



RHB BANK BERHAD
Registration No. 196501000373 (6171-M)

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	2nd Quarter Ended		Six Months Ended	
		30 June 2020	30 June 2019	30 June 2020	30 June 2019
		RM'000	RM'000	RM'000	RM'000
Group					
Interest income	A8	1,768,468	2,036,265	3,672,177	4,071,327
Interest expense	A9	(878,624)	(1,155,385)	(1,887,865)	(2,310,191)
Net interest income		889,844	880,880	1,784,312	1,761,136
Other operating income	A10	681,720	464,440	1,085,372	945,639
Income from Islamic Banking business	A31(b)	394,573	431,313	841,631	812,263
Net modification loss	A11	(392,385)	-	(392,385)	-
Net income		1,573,752	1,776,633	3,318,930	3,519,038
Other operating expenses	A12	(846,068)	(861,216)	(1,687,555)	(1,707,552)
Operating profit before allowances		727,684	915,417	1,631,375	1,811,486
Allowance for credit losses on financial assets	A13	(203,943)	(73,904)	(355,370)	(146,772)
Impairment losses made on other non-financial assets		(9,500)	-	(9,500)	-
		514,241	841,513	1,266,505	1,664,714
Share of results of joint ventures		-	-	-	(30)
Profit before taxation and zakat		514,241	841,513	1,266,505	1,664,684
Taxation and zakat	B5	(110,566)	(224,353)	(290,670)	(416,457)
Net profit for the financial period		403,675	617,160	975,835	1,248,227
Attributable to:					
- Equity holders of the Bank		400,770	615,410	971,650	1,245,596
- Non-controlling interests		2,905	1,750	4,185	2,631
		403,675	617,160	975,835	1,248,227
Earnings per share (sen)					
- Basic	B11	10.0	15.3	24.2	31.1
- Diluted	B11	10.0	15.3	24.2	31.1

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



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

	2nd Quarter Ended		Six Months Ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RM'000	RM'000	RM'000	RM'000
Group				
Net profit for the financial period	403,675	617,160	975,835	1,248,227
Other comprehensive (loss)/income in respect of:				
(i) Items that will not be reclassified to profit or loss:				
(a) Actuarial gain/(loss) on defined benefit plan of subsidiaries	50	24	1,653	(2,165)
(b) Equity instruments designated at fair value through other comprehensive income ('FVOCI')				
- Net gain on disposal	-	876	-	5,664
- Unrealised net gain on revaluation	34,672	31,205	35,958	32,456
(ii) Items that will be reclassified subsequently to profit or loss:				
(a) Foreign currency translation reserves				
- Currency translation differences	35,246	68,449	124,626	32,438
- Net investment hedge	(2,166)	(1,449)	(1,555)	(1,440)
(b) Debt instruments measured at FVOCI				
- Unrealised net gain on revaluation	1,148,802	430,243	715,453	898,716
- Net transfer to income statements on disposal	(154,110)	(59,833)	(234,748)	(101,346)
- Changes in expected credit losses and exchange differences	(605)	(528)	(2,224)	(6,089)
Income tax relating to components of other comprehensive income	(238,771)	(89,370)	(115,801)	(85,723)
Other comprehensive income, net of tax, for the financial period	823,118	379,617	523,362	772,511
Total comprehensive income for the financial period	1,226,793	996,777	1,499,197	2,020,738
Total comprehensive income attributable to:				
- Equity holders of the Bank	1,223,630	994,978	1,494,959	2,018,091
- Non-controlling interests	3,163	1,799	4,238	2,647
	1,226,793	996,777	1,499,197	2,020,738

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



RHB BANK BERHAD
Registration No. 196501000373 (6171-M)

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	2nd Quarter Ended		Six Months Ended	
		30 June	30 June	30 June	30 June
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Bank					
Interest income	A8	1,748,908	2,010,930	3,651,014	4,036,782
Interest expense	A9	(857,241)	(1,122,887)	(1,846,973)	(2,247,963)
Net interest income		891,667	888,043	1,804,041	1,788,819
Other operating income	A10	536,153	350,028	1,025,962	617,676
Income from Islamic Banking business	A31(b)	204	638	1,088	1,225
Net modification loss	A11	(159,597)	-	(159,597)	-
Net income		1,268,427	1,238,709	2,671,494	2,407,720
Other operating expenses	A12	(528,750)	(566,028)	(1,096,990)	(1,131,789)
Operating profit before allowances		739,677	672,681	1,574,504	1,275,931
Allowance for credit losses on financial assets	A13	(207,696)	(105,597)	(258,433)	(172,678)
Impairment losses made on other non-financial assets		(52,500)	-	(52,500)	-
Profit before taxation		479,481	567,084	1,263,571	1,103,253
Taxation	B5	(97,144)	(129,244)	(234,074)	(266,378)
Net profit for the financial period		382,337	437,840	1,029,497	836,875

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



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

	2nd Quarter Ended		Six Months Ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RM'000	RM'000	RM'000	RM'000
Bank				
Net profit for the financial period	382,337	437,840	1,029,497	836,875
Other comprehensive (loss)/income in respect of:				
(i) Items that will not be reclassified to profit or loss:				
(a) Equity instruments designated at fair value through other comprehensive income ('FVOCI')				
- Net gain on disposal	-	876	-	1,544
- Unrealised net gain on revaluation	32,381	29,239	34,060	29,283
(ii) Items that will be reclassified subsequently to profit or loss:				
(a) Foreign currency translation reserves				
- Currency translation differences	18,409	29,055	27,307	13,547
(b) Debt instruments measured at FVOCI				
- Unrealised net gain on revaluation	975,621	375,303	566,479	766,224
- Net transfer to income statements on disposal	(138,643)	(57,954)	(211,758)	(96,044)
- Changes in expected credit losses and exchange differences	(386)	641	(1,630)	(4,352)
Income tax relating to components of other comprehensive income	(200,875)	(76,163)	(85,133)	(53,499)
Other comprehensive income, net of tax, for the financial period	686,507	300,997	329,325	656,703
Total comprehensive income for the financial period	1,068,844	738,837	1,358,822	1,493,578

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



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

	Note	Group		Bank	
		As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
ASSETS					
Cash and short-term funds		9,799,428	11,627,992	6,256,050	5,502,893
Deposits and placements with banks and other financial institutions		2,792,617	1,095,567	5,536,167	5,349,632
Investment account due from designated financial institutions	A14	-	-	7,857,578	8,229,334
Financial assets at fair value through profit or loss ('FVTPL')	A15	3,944,036	4,623,447	1,862,493	2,530,288
Financial assets at fair value through other comprehensive income ('FVOCI')	A16	42,266,604	39,805,304	36,118,803	33,934,272
Financial investments at amortised cost	A17	15,246,239	14,249,409	10,304,466	9,702,802
Loans, advances and financing	A18	177,674,672	173,236,672	108,453,712	107,345,665
Clients' and brokers' balances		1,264,063	893,448	-	-
Reinsurance assets		442,824	510,176	-	-
Other assets	A19	1,690,196	1,258,179	1,221,205	1,104,726
Derivative assets	B8	1,448,854	855,256	1,552,119	903,584
Statutory deposits		621,765	4,549,296	221,152	2,608,316
Tax recoverable		380,096	467,103	327,628	433,364
Deferred tax assets		15,245	22,989	-	-
Investments in subsidiaries		-	-	4,900,803	4,913,885
Investments in associates and joint ventures		12	9,512	-	-
Right of use assets		157,841	112,807	82,021	85,960
Property, plant and equipment		1,008,985	991,305	759,289	753,638
Goodwill		2,654,122	2,654,122	1,651,542	1,651,542
Intangible assets		624,041	629,912	547,063	548,434
TOTAL ASSETS		262,031,640	257,592,496	187,652,091	185,598,335
LIABILITIES					
Deposits from customers	A20/B7(a)	199,381,680	190,555,225	133,438,048	131,571,124
Deposits and placements of banks and other financial institutions	A21/B7(a)	19,186,344	21,539,329	21,681,048	19,173,832
Obligations on securities sold under repurchase agreements		738,417	2,048,516	1,454,780	3,772,623
Bills and acceptances payable		369,058	254,945	353,319	205,528
Clients' and brokers' balances		1,062,733	824,166	-	-
General insurance contract liabilities		1,057,903	1,106,886	-	-
Other liabilities	A22	2,209,024	3,210,479	1,795,333	1,780,860
Derivative liabilities	B8	1,811,131	1,160,927	1,705,635	1,155,074
Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')		2,270,037	3,535,996	-	1,265,757
Provision for taxation and zakat		8,889	60,172	-	-
Deferred tax liabilities		264,679	169,763	203,902	136,711
Lease liabilities		160,996	111,769	83,457	85,267
Borrowings	B7(b)	1,280,545	1,182,527	857,096	840,177
Senior debt securities	B7(c)	3,452,883	3,296,763	3,452,883	3,296,763
Subordinated obligations	B7(d)	2,217,123	2,724,224	1,260,403	1,565,396
TOTAL LIABILITIES		235,471,442	231,781,687	166,285,904	164,849,112

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



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2020

	Note	Group		Bank	
		As at	As at	As at	As at
		30 June	31 December	30 June	31 December
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
EQUITY					
Share capital		6,994,103	6,994,103	6,994,103	6,994,103
Reserves		19,534,392	18,781,291	14,372,084	13,755,120
Equity attributable to holders of the Bank		26,528,495	25,775,394	21,366,187	20,749,223
Non-controlling interests ('NCI')		31,703	35,415	-	-
TOTAL EQUITY		26,560,198	25,810,809	21,366,187	20,749,223
TOTAL LIABILITIES AND EQUITY		262,031,640	257,592,496	187,652,091	185,598,335
COMMITMENTS AND CONTINGENCIES	A27(a)	160,051,739	150,427,794	155,879,459	143,445,965
NET ASSETS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK (RM)		6.62	6.43		

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RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

Group	← Attributable to equity holders of the Bank →							Total Shareholders' Equity	Non-controlling Interests	Total Equity
	Share Capital	Statutory Reserves	Regulatory Reserves	FVOCI Reserves	Translation Reserves	Other Reserves	Retained Profits			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2020	6,994,103	513	838,992	1,328,060	688,866	23,331	15,901,529	25,775,394	35,415	25,810,809
Net profit for the financial period	-	-	-	-	-	-	971,650	971,650	4,185	975,835
Foreign currency translation reserves:										
- Currency translation differences	-	-	-	(79)	124,664	-	-	124,585	41	124,626
- Net investment hedge	-	-	-	-	(1,555)	-	-	(1,555)	-	(1,555)
Financial assets measured at FVOCI:										
- Equity instruments										
- Unrealised net gain on revaluation	-	-	-	35,958	-	-	-	35,958	-	35,958
- Debt instruments										
- Unrealised net gain on revaluation	-	-	-	715,453	-	-	-	715,453	-	715,453
- Net transfer to income statements on disposal	-	-	-	(234,748)	-	-	-	(234,748)	-	(234,748)
- Changes in expected credit losses and exchange differences	-	-	-	(2,224)	-	-	-	(2,224)	-	(2,224)
Actuarial gain on defined benefit plan of subsidiaries	-	-	-	-	-	-	1,637	1,637	16	1,653
Income tax relating to components of other comprehensive income	-	-	-	(115,388)	-	-	(409)	(115,797)	(4)	(115,801)
Other comprehensive income, net of tax, for the financial period	-	-	-	398,972	123,109	-	1,228	523,309	53	523,362
Total comprehensive income for the financial period	-	-	-	398,972	123,109	-	972,878	1,494,959	4,238	1,499,197
Dividends paid	-	-	-	-	-	-	(741,858)	(741,858)	(7,950)	(749,808)
Transfer from regulatory reserves	-	-	(296,189)	-	-	-	296,189	-	-	-
Balance as at 30 June 2020	6,994,103	513	542,803	1,727,032	811,975	23,331	16,428,738	26,528,495	31,703	26,560,198

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RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

Group	← Attributable to equity holders of the Bank →							Total Shareholders' Equity	Non-controlling Interests	Total Equity
	Share Capital	Statutory Reserves	Regulatory Reserves	FVOCI Reserves	Translation Reserves	Other Reserves	Retained Profits			
Balance as at 1 January 2019	6,994,103	513	249,687	376,108	684,275	23,331	15,026,912	23,354,929	37,954	23,392,883
Net profit for the financial period	-	-	-	-	-	-	1,245,596	1,245,596	2,631	1,248,227
Foreign currency translation reserves:										
- Currency translation differences	-	-	-	(23)	32,416	-	-	32,393	45	32,438
- Net investment hedge	-	-	-	-	(1,440)	-	-	(1,440)	-	(1,440)
Financial assets measured at FVOCI:										
- Equity instruments										
- Net gain/(loss) on disposal	-	-	-	(1,729)	-	-	7,393	5,664	-	5,664
- Unrealised net gain on revaluation	-	-	-	32,456	-	-	-	32,456	-	32,456
- Debt instruments										
- Unrealised net gain on revaluation	-	-	-	898,716	-	-	-	898,716	-	898,716
- Net transfer to income statements on disposal	-	-	-	(101,346)	-	-	-	(101,346)	-	(101,346)
- Changes in expected credit losses and exchange differences	-	-	-	(6,089)	-	-	-	(6,089)	-	(6,089)
Actuarial loss on defined benefit plan of subsidiaries	-	-	-	-	-	-	(2,146)	(2,146)	(19)	(2,165)
Income tax relating to components of other comprehensive income	-	-	-	(84,518)	-	-	(1,195)	(85,713)	(10)	(85,723)
Other comprehensive income, net of tax, for the financial period	-	-	-	737,467	30,976	-	4,052	772,495	16	772,511
Total comprehensive income for the financial period	-	-	-	737,467	30,976	-	1,249,648	2,018,091	2,647	2,020,738
Dividends paid	-	-	-	-	-	-	(521,306)	(521,306)	(7,950)	(529,256)
Transfer to regulatory reserves	-	-	490,369	-	-	-	(490,369)	-	-	-
Balance as at 30 June 2019	6,994,103	513	740,056	1,113,575	715,251	23,331	15,264,885	24,851,714	32,651	24,884,365

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RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

Bank	← Non-Distributable →			Distributable		Total Equity
	Share Capital	Regulatory Reserves	FVOCI Reserves	Translation Reserves	Retained Profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2020	6,994,103	352,506	1,165,505	374,754	11,862,355	20,749,223
Net profit for the financial period	-	-	-	-	1,029,497	1,029,497
Foreign currency translation reserves:						
- Currency translation differences	-	-	-	27,307	-	27,307
Financial assets measured at FVOCI:						
- Equity instruments						
- Unrealised net gain on revaluation	-	-	34,060	-	-	34,060
- Debt instruments						
- Unrealised net gain on revaluation	-	-	566,479	-	-	566,479
- Net transfer to income statements on disposal	-	-	(211,758)	-	-	(211,758)
- Changes in expected credit losses and exchange differences	-	-	(1,630)	-	-	(1,630)
Income tax relating to components of other comprehensive income	-	-	(85,133)	-	-	(85,133)
Other comprehensive income, net of tax, for the financial period	-	-	302,018	27,307	-	329,325
Total comprehensive income for the financial period	-	-	302,018	27,307	1,029,497	1,358,822
Dividends paid	-	-	-	-	(741,858)	(741,858)
Transfer from regulatory reserves	-	(255,803)	-	-	255,803	-
Balance as at 30 June 2020	6,994,103	96,703	1,467,523	402,061	12,405,797	21,366,187

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RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

	← Non-Distributable →			Distributable		Total Equity
	Share Capital	Regulatory Reserves	FVOCI Reserves	Translation Reserves	Retained Profits	
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2019	6,994,103	126,230	349,347	371,680	11,460,176	19,301,536
Net profit for the financial period	-	-	-	-	836,875	836,875
Foreign currency translation reserves:						
- Currency translation differences	-	-	-	13,547	-	13,547
Financial assets measured at FVOCI:						
- Equity instruments						
- Net gain/(loss) on disposal	-	-	(479)	-	2,023	1,544
- Unrealised net gain on revaluation	-	-	29,283	-	-	29,283
- Debt instruments						
- Unrealised net gain on revaluation	-	-	766,224	-	-	766,224
- Net transfer to income statements on disposal	-	-	(96,044)	-	-	(96,044)
- Changes in expected credit losses and exchange differences	-	-	(4,352)	-	-	(4,352)
Income tax relating to components of other comprehensive income	-	-	(53,499)	-	-	(53,499)
Other comprehensive income, net of tax, for the financial period	-	-	641,133	13,547	2,023	656,703
Total comprehensive income for the financial period	-	-	641,133	13,547	838,898	1,493,578
Dividends paid	-	-	-	-	(521,306)	(521,306)
Transfer to regulatory reserves	-	274,330	-	-	(274,330)	-
Balance as at 30 June 2019	6,994,103	400,560	990,480	385,227	11,503,438	20,273,808

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



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

	Six Months Ended	
	30 June 2020	30 June 2019
	RM'000	RM'000
Group		
Cash flows from operating activities		
Profit before taxation and zakat	1,266,505	1,664,684
Adjustments for:		
Allowance for credit losses on loans, advances and financing	473,365	290,583
Allowance for credit losses on other financial assets	(1,865)	2,862
Property, plant and equipment:		
- Depreciation	54,842	61,820
- Gain on disposal	(55)	(1,875)
- Written off	6	265
Intangible assets:		
- Amortisation	59,119	59,181
- Written off	-	5
Right of use assets:		
- Depreciation	38,964	34,212
- Gain on modification	(38)	-
Net allowance written back on financial assets at FVOCI and financial investments at amortised cost	(1,741)	(24,307)
Share of results of joint ventures	-	30
Net gain on financial instruments	(339,967)	(176,977)
Gain on remeasurement of previously held equity interest in a joint venture	-	(258)
Dividend income from financial assets at FVTPL and financial assets at FVOCI	(29,455)	(43,548)
Net modification loss	392,385	-
Interest expense on borrowings, senior debt securities, Hybrid Tier-1 Capital Securities, subordinated obligations and lease liabilities	128,549	192,712
Other non-cash items	(672,274)	(1,007,371)
Operating profit before working capital changes	<u>1,368,340</u>	<u>1,052,018</u>
Decrease/(Increase) in operating assets:		
Deposits and placements with banks and other financial institutions	(1,696,139)	(510,060)
Financial assets at FVTPL	907,868	904,791
Loans, advances and financing	(5,394,777)	(3,966,562)
Clients' and brokers' balances	(370,615)	134,506
Other assets	(993,747)	223,987
Statutory deposits	<u>3,928,404</u>	<u>(503,878)</u>
	<u>(3,619,006)</u>	<u>(3,717,216)</u>
Increase/(Decrease) in operating liabilities:		
Deposits from customers	8,826,070	6,264,835
Deposits and placements of banks and other financial institutions	(2,541,527)	2,433,615
Obligations on securities sold under repurchase agreements	(1,328,844)	(1,489,545)
Bills and acceptances payable	112,508	(42,756)
Clients' and brokers' balances	238,567	43,652
Other liabilities	(231,497)	819,660
Recourse obligation on loans sold to Cagamas	(1,265,959)	(366)
	<u>3,809,318</u>	<u>8,029,095</u>

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



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six Months Ended	
	30 June 2020	30 June 2019
	RM'000	RM'000
Group		
Cash flows from operating activities (continued)		
Cash generated from operations	1,558,652	5,363,897
Interest paid	(131,840)	(181,629)
Net tax and zakat paid	(271,622)	(451,780)
Net cash generated from operating activities	<u>1,155,190</u>	<u>4,730,488</u>
Cash flows from investing activities		
Net purchase of financial assets at FVOCI and financial investments at amortised cost	(2,800,347)	(3,990,215)
Property, plant and equipment:		
- Purchase	(63,786)	(70,662)
- Proceeds from disposal	79	3,548
Intangible assets:		
- Purchase	(52,591)	(78,090)
Financial assets at FVOCI and financial investments at amortised cost:		
- Interest received	849,877	771,670
- Investment income received	178,518	150,460
Dividend income received from financial assets at FVTPL and financial assets at FVOCI	29,455	43,548
Net cash inflow from additional equity acquisition of a joint venture	-	10,710
Net cash used in investing activities	<u>(1,858,795)</u>	<u>(3,159,031)</u>
Cash flows from financing activities		
Net drawdown of borrowings	23,878	2,117
Proceeds from issuance of senior debt securities	-	1,255,580
Redemption of Hybrid Tier-1 Capital Securities	-	(370,000)
Proceeds from issuance of Subordinated Sukuk Murabahah	-	500,000
Redemption of Subordinated Sukuk Murabahah	-	(500,000)
Proceeds from issuance of subordinated notes	500,000	-
Redemption of subordinated notes	(1,000,000)	-
Dividends paid to equity holders of the Bank	(741,858)	(521,306)
Dividends paid to NCI	(7,950)	(7,950)
Principal lease payments	(25,605)	(34,992)
Net cash (used in)/generated from financing activities	<u>(1,251,535)</u>	<u>323,449</u>
Net (decrease)/increase in cash and cash equivalents	(1,955,140)	1,894,906
Effects of exchange rate differences	126,576	19,721
Cash and cash equivalents:		
- at the beginning of the financial year	11,627,992	12,553,188
- at the end of the financial year	<u>9,799,428</u>	<u>14,467,815</u>
Cash and cash equivalents comprise the following:		
- Cash and short term funds	<u>9,799,428</u>	<u>14,467,815</u>

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



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

	Six Months Ended	
	30 June 2020	30 June 2019
	RM'000	RM'000
Bank		
Cash flows from operating activities		
Profit before taxation	1,263,571	1,103,253
Adjustments for:		
Allowance for credit losses on loans, advances and financing	360,922	306,636
Allowance for credit losses on other financial assets	3,661	(286)
Property, plant and equipment:		
- Depreciation	43,886	47,598
- Gain on disposal	(5)	(1,655)
- Written off	-	106
Intangible assets:		
- Amortisation	49,738	49,020
- Written off	-	5
Right of use assets:		
- Depreciation	26,128	22,390
Impairment loss on investment in a subsidiary	52,500	-
Net allowance written back on financial assets at FVOCI and financial investments at amortised cost	(1,139)	(19,522)
Net gain on financial instruments	(279,716)	(149,685)
Dividend income from financial assets at FVOCI	(1,760)	(3,670)
Dividend income from subsidiaries	(377,910)	(54,544)
Net modification loss	159,597	-
Interest expense on borrowings, senior debt securities, Hybrid Tier-1 Capital Securities, subordinated obligations and lease liabilities	97,022	157,732
Other non-cash items	(463,203)	(789,696)
Operating profit before working capital changes	<u>933,292</u>	<u>667,682</u>
Decrease/(Increase) in operating assets:		
Deposits and placements with banks and other financial institutions	(185,620)	652,735
Investment accounts due from designated financial institutions	371,756	(314,381)
Financial assets at FVTPL	804,161	804,763
Loans, advances and financing	(1,721,999)	(32,470)
Other assets	(804,695)	(178,324)
Statutory deposits	<u>2,388,040</u>	<u>(211,935)</u>
	<u>851,643</u>	<u>720,388</u>
Increase/(Decrease) in operating liabilities:		
Deposits from customers	1,670,497	(768,272)
Deposits and placements of banks and other financial institutions	2,485,916	(373,666)
Obligations on securities sold under repurchase agreements	(2,336,588)	(258,482)
Bills and acceptances payable	146,186	(84,527)
Other liabilities	436,376	(160,626)
Recourse obligation on loans sold to Cagamas	(1,265,757)	(219)
	<u>1,136,630</u>	<u>(1,645,792)</u>

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



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six Months Ended	
	30 June 2020	30 June 2019
	RM'000	RM'000
Bank		
Cash flows from operating activities (continued)		
Cash generated from/(used in) operations	2,921,565	(257,722)
Interest paid	(100,538)	(146,650)
Net tax paid	(149,527)	(323,491)
Net cash generated from/(used in) operating activities	<u>2,671,500</u>	<u>(727,863)</u>
Cash flows from investing activities		
Net purchase of financial assets at FVOCI and financial investments at amortised cost	(2,132,934)	(2,850,691)
Property, plant and equipment:		
- Purchase	(49,270)	(64,233)
- Proceeds from disposal	5	3,326
Intangible assets:		
- Purchase	(48,177)	(68,672)
Interest received from financial assets at FVOCI and financial investments at amortised cost	814,243	723,660
Dividend income received from subsidiaries	378,910	54,544
Dividend income received from financial assets at FVOCI	1,760	3,670
Additional investments in a subsidiaries	(39,418)	-
Net cash used in investing activities	<u>(1,074,881)</u>	<u>(2,198,396)</u>
Cash flows from financing activities		
Net repayment of borrowings	(21,073)	(109,581)
Proceeds from issuance of senior debt securities	-	1,255,580
Redemption of Hybrid Tier-1 Capital Securities	-	(370,000)
Proceeds from issuance of subordinated notes	500,000	-
Redemption of subordinated notes	(800,000)	-
Dividends paid to equity holders of the Bank	(741,858)	(521,306)
Principal lease payments	(23,617)	(22,420)
Net cash (used in)/generated from financing activities	<u>(1,086,548)</u>	<u>232,273</u>
Net increase/(decrease) in cash and cash equivalents	510,071	(2,693,986)
Effects of exchange rate differences	243,086	(2,153)
Cash and cash equivalents:		
- at the beginning of the financial year	5,502,893	8,855,326
- at the end of the financial year	<u>6,256,050</u>	<u>6,159,187</u>
Cash and cash equivalents comprise the following:		
- Cash and short term funds	<u>6,256,050</u>	<u>6,159,187</u>

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



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A1. 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 Group and the Bank for the financial year ended 31 December 2019.

The accounting policies and presentation adopted by the Group and 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 Group and 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 3 'Definition of a Business'
- 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 Group and 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 loan/financing repayments covering both principal and interest/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 loans/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 loan/financing of a tenure of not more than 3 years and an effective interest/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.



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A1. 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 give rise to the following observations and financial impact:

- (i) The financial impact to the Group and the Bank are as disclosed in Note A11;
- (ii) Loan/financing granted with moratorium will not be considered as 'restructuring and rescheduling', unless with extended tenure and revising original 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 Group and 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 Group and the Bank have 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;
- (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 Group and the Bank have 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 Group's historical loss experience; and
- Consistent with industry guidance, 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 loan/financing.



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A2. Auditors' Report

The auditors' report for the financial year ended 31 December 2019 was not subject to any qualification.

A3. Seasonal Or Cyclical Factors

The business operations of the Group and the Bank have not been affected by any material seasonal or cyclical factors.

A4. 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 A11.

A5. 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 A1(b).

A6. 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, other than as disclosed below:

- (a) RHB Investment Bank Berhad ('RHB Investment Bank'), a wholly-owned subsidiary of the Bank, had on 16 April 2020 fully redeemed its existing subordinated notes of RM200 million in nominal value under a RM1 billion Multi-Currency Medium Term Note Programme which was issued on 16 April 2015;
- (b) The Bank had on 29 April 2020 fully redeemed its existing subordinated notes of RM300 million in nominal value under a RM3 billion medium term note programme which was issued on 29 April 2010;
- (c) The Bank had on 8 May 2020 fully redeemed its existing subordinated notes of RM500 million in nominal value under a RM5 billion multi-currency medium term note programme which was issued on 8 May 2015; and
- (d) The Bank had on 28 May 2020 issued Subordinated Notes of RM500 million in nominal value under a RM5 billion (or its equivalent in other currencies) multi-currency medium term note programme ('Subordinated Notes'). The Subordinated Notes is issued for a tenure of 10 non-callable 5 years with a fixed coupon rate of 3.35% per annum, payable semi-annually in arrears throughout the entire tenure.

A7. Dividends Paid

During the six months ended 30 June 2020, the Bank has paid a final single-tier dividend of 18.5 sen per share in respect of the financial year ended 31 December 2019, amounting to RM741,858,000 on 26 June 2020.



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A8. Interest Income

Group	2nd Quarter Ended		Six Months Ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RM'000	RM'000	RM'000	RM'000
Loans and advances	1,302,083	1,554,826	2,739,279	3,135,430
Money at call and deposits and placements with banks and other financial institutions	19,827	46,018	45,572	97,849
Financial assets at FVTPL	18,135	24,253	35,519	44,245
Financial assets at FVOCI - debt instruments	314,066	285,172	621,716	544,889
Financial investments at amortised cost	109,425	122,117	220,645	240,386
Others	4,932	3,879	9,446	8,528
	1,768,468	2,036,265	3,672,177	4,071,327
Of which:				
Interest income accrued on impaired financial assets	14,580	23,283	37,458	52,590
Bank				
Loans and advances	1,213,036	1,465,272	2,559,520	2,955,525
Money at call and deposits and placements with banks and other financial institutions	40,405	48,053	96,012	117,962
Investment account due from designated financial institutions	71,714	84,541	153,511	169,702
Financial assets at FVTPL	18,133	23,870	35,514	43,657
Financial assets at FVOCI - debt instruments	307,644	279,943	608,593	531,376
Financial investments at amortised cost	96,359	107,542	195,028	214,663
Others	1,617	1,709	2,836	3,897
	1,748,908	2,010,930	3,651,014	4,036,782
Of which:				
Interest income accrued on impaired financial assets	12,333	21,193	31,758	46,731



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A9. Interest Expense

Group	2nd Quarter Ended		Six Months Ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	83,013	127,300	206,816	256,372
Deposits from customers	737,077	897,491	1,539,657	1,790,536
Obligations on securities sold under repurchase agreements	6,079	4,474	12,560	12,610
Recourse obligation on loans sold to Cagamas	-	33,360	11,045	66,354
Subordinated obligations	17,200	36,538	41,299	72,674
Senior debt securities	26,186	35,123	52,060	63,065
Hybrid Tier-1 Capital Securities	-	3,787	-	14,694
Borrowings	6,637	10,902	15,164	21,321
Others	2,432	6,410	9,264	12,565
	878,624	1,155,385	1,887,865	2,310,191
Bank				
Deposits and placements of banks and other financial institutions	98,187	128,465	226,183	268,600
Deposits from customers	699,762	863,885	1,473,449	1,713,791
Obligations on securities sold under repurchase agreements	13,389	13,753	34,029	32,125
Recourse obligation on loans sold to Cagamas	-	33,360	11,045	66,354
Subordinated obligations	14,322	31,627	33,510	62,905
Senior debt securities	26,186	35,123	52,060	63,065
Hybrid Tier-1 Capital Securities	-	3,870	-	14,861
Borrowings	4,191	7,429	9,905	15,647
Others	1,204	5,375	6,792	10,615
	857,241	1,122,887	1,846,973	2,247,963



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A10. Other Operating Income

Group	2nd Quarter Ended		Six Months Ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RM'000	RM'000	RM'000	RM'000
Fee income				
- Service charges and fees	22,462	46,065	66,128	87,256
- Commission	27,091	39,406	75,710	75,012
- Guarantee fees	6,016	7,487	14,612	15,606
- Commitment fees	10,224	10,647	20,340	21,349
- Brokerage income	111,152	59,654	189,748	120,842
- Fund management fees	60,298	57,112	124,949	111,021
- Unit trust fee income	13,700	24,230	37,453	37,829
- Corporate advisory fees	3,480	9,487	11,454	29,028
- Underwriting and arrangement fees	2,321	4,335	7,357	19,796
- Other fee income	13,564	14,046	29,490	37,184
	<u>270,308</u>	<u>272,469</u>	<u>577,241</u>	<u>554,923</u>
- Fee and commission expenses	(47,551)	(48,562)	(98,713)	(84,275)
	<u>222,757</u>	<u>223,907</u>	<u>478,528</u>	<u>470,648</u>
Net gain arising from financial assets at FVTPL				
- Net gain on disposal	98,931	41,903	105,201	72,515
- Unrealised net gain on revaluation	171,552	48,643	82,572	80,116
- Dividend income	13,104	14,675	27,422	39,448
	<u>283,587</u>	<u>105,221</u>	<u>215,195</u>	<u>192,079</u>
Net loss on revaluation of derivatives	(121,426)	(51,886)	(85,431)	(84,590)
Net gain on fair value hedges	573	15	3,339	38
Net loss arising from derecognition of financial investments at amortised cost	(6)	-	(8)	-
Net gain arising from financial assets at FVOCI				
- Net gain on debt instruments on disposal	138,825	58,053	212,022	96,258
- Dividend income	2,033	4,016	2,033	4,100
	<u>140,858</u>	<u>62,069</u>	<u>214,055</u>	<u>100,358</u>
Other income				
Net foreign exchange gain	59,739	42,496	90,535	129,456
Insurance underwriting surplus before management expenses	68,753	53,925	121,485	98,732
Gain on disposal of property, plant and equipment	-	1,601	55	1,875
Gain on remeasurement of previously held equity interest in a joint venture	-	-	-	258
Gain on modification of right of use assets	-	-	38	-
Rental income	379	632	869	1,162
Other operating income	10,986	9,103	17,020	17,930
Other non-operating income	15,520	17,357	29,692	17,693
	<u>155,377</u>	<u>125,114</u>	<u>259,694</u>	<u>267,106</u>
	<u>681,720</u>	<u>464,440</u>	<u>1,085,372</u>	<u>945,639</u>



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A10. Other Operating Income (continued)

	2nd Quarter Ended		Six Months Ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Bank	RM'000	RM'000	RM'000	RM'000
Fee income				
- Service charges and fees	19,018	43,245	59,081	81,268
- Commission	29,242	45,890	82,437	88,397
- Guarantee fees	5,784	7,343	13,974	15,195
- Commitment fees	9,909	10,014	19,676	19,818
- Other fee income	5,057	5,356	10,343	10,779
	69,010	111,848	185,511	215,457
Net gain arising from financial assets at FVTPL				
- Net gain on disposal	33,268	33,804	105,283	52,553
- Unrealised net (loss)/gain on revaluation	71,349	2,888	(8,160)	20,545
	104,617	36,692	97,123	73,098
Net loss on revaluation of derivatives	(5,142)	(16,438)	(32,502)	(19,495)
Net gain on fair values hedges	573	15	3,339	38
Net loss arising from derecognition of financial investments at amortised cost	(6)	-	(8)	-
Net gain arising from financial assets at FVOCI				
- Net gain on debt instruments on disposal	138,644	57,954	211,764	96,044
- Dividend income	1,760	3,670	1,760	3,670
	140,404	61,624	213,524	99,714
Dividend income from subsidiaries	145,047	54,544	377,910	54,544
Other income				
Net foreign exchange gain	59,037	88,710	136,477	169,406
Gain on disposal of property, plant and equipment	-	1,529	5	1,655
Rental income	2,695	3,079	5,544	6,047
Other operating income	5,254	7,740	10,800	16,061
Other non-operating income	14,664	685	28,239	1,151
	81,650	101,743	181,065	194,320
	536,153	350,028	1,025,962	617,676



RHB BANK BERHAD
Registration No. 196501000373 (6171-M)

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

A11. Net Modification Loss

The Group and the Bank have granted an automatic payment moratorium on certain loan/financing to individuals and SMEs as further disclosed in Note A1(b). As a result of the payment moratorium, the Group and the Bank have recognised a loss arising from the modification of cash flows of the loan/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 statements over the remaining tenure of the loan/financing and funding.

A12. Other Operating Expenses

Group	2nd Quarter Ended		Six Months Ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, allowances and bonuses	428,176	418,527	841,750	830,423
- Defined contribution plan	55,609	55,901	117,517	112,240
- Other staff related costs	33,713	41,837	75,702	81,359
	<u>517,498</u>	<u>516,265</u>	<u>1,034,969</u>	<u>1,024,022</u>
Establishment costs				
- Property, plant and equipment:				
- Depreciation	27,398	31,224	54,842	61,820
- Written off	2	2	6	265
- Intangible assets:				
- Amortisation	29,199	30,406	59,119	59,181
- Written off	-	-	-	5
- Right of use assets:				
- Depreciation	20,038	16,952	38,964	34,212
- Rental of premises	8,727	9,980	17,150	19,858
- Rental of equipment	2,311	1,902	4,449	3,470
- Insurance	7,190	9,269	16,810	16,999
- Water and electricity	6,928	8,301	14,107	15,632
- Repair and maintenance	7,202	8,621	14,917	16,298
- Security and escorting expenses	10,969	10,905	21,891	22,351
- Information technology expenses	69,544	67,907	136,861	137,596
- Others	3,504	2,204	5,651	3,912
	<u>193,012</u>	<u>197,673</u>	<u>384,767</u>	<u>391,599</u>
Marketing expenses				
- Sales commission	22,382	24,592	45,346	46,768
- Advertisement and publicity	9,251	17,537	18,956	32,137
- Others	15,361	25,137	35,175	47,398
	<u>46,994</u>	<u>67,266</u>	<u>99,477</u>	<u>126,303</u>
Administration and general expenses				
- Communication expenses	35,953	39,340	74,032	79,406
- Legal and professional fee	10,302	7,709	17,569	15,423
- Others	42,309	32,963	76,741	70,799
	<u>88,564</u>	<u>80,012</u>	<u>168,342</u>	<u>165,628</u>
	<u>846,068</u>	<u>861,216</u>	<u>1,687,555</u>	<u>1,707,552</u>



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A12. Other Operating Expenses (continued)

	2nd Quarter Ended		Six Months Ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Bank	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, allowances and bonuses	250,807	254,008	519,879	527,852
- Defined contribution plan	37,628	37,996	81,356	76,794
- Other staff related costs	21,684	26,319	47,829	49,172
	310,119	318,323	649,064	653,818
Establishment costs				
- Property, plant and equipment:				
- Depreciation	21,697	24,082	43,886	47,598
- Written off	-	-	-	106
- Intangible assets:				
- Amortisation	24,681	25,305	49,738	49,020
- Written off	-	-	-	5
- Right of use assets:				
- Depreciation	12,952	11,170	26,128	22,390
- Rental of premises	3,545	5,291	7,181	10,347
- Rental of equipment	2,355	1,734	4,485	3,131
- Insurance	7,090	8,484	16,125	16,577
- Water and electricity	4,010	4,775	8,319	9,104
- Repair and maintenance	5,215	6,597	10,965	11,928
- Security and escorting expenses	10,921	11,250	22,254	22,149
- Information technology expenses	39,250	37,080	76,625	77,074
	131,716	135,768	265,706	269,429
Marketing expenses				
- Sales commission	16,048	17,744	32,331	32,877
- Advertisement and publicity	6,961	11,952	11,341	20,070
- Others	6,258	10,621	15,567	19,626
	29,267	40,317	59,239	72,573
Administration and general expenses				
- Communication expenses	23,046	25,043	47,373	49,506
- Legal and professional fee	18,010	26,054	38,174	42,139
- Others	16,592	20,523	37,434	44,324
	57,648	71,620	122,981	135,969
	528,750	566,028	1,096,990	1,131,789



RHB BANK BERHAD
Registration No. 196501000373 (6171-M)

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

A13. Allowance for Credit Losses on Financial Assets

Group	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<u>Charge/(Writeback)</u>				
Loans, advances and financing:				
- Net charge	217,143	94,170	400,444	210,772
- Bad debts recovered	(44,523)	(55,335)	(114,389)	(122,366)
- Bad debts written off	35,702	37,226	72,921	79,811
	208,322	76,061	358,976	168,217
Financial assets at FVOCI	(956)	(934)	(2,386)	(6,417)
Financial investments at amortised cost	256	1,295	645	(17,890)
Other financial assets	(3,679)	(2,518)	(1,865)	2,862
	203,943	73,904	355,370	146,772

Bank

<u>Charge/(Writeback)</u>				
Loans, advances and financing:				
- Net charge	213,463	122,956	295,371	236,951
- Bad debts recovered	(41,736)	(51,625)	(105,011)	(114,150)
- Bad debts written off	32,632	34,001	65,551	69,685
	204,359	105,332	255,911	192,486
Financial assets at FVOCI	(737)	234	(1,792)	(4,680)
Financial investments at amortised cost	113	1,456	653	(14,842)
Other financial assets	3,961	(1,425)	3,661	(286)
	207,696	105,597	258,433	172,678

A14. Investment Account Due From Designated Financial Institutions

This investment account which is exposure to Restricted Profit Sharing Investment Account ('RPSIA'), is an arrangement by the Bank with its wholly-owned subsidiary, RHB Islamic Bank Berhad ('RHB Islamic Bank').

The underlying assets of RHB Islamic Bank for the RPSIA are as follows:

Principal	Bank	
	As at	As at
	30 June	31 December
	2020	2019
	RM'000	RM'000
Personal financing	1,000,000	1,000,000
Other term financing	5,945,301	6,320,301
Unquoted securities	811,775	811,775
	7,757,076	8,132,076



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A15. Financial Assets at Fair Value Through Profit or Loss ('FVTPL')

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Mandatory measured at fair value				
<u>Money market instruments:</u>				
Malaysian Government Securities	335,925	491,029	335,923	491,029
Malaysian Government Investment Issues	964,699	1,606,524	809,964	1,399,379
Thailand Government Bonds	43,966	-	43,966	-
Singapore Housing Development Board	-	30,383	-	30,383
Singapore Government Securities	67	16,922	67	16,922
Thailand Central Bank Bills	124,416	-	124,416	-
<u>Quoted securities:</u>				
<u>In Malaysia</u>				
Shares, exchange traded funds and warrants	222,802	23,716	-	-
Unit trusts	64,154	65,906	-	-
Corporate bond/sukuk	3,404	3,324	3,404	3,324
<u>Outside Malaysia</u>				
Shares, exchange traded funds and warrants	137,290	282,457	3,425	3,337
<u>Unquoted securities:</u>				
<u>In Malaysia</u>				
Corporate bond/sukuk	349,152	254,807	349,136	254,807
Unit trusts	960,734	1,024,555	-	-
Commercial paper	4,987	119,813	4,987	119,813
<u>Outside Malaysia</u>				
Corporate bond/sukuk	187,207	211,294	187,205	211,294
Private equity funds	545,233	492,717	-	-
	3,944,036	4,623,447	1,862,493	2,530,288



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A16. Financial Assets at Fair Value Through Other Comprehensive Income ('FVOCI')

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
At fair value				
(a) Debt instruments	41,534,993	39,109,505	35,430,431	33,279,961
(b) Equity instruments	731,611	695,799	688,372	654,311
	42,266,604	39,805,304	36,118,803	33,934,272
(a) Debt instruments				
<u>Money market instruments:</u>				
Malaysian Government Securities	2,239,973	2,471,928	2,103,741	2,338,619
Malaysian Government Investment Issues	6,310,499	6,111,157	5,023,503	4,618,503
Cagamas bonds	168,507	168,360	158,274	158,135
Khazanah bonds	47,429	45,910	-	-
Negotiable instruments of deposits	900,197	650,517	900,197	500,980
Other foreign government investment issues	83,726	50,473	83,726	50,473
Sukuk Perumahan Kerajaan	72,907	71,596	-	-
Singapore Government Securities	1,298,975	1,125,612	1,298,975	1,125,612
Thailand Government Securities	655,947	581,245	655,947	581,245
Singapore Central Bank Bills	1,912,985	1,858,251	1,912,985	1,858,251
Thailand Central Bank Bonds	63,200	62,491	63,200	62,491
Singapore Housing Development Board	680,715	677,603	680,715	677,603
<u>Unquoted securities:</u>				
<u>In Malaysia</u>				
Corporate bond/sukuk	20,371,743	18,990,597	15,847,168	15,115,781
Perpetual notes/sukuk	102,567	102,651	102,567	102,651
Prasarana bonds	2,665,975	2,175,940	2,639,785	2,150,023
<u>Outside Malaysia</u>				
Corporate bond/sukuk	3,959,648	3,965,174	3,959,648	3,939,594
	41,534,993	39,109,505	35,430,431	33,279,961
(b) Equity instruments				
<u>Quoted securities:</u>				
<u>Outside Malaysia</u>				
Shares	1,991	2,418	-	-
<u>Unquoted securities:</u>				
<u>In Malaysia</u>				
Shares	729,194	692,963	688,371	654,310
<u>Outside Malaysia</u>				
Shares	426	418	1	1
	731,611	695,799	688,372	654,311

Included in financial investments at FVOCI of the Group and the Bank are corporate bond/sukuk, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM490,000,000 (31 December 2019: RM204,000,000) and RM490,000,000 (31 December 2019: RM787,000,000) respectively.



RHB BANK BERHAD
 Registration No. 196501000373 (6171-M)

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

A16. Financial Assets at Fair Value Through Other Comprehensive Income ('FVOCI') (continued)

(a) Movement in credit impaired financial assets at FVOCI

	Group and Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Balance as at the beginning of the financial period/year	1,020	5,252
Derecognition	-	(4,224)
Exchange differences	-	(8)
Balance as at the end of the financial period/year	<u>1,020</u>	<u>1,020</u>

(b) Movement in allowance for credit losses recognised in FVOCI reserves

Group	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
30 June 2020				
Balance as at the beginning of the financial period	44,264	-	-	44,264
Allowance written back during the financial year	(170)	-	-	(170)
Purchases and origination	3,124	-	-	3,124
Derecognition and disposal	(5,340)	-	-	(5,340)
Exchange differences	162	-	-	162
Balance as at the end of the financial period	<u>42,040</u>	<u>-</u>	<u>-</u>	<u>42,040</u>
31 December 2019				
Balance as at the beginning of the financial year	55,977	306	-	56,283
Transfer to 12-month ECL (Stage 1)	306	(306)	-	-
Allowance written back during the financial year	(5,065)	-	-	(5,065)
Purchases and origination	8,125	-	-	8,125
Derecognition and disposal	(15,407)	-	-	(15,407)
Exchange differences	328	-	-	328
Balance as at the end of the financial year	<u>44,264</u>	<u>-</u>	<u>-</u>	<u>44,264</u>



RHB BANK BERHAD
 Registration No. 196501000373 (6171-M)

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

A16. Financial Assets at Fair Value Through Other Comprehensive Income ('FVOCI') (continued)

(b) Movement in allowance for credit losses recognised in FVOCI reserves (continued)

Bank	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
30 June 2020				
Balance as at the beginning of the financial period	41,865	-	-	41,865
Allowance written back during the financial year	(157)	-	-	(157)
Purchases and origination	2,695	-	-	2,695
Derecognition and disposal	(4,330)	-	-	(4,330)
Exchange differences	162	-	-	162
Balance as at the end of the financial period	<u>40,235</u>	<u>-</u>	<u>-</u>	<u>40,235</u>
31 December 2019				
Balance as at the beginning of the financial year	50,278	-	-	50,278
Allowance written back during the financial year	(2,921)	-	-	(2,921)
Purchases and origination	7,851	-	-	7,851
Derecognition and disposal	(13,671)	-	-	(13,671)
Exchange differences	328	-	-	328
Balance as at the end of the financial year	<u>41,865</u>	<u>-</u>	<u>-</u>	<u>41,865</u>



RHB BANK BERHAD
Registration No. 196501000373 (6171-M)

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

A17. Financial Investments at Amortised Cost

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
At amortised cost				
<u>Money market instruments:</u>				
Malaysian Government Securities	427,960	100,698	335,037	100,698
Malaysian Government Investment Issues	2,802,658	3,182,753	2,171,216	2,651,130
Cagamas bonds	237,290	237,412	237,290	237,412
Khazanah bonds	128,617	186,108	19,701	79,180
Wakala Global Sukuk	30,936	29,682	22,104	21,211
Sukuk Perumahan Kerajaan	111,013	111,034	100,992	101,020
Singapore Government Treasury Bills	762,403	272,494	762,403	272,494
Sukuk (Brunei) Incorporation	30,641	30,400	30,641	30,400
<u>Unquoted securities:</u>				
<u>In Malaysia</u>				
Corporate bond/sukuk	10,627,778	10,041,472	6,551,019	6,164,844
Corporate loan stocks	25,853	25,853	-	-
Prasarana bonds	374,384	343,732	303,575	272,894
	15,559,533	14,561,638	10,533,978	9,931,283
Allowance for credit losses	(313,294)	(312,229)	(229,512)	(228,481)
	15,246,239	14,249,409	10,304,466	9,702,802

Included in financial investments at amortised cost of the Group and the Bank are corporate bond/sukuk, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM218,000,000 (31 December 2019: RM1,839,000,000) and RM930,000,000 (31 December 2019: RM2,973,000,000) respectively.

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

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Balance as at the beginning of the financial period/year	140,425	141,405	62,978	63,341
Derecognition	(38)	(897)	(38)	(280)
Exchange differences	379	(83)	379	(83)
Balance as at the end of the financial period/year	140,766	140,425	63,319	62,978



RHB BANK BERHAD
 Registration No. 196501000373 (6171-M)

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

A17. Financial investments at amortised cost (continued)

(b) Movement in allowance for credit losses

Group	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
30 June 2020				
Balance as at the beginning of the financial period	23,081	149,285	139,863	312,229
Allowance written back during the financial period	(1,135)	(312)	(38)	(1,485)
Purchases and origination	2,330	240	-	2,570
Derecognition	(251)	(189)	-	(440)
Exchange differences	42	-	378	420
Balance as at the end of the financial period	<u>24,067</u>	<u>149,024</u>	<u>140,203</u>	<u>313,294</u>
31 December 2019				
Balance as at the beginning of the financial year	23,820	176,683	140,844	341,347
Allowance written back during the financial year	(2,429)	(26,873)	(280)	(29,582)
Purchases and origination	7,211	-	-	7,211
Derecognition	(5,518)	(525)	(617)	(6,660)
Exchange differences	(3)	-	(84)	(87)
Balance as at the end of the financial year	<u>23,081</u>	<u>149,285</u>	<u>139,863</u>	<u>312,229</u>
Bank				
30 June 2020				
Balance as at the beginning of the financial period	16,970	149,096	62,415	228,481
Allowance written back during the financial period	(574)	(312)	(38)	(924)
Purchases and origination	1,807	-	-	1,807
Derecognition	(230)	-	-	(230)
Exchange differences	-	-	378	378
Balance as at the end of the financial period	<u>17,973</u>	<u>148,784</u>	<u>62,755</u>	<u>229,512</u>
31 December 2019				
Balance as at the beginning of the financial year	19,017	174,430	62,779	256,226
Allowance written back during the financial year	(757)	(25,334)	(280)	(26,371)
Purchases and origination	3,249	-	-	3,249
Derecognition	(4,539)	-	-	(4,539)
Exchange differences	-	-	(84)	(84)
Balance as at the end of the financial year	<u>16,970</u>	<u>149,096</u>	<u>62,415</u>	<u>228,481</u>



RHB BANK BERHAD
 Registration No. 196501000373 (6171-M)

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

A18. Loans, Advances and Financing

(a) By type

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
At amortised cost				
Overdrafts	6,350,939	6,837,516	5,199,775	5,639,721
Term loans/financing				
- Housing loans/financing	62,891,519	61,144,001	43,035,723	42,455,732
- Syndicated term loans/financing	7,541,652	7,016,496	3,967,825	3,466,440
- Hire purchase receivables/financing	8,834,667	9,108,539	1,166,756	1,385,512
- Lease receivables	181	193	-	-
- Other term loans/financing	70,669,347	67,530,547	41,775,430	40,939,402
Bills receivables	6,139,448	3,961,067	5,042,266	3,049,995
Trust receipts	604,449	686,290	553,062	657,190
Claims on customers under acceptance credits	1,813,552	3,452,118	1,813,552	3,452,118
Staff loans/financing	111,208	112,373	101,729	105,342
Credit/charge card receivables	1,955,887	2,225,932	1,692,262	1,932,411
Revolving credits/financing	13,837,309	14,099,776	6,517,861	6,564,356
Gross loans, advances and financing	180,750,158	176,174,848	110,866,241	109,648,219
Fair value changes arising from fair value hedges	107,971	41,906	8,629	3,342
	180,858,129	176,216,754	110,874,870	109,651,561
Less: Allowance for credit losses	(3,183,457)	(2,980,082)	(2,421,158)	(2,305,896)
Net loans, advances and financing	177,674,672	173,236,672	108,453,712	107,345,665

Included in loans, advances and financing are housing loans, hire purchase receivables and other term loans/financing sold to Cagamas with recourse to the Group and the Bank amounting to RM2,148,326,000 (31 December 2019: RM3,312,744,000) and RMNil (31 December 2019: RM1,173,094,000) respectively.

(b) By type of customer

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Domestic non-bank financial institutions:				
- Others	3,116,195	3,923,700	490,304	831,549
Domestic business enterprises:				
- Small medium enterprises	26,600,665	25,523,338	21,690,940	20,702,527
- Others	28,479,547	29,410,330	14,146,033	14,866,227
Government and statutory bodies	9,507,859	7,005,672	1,899,888	1,911,967
Individuals	90,588,353	90,163,496	54,704,285	55,525,488
Other domestic entities	142,540	137,795	20,837	15,456
Foreign entities	22,314,999	20,010,517	17,913,954	15,795,005
	180,750,158	176,174,848	110,866,241	109,648,219



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A18. Loans, Advances and Financing (continued)

(c) By geographical distribution

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Malaysia	159,275,361	156,943,906	94,316,867	95,203,293
Labuan Offshore	1,945,122	1,978,689	-	-
Singapore	14,899,380	12,828,721	14,763,718	12,614,249
Thailand	1,754,567	1,829,253	1,614,979	1,663,059
Brunei	170,677	167,618	170,677	167,618
Indonesia	67,733	88,690	-	-
Hong Kong	-	27,032	-	-
Cambodia	2,435,297	2,113,095	-	-
Lao	202,021	197,844	-	-
	180,750,158	176,174,848	110,866,241	109,648,219

(d) By interest/profit rate sensitivity

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Fixed rate				
- Housing loans/financing	108,936	114,426	90,629	93,249
- Hire purchase receivables/financing	2,952,181	3,631,363	1,166,756	1,385,512
- Other fixed rate loans/financing	22,285,242	20,186,390	9,679,949	9,117,878
Variable rate				
- Base lending/financing rate plus	100,158,093	98,476,244	68,049,667	68,357,932
- Cost-plus	46,817,792	46,127,952	24,931,443	24,521,787
- Other variable rates	8,427,914	7,638,473	6,947,797	6,171,861
	180,750,158	176,174,848	110,866,241	109,648,219



RHB BANK BERHAD
 Registration No. 196501000373 (6171-M)

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

A18. Loans, Advances and Financing (continued)

(e) By economic sector

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Agriculture, hunting, forestry and fishing	3,544,862	3,640,554	1,985,896	2,096,069
Mining and quarrying	638,138	655,608	324,021	350,371
Manufacturing	9,446,265	9,492,621	6,997,853	7,075,716
Electricity, gas and water	1,911,431	2,122,290	1,539,218	1,728,133
Construction	13,206,675	12,316,993	7,736,625	7,282,412
Wholesale and retail trade and restaurant and hotel	17,549,735	15,179,612	14,648,245	12,563,300
Transport, storage and communication	6,712,963	7,216,382	2,006,579	2,066,500
Finance, insurance, real estate and business services	19,408,729	19,982,481	13,513,487	13,316,611
Government and government agencies	6,495,104	5,495,679	1,899,888	1,911,967
Education, health and others	6,140,228	4,653,993	1,937,939	1,931,026
Household sector	94,636,658	94,386,378	57,890,471	58,856,599
Others	1,059,370	1,032,257	386,019	469,515
	180,750,158	176,174,848	110,866,241	109,648,219

(f) By purpose

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Purchase of securities	10,563,471	11,305,453	4,346,640	5,072,680
Purchase of transport vehicles	8,464,144	8,702,883	768,117	947,556
Purchase of landed property:				
- Residential	61,176,237	59,458,474	42,345,036	41,770,722
- Non-residential	19,135,150	18,786,302	13,725,113	13,772,009
Purchase of property, plant and equipment other than land and building	2,547,440	2,645,065	1,869,321	1,962,043
Personal use	10,092,598	10,420,875	5,775,913	6,146,621
Credit card	1,955,887	2,225,932	1,692,262	1,932,411
Purchase of consumer durables	13,122	14,585	13,122	14,585
Construction	8,088,328	7,551,967	6,107,197	5,558,253
Working capital	40,783,494	37,465,094	25,172,131	23,752,175
Merger and acquisition	1,983,505	2,423,564	682,657	1,022,647
Other purposes	15,946,782	15,174,654	8,368,732	7,696,517
	180,750,158	176,174,848	110,866,241	109,648,219



RHB BANK BERHAD
Registration No. 196501000373 (6171-M)

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

A18. Loans, Advances and Financing (continued)

(g) By remaining contractual maturities

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Maturity within one year	45,067,523	45,435,134	33,638,685	33,846,039
One year to three years	7,626,884	7,541,535	4,065,434	4,286,651
Three years to five years	13,665,298	14,742,896	5,133,693	5,581,448
Over five years	114,390,453	108,455,283	68,028,429	65,934,081
	180,750,158	176,174,848	110,866,241	109,648,219

(h) Impaired loans, advances and financing

**(i) Movement in impaired loans, advances
and financing**

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Balance as at the beginning of the financial period/year	3,479,175	3,483,554	2,623,781	2,555,206
Transfer to 12-month ECL (Stage 1)	(69,282)	(140,946)	(48,809)	(107,565)
Transfer to Lifetime ECL not credit impaired (Stage 2)	(176,300)	(204,057)	(134,886)	(132,860)
Transfer to Lifetime ECL credit impaired (Stage 3)	477,883	1,161,633	314,227	920,681
Purchases and origination	288,458	706,283	196,443	605,266
Derecognition	(359,970)	(668,725)	(227,943)	(516,048)
Amount written off	(288,065)	(857,988)	(254,257)	(704,846)
Exchange differences	24,761	(579)	7,336	3,947
Balance as at the end of the financial period/year	3,376,660	3,479,175	2,475,892	2,623,781



RHB BANK BERHAD
 Registration No. 196501000373 (6171-M)

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

A18. Loans, Advances and Financing (continued)

(h) Impaired loans, advances and financing (continued)

(ii) By economic sector

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Agriculture, hunting, forestry and fishing	65,356	60,515	42,986	39,635
Mining and quarrying	208,758	205,586	4,562	4,778
Manufacturing	497,451	505,152	378,097	392,742
Electricity, gas and water	270,308	288,619	265,790	267,404
Construction	299,608	272,855	251,090	222,660
Wholesale and retail trade and restaurant and hotel	365,670	311,918	246,213	241,942
Transport, storage and communication	383,585	422,749	369,782	408,896
Finance, insurance, real estate and business services	268,143	222,659	231,886	195,084
Education, health and others	35,112	32,962	22,947	23,000
Household sector	944,500	1,124,457	655,013	821,157
Others	38,169	31,703	7,526	6,483
	3,376,660	3,479,175	2,475,892	2,623,781

(iii) By purpose

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Purchase of securities	40,899	49,214	26,729	25,534
Purchase of transport vehicles	67,647	75,345	18,805	22,676
Purchase of landed property:				
- Residential	694,006	775,570	484,063	560,655
- Non-residential	392,461	350,674	278,710	273,914
Purchase of property, plant and equipment other than land and building	80,254	86,651	73,817	78,999
Personal use	103,625	178,882	95,313	168,579
Credit card	14,969	29,456	13,811	25,852
Purchase of consumer durables	691	853	691	853
Construction	115,022	119,083	86,735	92,915
Working capital	1,714,488	1,691,412	1,303,791	1,301,656
Other purposes	152,598	122,035	93,427	72,148
	3,376,660	3,479,175	2,475,892	2,623,781



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A18. Loans, Advances and Financing (continued)

(h) Impaired loans, advances and financing (continued)

(iv) By geographical distribution

	Group		Bank	
	As at 30 June 2020	As at 31 December 2019	As at 30 June 2020	As at 31 December 2019
	RM'000	RM'000	RM'000	RM'000
Malaysia	2,032,405	2,206,536	1,603,366	1,740,174
Labuan Offshore	280,851	266,821	-	-
Singapore	820,753	865,907	816,265	852,015
Thailand	58,977	34,476	49,578	25,152
Brunei	6,683	6,440	6,683	6,440
Cambodia	147,466	81,881	-	-
Hong Kong	-	97	-	-
Lao	29,525	17,017	-	-
	3,376,660	3,479,175	2,475,892	2,623,781



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A18. Loans, Advances and Financing (continued)

(h) Impaired loans, advances and financing (continued)

(v) Movement in allowance for credit losses

Group	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
30 June 2020				
Balance as at the beginning of the financial period	567,095	864,051	1,548,936	2,980,082
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	138,516	(120,840)	(17,676)	-
- Transferred to Lifetime ECL not credit impaired (Stage 2)	(26,463)	78,538	(52,075)	-
- Transferred to Lifetime ECL credit impaired (Stage 3)	(981)	(31,206)	32,187	-
	111,072	(73,508)	(37,564)	-
Allowance made during the financial period	127,646	120,872	254,500	503,018
Bad debts written off	-	-	(212,347)	(212,347)
Derecognition	(19,979)	(28,954)	(53,641)	(102,574)
Exchange differences	1,751	969	12,558	15,278
Balance as at the end of the financial period	<u>787,585</u>	<u>883,430</u>	<u>1,512,442</u>	<u>3,183,457</u>
31 December 2019				
Balance as at the beginning of the financial year	591,911	994,604	1,665,078	3,251,593
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	182,069	(141,866)	(40,203)	-
- Transferred to Lifetime ECL not credit impaired (Stage 2)	(35,256)	87,303	(52,047)	-
- Transferred to Lifetime ECL credit impaired (Stage 3)	(11,211)	(49,845)	61,056	-
	135,602	(104,408)	(31,194)	-
Allowance made/(written back) during the financial year	(71,778)	219,210	740,370	887,802
Bad debts written off	-	-	(672,336)	(672,336)
Changes to model methodologies	(15,311)	(24,356)	(2)	(39,669)
Derecognition	(73,990)	(220,406)	(152,777)	(447,173)
Exchange differences	661	(593)	(203)	(135)
Balance as at the end of the financial year	<u>567,095</u>	<u>864,051</u>	<u>1,548,936</u>	<u>2,980,082</u>



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A18. Loans, Advances and Financing (continued)

(h) Impaired loans, advances and financing (continued)

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

Bank	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
30 June 2020				
Balance as at the beginning of the financial period	324,042	802,764	1,179,090	2,305,896
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	112,860	(100,283)	(12,577)	-
- Transferred to Lifetime ECL not credit impaired (Stage 2)	(19,803)	60,412	(40,609)	-
- Transferred to Lifetime ECL credit impaired (Stage 3)	(825)	(27,494)	28,319	-
	<u>92,232</u>	<u>(67,365)</u>	<u>(24,867)</u>	-
Allowance made during the financial period	108,026	80,354	189,448	377,828
Bad debts written off	-	-	(185,949)	(185,949)
Derecognition	(13,788)	(26,593)	(42,076)	(82,457)
Exchange differences	818	801	4,221	5,840
Balance as at the end of the financial period	<u>511,330</u>	<u>789,961</u>	<u>1,119,867</u>	<u>2,421,158</u>
31 December 2019				
Balance as at the beginning of the financial year	489,408	774,591	1,193,133	2,457,132
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	148,061	(114,425)	(33,636)	-
- Transferred to Lifetime ECL not credit impaired (Stage 2)	(29,318)	68,519	(39,201)	-
- Transferred to Lifetime ECL credit impaired (Stage 3)	(10,688)	(45,922)	56,610	-
	<u>108,055</u>	<u>(91,828)</u>	<u>(16,227)</u>	-
Allowance made/(written back) during the financial year	(205,027)	247,662	667,330	709,965
Bad debts written off	-	-	(545,426)	(545,426)
Changes to model methodologies	(12,683)	(20,252)	(2)	(32,937)
Derecognition	(56,477)	(107,903)	(121,743)	(286,123)
Exchange differences	766	494	2,025	3,285
Balance as at the end of the financial year	<u>324,042</u>	<u>802,764</u>	<u>1,179,090</u>	<u>2,305,896</u>



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A19. Other Assets

	Group		Bank	
	As at 30 June 2020	As at 31 December 2019	As at 30 June 2020	As at 31 December 2019
	RM'000	RM'000	RM'000	RM'000
Other receivables	984,573	929,870	540,492	384,159
Cash collateral in relation to derivative transactions	535,350	162,603	535,350	162,603
Deposits	49,365	63,768	32,195	31,892
Prepayments	120,908	101,938	67,007	58,374
Amounts due from subsidiaries	-	-	46,161	467,698
	1,690,196	1,258,179	1,221,205	1,104,726



RHB BANK BERHAD
 Registration No. 196501000373 (6171-M)

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

A20. Deposits from Customers

(a) By type of deposits

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Demand deposits	44,665,264	38,376,019	37,254,811	31,538,822
Savings deposits	12,270,820	10,554,978	10,077,241	8,739,694
Fixed/investment deposits	141,600,175	140,705,781	85,260,575	90,374,161
Negotiable instruments of deposits	845,421	918,447	845,421	918,447
	199,381,680	190,555,225	133,438,048	131,571,124

(b) By type of customer

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Government and statutory bodies	18,233,819	13,905,730	6,505,051	3,711,730
Business enterprises	107,116,648	107,669,851	73,974,161	79,328,733
Individuals	67,463,384	62,773,983	46,828,610	42,718,943
Others	6,567,829	6,205,661	6,130,226	5,811,718
	199,381,680	190,555,225	133,438,048	131,571,124

(c) By maturity structure of fixed/investment deposits and negotiable instruments of deposits

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Due within six months	105,369,457	95,216,919	63,501,477	62,411,341
Six months to one year	35,443,875	41,871,670	22,040,467	25,827,669
One year to three years	1,194,871	3,935,590	543,600	2,936,737
Three years to five years	437,393	600,049	20,452	116,861
	142,445,596	141,624,228	86,105,996	91,292,608



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A21. Deposits and Placements of Banks and Other Financial Institutions

	Note	Group		Bank	
		As at	As at	As at	As at
		30 June	31 December	30 June	31 December
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Licensed banks		15,186,761	19,492,073	19,227,222	18,640,809
Licensed Islamic banks		1,693,054	996,510	2,599	2,739
Licensed investment banks		700,119	500,155	1,210,239	76,175
BNM	(i)	1,321,836	511,165	1,238,811	451,805
Other financial institutions		284,574	39,426	2,177	2,304
		19,186,344	21,539,329	21,681,048	19,173,832

(i) Included in deposits and placements by BNM is an amount received under the Government scheme as part of the COVID-19 relief measures, for the purpose of lending/financing to SMEs at a concessionary rate and with a six-year maturity.

A22. Other Liabilities

	Group		Bank	
	As at	As at	As at	As at
	30 June	31 December	30 June	31 December
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Other creditors and accruals	1,184,472	1,879,774	686,043	1,004,785
Amount payable for redemption units	177,049	312,101	-	-
Contract liabilities	109,269	47,498	94,500	22,710
Short term employee benefits	212,271	416,781	165,061	323,540
Accrual for operational expenses	209,736	217,227	161,539	173,804
Prepaid instalments	32,626	36,220	32,626	36,220
Cash collateral pledged for derivative transactions	82,902	194,010	82,902	194,010
Remisiers' trust deposits	71,401	64,861	-	-
Amount due to trust funds	129,298	42,007	-	-
Amounts due to subsidiaries	-	-	572,662	25,791
	2,209,024	3,210,479	1,795,333	1,780,860



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A23. Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined its Management Committee as its chief operating decision-maker.

The Group's business segments can be organised into the following main segments reflecting the Group's internal reporting structure:

(a) Group Retail Banking

Group Retail Banking focuses on providing products and services to individual customers. The products and services offered to customers include credit facilities (mortgages, non-residential mortgages, hire purchase, purchase of securities, credit cards and other personal loans and financing), remittances, deposits collection, investment related products, and bancassurance/bancatakaful products.

This segment also covers the asset management business that focuses on providing investment management services, unit trust fund management services, Islamic funds management services, wills and trustee services.

(b) Group Business Banking

Group Business Banking caters for funding needs as well as deposit collection from small and medium sized enterprises and wholesale clients.

(c) Group Wholesale Banking

(i) Group Corporate Banking and Group Investment Banking

Group Corporate Banking caters to funding or lending needs of corporate customers including public listed corporations and its related entities, multinational corporations (including Japanese), financial institutions and Government and state owned enterprises. Included under Group Corporate Banking are offshore banking activities carried out by RHB Bank (L) Ltd whose borrowings and lending facilities are offered in major currencies mainly to corporate customers.

Group Investment Banking provides services for advisory, fund raising in the structuring and issuance of debt securities and capital market instruments, corporate and debt restructuring, mergers and acquisitions, private placements, underwriting and structuring of bilateral lending, project financing, loans syndication, infrastructure financing, initial public offerings of equity related instruments, private placements and underwriting. This segment also covers facilities for equity share trading in local and foreign markets, share margin financing, futures broking products and services and custodian and nominee services.

This segment also offers stockbroking and investment banking products and services to the Group's regional customers in Singapore, Hong Kong, Indonesia, Thailand and Vietnam.

(ii) Group Treasury and Global Markets

Group Treasury and Global Markets operations are involved in proprietary and non-proprietary trading in fixed income securities and foreign exchange, derivatives trading and structuring, managing customer-based foreign exchange and money market transactions, funding and investments in ringgit and foreign currencies for the Group, as well as funding center.



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A23. Segmental Reporting (continued)

The Group's business segments can be organised into the following main segments reflecting the Group's internal reporting structure (continued):

(d) Group International Business

Group International Business primarily focuses on providing commercial banking related products and services tailored to the specific needs of the customers in foreign countries in which the Group has operations. The Group currently has foreign presences in Singapore, Thailand, Brunei, Cambodia and Lao.

(e) Support Center and Others

Support Center and Others comprise results from other business segments in the Group (general insurance business, nominee services, property investment and rental of premises and other related financial services). The results of these other businesses are not material to the Group and therefore do not render a separate disclosure and are reported in aggregate in the financial statements.

The business segment results are prepared based on the Group's internal management reporting, which reflects the organisation's management reporting structure. Internal allocation of costs, for example, back office support, centralised cost, funding center and the application of transfer pricing, where appropriate, has been used in preparing the segmental reporting.



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A23. Segmental Reporting (continued)

Six months ended 30 June 2020

	← GWB →							
	Group Retail Banking	Group Business Banking	Group CBIB	Group Treasury and Global Markets	Group International Business	Support Center and Others	Inter- Segment Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	1,329,939	548,544	735,956	766,794	298,146	(360,449)	-	3,318,930
Inter-segment revenue	3,225	-	12,314	(7,737)	869	16,924	(25,595)	-
Segment revenue	1,333,164	548,544	748,270	759,057	299,015	(343,525)	(25,595)	3,318,930
Other operating expenses	(665,593)	(308,995)	(355,860)	(82,835)	(203,324)	(96,543)	25,595	(1,687,555)
Including:								
- Depreciation of property, plant and equipment	(27,534)	(8,065)	(8,747)	(1,632)	(7,712)	(1,152)	-	(54,842)
- Depreciation of right of use assets	(9,929)	(7,319)	(10,755)	(230)	(9,123)	(1,608)	-	(38,964)
- Amortisation of intangible assets	(25,015)	(14,667)	(10,053)	(2,144)	(5,585)	(1,655)	-	(59,119)
Allowance for credit losses on financial assets	(190,063)	(68,806)	(46,624)	(363)	(52,476)	2,962	-	(355,370)
Impairment losses made on other non-financial assets	-	-	(9,500)	-	-	-	-	(9,500)
Segment profit/(loss)	477,508	170,743	336,286	675,859	43,215	(437,106)	-	1,266,505
Share of results of joint ventures								-
Profit before taxation and zakat								1,266,505
Taxation and zakat								(290,670)
Net profit for the financial period								975,835



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A23. Segmental Reporting (continued)

As at 30 June 2020

	←——— GWB ———→						
	Group Retail Banking	Group Business Banking	Group CBIB	Group Treasury and Global Markets	Group International Business	Support Center and Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	91,003,718	27,064,511	56,955,382	49,367,550	32,667,427	3,435,883	260,494,471
Investments in associates and joint ventures							12
Tax recoverable							380,096
Deferred tax assets							15,245
Unallocated assets							1,141,816
Total assets							<u>262,031,640</u>
Segment liabilities	61,734,843	29,930,269	67,015,768	42,657,529	24,176,751	1,372,988	226,888,148
Provision for taxation and zakat							8,889
Deferred tax liabilities							264,679
Borrowings							1,280,545
Senior debt securities							3,452,883
Subordinated obligations							2,217,123
Unallocated liabilities							1,359,175
Total liabilities							<u>235,471,442</u>



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A23. Segmental Reporting (continued)

Six months ended 30 June 2019

	← GWB →							
	Group Retail Banking	Group Business Banking	Group CBIB	Group Treasury and Global Markets	Group International Business	Support Center and Others	Inter- Segment Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	1,315,621	545,210	695,379	747,357	268,085	(52,614)	-	3,519,038
Inter-segment revenue	10,493	-	15,251	(19,720)	7,070	16,107	(29,201)	-
Segment revenue	1,326,114	545,210	710,630	727,637	275,155	(36,507)	(29,201)	3,519,038
Other operating expenses	(666,361)	(312,019)	(365,657)	(79,022)	(217,927)	(95,767)	29,201	(1,707,552)
Including:								
- Depreciation of property, plant and equipment	(28,404)	(9,565)	(11,103)	(1,508)	(9,783)	(1,457)	-	(61,820)
- Depreciation of right of use assets	(9,362)	(6,911)	(8,814)	(96)	(7,664)	(1,365)	-	(34,212)
- Amortisation of intangible assets	(24,036)	(15,040)	(9,909)	(1,792)	(6,634)	(1,770)	-	(59,181)
Allowance for credit losses on financial assets	(129,140)	23,821	(58,537)	8,479	6,652	1,953	-	(146,772)
Segment profit/(loss)	530,613	257,012	286,436	657,094	63,880	(130,321)	-	1,664,714
Share of results of joint ventures								(30)
Profit before taxation and zakat								1,664,684
Taxation and zakat								(416,457)
Net profit for the financial period								1,248,227



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A23. Segmental Reporting (continued)

As at 31 December 2019

	←——— GWB ———→						
	Group Retail Banking	Group Business Banking	Group CBIB	Group Treasury and Global Markets	Group International Business	Support Center and Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	91,471,562	25,929,113	50,845,388	56,697,032	28,517,801	2,581,607	256,042,503
Investments in associates and joint ventures							9,512
Tax recoverable							467,103
Deferred tax assets							22,989
Unallocated assets							1,050,389
Total assets							<u>257,592,496</u>
Segment liabilities	58,428,690	28,550,756	55,006,127	57,408,420	22,115,796	2,612,349	224,122,138
Provision for taxation and zakat							60,172
Deferred tax liabilities							169,763
Borrowings							1,182,527
Senior debt securities							3,296,763
Subordinated obligations							2,724,224
Unallocated liabilities							226,100
Total liabilities							<u>231,781,687</u>



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A24. Valuation of Property, Plant and Equipment

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

A25. 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) Bancatakaful service agreements between RHB Islamic Bank and Syarikat Takaful Malaysia Keluarga Berhad ('STMKB') and Syarikat Takaful Malaysia Am Berhad ('STMAB')

RHB Islamic 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:

Family Bancatakaful Agreement	General Bancatakaful Agreement
<p>(a) Tenure shall be for a period of 5 years commencing on 1 August 2020 and subject to RHB Islamic Bank meeting the pre-agreed budgets for the family credit Takaful products, and shall end on 31 July 2025. In event that RHB Islamic 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) RHB Islamic Bank shall sell, distribute, market and promote family credit Takaful products developed by STMKB for distribution by RHB Islamic 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 RHB Islamic Bank; and</p> <p>(c) STMKB shall have the right of first refusal to develop and offer for sale by RHB Islamic Bank non-credit related/advisory family Takaful products proposed by RHB Islamic 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 RHB Islamic Bank meeting the pre-agreed budgets for the general Takaful products, and shall end on 31 July 2025. In event that RHB Islamic 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) RHB Islamic Bank shall sell, distribute, market and promote general Takaful products developed by STMAB for distribution by RHB Islamic 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 RHB Islamic Bank.</p>



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A25. Events Subsequent to Balance Sheet Date (continued)

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 (continued):

(b) Voluntary winding-up of subsidiaries

On 3 August 2020, RHB Equities Sdn Bhd and RHBFS Sdn Bhd, direct wholly-owned subsidiaries of the Bank, have commenced member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016.

(c) Application for member's voluntary winding up of RHB Finance Hong Kong Limited ('RHBFINHK')

RHBFINHK, an indirect wholly-owned subsidiary of the Bank had on 21 August 2020, commenced the application for member's voluntary winding up pursuant to The Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong.

A26. Changes in the Composition of the Group

There were no significant changes in the composition of the Group for the six months ended 30 June 2020 other than the following:

(a) Subscription of 10 million Redeemable Preference Shares ('RPS') in RHB Private Equity Holdings Sdn Bhd ('RHBPEH')

RHB Investment Bank had on 28 January 2020, subscribed for 10 million RPS of RM2.00 each in RHBPEH amounting to RM20,000,000 for additional working capital purpose. Upon completion of the subscription, the equity interest held by RHB Investment Bank in RHBPEH remains the same.

(b) Subscription of HKD150,000,000 new ordinary shares in RHB Hong Kong Limited ('RHB Hong Kong')

RHB Investment Bank had on 14 February 2020, subscribed for 150 million new ordinary shares in RHB Hong Kong amounting to HKD150,000,000. The issued and paid-up share capital of RHB Hong Kong increased from HKD300,000,000 to HKD450,000,000. The rationale for the increase is to ensure that RHB Hong Kong Group are solvent for the purposes of the Proposed Cessation and winding up as disclosed in Note B6(a).

(c) Application for dissolution of RHB (China) Investment Advisory Co. Ltd ('RHBCIA')

RHBCIA, an indirect wholly-owned subsidiary of the Bank, had on 31 March 2020, commenced the application for dissolution pursuant to Article 180(ii) of the Company Law of the People's Republic of China. An application for dissolution will be submitted to Shanghai Tax Bureau, Shanghai Municipal Commission of Commerce and Shanghai Municipal Administration of Industry and Commerce accordingly.

RHBCIA had on 17 June 2020, received a final notice of deregistration as a legal entity from Shanghai Municipal Administration of Industry and Commerce.

(d) Additional capital injection into RHB Bank Lao Limited ('RHB Bank Lao')

The Bank has on 9 April 2020 injected additional capital of LAK79.4 billion (equivalent to RM39.4 million) into its wholly owned subsidiary, RHB Bank Lao. As a result, the issued share capital of RHB Bank Lao increased from LAK301.5 billion to LAK380.9 billion.

(e) Commencement of voluntary liquidation and dissolution of RHB (Philippines) Inc. ('RHB Philippines')

RHB Philippines, a wholly-owned subsidiary of RHB Capital (Jersey) Limited, which in turn is a wholly-owned subsidiary of the Bank had, on 25 June 2020, commenced the application for the amendment of the Articles of Incorporation with the Philippines Securities and Exchange Commission ('SEC') pursuant to the Corporation Code of the Philippines.



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A27. Changes In Contingent Liabilities Since The Last Annual Statements Of Financial Position

(a) Commitments and Contingencies

In the normal course of business, the Group and the Bank make various commitments and incurs certain contingent liabilities with legal recourse to its customers. Apart from the allowance for commitments and contingencies already made in the interim financial statements, no material losses are anticipated as a result of these transactions.

The commitments and contingencies comprise the following:

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Direct credit substitutes	1,242,359	1,386,004	1,237,958	1,381,759
Transaction-related contingent items	4,077,402	4,258,393	3,696,005	3,984,356
Short term self-liquidating trade-related contingencies	897,368	1,311,586	730,058	1,240,297
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions, and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions	1,630,685	4,119,202	1,630,685	4,119,202
Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns	36,592	-	20,901	-
Irrevocable commitments to extend credit				
- Maturity less than one year	1,777,439	1,861,774	607,827	670,237
- Maturity more than one year	26,811,605	27,701,607	19,481,417	19,424,618
Foreign exchange related contracts [^]				
- Less than one year	62,723,365	54,600,403	66,449,051	56,549,934
- One year to less than five years	2,990,073	2,719,057	3,097,123	2,821,309
- More than five years	1,011,119	1,112,190	1,011,119	1,112,190
Commodity related contracts [^]				
- Less than one year	264,909	266,117	264,909	266,117
- One year to less than five years	-	24,192	-	24,192
Equity related contracts [^]				
- Less than one year	45,148	-	43,248	-
Interest rate related contracts [^]				
- Less than one year	8,004,655	6,407,422	8,714,653	8,267,422
- One year to less than five years	22,720,167	19,713,844	23,258,167	20,713,844
- More than five years	8,894,997	8,642,163	11,500,000	9,142,163
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	16,923,856	16,303,840	14,136,338	13,728,325
	160,051,739	150,427,794	155,879,459	143,445,965

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



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A27. Changes In Contingent Liabilities Since The Last Annual Statements Of Financial Position (continued)

(b) Guarantees Issued by the Group and the Bank

	Group	
	As at 30 June 2020	As at 31 December 2019
	RM'000	RM'000
Corporate guarantee issued in favour of Monetary Authority of Singapore in relation to undertaking of subsidiaries	153,205	152,009
Corporate guarantee issued in favour of the Stock Exchange of Thailand in relation to a derivative warrant programme of a subsidiary	456	458
	<u>153,661</u>	<u>152,467</u>

The Group and the Bank has given a continuing guarantee to Labuan Offshore Financial Services Authority to meet the liabilities and financial obligations and requirements of its subsidiary, RHB Bank (L) Ltd, arising from its offshore banking business in the Federal Territory of Labuan.

The Group and the Bank has also given a guarantee to the Bank of Thailand to provide support to meet any legal liabilities which may be incurred in respect of its operations in Thailand.

A28. Capital Commitments

	Group		Bank	
	As at 30 June 2020	As at 31 December 2019	As at 30 June 2020	As at 31 December 2019
	RM'000	RM'000	RM'000	RM'000
Authorised and contracted for:				
- Property, plant and equipment	223,429	209,078	199,681	185,483
- Investment securities	14,125	5,796	-	-
	<u>237,554</u>	<u>214,874</u>	<u>199,681</u>	<u>185,483</u>



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A29. Capital Adequacy Ratio

BNM Guidelines on capital adequacy requires the Group, the Bank and the banking subsidiaries 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.

RHB Bank (Cambodia) Plc ('RHB Bank Cambodia') is subject to National Bank of Cambodia's capital adequacy requirements.

(a) The capital adequacy ratios of the Group and the Bank are as follows:

	Group		Bank [@]	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Common Equity Tier I ('CET I')/Tier I Capital				
Share capital	6,994,103	6,994,103	6,994,103	6,994,103
Retained profits	15,983,447	15,614,585	13,139,815	12,606,320
Other reserves	850,241	727,132	573,188	490,905
FVOCI reserves	1,684,973	1,283,816	1,427,318	1,123,748
	25,512,764	24,619,636	22,134,424	21,215,076
Less:				
Goodwill	(2,638,198)	(2,638,198)	(1,651,542)	(1,651,542)
Intangible assets (include associated deferred tax liabilities)	(519,919)	(535,880)	(465,581)	(478,305)
Deferred tax assets	(199,728)	(175,214)	(170,984)	(141,690)
55% of cumulative gains arising from change in value of FVOCI instruments	(926,735)	(706,099)	(785,025)	(618,061)
Investments in subsidiaries	(102,425)	(102,425)	(4,700,486)	(4,713,568)
Investments in associates and joint ventures	(12)	(9,512)	-	-
Other deductions [#]	(22,659)	(16,144)	(25,147)	(14,189)
Total CET I Capital	21,103,088	20,436,164	14,335,659	13,597,721
Qualifying non-controlling interests recognised as Tier I Capital	252	220	-	-
Total Tier I Capital	21,103,340	20,436,384	14,335,659	13,597,721
Tier II Capital				
Subordinated obligations subject to gradual phase out treatment*	-	300,000	-	300,000
Subordinated obligations meeting all relevant criteria	1,249,433	1,249,527	1,249,433	1,249,527
Qualifying capital instruments of a subsidiary issued to third parties ⁺	496,589	490,764	-	-
Surplus eligible provisions over expected losses	506,757	478,626	385,528	363,909
General provisions [^]	229,502	293,276	125,394	183,354
Investment in capital instrument of financial and insurance/takaful entities	-	-	-	(134,187)
Total Tier II Capital	2,482,281	2,812,193	1,760,355	1,962,603
Total Capital	23,585,621	23,248,577	16,096,014	15,560,324



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A29. Capital Adequacy Ratio (continued)

	Group		Bank [@]	
	As at 30 June 2020	As at 31 December 2019	As at 30 June 2020	As at 31 December 2019
<u>Capital ratios</u>				
Before proposed dividends:				
CET I Capital Ratio	16.594%	16.883%	15.301%	15.145%
Tier I Capital Ratio	16.594%	16.884%	15.301%	15.145%
Total Capital Ratio	18.546%	19.207%	17.180%	17.331%
After proposed dividends:				
CET I Capital Ratio	16.594%	16.271%	15.301%	14.319%
Tier I Capital Ratio	16.594%	16.271%	15.301%	14.319%
Total Capital Ratio	18.546%	18.594%	17.180%	16.505%

[@] The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank and its wholly-owned offshore banking subsidiary, RHB Bank (L) Ltd.

[#] Pursuant to Basel II Market Risk para 5.19 & 5.20 - Valuation Adjustments, the Capital Adequacy Framework (Basel II - RWA) calculation shall account for the ageing, liquidity and holding back adjustments on its trading portfolio.

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

⁺ Qualifying subordinated sukuk that are recognised as Tier II capital instruments held by third parties as prescribed under paragraph 17.6 of the BNM's Guideline on Capital Adequacy Framework (Capital Components) which are issued by a fully consolidated subsidiary of the Bank.

[^] Pursuant to BNM's policy document on Financial Reporting and 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 reserves, to the extent they are ascribed to non-credit impaired exposures, determined under standardised approach for credit risk.

Includes the qualifying regulatory reserves of the Group and the Bank of RM129,187,000 (31 December 2019: RM202,449,000) and RM45,092,000 (31 December 2019: RM101,096,000) respectively.



RHB BANK BERHAD
Registration No. 196501000373 (6171-M)

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

A29. Capital Adequacy Ratio (continued)

(b) The capital adequacy ratios of RHB Islamic Bank and RHB Investment Bank are as follows:

	RHB Islamic Bank		RHB Investment Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
CET I/Tier I Capital				
Share capital	1,673,424	1,673,424	1,487,773	1,487,773
Retained profits	2,578,537	2,530,491	422,861	567,193
FVOCI reserves	207,934	117,635	47,090	39,360
	4,459,895	4,321,550	1,957,724	2,094,326
Less:				
Goodwill	-	-	(372,395)	(372,395)
Investments in subsidiaries, associates and joint ventures	-	-	(1,150,407)	(1,098,725)
Intangible assets (include associated deferred tax liabilities)	(2,830)	(3,295)	(24,794)	(25,905)
Deferred tax assets	(17,571)	(12,068)	(5,668)	(10,106)
55% of cumulative gains arising from change in value of FVOCI instruments	(114,364)	(64,699)	(25,900)	(21,648)
Other deductions [#]	(1,478)	(1,955)	-	-
Total CET I Capital/Tier I Capital	4,323,652	4,239,533	378,560	565,547
Tier II Capital				
Subordinated sukuk	750,000	750,000	-	-
Subordinated obligations meeting all relevant criteria	-	-	200,000	400,000
Surplus eligible provisions over expected losses	121,379	114,957	-	-
General provisions [^]	54,843	53,940	9,928	9,932
Total Tier II Capital	926,222	918,897	209,928	409,932
Total Capital	5,249,874	5,158,430	588,488	975,479
<u>Capital ratios</u>				
Before proposed dividends:				
CET I Capital Ratio	13.753%	13.922%	21.296%	33.144%
Tier I Capital Ratio	13.753%	13.922%	21.296%	33.144%
Total Capital Ratio	16.699%	16.939%	33.106%	57.169%
After proposed dividends:				
CET I Capital Ratio	13.753%	13.627%	21.296%	24.764%
Tier I Capital Ratio	13.753%	13.627%	21.296%	24.764%
Total Capital Ratio	16.699%	16.644%	33.106%	48.788%



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A29. Capital Adequacy Ratio (continued)

- # Pursuant to Basel II Market Risk para 5.19 & 5.20 - Valuation Adjustments, the Capital Adequacy Framework (Basel II - RWA) calculation shall account for the ageing, liquidity and holding back adjustments on its trading portfolio.
- ^ Pursuant to BNM's policy document on Financial Reporting and 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 reserves, to the extent they are ascribed to non-credit impaired exposures, determined under standardised approach for credit risk.

Includes the qualifying regulatory reserves of RHB Islamic Bank and RHB Investment Bank of RM45,062,000 (31 December 2019: RM44,447,000) and RM9,646,000 (31 December 2019: RM9,917,000) respectively.

(c) The breakdown of risk-weighted assets in the various categories of risk-weights are as follows;

	Group	Bank[@]	RHB Islamic Bank	RHB Investment Bank
	RM'000	RM'000	RM'000	RM'000
30 June 2020				
Credit risk	110,842,590	81,635,238	24,617,221	794,218
Market risk	4,021,101	3,411,680	229,487	214,023
Operational risk	12,312,806	8,644,749	2,045,732	769,354
Additional risk-weighted assets due to capital floor	-	-	4,546,066	-
Total risk-weighted assets	<u>127,176,497</u>	<u>93,691,667</u>	<u>31,438,506</u>	<u>1,777,595</u>
31 December 2019				
Credit risk	105,139,766	77,851,675	23,474,740	794,533
Market risk	3,844,722	3,394,037	293,518	127,778
Operational risk	12,058,426	8,535,951	1,937,774	784,006
Additional risk-weighted assets due to capital floor	-	-	4,746,219	-
Total risk-weighted assets	<u>121,042,914</u>	<u>89,781,663</u>	<u>30,452,251</u>	<u>1,706,317</u>

[@] The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank and its wholly-owned offshore banking subsidiary, RHB Bank (L) Ltd.



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A29. Capital Adequacy Ratio (continued)

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

The total risk-weighted assets of RHB Islamic 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).

The total risk-weighted assets of RHB Investment Bank are computed based on BNM's Guideline on Risk Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk (Basel II).

(d) The capital adequacy ratios of RHB Bank Cambodia are as follows:

	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Before proposed dividends:		
Solvency ratio	19.202%	15.477%
After proposed dividends:		
Solvency ratio	19.202%	15.477%

The Solvency Ratio of RHB Bank Cambodia is the nearest equivalent regulatory compliance ratio in Cambodia computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived as RHB Bank Cambodia's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement in Cambodia is 15%.



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A30. Credit Exposures Arising from Transactions with Connected Parties

	Group		Bank	
	As at 30 June 2020	As at 31 December 2019	As at 30 June 2020	As at 31 December 2019
Outstanding credit exposures with connected parties (RM'000)	<u>13,427,791</u>	<u>14,117,329</u>	<u>9,762,971</u>	<u>10,712,232</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	<u>6.01</u>	<u>6.44</u>	<u>6.77</u>	<u>7.45</u>
Percentage of outstanding credit exposures to connected parties which is impaired or in default (%)	<u>0.09</u>	<u>0.09</u>	<u>-</u>	<u>0.0002</u>

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



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A31. Operations of Islamic Banking

(a) Statement of Financial Position as at 30 June 2020

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
ASSETS				
Cash and short-term funds	3,581,707	4,051,889	-	-
Deposits and placements with banks and other financial institutions	-	36,886	-	-
Financial assets at FVTPL	154,733	207,145	-	-
Financial assets at FVOCI	5,495,775	5,118,305	-	-
Financial investments at amortised cost	3,693,519	3,407,470	-	-
Financing and advances	64,493,050	60,799,611	1,020,381	570,204
Other assets	903,861	452,036	637,712	183,075
Derivative assets	81,906	8,703	-	-
Statutory deposits	10,000	1,517,000	-	-
Tax recoverable	15,996	-	-	-
Right of use assets	2,488	2,924	-	-
Property, plant and equipment	3,647	3,979	-	-
Intangible assets	3,412	3,633	-	-
Total assets	78,440,094	75,609,581	1,658,093	753,279
LIABILITIES				
Deposits from customers	56,966,237	54,416,970	-	-
Deposits and placements of banks and other financial institutions	4,440,375	2,506,723	1,039,875	576,300
Bills and acceptances payable	15,739	12,460	-	-
Other liabilities	668,600	644,477	558,930	143,419
Derivative liabilities	41,548	123,614	-	-
Recourse obligation on financing sold to 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	-	-
Total liabilities	65,208,339	60,793,534	1,598,805	719,719
Islamic Banking Funds	13,231,755	14,816,047	59,288	33,560
Total liabilities and Islamic Banking Funds	78,440,094	75,609,581	1,658,093	753,279
Commitments and contingencies	15,494,689	15,779,974	31,407	13,422



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A31. Operations of Islamic Banking (continued)

(b) Income Statement for the Six Months Ended 30 June 2020

	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Group				
Income derived from investment of depositors' funds	685,362	687,886	1,409,316	1,350,072
Income derived from investment account funds	91,822	108,438	195,080	215,634
Income derived from investment of shareholders' funds	45,078	120,324	140,743	183,228
Net modification loss	(232,788)	-	(232,788)	-
Allowance for credit losses	(26,670)	12,557	(62,422)	9,329
Total distributable income	562,804	929,205	1,449,929	1,758,263
Income attributable to depositors	(427,689)	(485,335)	(903,508)	(936,671)
	135,115	443,870	546,421	821,592
Personnel expenses	(7,498)	(9,219)	(15,173)	(18,160)
Other overheads and expenditures	(89,953)	(87,082)	(178,351)	(187,974)
Profit before taxation and zakat	37,664	347,569	352,897	615,458
Taxation and zakat	21,270	(49,688)	(22,221)	(87,067)
Net profit for the financial period	58,934	297,881	330,676	528,391

Statement of Comprehensive Income for the Six Months Ended 30 June 2020

	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Group				
Net profit for the financial period	58,934	297,881	330,676	528,391
Other comprehensive income/(loss) in respect of:				
Items that will be reclassified subsequently to profit or loss				
(a) Debt instruments measured at FVOCI				
- Unrealised net gain	166,347	50,313	141,807	123,224
- Net transfer to income statement on disposal	(15,467)	(1,880)	(22,991)	(5,303)
- Changes in expected credit losses	(218)	(563)	(594)	(1,132)
Income tax relating to components of other comprehensive income	(36,212)	(11,624)	(28,517)	(28,301)
Other comprehensive income, net of tax, for the financial period	114,450	36,246	89,705	88,488
Total comprehensive income for the financial period	173,384	334,127	420,381	616,879



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A31. Operations of Islamic Banking (continued)

(b) Income Statement for the Six Months Ended 30 June 2020

	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Bank				
Income derived from investment of depositors' funds	3,347	2,828	7,646	5,407
Income derived from investment of shareholders' funds	2	-	78	3
Allowance for credit losses	(1,540)	80	(2,414)	1,154
Total distributable income	1,809	2,908	5,310	6,564
Income attributable to depositors	(3,145)	(2,190)	(6,636)	(4,185)
	(1,336)	718	(1,326)	2,379
Personnel expenses	(380)	(1,444)	(735)	(1,444)
Other overheads and expenditures	(5)	(9)	(21)	(9)
(Loss)/Profit before taxation	(1,721)	(735)	(2,082)	926
Taxation	-	-	-	-
Net (loss)/profit for the financial period	(1,721)	(735)	(2,082)	926

Statement of Comprehensive Income for the Six Months Ended 30 June 2020

	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Bank				
Net (loss)/profit for the financial period	(1,721)	(735)	(2,082)	926
Total comprehensive (loss)/income for the financial period	(1,721)	(735)	(2,082)	926



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A31. Operations of Islamic Banking (continued)

(d) Financing and Advances

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
At amortised cost				
Cashline	819,185	847,596	-	-
Term financing				
- Housing financing	19,430,454	18,357,927	-	-
- Syndicated term financing	2,907,642	2,881,891	-	-
- Hire purchase receivables	7,667,911	7,723,027	-	-
- Other term financing	27,793,413	25,317,460	1,027,080	574,458
Bills receivables	1,097,182	910,771	-	-
Trust receipts	51,387	29,100	-	-
Staff financing	9,163	6,709	-	-
Credit/charge card receivables	263,625	293,523	-	-
Revolving financing	4,844,230	4,776,914	-	-
Gross financing and advances	64,884,192	61,144,918	1,027,080	574,458
Less: Allowance for credit losses	(391,142)	(345,307)	(6,699)	(4,254)
Net financing and advances	64,493,050	60,799,611	1,020,381	570,204

(i) Movements 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	428,820	466,169	-	-



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A31. Operations of Islamic Banking (continued)

(d) Financing and Advances (continued)

(ii) Movement in allowance for credit losses

Group	12-month	Lifetime ECL	Lifetime ECL	Total
	ECL	not credit	credit	
	(Stage 1)	(Stage 2)	(Stage 3)	
	RM'000	RM'000	RM'000	RM'000
30 June 2020				
Balance as at the beginning of the financial period	71,816	99,609	173,882	345,307
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 during the financial period	1,660	32,062	46,891	80,613
Bad debts written off	-	-	(18,766)	(18,766)
Derecognition	(2,626)	(2,196)	(11,221)	(16,043)
Exchange differences	31	-	-	31
Balance as at the end of the financial period	90,290	123,020	177,832	391,142
31 December 2019				
Balance as at the beginning of the financial year	76,050	116,254	233,219	425,523
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	(19,113)	13,448	66,258	60,593
Bad debts written off	-	-	(84,924)	(84,924)
Changes to model methodologies	(2,628)	(4,104)	-	(6,732)
Derecognition	(8,260)	(15,501)	(25,389)	(49,150)
Exchange differences	(3)	-	-	(3)
Balance as at the end of the financial year	71,816	99,609	173,882	345,307



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A31. Operations of Islamic Banking (continued)

(d) Financing and Advances (continued)

(ii) Movement in allowance for credit losses

Bank	12-month	Lifetime ECL	Lifetime ECL	Total
	ECL	not credit	credit	
	(Stage 1)	impaired	impaired	
	RM'000	(Stage 2)	(Stage 3)	RM'000
30 June 2020				
Balance as at the beginning of the financial period	4,254	-	-	4,254
Allowance made during the financial period	2,414	-	-	2,414
Exchange differences	31	-	-	31
Balance as at the end of the financial period	<u>6,699</u>	<u>-</u>	<u>-</u>	<u>6,699</u>
31 December 2019				
Balance as at the beginning of the financial year	2,435	-	-	2,435
Allowance made during the financial year	1,822	-	-	1,822
Exchange differences	(3)	-	-	(3)
Balance as at the end of the financial year	<u>4,254</u>	<u>-</u>	<u>-</u>	<u>4,254</u>



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

A31. Operations of Islamic Banking (continued)

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
(e) Other Assets				
Prepayments	25,064	26,794	-	-
Deposits	1,531	1,527	-	-
Other receivables	877,266	423,715	637,712	183,075
	903,861	452,036	637,712	183,075

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



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

B1. Review of Group Results

(a) Current Financial Period vs Previous Financial Period

The Group recorded a pre-tax profit of RM1,266.5 million and net profit of RM971.7 million respectively for the first six months of 2020.

Excluding a one-off modification loss of RM392.4 million, the Group's normalised pre-tax profit was at RM1,658.9 million, marginally lower by 0.3% from the previous year corresponding period. This was mainly attributed to higher allowances for credit losses and an impairment loss in an associate, partially offset by higher net fund based income and non-fund based income, coupled with lower operating expenses. The Group's normalised net profit before the one-off modification loss was at RM1,257.9 million, an increase of 1.0% from the previous year corresponding period.

Net fund based income increased by 3.5% to RM2,499.4 million from a year ago, driven by proactive management of funding costs which dropped 14.0% year-on-year as a result of an increase in CASA composition and the redemption of Hybrid Tier- I Capital and certain sub-debts during the period.

Non-fund based income improved by 9.8% to RM1,211.9 million, contributed largely by higher net trading and investment income, brokerage income and insurance underwriting surplus, partially offset by lower net gain on foreign exchange and derivatives and lower capital market and transactional banking related fee income.

Operating expenses declined by 1.2% to RM1,687.6 million from a year ago driven by disciplined cost management efforts in the current volatile market. Cost-to-income ratio improved to 45.5% from 48.5% a year ago.

While the impact of the COVID-19 pandemic remains uncertain, the Group has taken proactive steps to build up provisions to absorb any potential negative effects to asset quality. As a result, allowances for credit losses on loans and financing increased to RM359.0 million, up from RM168.2 million for the corresponding period last year. Annualised credit charge ratio was at 0.40% compared with 0.20% over the same period last year.

Total assets for the Group increased by 1.7 % from December 2019 to RM262.0 billion as at 30 June 2020, primarily due to an increase in loans and financing and securities portfolio. Net assets per share was at RM6.62, with shareholders' equity at RM26.5 billion as at 30 June 2020.

The Group's gross loans and financing grew by 4.9% year-on-year to RM180.8 billion, mainly supported by growth in mortgages, SME and Singapore. Domestic loans and financing grew 3.4% year-on-year.

Customer deposits increased by 7.8% year-on-year to RM199.4.0 billion, largely attributable to growth in CASA and fixed deposits, partially offset by decrease in negotiable instruments of deposits. CASA increased by 15.8% year-on-year, with CASA composition at 28.6% as at 30 June 2020.

Gross impaired loans was at RM3.4 billion as at 30 June 2019, with gross impaired loans ratio of 1.87%. Loan loss coverage for the Group, including regulatory reserves was at 107.7% as at end June 2020.



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

B1. Review of Group Results

(b) Performance by Operating Segment

(i) Group Retail Banking

Group Retail Banking reported a pre-tax profit of RM477.5 million for the first half of the year ended 30 June 2020, 10.0% lower than the previous year's corresponding period. This was mainly due to higher allowances for credit losses on loans and lower non-fund based income, partially offset by higher net fund based income and lower operating expenses.

Excluding a one-off modification loss on loans, Retail loans and financing rose 3.8% year-on-year to RM91.2 billion, primarily driven by growth in mortgages and personal financing.

Retail deposits increased by 7.3% year-on-year to RM61.4 billion, mainly contributed by growth in fixed deposits and CASA.

(ii) Group Business Banking

Group Business Banking recorded a pre-tax profit of RM170.7 million in the first half of the year, a 33.6% decrease mainly due to higher allowances for credit losses on loans and lower non-fund based income, partly offset by higher net fund based income and lower operating expenses.

Gross loans and financing expanded by 6.3% year-on-year to RM27.3 billion, driven mainly by Retail SME portfolio at 5.2%.

Strong current account growth contributed to the overall deposits growth of 8.6% over the same period to RM29.7 billion.

(iii) GWB

Group Wholesale Banking ("GWB") recorded a pre-tax profit of RM1,012.1 million, a increase of 7.3% from the previous year.

(a) Group Corporate & Investment Banking registered a pre-tax profit of RM336.3 million, a 17.4% improvement on the back of higher net fund based income, higher non fund based income, lower operating expenses and lower expected credit losses on loans, partially offset by higher impairment losses on other financial assets.

Gross loans and financing increased by 2.2% year-on-year to RM43.4 billion. Deposits increased by 8.6% over the same period to RM63.6 billion primarily due to a growth in fixed deposits and current account.

(b) Group Treasury & Global Markets recorded a 2.9% growth in pre-tax profit to RM675.9 million over the year, mainly due to higher net trading and investment income, partially offset by lower net fund based income, lower net gain on foreign exchange and derivatives, higher expected credit losses on financial assets and higher operating expenses.

Total deposits decreased by 4.4% to RM22.2 billion year-on-year mainly due to decline in negotiable instruments of deposits.



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

B1. Review of Group Results (continued)

(b) Performance by Operating Segment (continued)

(iv) Group International Business

RHB Bank Singapore recorded a pre-tax profit of SGD8.8 million, 39.0% higher as compared to the previous year's corresponding period. This was mainly attributed to higher non-fund based income and lower operating expenses, partially offset by higher expected credit losses on loans and other financial assets and lower net fund based income.

Singapore loans and advances increased by 21.4% year-on-year to SGD4.8 billion, while deposits increased by 21.5% to SGD5.9 billion.

Group International Business excluding Singapore registered a pre-tax profit of RM16.5 million, 59.7% lower than the previous year's corresponding period. This was mainly due to lower profitability in Cambodia and Thailand.

B2. Current Quarter vs Previous Quarter

Excluding a one-off modification loss of RM392.4 million, normalised pre-tax profit for the quarter was at RM906.6 million, 20.5% higher as compared to RM752.3 million recorded in the preceding quarter ended 31 March 2020. This was mainly due to higher non-fund based income, partially offset by higher impairment on loans and financing, lower net interest and fund based income, higher impairment loss in an associate and higher operating expenses.

B3. Prospects for Financial Year 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 loans/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.

B4. Variance of Actual Profit from Forecast Profit and Profit Guarantee

There were no profit forecast or profit guarantee issued by the Group and the Bank.



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

B5. Taxation and Zakat

	2nd Quarter Ended		Six Months Ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RM'000	RM'000	RM'000	RM'000
Group				
Income tax based on profit for the financial period				
- Malaysian income tax	152,138	193,288	301,291	340,759
- Overseas tax	(1,703)	3,689	3,845	8,369
Deferred tax	(41,233)	2,383	(16,395)	43,027
	<u>109,202</u>	<u>199,360</u>	<u>288,741</u>	<u>392,155</u>
(Over)/Under provision in respect of prior financial years	-	23,766	(344)	22,257
Tax expense	<u>109,202</u>	<u>223,126</u>	<u>288,397</u>	<u>414,412</u>
Zakat	1,364	1,227	2,273	2,045
	<u>110,566</u>	<u>224,353</u>	<u>290,670</u>	<u>416,457</u>

The effective tax rate of the Group for the second quarter and six months ended 30 June 2020 was lower than the statutory tax rate mainly due to certain income not subject to tax and the effects of lower tax rates in other tax jurisdictions.

	2nd Quarter Ended		Six Months Ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RM'000	RM'000	RM'000	RM'000
Bank				
Income tax based on profit for the financial period				
- Malaysian income tax	144,204	130,019	254,481	235,301
- Overseas tax	634	6	782	6
Deferred tax	(47,694)	(1,250)	(21,189)	30,602
	<u>97,144</u>	<u>128,775</u>	<u>234,074</u>	<u>265,909</u>
Under provision in respect of prior financial years	-	469	-	469
	<u>97,144</u>	<u>129,244</u>	<u>234,074</u>	<u>266,378</u>

The effective tax rate of the Bank for the second quarter and six months ended 30 June 2020 was lower than the statutory tax rate mainly due to certain income not subject to tax.



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

B6. Status of Corporate Proposals

(a) Proposed cessation of business operations of subsidiaries in Hong Kong

RHB Hong Kong Limited ('RHB Hong Kong') and its subsidiaries (collectively, 'RHB Hong Kong Group'), had on 4 December 2019 decided that they will commence to cease their business operations ('Proposed Cessation'). RHB Hong Kong is a wholly-owned subsidiary of RHB Investment Bank, which in turn is wholly-owned by the Bank.

Pursuant to the Proposed Cessation, RHB Hong Kong Group will gradually discontinue offering financial services to its existing and potential clients. RHB Investment Bank, being the shareholder of RHB Hong Kong Group will provide the requisite support to ensure an orderly winding down of their business operations. RHB Investment Bank had on 14 February 2020 injected additional capital into RHB Hong Kong as disclosed in Note A26(b).

The increasingly challenging operating broking environment in Hong Kong has resulted in losses being recorded for RHB Hong Kong Group. As a result, it is no longer viable for RHB Hong Kong Group to continue its business operations. The Proposed Cessation would allow RHB Investment Bank to refocus efforts and resources in driving long-term growth in other ASEAN markets in line with the larger RHB Banking Group's FIT22 strategy.

As part of RHB Hong Kong Group, RHB (China) Investment Advisory Co. Ltd had commenced the application for dissolution as disclosed in Note A26(c) and RHBFINHK has commenced the application for member's voluntary winding up as disclosed in Note A25(c).

(b) Proposed disposal of RHB Securities Singapore Pte Ltd ('RHB Securities Singapore')

RHB Investment Bank, a wholly owned subsidiary of the Bank has on 29 June 2020, entered into a conditional share purchase agreement with Phillip Securities Pte Ltd ('Purchaser') in respect of the proposed disposal of its entire equity interest in its wholly owned subsidiary, RHB Securities Singapore ('Proposed Disposal').

The disposal consideration will be based on the net tangible assets of RHB Securities Singapore preceding the completion date and adjustments mutually agreed between RHB Investment Bank and the Purchaser.

Prior to the completion of the Proposed Disposal, RHB Securities Singapore will undertake a corporate exercise to transfer the following businesses and assets to the Bank (Singapore Branch) ('Proposed Transfer'), subject to approvals from relevant regulatory authorities:

- (i) the client coverage team, research and advisory services in relation to corporate finance, mergers and acquisitions, equity capital markets and institutional equities sales;
- (ii) certain share margin accounts;
- (iii) the entire equity interests of RHB Securities Singapore's wholly-owned subsidiaries in RHB Nominees Singapore Pte Ltd, Summit Nominees Singapore Pte Ltd and RHB Research Institute Singapore Pte Ltd; and
- (iv) other assets and liabilities in respect of items (i) and (ii) above.

With the Proposed Disposal, the Bank will be in a position to better serve its wholesale clients in Singapore with the proposed transfer of the capital markets business to RHB Bank Singapore. The increasingly competitive broking environment has made it no longer viable for RHB Securities Singapore to continue its stock broking business.

The Proposed Disposal is subject to approvals from the relevant regulatory authorities in Singapore and/or parties, where required. The Proposed Disposal is not subject to the approval of the shareholders of the Bank or any relevant regulatory authorities in Malaysia.

The Proposed Disposal is conditional upon the completion of the Proposed Transfer but not vice versa.



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

B7. Deposits from Customers and Placements of Banks and Other Financial Institutions, Borrowings, Senior Debt Securities and Subordinated Obligations

**(a) Deposits from customers and placements of banks
and other financial institutions**

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Deposits from customers				
- One year or less	197,749,416	186,019,586	132,873,996	128,517,526
- More than one year	1,632,264	4,535,639	564,052	3,053,598
	<u>199,381,680</u>	<u>190,555,225</u>	<u>133,438,048</u>	<u>131,571,124</u>
Deposits and placements of banks and other financial institutions				
- Maturing within one year	17,945,584	21,112,852	20,522,253	18,806,380
- One year to three years	129,456	155,872	101,179	136,630
- Three years to five years	62,162	69,400	24,427	29,617
- Over five years	1,049,142	201,205	1,033,189	201,205
	<u>19,186,344</u>	<u>21,539,329</u>	<u>21,681,048</u>	<u>19,173,832</u>

(b) Borrowings

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Secured				
Term loans:				
- Cambodian Riel	196,147	112,930	-	-
Unsecured				
Term loans:				
- United States Dollar	857,096	840,177	857,096	840,177
- Hong Kong Dollar	4,255	3,101	-	-
- Singapore Dollar	72,622	72,972	-	-
Promissory note:				
- Indonesia Rupiah	60,383	29,673	-	-
- Thai Baht	90,042	123,674	-	-
	<u>1,280,545</u>	<u>1,182,527</u>	<u>857,096</u>	<u>840,177</u>
Scheduled repayment of borrowings:				
- Within one year	1,280,545	978,026	857,096	635,676
- One year to three years	-	204,501	-	204,501
	<u>1,280,545</u>	<u>1,182,527</u>	<u>857,096</u>	<u>840,177</u>



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

B7. Deposits from Customers and Placements of Banks and Other Financial Institutions, Borrowings, Senior Debt Securities and Subordinated Obligations (continued)

(c) Senior debt securities

	Group and Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
USD500 million 2.503% senior debt securities due in 2021	2,152,339	2,055,132
USD300 million 3.766% senior debt securities due in 2024	1,300,544	1,241,631
	3,452,883	3,296,763

(d) Subordinated obligations

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
5.60% RM300 million Tier II Subordinated Notes 2010/2025	-	302,946	-	302,946
4.95% RM200 million Tier II Subordinated Notes 2015/2025	-	202,061	-	-
4.75% RM500 million Tier II Subordinated Notes 2015/2025	-	503,474	-	503,474
4.88% RM250 million Tier II Subordinated Sukuk Murabahah 2017/2027	252,173	252,139	-	-
4.82% RM750 million Tier II Subordinated Notes 2017/2027	759,051	758,976	759,051	758,976
4.90% RM200 million Tier II Subordinated Notes 2017/2027	202,121	202,202	-	-
4.32% RM500 million Tier II Subordinated Sukuk Murabahah 2019/2029	502,426	502,426	-	-
3.35% RM500 million Tier II Subordinated Notes 2020/2030	501,352	-	501,352	-
	2,217,123	2,724,224	1,260,403	1,565,396

The subordinated obligations comprise unsecured liabilities of the Bank and its investment and islamic bank subsidiaries and are subordinated to the senior indebtedness in accordance with their respective terms and conditions of issuance and qualify as Tier II capital (as disclosed in Note A29) for the purpose of determining the capital adequacy ratios of the respective subsidiaries.



RHB BANK BERHAD
 Registration No. 196501000373 (6171-M)

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

B8. Derivative Financial Instruments

Details of derivative financial instruments outstanding are as follows:

(a) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts

Group	As at 30 June 2020			As at 31 December 2019		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
By type	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Trading Derivatives:</u>						
Foreign exchange related contracts						
- Forwards/swaps	61,326,332	400,286	426,818	52,494,800	304,168	623,039
- Options	1,548,747	9,222	5,651	2,181,278	11,933	5,226
- Cross-currency interest rate swaps	3,849,478	249,505	197,209	3,755,572	217,884	161,926
	66,724,557	659,013	629,678	58,431,650	533,985	790,191
Interest rate related contracts						
- Swaps	32,270,674	758,974	747,381	30,255,839	303,302	262,100
Commodity related contracts						
- Options	264,909	18,478	18,478	290,309	11,831	11,831
Equity related contracts						
- Options	45,148	6,246	82	-	-	-
Structured warrants	278,099	-	105,616	43,817	-	4,277
Structured investments	18,116	1,479	-	18,116	4,437	-
<u>Fair Value Hedging Derivatives:</u>						
Interest rate related contracts						
- Swaps	7,349,145	4,664	309,896	4,507,590	1,701	92,528
Total	106,950,648	1,448,854	1,811,131	93,547,321	855,256	1,160,927



RHB BANK BERHAD
Registration No. 196501000373 (6171-M)

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

B8. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding are as follows: (continued)

(a) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts (continued)

Bank	As at 30 June 2020			As at 31 December 2019		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
	RM'000	Assets RM'000	Liabilities RM'000	RM'000	Assets RM'000	Liabilities RM'000
By type						
<u>Trading Derivatives:</u>						
Foreign exchange related contracts						
- Forwards/swaps	64,040,532	400,682	423,455	53,381,479	314,700	622,944
- Options	1,548,747	9,222	5,651	2,181,278	11,933	5,226
- Cross-currency interest rate swaps	4,968,014	249,414	197,531	4,920,676	215,877	160,422
	<u>70,557,293</u>	<u>659,318</u>	<u>626,637</u>	<u>60,483,433</u>	<u>542,510</u>	<u>788,592</u>
Interest rate related contracts						
- Swaps	39,266,675	873,252	856,687	35,115,839	346,105	302,968
Commodity related contracts						
- Options	264,909	18,478	18,478	290,309	11,831	11,831
Equity related contracts						
- Options	43,248	131	82	-	-	-
Structured investments	5,866	479	-	5,866	1,437	-
<u>Fair Value Hedging Derivatives:</u>						
Interest rate related contracts						
- Swaps	4,206,145	461	203,751	3,007,590	1,701	51,683
Total	<u>114,344,136</u>	<u>1,552,119</u>	<u>1,705,635</u>	<u>98,903,037</u>	<u>903,584</u>	<u>1,155,074</u>



RHB BANK BERHAD
Registration No. 196501000373 (6171-M)

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

B8. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding are as follows: (continued)

(a) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts (continued)

Group	As at 30 June 2020			As at 31 December 2019		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
	RM'000	Assets RM'000	Liabilities RM'000	RM'000	Assets RM'000	Liabilities RM'000
By remaining period to maturity/next re-pricing date						
<u>Trading Derivatives:</u>						
Foreign exchange related contracts						
- Less than one year	62,723,365	461,004	476,052	54,600,403	372,580	639,164
- One year to three years	2,233,675	100,781	72,008	2,254,492	91,489	58,394
- More than three years	1,767,517	97,228	81,618	1,576,755	69,916	92,633
	<u>66,724,557</u>	<u>659,013</u>	<u>629,678</u>	<u>58,431,650</u>	<u>533,985</u>	<u>790,191</u>
Interest rate related contracts						
- Less than one year	7,851,451	34,145	43,033	6,407,422	9,842	5,154
- One year to three years	10,591,132	75,077	95,249	11,123,197	39,942	44,133
- More than three years	13,828,091	649,752	609,099	12,725,220	253,518	212,813
	<u>32,270,674</u>	<u>758,974</u>	<u>747,381</u>	<u>30,255,839</u>	<u>303,302</u>	<u>262,100</u>
Commodity related contracts						
- Less than one year	264,909	18,478	18,478	266,117	10,665	10,665
- One year to three years	-	-	-	24,192	1,166	1,166
	<u>264,909</u>	<u>18,478</u>	<u>18,478</u>	<u>290,309</u>	<u>11,831</u>	<u>11,831</u>
Equity related contracts						
- Less than one year	45,148	6,246	82	-	-	-
	<u>45,148</u>	<u>6,246</u>	<u>82</u>	<u>-</u>	<u>-</u>	<u>-</u>
Structured warrants						
- Less than one year	278,099	-	105,616	43,817	-	4,277
- One year to three years	-	-	-	-	-	-
	<u>278,099</u>	<u>-</u>	<u>105,616</u>	<u>43,817</u>	<u>-</u>	<u>4,277</u>
Structured investments						
- Less than one year	18,116	1,479	-	18,116	4,437	-
	<u>18,116</u>	<u>1,479</u>	<u>-</u>	<u>18,116</u>	<u>4,437</u>	<u>-</u>
Fair Value Hedging Derivatives:						
Interest rate related contracts						
- Less than one year	153,205	-	2,134	-	-	-
- One year to three years	375,060	-	9,765	514,567	299	5,338
- More than three years	6,820,880	4,664	297,997	3,993,023	1,402	87,190
	<u>7,349,145</u>	<u>4,664</u>	<u>309,896</u>	<u>4,507,590</u>	<u>1,701</u>	<u>92,528</u>
Total	<u>106,950,648</u>	<u>1,448,854</u>	<u>1,811,131</u>	<u>93,547,321</u>	<u>855,256</u>	<u>1,160,927</u>



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

B8. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding are as follows: (continued)

(a) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts (continued)

Bank	As at 30 June 2020			As at 31 December 2019		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
	RM'000	Assets RM'000	Liabilities RM'000	RM'000	Assets RM'000	Liabilities RM'000
By remaining period to maturity/next re-pricing date						
<u>Trading Derivatives:</u>						
Foreign exchange related contracts						
- Less than one year	66,449,051	461,309	472,689	56,549,934	382,939	639,060
- One year to three years	2,091,564	100,781	72,008	2,254,494	91,489	58,403
- More than three years	2,016,678	97,228	81,940	1,679,005	68,082	91,129
	70,557,293	659,318	626,637	60,483,433	542,510	788,592
Interest rate related contracts						
- Less than one year	8,561,448	34,145	43,046	8,267,422	10,100	5,154
- One year to three years	9,546,765	75,074	95,249	11,296,204	39,942	44,156
- More than three years	21,158,462	764,033	718,392	15,552,213	296,063	253,658
	39,266,675	873,252	856,687	35,115,839	346,105	302,968
Commodity related contracts						
- Less than one year	264,909	18,478	18,478	266,117	10,665	10,665
- One year to three years	-	-	-	24,192	1,166	1,166
	264,909	18,478	18,478	290,309	11,831	11,831
Equity related contracts						
- Less than one year	43,248	131	82	-	-	-
	43,248	131	82	-	-	-
Structured investments						
- Less than one year	5,866	479	-	5,866	1,437	-
	5,866	479	-	5,866	1,437	-
<u>Fair Value Hedging Derivatives:</u>						
Interest rate related contracts						
- Less than one year	153,205	-	2,134	-	-	-
- One year to three years	375,060	-	9,765	514,567	299	5,338
- More than three years	3,677,880	461	191,852	2,493,023	1,402	46,345
	4,206,145	461	203,751	3,007,590	1,701	51,683
Total	114,344,136	1,552,119	1,705,635	98,903,037	903,584	1,155,074



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

B8. Derivative Financial Instruments (continued)

(b) Related accounting policies

Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Bank designate certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge); or (3) net investment hedge. Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statements, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

The Group and the Bank apply fair value hedge accounting for hedging fixed interest risk on loans, advances and financing and financial assets at FVOCI. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate loans, advances and financing and financial assets at FVOCI is recognised in income statements within other operating income. The gain or loss relating to the ineffective portion is recognised in income statements within net gain or loss on fair value hedges. Changes in the fair value of the hedge fixed rate loans, advances and financing attributable to interest rate risk are recognised in income statements within other operating income. Changes in the fair value of the hedge financial assets at FVOCI are recycled from FVOCI reserves to income statements within other operating income.

For fair value hedge of financial assets designated as FVOCI, any changes in fair value of the hedged financial assets FVOCI are recycled from FVOCI reserves to income statements, while the changes in fair value of the derivatives that is related to the effective portion of the hedge is recognised in income statements within other operating income. The ineffective portion of the aforesaid hedging derivatives is recognised in income statements with net gain or loss on fair value changes of derivatives.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statements over the period to maturity and recorded as other operating income.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves within equity. The gain and loss relating to the ineffective portion is recognised immediately in the income statements.

Amounts accumulated in equity are recycled to the income statements in the periods when the hedged item affects profit or loss. They are recorded in the income or expense lines in which the revenue or expense associated with the related hedged item is reported.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the periods when the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is immediately reclassified to the income statements.



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

B8. Derivative Financial Instruments (continued)

(b) Related accounting policies (continued)

(iii) Net investment hedge

Net investment hedge is a hedge against the exposure to exchange rate fluctuations on the net assets of the Group's foreign operations/subsidiaries. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in the foreign currency translation reserve in equity via other comprehensive income while any gain or loss relating to the ineffective portion is recognised directly in the income statements. On disposal of the foreign operations/subsidiaries, the cumulative value of any such gains or losses recognised in equity is transferred to the income statements.

(iv) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statements.



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

B9. Fair Value of Financial Instruments

The Group and 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:

Group	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
30 June 2020				
<u>Financial assets</u>				
Financial assets at FVTPL:	424,225	2,957,891	561,920	3,944,036
- Money market instruments	-	1,469,073	-	1,469,073
- Quoted securities	424,225	-	3,425	427,650
- Unquoted securities	-	1,488,818	558,495	2,047,313
Financial assets at FVOCI:	1,991	41,533,973	730,640	42,266,604
- Money market instruments	-	14,435,060	-	14,435,060
- Quoted securities	1,991	-	-	1,991
- Unquoted securities	-	27,098,913	730,640	27,829,553
Derivative assets	1,000	1,447,854	-	1,448,854
	427,216	45,939,718	1,292,560	47,659,494
<u>Financial liabilities</u>				
Derivative liabilities	105,616	1,705,515	-	1,811,131
31 December 2019				
<u>Financial assets</u>				
Financial assets at FVTPL:	372,066	3,742,448	508,933	4,623,447
- Money market instruments	-	2,144,858	-	2,144,858
- Quoted securities	372,066	-	3,337	375,403
- Unquoted securities	-	1,597,590	505,596	2,103,186
Financial assets at FVOCI:	2,418	39,108,486	694,400	39,805,304
- Money market instruments	-	13,875,143	-	13,875,143
- Quoted securities	2,418	-	-	2,418
- Unquoted securities	-	25,233,343	694,400	25,927,743
Derivative assets	3,000	852,256	-	855,256
	377,484	43,703,190	1,203,333	45,284,007
<u>Financial liabilities</u>				
Derivative liabilities	4,277	1,156,650	-	1,160,927



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

B9. Fair Value of Financial Instruments (continued)

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

Bank	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
30 June 2020				
<u>Financial assets</u>				
Financial assets at FVTPL:	3,404	1,842,402	16,687	1,862,493
- Money market instruments	-	1,314,336	-	1,314,336
- Quoted securities	3,404	-	3,425	6,829
- Unquoted securities	-	528,066	13,262	541,328
Financial assets at FVOCI:	-	35,429,411	689,392	36,118,803
- Money market instruments	-	12,881,263	-	12,881,263
- Unquoted securities	-	22,548,148	689,392	23,237,540
Derivative assets	-	1,552,119	-	1,552,119
	<u>3,404</u>	<u>38,823,932</u>	<u>706,079</u>	<u>39,533,415</u>
<u>Financial liabilities</u>				
Derivative liabilities	-	1,705,635	-	1,705,635
31 December 2019				
<u>Financial assets</u>				
Financial assets at FVTPL:	3,324	2,510,748	16,216	2,530,288
- Money market instruments	-	1,937,713	-	1,937,713
- Quoted securities	3,324	-	3,337	6,661
- Unquoted securities	-	573,035	12,879	585,914
Financial assets at FVOCI:	-	33,278,941	655,331	33,934,272
- Money market instruments	-	11,971,912	-	11,971,912
- Unquoted securities	-	21,307,029	655,331	21,962,360
Derivative assets	-	903,584	-	903,584
	<u>3,324</u>	<u>36,693,273</u>	<u>671,547</u>	<u>37,368,144</u>
<u>Financial liabilities</u>				
Derivative liabilities	-	1,155,074	-	1,155,074

There were no transfers between Level 1 and 2 during the financial period.



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

B9. Fair Value of Financial Instruments (continued)

(i) Valuation techniques

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 is 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. These would include quoted securities and unit trusts.

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 Group and the Bank then determine fair value based upon valuation techniques that use market parameters including but not limited to yield curves, volatilities and foreign exchange rates as inputs. The majority of valuation techniques employ only observable market data. These would include certain bonds, government bonds, corporate debt securities and derivatives.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for socio-economic reasons, unquoted private equity funds, non-transferable and non-tradable perpetual notes/sukuk, impaired securities and unquoted corporate loan stocks. Fair values for shares held for socio-economic reasons are based on the net tangible assets of the affected companies. Fair values for unquoted private equity funds are based on enterprise valuation method where the main input include earnings before interest, taxes, depreciation and amortisation ('EBITDA'), comparable companies earning multiple and marketable discount. For unquoted corporate loan stocks, discounted cash flow analysis has been performed to determine the recoverability of the instruments.

(ii) Reconciliation of fair value movements in Level 3

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

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Financial assets at FVTPL				
Balance as at the beginning of the financial period/year	508,933	453,010	16,216	15,735
Total net gain/(loss) recognised in income statements	36,854	30,847	(156)	(2,970)
Purchases	5,726	30,908	522	3,424
Settlements/distribution	(12,850)	(792)	-	-
Exchange differences	23,257	(5,040)	105	27
Balance as at the end of the financial period/year	<u>561,920</u>	<u>508,933</u>	<u>16,687</u>	<u>16,216</u>
Financial assets at FVOCI				
Balance as at the beginning of the financial period/year	694,400	767,926	655,331	638,477
Total net gain recognised in other comprehensive income	36,232	18,745	34,061	16,854
Settlements/disposal	-	(92,290)	-	-
Exchange differences	8	19	-	-
Balance as at the end of the financial period/year	<u>730,640</u>	<u>694,400</u>	<u>689,392</u>	<u>655,331</u>



RHB BANK BERHAD

Registration No. 196501000373 (6171-M)

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

B10. Dividends

No dividend has been declared for the second quarter ended 30 June 2020.

B11. Earnings per Share

	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
Basic earnings per share				
Profit attributable to equity holders of the Bank (RM'000)	<u>400,770</u>	615,410	<u>971,650</u>	1,245,596
Weighted average number of ordinary shares in issue ('000)	<u>4,010,045</u>	4,010,045	<u>4,010,045</u>	4,010,045
Earnings per share (sen)				
- Basic	<u>10.0</u>	15.3	<u>24.2</u>	31.1
- Diluted	<u>10.0</u>	15.3	<u>24.2</u>	31.1

There were no dilutive potential ordinary shares outstanding as at 30 June 2020. As a result, the diluted earnings per share equal to the basic earnings per share for the financial period ended 30 June 2020.

BY ORDER OF THE BOARD

AZMAN SHAH MD YAMAN

(License No. LS0006901)

Company Secretary
28 August 2020