- Recourse obligation on financing sold to Cagamas	24,311	24,370	72,755	72,923
- Others	62	50	132	178
	<u><u>412,553</u></u>	<u>493,351</u>	<u><u>1,340,647</u></u>	<u>1,449,625</u>

26 EARNINGS PER SHARE

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September 2020</u>	30 September 2019	<u>30 September 2020</u>	30 September 2019
Net profit for the financial period (RM'000)	<u>102,000</u>	143,402	<u>212,444</u>	415,575
Weighted average number of ordinary shares in issue ('000)	<u>1,673,424</u>	1,673,424	<u>1,673,424</u>	1,673,424
Basic earnings per share (sen)	<u>6.10</u>	8.57	<u>12.70</u>	24.83

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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 September 2020</u>	<u>As at</u> <u>31 December 2019</u>
	RM'000	RM'000
Transaction-related contingent items	275,701	260,081
Short term self-liquidating trade-related contingencies	52,013	95,289
Irrevocable commitments to extend credit:		
- Maturity less than one year	303	30,233
- Maturity more than one year	9,507,349	7,522,933
Foreign exchange related contracts [^] :		
- Less than one year	10,953,726	9,851,295
- One year to less than five years	848,093	854,063
- More than five years	961,666	954,177
Profit rate related contracts [^] :		
- Less than one year	3,081,525	1,860,000
- One year to less than five years	1,500,000	1,346,015
- More than five years	2,100,000	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>2,712,112</u>	<u>2,266,736</u>
	<u>31,992,488</u>	<u>25,540,822</u>

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

28 CAPITAL COMMITMENTS

	<u>As at</u> <u>30 September 2020</u>	<u>As at</u> <u>31 December 2019</u>
	RM'000	RM'000
Capital expenditure for property, plant and equipment:		
- Authorised and contracted for	<u>962</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
30 September 2020				
<u>Financial assets</u>				
Financial assets at FVTPL:				
- money market instruments	-	33,649	-	33,649
Financial assets at FVOCI:				
- money market instruments	-	5,764,135	-	5,764,135
- unquoted securities	-	4,247,336	-	4,247,336
Derivative assets	-	151,029	-	151,029
	<u>-</u>	<u>5,948,813</u>	<u>-</u>	<u>5,948,813</u>
<u>Financial liabilities</u>				
Derivative liabilities	-	280,882	-	280,882
	<u>-</u>	<u>280,882</u>	<u>-</u>	<u>280,882</u>
31 December 2019				
<u>Financial assets</u>				
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	-	3,506,766	-	3,506,766
Derivative assets	-	130,688	-	130,688
	<u>-</u>	<u>5,456,138</u>	<u>-</u>	<u>5,456,138</u>
<u>Financial liabilities</u>				
Derivative liabilities	-	183,468	-	183,468
	<u>-</u>	<u>183,468</u>	<u>-</u>	<u>183,468</u>

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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 September 2020 RM'000	As at 31 December 2019 RM'000
<u>Common Equity Tier-I ('CET-I') Capital /Tier I Capital</u>		
Share capital	1,673,424	1,673,424
Retained profits	2,615,855	2,530,491
FVOCI reserve	267,402	117,635
	<u>4,556,681</u>	<u>4,321,550</u>
Less:		
Deferred tax assets	(53,130)	(12,068)
Intangible assets (include associated deferred tax liabilities)	(2,627)	(3,295)
55% of cumulative gains of financial assets at FVOCI	(147,072)	(64,699)
Other deductions*	(1,062)	(1,955)
Total CET-I/Total Tier I Capital	<u>4,352,790</u>	<u>4,239,533</u>
<u>Tier II Capital</u>		
Subordinated obligations	750,000	750,000
Surplus eligible provisions over expected losses	129,881	114,957
General provisions^	61,685	53,940
Total Tier II Capital	<u>941,566</u>	<u>918,897</u>
Total Capital	<u>5,294,356</u>	<u>5,158,430</u>
<u>Capital Ratios</u>		
Before proposed dividends:		
CET-I Capital Ratio	14.903%	13.922%
Tier-I Capital Ratio	14.903%	13.922%
Total Capital Ratio	<u>18.127%</u>	<u>16.939%</u>
After proposed dividends:		
CET-I Capital Ratio	14.903%	13.627%
Tier-I Capital Ratio	14.903%	13.627%
Total Capital Ratio	<u>18.127%</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.

^ Pursuant to BNM's policy document on Financial Reporting for Islamic Banking Institutions, general provision refers to loss allowance measured at an amount equal to 12-month and lifetime expected credit losses as defined under MFRS 9 'Financial Instruments' and regulatory reserve, to the extent they are ascribed to non-credit-impaired exposures, determined under standardised approach for credit risk.

Includes the qualifying regulatory reserve of the Bank of RM49,539,000 (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:

	<u>As at</u> <u>30 September 2020</u>	<u>As at</u> <u>31 December 2019</u>
	<u>RM'000</u>	<u>RM'000</u>
Credit risk	33,518,776	29,308,355
Credit risk absorbed by PSIA ⁺	(6,937,064)	(5,833,615)
Market risk	131,765	293,518
Operational risk	2,096,357	1,937,774
Additional RWA due to capital floor	397,478	4,746,219
Total risk-weighted assets	<u>29,207,312</u>	<u>30,452,251</u>

The total risk-weighted assets of Bank are computed based on BNM's Capital Adequacy Framework for Islamic Banks ('CAFIB'): Internal Ratings Based Approach for Credit and Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk (Basel II).

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

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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 were no significant event 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 nine months ended 30 September 2020.

34 CHANGES IN PROFIT FOR THE QUARTER

The Bank reported a pre-tax profit of RM151.9 million for the current quarter, as compared to a pre-tax loss of RM44.4 million recorded in the preceding quarter ended 30 June 2020. The higher profit was mainly attributed to the absence of modification loss of RM232.8 million and higher non funding income by RM13.8 million, partially offset by higher allowance for credit losses by RM38.8 million, lower net funding income by RM8.9 million and higher overhead expenses by RM2.6 million.

35 PERFORMANCE REVIEW

For the nine months ended 30 September 2020, the Bank recorded a pre-tax profit of RM284.6 million, 48.4% lower than previous year corresponding period of RM551.8 million. The lower profit was mainly due to modification loss of RM232.8 million, higher allowance for credit losses by RM107.9 million and lower non funding income by RM5.3 million, partly offset by higher net funding income by RM72.3 million and lower overhead expenses by RM6.5 million.

36 PROSPECTS FOR 2020

As we enter the last quarter of 2020, global economic growth is forecast to recover in 2021, premised on policy stimulus undertaken by central banks and governments worldwide, further supported by potential COVID-19 vaccine discovery. However, the pace of economic recovery will depend largely on the individual country's ability to contain the pandemic which is seeing a second surge in many countries. Malaysia's GDP is expected to rebound to a growth of between 5% to 7% in 2021 from a forecast contraction of 4.0% in 2020, on the back of continued government stimulus and recovery of its major trading partners. A hike in OPR, if any, is expected to occur only towards the later part of 2021.

RHB continues to offer support to its borrowers who are in need via the targeted repayment assistance post 30 September 2020 to ensure that they are able to see through the financial effects of the pandemic.

With strong fundamentals, RHB Banking Group is in a good position to navigate through the challenges, supported by sufficient liquidity and robust capital levels. While our present loan loss coverage is comfortable, we have ample room to absorb any potential increase in credit losses. With FIT22, our resolution is to stay the course, prioritising certain initiatives to improve our readiness in responding to the impact of the economic slowdown such as digitalisation of customer journeys, transformation of credit risk management and readying the workforce for the future.