

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	Note	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000
ASSETS			
Cash and short-term funds		6,342,631	6,149,038
Securities purchased under resale agreements		994,687	-
Deposits and placements with banks and other financial institutions		417,494	618,072
Financial assets held-for-trading ('HFT')	9	151,363	20,248
Financial investments available-for-sale ('AFS')	10	3,100,738	3,062,645
Financial investments held-to-maturity ('HTM')	11	1,848,923	1,861,693
Financing and advances	12	32,119,877	30,890,427
Other assets	13	112,358	133,284
Derivative assets		103,957	146,922
Statutory deposits with Bank Negara Malaysia		865,451	1,168,500
Deferred tax assets		15,279	11,964
Property, plant and equipment		7,724	8,384
Intangible assets		5,993	5,564
TOTAL ASSETS		46,086,475	44,076,741
LIABILITIES AND EQUITY			
Deposits from customers	14	30,402,825	27,928,029
Deposits and placements of banks and other financial institutions	15	4,652,900	5,310,572
Investment account due to designated financial institutions	16	6,441,425	6,350,654
Bills and acceptances payable		7,196	5,549
Derivative liabilities		111,104	129,106
Recourse obligation on financing sold to Cagamas Berhad ('Cagamas')		941,238	982,760
Subordinated obligations		509,273	503,119
Other liabilities	17	383,898	349,613
Provision for tax and zakat		37,368	20,932
TOTAL LIABILITIES		43,487,227	41,580,334
Share capital		1,173,424	1,173,424
Reserves		1,425,824	1,322,983
TOTAL EQUITY		2,599,248	2,496,407
TOTAL LIABILITIES AND EQUITY		46,086,475	44,076,741
COMMITMENTS AND CONTINGENCIES			
	24	15,565,515	13,611,181

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2016

	Note	Quarter ended 31 March 2016	Quarter ended 31 March 2015
		RM'000	RM'000
Income derived from investment of depositors' funds	18	418,038	395,833
Income derived from investment account funds	19	82,320	-
Income derived from investment of shareholders' funds	20	38,465	31,677
Allowance for impairment on financing and advances	21	(14,838)	(18,728)
Total distributable income		523,985	408,782
Income attributable to depositors	22	(301,831)	(285,826)
Profit distributed to investment account holders		(64,939)	-
		157,215	122,956
Personnel expenses		(7,859)	(11,018)
Other overheads and expenditures		(53,100)	(40,403)
Profit before taxation		96,256	71,535
Taxation		(22,724)	(17,885)
Net profit for the financial period		73,532	53,650
Basic earnings per share (sen)	23	6.27	4.57

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RHB ISLAMIC BANK BERHAD (680329 – V)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2016

	Quarter ended 31 March 2016	Quarter ended 31 March 2015
	RM'000	RM'000
Net profit for the financial period	73,532	53,650
Other comprehensive income:		
Items that will be reclassified subsequently to profit or loss		
Financial investments available-for-sale:		
-Unrealised net gain on revaluation	39,520	18,128
-Net transfer to income statement on disposal or impairment	(956)	(1,886)
Income tax relating to components of other comprehensive income	(9,255)	(4,061)
Other comprehensive income, net of tax, for the financial period	29,309	12,181
Total comprehensive income for the financial period	102,841	65,831

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

RHB ISLAMIC BANK BERHAD (680329 – V)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2016

	Share capital	Non distributable			Distributable	Total
		Statutory reserve	AFS reserve	Regulatory reserve	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2016	1,173,424	681,192	(39,195)	160,361	520,625	2,496,407
Net profit for the financial period	-	-	-	-	73,532	73,532
Other comprehensive income/(loss):						
Financial investments AFS:						
- Unrealised net gain on revaluation	-	-	39,520	-	-	39,520
- Net transfer to income statement on disposal or impairment	-	-	(956)	-	-	(956)
Income tax relating to components of other comprehensive income	-	-	(9,255)	-	-	(9,255)
Other comprehensive income, net of tax, for the financial period	-	-	29,309	-	-	29,309
Total comprehensive income for the financial period	-	-	29,309	-	73,532	102,841
Transfer to regulatory reserve				12,595	(12,595)	-
Balance as at 31 March 2016	1,173,424	681,192	(9,886)	172,956	581,562	2,599,248

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RHB ISLAMIC BANK BERHAD (680329 – V)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2016

	Share capital RM'000	Non distributable		Distributable	Total RM'000
		Statutory reserve RM'000	AFS reserve RM'000	Retained profits RM'000	
Balance as at 1 January 2015	1,173,424	553,765	(28,352)	553,560	2,252,397
Net profit for the financial period	-	-	-	53,650	53,650
Other comprehensive income/(loss):					
Financial investments AFS:					
- Unrealised net gain on revaluation	-	-	18,128	-	18,128
- Net transfer to income statement on disposal or impairment	-	-	(1,886)	-	(1,886)
Income tax relating to components of other comprehensive income	-	-	(4,061)	-	(4,061)
Other comprehensive income, net of tax, for the financial period	-	-	12,181	-	12,181
Total comprehensive income for the financial period	-	-	12,181	53,650	65,831
Balance as at 31 March 2015	1,173,424	553,765	(16,171)	607,210	2,318,228

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

RHB ISLAMIC BANK BERHAD (680329 – V)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2016

	Three months ended	
	31 March 2016	31 March 2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	96,256	71,535
Adjustments for non-cash items	(33,700)	(25,965)
Operating profit before changes in working capital	<u>62,556</u>	<u>45,570</u>
Changes in working capital:		
Net changes in operating assets	(1,848,222)	(889,473)
Net changes in operating liabilities	<u>1,932,183</u>	<u>2,115,146</u>
Cash generated from operations	146,517	1,271,243
Tax paid	(18,858)	(23,713)
Net cash generated from operating activities	<u>127,659</u>	<u>1,247,530</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase)/Proceeds from disposal of property, plant and equipment	(130)	872
Purchase of intangible assets	(966)	(147)
Net disposal/(purchase) of financial investments AFS	13,333	(559,436)
Net redemption/(purchase) of financial investments HTM	14,000	(156,616)
Income received from financial investments AFS	19,614	17,999
Income received from financial investments HTM	<u>20,083</u>	<u>23,347</u>
Net cash generated from/(used in) investing activities	<u>65,934</u>	<u>(673,981)</u>
Net increase in cash and cash equivalents	193,593	573,549
Cash and cash equivalents at the beginning of the financial period	<u>6,149,038</u>	<u>4,025,661</u>
Cash and cash equivalents at the end of the financial period	<u>6,342,631</u>	<u>4,599,210</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds	<u>6,342,631</u>	<u>4,599,210</u>

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

RHB ISLAMIC BANK BERHAD (680329 – V)
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2016

1 BASIS OF PREPARATION

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

The accounting policies and presentation adopted by the Bank for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2015, except for the adoption of the following annual improvements and amendments to MFRS which are effective for annual periods beginning on or after 1 January 2016:

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

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

2 AUDITORS' REPORT

The auditors' report for the financial year ended 31 December 2015 was not subject to any qualification.

3 SEASONAL OR CYCLICAL ITEMS

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

4 EXCEPTIONAL OR EXTRAORDINARY ITEMS

There were no exceptional or unusual items for the three months ended 31 March 2016.

5 CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in prior financial years that have a material effect for the three months ended 31 March 2016.

6 CHANGES IN DEBT AND EQUITY SECURITIES

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

7 DIVIDENDS PAID

No dividend has been paid during the three months ended 31 March 2016.

8 INVESTMENT ACCOUNT ('IA')

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

IA are contracts based on the Shariah concept below:

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

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2016**

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

	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	151,363	20,248

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

	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	709,012	705,803
Wakala Global Sukuk	12,933	14,175
Khazanah bonds	8,785	8,664
Cagamas bonds	60,831	60,064
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Islamic private debt securities	2,105,048	2,072,777
Perpetual sukuk	203,554	200,587
	3,100,163	3,062,070
At cost		
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Shares in Islamic Bank and Financial Institutions of Malaysia ('IBFIM')	575	575
	3,100,738	3,062,645

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2016

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

	As at	As at
	31 March 2016	31 December 2015
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	542,552	540,428
Sukuk Perumahan Kerajaan	10,052	9,957
Khazanah bonds	29,951	29,645
Cagamas bonds	10,006	60,619
Negotiable Islamic debts certificates	-	99,785
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	1,256,362	1,121,259
	<u>1,848,923</u>	<u>1,861,693</u>

Included in financial investments HTM are Restricted Investment account ('RIA'), as part of arrangement between the Bank and RHB Bank Berhad ('RHB Bank'). As at 31 March 2016, the gross exposure to RIA investment is RM199.0 million (31 December 2015: RM21.0 million).

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2016**

12 FINANCING AND ADVANCES

31 March 2016	Bai'						
	Bithaman						
	Ajil ('BBA')	Ijarah	Murabahah	Musyarakah	Bai'Inah	Others	Total
At amortised cost	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cashline	-	-	311,895	-	-	1,300	313,195
Term financing:							
- Housing financing	560,959	-	-	7,393,144	-	720	7,954,823
- Syndicated term financing	-	87,404	1,218,370	-	-	19,106	1,324,880
- Hire purchase receivables	-	5,861,249	-	-	-	46,452	5,907,701
- Other term financing	8,653	484,476	10,414,477	-	3,341,555	53,708	14,302,869
Bills receivables	-	-	569,558	-	-	4,957	574,515
Trust receipts	-	-	14,274	-	-	652	14,926
Staff financing	4,374	-	-	-	-	-	4,374
Credit/charge card receivables	-	-	-	-	-	249,766	249,766
Revolving financing	-	-	1,689,046	-	-	-	1,689,046
Gross financing and advances	<u>573,986</u>	<u>6,433,129</u>	<u>14,217,620</u>	<u>7,393,144</u>	<u>3,341,555</u>	<u>376,661</u>	<u>32,336,095</u>
Fair value changes arising from fair value hedge							<u>3,704</u>
							32,339,799
Allowance for impaired financing and advances:							
- Individual impairment allowance							(18,411)
- Collective impairment allowance							(201,511)
Net financing and advances							<u><u>32,119,877</u></u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2016**

12 FINANCING AND ADVANCES (CONTINUED)

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

RHB ISLAMIC BANK BERHAD (680329 – V)
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2016

12 FINANCING AND ADVANCES (CONTINUED)

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

As at 31 March 2016, the gross exposures to RIA financing are RM5,986 million (31 December 2015: RM6,057 million) and the portfolio allowance for impairment losses for financing and advances relating to RIA amounting to RM36.3 million (31 December 2015: RM41.9 million) is recognised in the financial statements of RHB Bank. There was no individual impairment being made for such RIA financing.

- (b) Included in term financing are hire purchase receivables sold to Cagamas amounting to RM936 million (31 December 2015: RM976 million).

- (i) By type of customer

	As at 31 March 2016	As at 31 December 2015
	RM'000	RM'000
Domestic non-bank financial institutions:		
- Others	1,119,511	1,250,142
Domestic business enterprises:		
- Small medium enterprises	2,379,281	2,365,515
- Others	9,468,957	8,566,221
Government and statutory bodies	3,397,119	3,355,987
Individuals	15,701,630	15,304,462
Other domestic entities	104,516	106,447
Foreign entities	165,081	175,548
	32,336,095	31,124,322

- (ii) By profit rate sensitivity

Fixed rate:		
- Housing financing	561,288	580,869
- Hire-purchase receivables	5,907,701	5,930,758
- Other fixed rate financing	8,266,929	8,015,107
Variable rate:		
- BFR-plus	17,010,736	16,137,587
- Cost-plus	589,441	460,001
	32,336,095	31,124,322

- (iii) By purpose

Purchase of transport vehicles	5,860,150	5,904,916
Purchase of landed property:		
- Residential	7,669,860	7,320,047
- Non-residential	2,066,816	1,993,971
Purchase of property, plant and equipment other than land and building	712,277	752,254
Personal use	1,990,149	1,899,384
Credit card	249,766	251,270
Purchase of consumer durables	-	2
Construction	247,238	168,231
Working capital	7,290,858	6,948,924
Merger and acquisition	1,435,743	1,184,073
Other purposes	4,813,238	4,701,250
	32,336,095	31,124,322

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

RHB ISLAMIC BANK BERHAD (680329 – V)
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2016

12 FINANCING AND ADVANCES (CONTINUED)

	<u>As at</u> <u>31 March 2016</u>	<u>As at</u> <u>31 December 2015</u>
	<u>RM'000</u>	<u>RM'000</u>
(iv) By geographical distribution		
In Malaysia	<u>32,336,095</u>	<u>31,124,322</u>
(v) By remaining contractual maturities		
Maturing within one year	3,882,881	3,026,772
One to three years	2,210,523	2,594,196
Three to five years	7,024,923	5,900,673
Over five years	19,217,768	19,602,681
	<u>32,336,095</u>	<u>31,124,322</u>
(vi) Impaired financing and advances		
(a) Movement in impaired financing and advances		
Balance as at the beginning of the financial period/year	362,736	330,701
Classified as impaired during the financial period/year	127,178	627,425
Reclassified as non-impaired	(91,003)	(411,779)
Amount recovered	(21,741)	(121,031)
Amount written off	(21,322)	(62,580)
Balance as at the end of the financial period/year	<u>355,848</u>	<u>362,736</u>
(b) By purpose		
Purchase of transport vehicles	50,221	52,176
Purchase of landed property:		
- Residential	136,441	132,862
- Non-residential	37,121	28,845
Purchase of property, plant and equipment other than land and building	2,986	7,823
Personal use	3,407	2,800
Credit card	5,027	5,763
Working capital	98,284	110,167
Other purposes	22,361	22,300
	<u>355,848</u>	<u>362,736</u>
(c) By geographical distribution		
In Malaysia	<u>355,848</u>	<u>362,736</u>
(d) Movement in allowance for impaired financing and advances		
<u>Individual impairment allowance</u>		
Balance as at the beginning of the financial period/year	22,649	25,289
Net allowance written back during the financial period/year	(891)	(2,640)
Amount written off	(3,347)	-
Balance as at the end of the financial period/year	<u>18,411</u>	<u>22,649</u>
<u>Collective impairment allowance</u>		
Balance as at the beginning of the financial period/year	199,653	187,307
Net allowance made during the financial period/year	15,649	65,749
Amount written off	(13,791)	(53,403)
Balance as at the end of the financial period/year	<u>201,511</u>	<u>199,653</u>
Collective impairment allowance as % of gross financing and advances (excluding RIA financing) less individual impairment allowance	<u>0.77%</u>	<u>0.80%</u>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2016**

13 OTHER ASSETS

	As at 31 March 2016	As at 31 December 2015
	RM'000	RM'000
Prepayments	11,173	10,777
Deposits	1,303	1,297
Amount due from other related companies	1,817	1,739
Other debtors	98,065	119,471
	112,358	133,284

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

14 DEPOSITS FROM CUSTOMERS

	As at 31 March 2016	As at 31 December 2015
	RM'000	RM'000
<u>Savings Deposit</u>		
Wadiah	1,230,423	1,129,320
<u>Demand Deposit</u>		
Wadiah	3,784,934	3,403,515
<u>Term Deposits</u>		
Commodity Murabahah	11,503,140	10,828,229
Wadiah Corporate Deposit	474,781	1,249,671
<u>Specific Investment Account</u>		
Murabahah	13,142,710	11,136,182
<u>General Investment Account</u>		
Mudharabah	167,838	181,112
<u>Islamic Negotiable Instrument</u>		
Bai Bithaman Ajil	98,999	-
	30,402,825	27,928,029

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

Due within six months	21,347,906	20,371,201
Six months to one year	4,029,084	2,990,789
One year to three years	9,903	32,336
Three years to five years	575	868
	25,387,468	23,395,194

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

Government and statutory bodies	4,798,538	4,540,209
Business enterprises	20,651,029	18,539,375
Individuals	4,373,189	4,297,238
Others	580,069	551,207
	30,402,825	27,928,029

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2016**

15 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at <u>31 March 2016</u> RM'000	As at 31 December 2015 RM'000
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	2,042,315	1,853,985
Licensed banks	1,952,593	2,749,230
Licensed investment banks	199,483	248,847
Other financial institutions	39,648	-
Bank Negara Malaysia	1,366	1,150
	<u>4,235,405</u>	<u>4,853,212</u>
<u>Mudharabah Funds:</u>		
Other financial institutions	417,495	457,360
	<u>4,652,900</u>	<u>5,310,572</u>

16 INVESTMENT ACCOUNT DUE TO DESIGNATED FINANCIAL INSTITUTIONS

	As at <u>31 March 2016</u> RM'000	As at 31 December 2015 RM'000
<u>Restricted Investment Account:</u>		
Mudharabah	<u>6,441,425</u>	<u>6,350,654</u>
<u>By type of counterparty:</u>		
Licensed banks	<u>6,441,425</u>	<u>6,350,654</u>
<u>Investment asset (principal):</u>		
Housing financing	300,000	397,110
Hire purchase receivables	700,000	700,000
Other term financing	4,985,867	4,959,508
Marketable securities and short-term funds	199,000	27,890
	<u>6,184,867</u>	<u>6,084,508</u>

17 OTHER LIABILITIES

	As at <u>31 March 2016</u> RM'000	As at 31 December 2015 RM'000
Sundry creditors	11,160	9,919
Amount due to immediate holding company	231,161	144,591
Amount due to other related companies	501	2,231
Deferred income	53,145	56,211
Short term employee benefits	3,835	8,206
Accrual for operational expenses	9,057	9,546
Interbranch clearing account	2,356	97,591
Other accruals and payables	72,683	21,318
	<u>383,898</u>	<u>349,613</u>

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18 INCOME DERIVED FROM INVESTMENTS OF DEPOSITORS' FUNDS

	Quarter ended 31 March 2016	Quarter ended 31 March 2015
	RM'000	RM'000
Income derived from investment of:		
(i) General investment deposit	2,079	3,567
(ii) Other deposits	415,959	392,266
	418,038	395,833
 (i) Income derived from investment of general investment deposits:		
<u>Finance income and hibah</u>		
Financing and advances	1,552	2,793
Securities purchased under resale agreements	1	-
Financial assets HFT	3	12
Financial investments AFS	152	236
Financial investments HTM	97	190
Money at call and deposits with banks and other financial institutions	257	298
Total finance income and hibah	2,062	3,529
Other operating income (Note a to c)	17	38
	2,079	3,567
 Of which:		
Financing income earned on impaired financing	16	35
 Other operating income comprise of:		
(a) Fee income:		
- Commission	5	10
- Guarantee fees	3	9
	8	19
(b) Net gain on disposal of financial assets HFT	5	3
(c) Net gain on disposal of financial investments AFS	4	16
	17	38

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

	Quarter ended 31 March 2016	Quarter ended 31 March 2015
	RM'000	RM'000
(ii) Income derived from investment of other deposits:		
<u>Finance income and hibah</u>		
Financing and advances	310,523	307,160
Securities purchased under resale agreements	145	-
Financial assets HFT	625	1,295
Financial investments AFS	30,322	25,929
Financial investments HTM	19,343	20,944
Money at call and deposits with banks and other financial institutions	51,397	32,767
Total finance income and hibah	412,355	388,095
Other operating income (Note a to c)	3,604	4,171
	415,959	392,266
Of which:		
Financing income earned on impaired financing	3,305	3,820
Other operating income comprise of:		
(a) Fee income:		
- Commission	1,031	1,057
- Guarantee fees	676	999
	1,707	2,056
(b) Net gain on disposal of financial assets HFT	976	312
(c) Net gain on disposal of financial investments AFS	921	1,803
	3,604	4,171

19 INCOME DERIVED FROM INVESTMENT ACCOUNT FUNDS

	Quarter ended 31 March 2016	Quarter ended 31 March 2015
	RM'000	RM'000
<u>Finance income and hibah</u>		
Financing and advances	81,101	-
Financial investments HTM	1,206	-
Money at call and deposits with banks and other financial institutions	13	-
Total finance income and hibah	82,320	-

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20 INCOME DERIVED FROM INVESTMENTS OF SHAREHOLDERS' FUNDS

	Quarter ended 31 March 2016	Quarter ended 31 March 2015
	RM'000	RM'000
<u>Finance income and hibah</u>		
Financing and advances	10,717	11,416
Securities purchased under resale agreements	5	-
Financial assets HFT	22	48
Financial investments AFS	1,046	964
Financial investments HTM	668	778
Money at call and deposits with banks and other financial institutions	1,774	1,218
Total finance income and hibah	14,232	14,424
Other operating income (note a to f)	24,233	17,253
	38,465	31,677
Of which:		
Financing income earned on impaired financing	114	142
Other operating income comprise of:		
(a) Fee income:		
- Commission	3,649	766
- Service charges and fees	14,626	9,410
- Guarantee and underwriting fees	23	1,082
	18,298	11,258
(b) Net gain on financial assets HFT	33	12
(c) Net loss on revaluation of derivatives	(1,238)	(785)
(d) Net gain on fair value hedges	492	203
(e) Net gain on disposal of financial investments AFS	32	67
(f) Other income		
- Foreign exchange gain	6,615	6,498
- Other non-operating income	1	-
	24,233	17,253

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21 ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES

	Quarter ended 31 March 2016	Quarter ended 31 March 2015
	RM'000	RM'000
Allowance for impairment on financing and advances:		
- Individual impairment allowance written back	(891)	(2,638)
- Collective impairment allowance	15,649	26,500
- Impaired financing recovered	(4,353)	(6,297)
- Impaired financing written off	4,433	1,163
	14,838	18,728

22 INCOME ATTRIBUTABLE TO DEPOSITORS

	Quarter ended 31 March 2016	Quarter ended 31 March 2015
	RM'000	RM'000
Deposits from customers:		
- Mudharabah funds	1,276	2,364
- Non-Mudharabah funds	243,103	188,912
Deposits and placements of banks and financial institutions:		
- Mudharabah funds	-	55,796
- Non-Mudharabah funds	39,654	18,798
Subordinated obligations	6,154	6,103
Recourse obligation on financing sold to Cagamas	11,644	13,853
	301,831	285,826

23 EARNINGS PER SHARE

	Quarter ended 31 March 2016	Quarter ended 31 March 2015
	RM'000	RM'000
Net profit for the financial period	73,532	53,650
Weighted average number of ordinary shares in issue	1,173,424	1,173,424
Basic earnings per share (sen)	6.27	4.57

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24 COMMITMENTS AND CONTINGENCIES

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

	As at	As at
	31 March 2016	31 December 2015
	RM'000	RM'000
Transaction-related contingent items	168,266	153,039
Short term self-liquidating trade-related contingencies	68,408	82,857
Obligations under underwriting agreements	76,000	76,000
Irrevocable commitments to extend credit		
- maturity more than one year	5,062,360	3,693,518
Foreign exchange related contracts [@] :		
- less than one year	4,093,535	2,975,712
- one year to less than five years	446,293	519,494
- more than five years	405,700	-
Profit rate related contracts [@] :		
- less than one year	700,000	850,000
- one year to less than five years	2,416,238	2,425,000
- more than five years	-	500,000
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	2,128,715	2,335,561
Total	<u>15,565,515</u>	<u>13,611,181</u>

The credit equivalent and Risk Weighted Assets ('RWA') for the Bank are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks ('CAFIB'): Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk ('Basel II') respectively.

[@] 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.

25 CAPITAL COMMITMENTS

	As at	As at
	31 March 2016	31 December 2015
	RM'000	RM'000
Capital expenditure for property, plant and equipment:		
- Authorised but not contracted for	4,137	1,370
- Authorised and contracted for	734	1,046
	<u>4,871</u>	<u>2,416</u>

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26 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>31 March 2016</u>				
<u>Financial assets</u>				
Financial assets HFT				
- money market instruments	-	151,363	-	151,363
Financial investments AFS	-	2,896,609	204,129	3,100,738
- money market instruments	-	791,561	-	791,561
- unquoted securities	-	2,105,048	204,129	2,309,177
Derivative assets				
- money market instruments	-	103,957	-	103,957
	-	3,151,929	204,129	3,356,058
<u>Financial liabilities</u>				
Derivative liabilities				
- money market instruments	-	111,104	-	111,104
<u>31 December 2015</u>				
<u>Financial assets</u>				
Financial assets HFT				
- money market instruments	-	20,248	-	20,248
Financial investments AFS	-	2,861,483	201,162	3,062,645
- money market instruments	-	788,706	-	788,706
- unquoted securities	-	2,072,777	201,162	2,273,939
Derivative assets				
- money market instruments	-	146,922	-	146,922
	-	3,028,653	201,162	3,229,815
<u>Financial liabilities</u>				
Derivative liabilities				
- money market instruments	-	129,106	-	129,106

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26 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(i) Valuation techniques and sensitivity analysis

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

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

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for socio economic reasons, non-transferable and non-tradable perpetual sukuk.

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

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

Financial investments AFS

	As at	As at
	31 March 2016	31 December 2015
	RM'000	RM'000
Balance as at the beginning of the financial period/year	201,162	201,129
Profit recognised	2,967	11,900
Payment received	-	(11,867)
Balance as at the end of the financial period/year	<u>204,129</u>	<u>201,162</u>

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27 CAPITAL ADEQUACY

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

The capital adequacy ratios of the Bank are as follows:

	As at 31 March 2016	As at 31 December 2015
	RM'000	RM'000
<u>Common Equity Tier-I ('CET-I') Capital /Tier I Capital</u>		
Paid-up ordinary share capital	1,173,424	1,173,424
Retained profits	508,030	520,625
Statutory reserve	681,192	681,192
AFS reserve	(9,886)	(39,195)
	2,352,760	2,336,046
Less:		
Deferred tax assets	(20,269)	(16,840)
Intangible assets (include associated deferred tax liabilities)	(1,003)	(687)
Ageing Reserves and Liquidity Reserve*	(1,621)	(763)
Total CET-I /Total Tier I capital	2,329,867	2,317,756
<u>Tier II Capital</u>		
Subordinated obligations	500,000	500,000
Collective impairment allowance [^]	259,184	248,696
Total Tier II Capital	759,184	748,696
Total Capital	3,089,051	3,066,452
<u>Capital Ratios</u>		
CET-I capital ratio	10.611%	11.041%
Tier-I capital ratio	10.611%	11.041%
Total capital ratio (inclusive of market risk)	14.069%	14.608%

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

Credit risk-weighted assets	26,404,274	25,655,098
Credit risk-weighted assets absorbed by PSIA	(5,669,591)	(5,759,360)
Market risk-weighted assets	150,134	61,645
Operational risk-weighted assets	1,071,823	1,032,842
Total risk-weighted assets	21,956,640	20,990,225

In accordance with BNM's "Guidelines on the Recognition and Measurement of Profit Sharing Investment Account (PSIA) as Risk Absorbent", the credit and market risks of the assets funded by the Restricted Profit Sharing Investment Accounts (RPSIA) which qualifies as risk absorbent are excluded from the total capital ratio (TCR) calculation. As at 31 March 2016, credit risks relating to RPSIA assets excluded from the TCR calculation amounted to RM5,670 million (31 December 2015: RM5,759 million).

[^] Excludes collective assessment impairment allowance attributable to financing and advances classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on "Classification and Impairment Provisions for Loans/Financing". Include the qualifying regulatory reserve under the Standardised Approach for non-impaired financing and advances of RM148 million (31 December 2015: RM140 million).

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

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28 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

29 EVENTS SUBSEQUENT TO BALANCE SHEET DATE

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

30 CHANGES IN THE COMPOSITION OF THE BANK

There are no significant changes in the composition of the Bank for the three months ended 31 March 2016.

31 CHANGES IN PROFIT FOR THE QUARTER

The Bank reported a pre-tax profit of RM96.2 million for the current quarter, 1.7% higher as compared to the preceding quarter ended 31 December 2015. The higher profit was mainly attributed to higher non funding income by RM2.8 million, higher net funding income by RM2.1 million and lower allowances for financing and advances by RM0.2 million, partially offset by higher overhead expenses by RM3.5 million.

32 PERFORMANCE REVIEW

For the three months ended 31 March 2016, the Bank recorded a pre-tax profit of RM96.2 million, 34.5% higher than previous year corresponding period of RM71.5 million. The higher profit was mainly due to higher net funding income by RM23.9 million, higher non funding income by RM6.4 million and lower allowances for financing and advances by RM3.9 million, partially offset by higher overhead expenses by RM9.5 million.

33 PROSPECTS FOR 2016

The Malaysian economy started the year on a firmer footing following the rebound of commodity prices and the strengthening of Ringgit. Nevertheless, GDP growth is expected to moderate to 4% to 4.5% in 2016 from 5.0% in 2015 on the back of slower public spending, more cautious investment trends and sluggish global growth.

Growth in the banking sector is expected to be modest, with slower loan demand, pressure on margins and expectation of deterioration in asset quality.

The immediate holding company, RHB Bank Berhad (“RHB Bank”) has on 14 April 2016 completed the acquisition of the entire equity interests in certain identified subsidiaries (amongst others, RHB Investment Bank Berhad and RHB Insurance Berhad) from RHB Capital Berhad (“RHB Capital”) and certain assets and liabilities of RHB Hartanah Sdn Bhd, for a total consideration of RM3.61 billion.

With the completion of the Internal Reorganisation, RHB Bank is effectively the new holding company of the RHB Banking Group.