

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

	Note	As at 30 September 2016 RM'000	As at 31 December 2015 RM'000
ASSETS			
Cash and short-term funds		6,147,341	6,149,038
Securities purchased under resale agreements	9	3,280,509	-
Deposits and placements with banks and other financial institutions		375,969	618,072
Financial assets held-for-trading ('HFT')	10	72,228	20,248
Financial investments available-for-sale ('AFS')	11	3,440,636	3,062,645
Financial investments held-to-maturity ('HTM')	12	1,771,853	1,861,693
Financing and advances	13	33,978,215	30,890,427
Other assets	14	156,261	133,284
Derivative assets		131,247	146,922
Statutory deposits with Bank Negara Malaysia		1,055,950	1,168,500
Deferred tax assets		4,539	11,964
Property, plant and equipment		6,235	8,384
Intangible assets		5,198	5,564
TOTAL ASSETS		<u>50,426,181</u>	<u>44,076,741</u>
LIABILITIES AND EQUITY			
Deposits from customers	15	30,963,524	27,928,029
Deposits and placements of banks and other financial institutions	16	8,171,564	5,310,572
Investment account due to designated financial institutions	17	6,632,000	6,350,654
Bills and acceptances payable		9,175	5,549
Derivative liabilities		146,655	129,106
Recourse obligation on financing sold to Cagamas Berhad ('Cagamas')		857,259	982,760
Subordinated obligations		509,307	503,119
Other liabilities	18	313,606	349,613
Provision for tax and zakat		38,832	20,932
TOTAL LIABILITIES		<u>47,641,922</u>	<u>41,580,334</u>
Share capital		1,173,424	1,173,424
Reserves		1,610,835	1,322,983
TOTAL EQUITY		<u>2,784,259</u>	<u>2,496,407</u>
TOTAL LIABILITIES AND EQUITY		<u>50,426,181</u>	<u>44,076,741</u>
COMMITMENTS AND CONTINGENCIES	25	<u>20,531,299</u>	<u>13,611,181</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)
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

	Note	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
		<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Income derived from investment of depositors' funds	19	440,414	372,445	1,289,399	1,190,570
Income derived from investment account funds	20	81,558	63,368	239,226	63,368
Income derived from investment of shareholders' funds	21	37,182	34,425	117,095	101,030
Allowance for impairment on financing and advances	22	(23,625)	(23,019)	(56,678)	(41,142)
Total distributable income		535,529	447,219	1,589,042	1,313,826
Income attributable to depositors	23	(303,139)	(248,250)	(908,048)	(837,187)
Profit distributed to investment account holders		(65,046)	(51,929)	(194,872)	(51,929)
		167,344	147,040	486,122	424,710
Personnel expenses		(8,872)	(14,100)	(24,700)	(36,458)
Other overheads and expenditures		(56,262)	(47,695)	(162,342)	(134,168)
Profit before taxation		102,210	85,245	299,080	254,084
Taxation		(25,086)	(21,256)	(72,793)	(63,504)
Net profit for the financial period		77,124	63,989	226,287	190,580
Basic earnings per share (sen)	24	6.57	5.45	19.28	16.24

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 COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September</u>	30 September	<u>30 September</u>	30 September
	<u>2016</u>	2015	<u>2016</u>	2015
	<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Net profit for the financial period	<u>77,124</u>	63,989	<u>226,287</u>	190,580
Other comprehensive income in respect of:				
Items that will be reclassified subsequently to profit or loss:				
Financial investments AFS:				
- Unrealised net gain/(loss) on revaluation	31,968	(30,594)	86,205	(9,384)
- Net transfer to income statement on disposal or impairment	(2,538)	(1,212)	(5,199)	(6,653)
Income tax relating to components of other comprehensive (income)/loss	(7,063)	7,951	(19,441)	4,009
Other comprehensive income/(loss), net of tax, for the financial period	<u>22,367</u>	(23,855)	<u>61,565</u>	(12,028)
Total comprehensive income for the financial period	<u>99,491</u>	<u>40,134</u>	<u>287,852</u>	<u>178,552</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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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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	-	-	-	-	226,287	226,287
Other comprehensive income/(loss):						
Financial investments AFS:						
- Unrealised net gain on revaluation	-	-	86,205	-	-	86,205
- Net transfer to income statement on disposal or impairment	-	-	(5,199)	-	-	(5,199)
Income tax relating to components of other comprehensive income	-	-	(19,441)	-	-	(19,441)
Other comprehensive income, net of tax, for the financial period	-	-	61,565	-	-	61,565
Total comprehensive income for the financial period	-	-	61,565	-	226,287	287,852
Transfer to statutory reserve		37,291			(37,291)	-
Transfer from regulatory reserve	-	-	-	(828)	828	-
Balance as at 30 September 2016	1,173,424	718,483	22,370	159,533	710,449	2,784,259

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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 NINE MONTHS ENDED 30 SEPTEMBER 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 2015	1,173,424	553,765	(28,352)	-	553,560	2,252,397
Net profit for the financial period	-	-	-	-	190,580	190,580
Other comprehensive income/(loss):						
Financial investments AFS:						
- Unrealised net loss on revaluation	-	-	(9,384)	-	-	(9,384)
- Net transfer to income statement on disposal or impairment	-	-	(6,653)	-	-	(6,653)
Income tax relating to components of other comprehensive loss	-	-	4,009	-	-	4,009
Other comprehensive loss, net of tax, for the financial period	-	-	(12,028)	-	-	(12,028)
Total comprehensive income/(loss) for the financial period	-	-	(12,028)	-	190,580	178,552
Transfer to statutory reserve	-	63,295	-	-	(63,295)	-
Transfer to regulatory reserve	-	-	-	137,225	(137,225)	-
Balance as at 30 September 2015	1,173,424	617,060	(40,380)	137,225	543,620	2,430,949

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

RHB ISLAMIC BANK BERHAD (680329 – V)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

	Nine months ended	
	30 September	30 September
	2016	2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	299,080	254,084
Adjustments for non-cash items	(100,377)	(105,621)
Operating profit before changes in working capital	198,703	148,463
Changes in working capital:		
Net changes in operating assets	(6,152,352)	(2,401,571)
Net changes in operating liabilities	6,057,167	4,925,427
Cash generated from operations	103,518	2,672,319
Zakat paid	(3,000)	(2,000)
Tax paid	(63,908)	(56,437)
Net cash generated from operating activities	36,610	2,613,882
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(384)	(1,284)
Purchase of intangible assets	(992)	(345)
Net purchase of financial investments AFS	(279,746)	(556,729)
Net redemption/(purchase) of financial investments HTM	89,408	(15,202)
Income received from financial investments AFS	88,402	69,344
Income received from financial investments HTM	65,005	66,078
Net cash used in investing activities	(38,307)	(438,138)
Net (decrease)/increase in cash and cash equivalents	(1,697)	2,175,744
Cash and cash equivalents at the beginning of the financial period	6,149,038	4,025,661
Cash and cash equivalents at the end of the financial period	6,147,341	6,201,405
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds	6,147,341	6,201,405

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.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 Board ('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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 is further categorised to Restricted Investment Account ('RIA') and Unrestricted Investment Account ('URIA').

RIA refers to a type of investment account where the Investment Account Holder ('IAH') provides a specific investment mandate to the IFI such as purpose, asset class, economic sector and period for investment while URIA refers to a type of investment account where the IAH provides the IFI with the mandate to make the ultimate investment decision without specifying any particular restrictions or conditions.

IA are contracts based on the Shariah concept below:

- Mudharabah between two parties, customer and the Bank, to finance a business venture where the customer provides capital and the business venture is managed solely by the Bank. The profit of the business venture will be shared based on pre-agreed ratios with the Bank as Mudharib (manager or manager of funds), and losses shall be borne solely by customers.
- Wakalah, a trust-based contract in which a party (muwakkil) appoints another party as his agent (wakil) to perform a particular task, in matters that may be delegated, either voluntarily or with imposition of a fee. The fee shall be recognised based on agreement.
- Details of the IA are as disclosed in Note 17.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

9 SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	As at 30 September 2016 RM'000	As at 31 December 2015 RM'000
Malaysian Government Investment Issues	3,280,509	-

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

	As at 30 September 2016 RM'000	As at 31 December 2015 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	72,228	20,248

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

	As at 30 September 2016 RM'000	As at 31 December 2015 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	568,165	705,803
Wakala Global Sukuk	14,045	14,175
Khazanah bonds	9,039	8,664
Cagamas bonds	60,975	60,064
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	2,584,251	2,072,777
Perpetual sukuk	203,586	200,587
	3,440,061	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
	3,440,636	3,062,645

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

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

	As at 30 September 2016	As at 31 December 2015
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	420,135	540,428
Sukuk Perumahan Kerajaan	10,059	9,957
Khazanah bonds	30,576	29,645
Cagamas bonds	10,019	60,619
Negotiable Islamic debt certificates	-	99,785
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	1,301,064	1,121,259
	1,771,853	1,861,693

Included in financial investments HTM are RIA, as part of arrangement between the Bank and RHB Bank Berhad ('RHB Bank'). As at 30 September 2016, the gross exposure to RIA investment is RM199 million (31 December 2015: RM21 million).

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

13 FINANCING AND ADVANCES

30 September 2016	Bai'						Total
	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	-	-	373,762	-	-	2,021	375,783
Term financing:							
- Housing financing	527,838	-	-	8,114,639	-	499	8,642,976
- Syndicated term financing	-	88,584	1,254,167	-	-	18,899	1,361,650
- Hire purchase receivables	-	5,645,249	-	-	-	34,114	5,679,363
- Other term financing	3,495	532,461	12,671,142	-	2,229,574	12,084	15,448,756
Bills receivables	-	-	929,693	-	-	3,659	933,352
Trust receipts	-	-	13,857	-	-	254	14,111
Staff financing	3,915	-	-	-	-	-	3,915
Credit/charge card receivables	-	-	-	-	-	269,229	269,229
Revolving financing	-	-	1,483,721	-	-	-	1,483,721
Gross financing and advances	<u>535,248</u>	<u>6,266,294</u>	<u>16,726,342</u>	<u>8,114,639</u>	<u>2,229,574</u>	<u>340,759</u>	<u>34,212,856</u>
Fair value changes arising from fair value hedge							<u>12,003</u>
							34,224,859
Allowance for impaired financing and advances:							
- Individual impairment allowance							(17,070)
- Collective impairment allowance							(229,574)
Net financing and advances							<u><u>33,978,215</u></u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

13 FINANCING AND ADVANCES (CONTINUED)

31 December 2015	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	-	-	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

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

13 FINANCING AND ADVANCES (CONTINUED)

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

As at 30 September 2016, the gross exposure to RIA financing is RM5,713 million (31 December 2015: RM6,057 million) and the portfolio allowance for impairment losses for financing and advances relating to RIA amounting to RM36.9 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 and other term financing sold to Cagamas amounting to RM832 million (31 December 2015: RM976 million).

- (i) By type of customer

	As at 30 September 2016	As at 31 December 2015
	RM'000	RM'000
Domestic non-bank financial institutions:		
- Others	922,227	1,250,142
Domestic business enterprises:		
- Small medium enterprises	2,600,060	2,365,515
- Others	10,142,133	8,566,221
Government and statutory bodies	4,073,967	3,355,987
Individuals	16,202,931	15,304,462
Other domestic entities	102,898	106,447
Foreign entities	168,640	175,548
	34,212,856	31,124,322

- (ii) By profit rate sensitivity

Fixed rate:		
- Housing financing	528,065	580,869
- Hire-purchase receivables	5,679,363	5,930,758
- Other fixed rate financing	8,086,755	8,015,107
Variable rate:		
- BFR-plus	18,971,210	16,137,587
- Cost-plus	947,463	460,001
	34,212,856	31,124,322

- (iii) By purpose

Purchase of securities	65,514	-
Purchase of transport vehicles	5,618,017	5,904,916
Purchase of landed property:		
- Residential	8,329,438	7,320,047
- Non-residential	2,352,207	1,993,971
Purchase of property, plant and equipment other than land and building	730,975	752,254
Personal use	2,025,960	1,899,384
Credit card	269,229	251,270
Purchase of consumer durables	-	2
Construction	401,591	168,231
Working capital	7,378,672	6,948,924
Merger and acquisition	1,474,328	1,184,073
Other purposes	5,566,925	4,701,250
	34,212,856	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.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

13 FINANCING AND ADVANCES (CONTINUED)

	As at 30 September 2016	As at 31 December 2015
	RM'000	RM'000
(iv) By geographical distribution		
In Malaysia	34,212,856	31,124,322
(v) By remaining contractual maturities		
Maturing within one year	4,602,192	3,026,772
One to three years	2,608,608	2,594,196
Three to five years	6,698,794	5,900,673
Over five years	20,303,262	19,602,681
	34,212,856	31,124,322
(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	368,686	627,425
Reclassified as non-impaired	(250,582)	(411,779)
Amount recovered	(54,779)	(121,031)
Amount written off	(42,568)	(62,580)
Balance as at the end of the financial period/year	383,493	362,736
(b) By purpose		
Purchase of transport vehicles	54,358	52,176
Purchase of landed property:		
- Residential	155,328	132,862
- Non-residential	43,309	28,845
Purchase of property, plant and equipment other than land and building	2,815	7,823
Personal use	3,622	2,800
Credit card	4,454	5,763
Working capital	97,324	110,167
Other purposes	22,283	22,300
	383,493	362,736
(c) By geographical distribution		
In Malaysia	383,493	362,736
(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	(2,232)	(2,640)
Amount written off	(3,347)	-
Balance as at the end of the financial period/year	17,070	22,649
<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	62,053	65,749
Amount written off	(32,132)	(53,403)
Balance as at the end of the financial period/year	229,574	199,653
Collective impairment allowance as % of gross financing and advances (excluding RIA financing) less individual impairment allowance	0.81%	0.80%

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

14 OTHER ASSETS

	As at 30 September 2016	As at 31 December 2015
	RM'000	RM'000
Prepayments	10,828	10,777
Deposits	1,300	1,297
Amount due from other related companies	-	1,739
Other debtors	144,133	119,471
	156,261	133,284

15 DEPOSITS FROM CUSTOMERS

	As at 30 September 2016	As at 31 December 2015
	RM'000	RM'000
<u>Savings Deposits</u>		
Wadiah	1,210,879	1,129,320
<u>Demand Deposits</u>		
Wadiah	3,896,785	3,403,515
<u>Term Deposits</u>		
Commodity Murabahah	15,783,849	10,828,229
Wadiah Corporate Deposit	-	1,249,671
<u>Specific Investment Account</u>		
Murabahah	9,910,821	11,136,182
<u>General Investment Account</u>		
Mudharabah	161,190	181,112
	30,963,524	27,928,029

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

Due within six months	23,172,230	20,371,201
Six months to one year	2,672,591	2,990,789
One year to three years	5,443	32,336
Three years to five years	5,596	868
	25,855,860	23,395,194

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

Government and statutory bodies	5,125,389	4,540,209
Business enterprises	19,878,067	18,539,375
Individuals	5,383,307	4,297,238
Others	576,761	551,207
	30,963,524	27,928,029

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16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 September 2016 RM'000	As at 31 December 2015 RM'000
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	5,229,314	1,853,985
Licensed banks	2,216,568	2,749,230
Licensed investment banks	248,660	248,847
Bank Negara Malaysia	1,235	1,150
	<u>7,695,777</u>	<u>4,853,212</u>
<u>Mudharabah Funds:</u>		
Other financial institutions	475,787	457,360
	<u>8,171,564</u>	<u>5,310,572</u>

17 INVESTMENT ACCOUNT DUE TO DESIGNATED FINANCIAL INSTITUTIONS

	As at 30 September 2016 RM'000	As at 31 December 2015 RM'000
<u>Restricted Investment Account:</u>		
Mudharabah	<u>6,632,000</u>	<u>6,350,654</u>
<u>By type of counterparty:</u>		
Licensed banks	<u>6,632,000</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	4,713,322	4,959,508
Short term fund	458,603	6,890
Marketable securities	199,000	21,000
	<u>6,370,925</u>	<u>6,084,508</u>

18 OTHER LIABILITIES

	As at 30 September 2016 RM'000	As at 31 December 2015 RM'000
Sundry creditors	8,436	9,919
Amount due to immediate holding company	146,148	144,591
Amount due to other related companies	775	2,231
Deferred income	47,013	56,211
Short term employee benefits	6,259	8,206
Accrual for operational expenses	9,783	9,546
Interbranch clearing account	14,172	97,591
Other accruals and payables	81,020	21,318
	<u>313,606</u>	<u>349,613</u>

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19 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Income derived from investment of:				
(i) General investment deposits	2,025	2,064	6,169	8,548
(ii) Other deposits	438,389	370,381	1,283,230	1,182,022
	<u>440,414</u>	<u>372,445</u>	<u>1,289,399</u>	<u>1,190,570</u>
(i) Income derived from investment of general investment deposits:				
Financing and advances	1,551	1,582	4,667	6,647
Securities purchased under resale agreements	109	-	168	-
Financial assets HFT	2	3	10	29
Financial investments AFS	159	170	465	603
Financial investments HTM	84	117	265	461
Money at call and deposits with banks and other financial institutions	94	189	537	739
Total finance income and hibah	<u>1,999</u>	<u>2,061</u>	<u>6,112</u>	<u>8,479</u>
Other operating income (Note a to d)	26	3	57	69
	<u>2,025</u>	<u>2,064</u>	<u>6,169</u>	<u>8,548</u>
Of which:				
Financing income earned on impaired financing	<u>13</u>	<u>9</u>	<u>43</u>	<u>41</u>
Other operating income comprise of:				
(a) Fee income:				
- Commission	7	6	18	21
- Guarantee fees	4	2	8	12
	<u>11</u>	<u>8</u>	<u>26</u>	<u>33</u>
(b) Net gain/(loss) on disposal of financial assets HFT	3	(9)	6	(13)
(c) Net gain on disposal of financial investments AFS	11	7	24	46
(d) Net gain/(loss) on early redemption of financial investments HTM	1	(3)	1	3
	<u>26</u>	<u>3</u>	<u>57</u>	<u>69</u>

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

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	30 September	30 September	30 September	30 September
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
(ii) Income derived from investment of other deposits:				
Financing and advances	335,769	285,191	970,972	919,124
Securities purchased under resale agreements	22,813	-	34,877	-
Financial assets HFT	528	726	2,088	4,016
Financial investments AFS	34,211	29,244	96,668	83,440
Financial investments HTM	18,138	20,569	55,040	63,685
Money at call and deposits with banks and other financial institutions	21,591	33,389	111,812	102,176
Total finance income and hibah	433,050	369,119	1,271,457	1,172,441
Other operating income (Note a to d)	5,339	1,262	11,773	9,581
	<u>438,389</u>	<u>370,381</u>	<u>1,283,230</u>	<u>1,182,022</u>
Of which:				
Financing income earned on impaired financing	<u>2,720</u>	<u>1,731</u>	<u>8,920</u>	<u>5,635</u>
Other operating income comprise of:				
(a) Fee income:				
- Commission	1,416	950	3,642	2,849
- Guarantee fees	717	476	1,588	1,687
	<u>2,133</u>	<u>1,426</u>	<u>5,230</u>	<u>4,536</u>
(b) Net gain/(loss) on disposal of financial assets HFT	472	(1,346)	1,249	(1,812)
(c) Net gain on disposal of financial investments AFS	2,444	1,452	5,004	6,379
(d) Net gain/(loss) on early redemption of financial investments HTM	290	(270)	290	478
	<u>5,339</u>	<u>1,262</u>	<u>11,773</u>	<u>9,581</u>

20 INCOME DERIVED FROM INVESTMENT ACCOUNT FUNDS

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	30 September	30 September	30 September	30 September
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah</u>				
Financing and advances	77,559	63,050	230,952	63,050
Financial investments HTM	2,823	286	7,085	286
Money at call and deposits with banks and other financial institutions	1,176	32	1,189	32
Total finance income and hibah	<u>81,558</u>	<u>63,368</u>	<u>239,226</u>	<u>63,368</u>

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21 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Financing and advances	11,352	11,948	33,230	34,805
Securities purchased under resale agreements	778	-	1,194	-
Financial assets HFT	17	23	71	142
Financial investments AFS	1,157	1,004	3,308	2,958
Financial investments HTM	613	713	1,884	2,268
Money at call and deposits with banks and other financial institutions	719	1,144	3,827	3,624
Total finance income and hibah	<u>14,636</u>	<u>14,832</u>	<u>43,514</u>	<u>43,797</u>
Other operating income (Note a to g)	<u>22,546</u>	<u>19,593</u>	<u>73,581</u>	<u>57,233</u>
	<u>37,182</u>	<u>34,425</u>	<u>117,095</u>	<u>101,030</u>
Of which:				
Financing income earned on impaired financing	<u>92</u>	<u>59</u>	<u>305</u>	<u>200</u>
Other operating income comprise of:				
(a) Fee income:				
- Commission	3,020	1,153	10,450	3,215
- Service charges and fees	16,808	13,326	45,099	37,088
- Guarantee and underwriting fees	24	511	54	1,820
	<u>19,852</u>	<u>14,990</u>	<u>55,603</u>	<u>42,123</u>
(b) Net gain/(loss) on disposal of financial assets HFT	16	(47)	42	(64)
(c) Net (loss)/gain on revaluation of derivatives	(691)	1,094	(2,193)	(413)
(d) Net (loss)/gain on fair value hedges	(991)	59	(781)	125
(e) Net gain on disposal of financial investments AFS	83	48	171	226
(f) Net gain/(loss) on early redemption of financial investments HTM	10	(10)	10	17
(g) Other income:				
- Foreign exchange gain	4,266	3,253	20,700	15,012
- Other non-operating income	1	206	29	207
	<u>22,546</u>	<u>19,593</u>	<u>73,581</u>	<u>57,233</u>

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22 ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment on financing and advances:				
- Individual impairment allowance written back	(455)	(446)	(2,232)	(3,507)
- Collective impairment allowance	26,061	21,120	62,053	48,380
- Impaired financing recovered	(3,072)	(2,598)	(10,540)	(11,138)
- Impaired financing written off	1,091	4,943	7,397	7,407
	<u>23,625</u>	<u>23,019</u>	<u>56,678</u>	<u>41,142</u>

23 INCOME ATTRIBUTABLE TO DEPOSITORS

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	RM'000	RM'000	RM'000	RM'000
Deposits from customers:				
- Mudharabah funds	1,261	1,518	3,850	5,584
- Non-Mudharabah funds	239,497	199,641	732,887	588,372
Deposits and placements of banks and other financial institutions:				
- Mudharabah funds	-	-	-	108,505
- Non-Mudharabah funds	45,446	27,976	119,282	76,111
Subordinated obligations	6,222	6,239	18,529	18,512
Recourse obligation on financing sold to Cagamas	10,713	12,876	33,500	40,103
	<u>303,139</u>	<u>248,250</u>	<u>908,048</u>	<u>837,187</u>

24 EARNINGS PER SHARE

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
Net profit for the financial period (RM'000)	<u>77,124</u>	<u>63,989</u>	<u>226,287</u>	<u>190,580</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,173,424</u>	<u>1,173,424</u>	<u>1,173,424</u>	<u>1,173,424</u>
Basic earnings per share (sen)	<u>6.57</u>	<u>5.45</u>	<u>19.28</u>	<u>16.24</u>

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25 COMMITMENTS AND CONTINGENCIES

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

	As at 30 September 2016	As at 31 December 2015
	RM'000	RM'000
Transaction-related contingent items	169,440	153,039
Short term self-liquidating trade-related contingencies	79,254	82,857
Obligations under underwriting agreements	76,000	76,000
Irrevocable commitments to extend credit:		
- maturity more than one year	4,162,508	3,693,518
Foreign exchange related contracts [@] :		
- less than one year	7,281,230	2,975,712
- one year to less than five years	730,684	519,494
- more than five years	417,275	-
Profit rate related contracts [@] :		
- less than one year	3,358,000	850,000
- one year to less than five years	2,356,863	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	1,900,045	2,335,561
Total	20,531,299	13,611,181

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

26 CAPITAL COMMITMENTS

	As at 30 September 2016	As at 31 December 2015
	RM'000	RM'000
Capital expenditure for property, plant and equipment:		
- Authorised but not contracted for	3,017	1,370
- Authorised and contracted for	2,335	1,046
	5,352	2,416

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27 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>
	RM'000	RM'000	RM'000	RM'000
<u>30 September 2016</u>				
<u>Financial assets</u>				
Financial assets HFT				
- money market instruments	-	72,228	-	72,228
Financial investments AFS	-	3,236,475	204,161	3,440,636
- money market instruments	-	652,224	-	652,224
- unquoted securities	-	2,584,251	204,161	2,788,412
Derivative assets	-	131,247	-	131,247
	-	<u>3,439,950</u>	<u>204,161</u>	<u>3,644,111</u>
<u>Financial liabilities</u>				
Derivative liabilities	-	<u>146,655</u>	-	<u>146,655</u>
<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	-	146,922	-	146,922
	-	<u>3,028,653</u>	<u>201,162</u>	<u>3,229,815</u>
<u>Financial liabilities</u>				
Derivative liabilities	-	<u>129,106</u>	-	<u>129,106</u>

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27 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
	30 September 2016	31 December 2015
	RM'000	RM'000
Balance as at the beginning of the financial period/year	201,162	201,129
Profit recognised	8,933	11,900
Payment received	(5,934)	(11,867)
Balance as at the end of the financial period/year	<u>204,161</u>	<u>201,162</u>

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28 CAPITAL ADEQUACY

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

The capital adequacy ratios of the Bank are as follows:

	As at 30 September 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	633,325	520,625
Statutory reserve	718,483	681,192
AFS reserve	22,370	(39,195)
	<u>2,547,602</u>	<u>2,336,046</u>
Less:		
Deferred tax assets	(9,321)	(16,840)
Intangible assets (include associated deferred tax liabilities)	(416)	(687)
55% of cumulative gains of financial investments AFS	(12,304)	-
Ageing Reserves and Liquidity Reserve*	(1,326)	(763)
Total CET-I /Total Tier I Capital	<u>2,524,235</u>	<u>2,317,756</u>
<u>Tier II Capital</u>		
Subordinated obligations	500,000	500,000
Collective impairment allowance^	283,238	248,696
Total Tier II Capital	<u>783,238</u>	<u>748,696</u>
Total Capital	<u>3,307,473</u>	<u>3,066,452</u>
<u>Capital Ratios</u>		
CET-I Capital Ratio	10.564%	11.041%
Tier-I Capital Ratio	10.564%	11.041%
Total Capital Ratio	<u>13.842%</u>	<u>14.608%</u>

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

Credit risk-weighted assets	28,296,335	25,655,098
Credit risk-weighted assets absorbed by PSIA	(5,637,310)	(5,759,360)
	<u>22,659,025</u>	<u>19,895,738</u>
Market risk-weighted assets	83,672	61,645
Operational risk-weighted assets	1,151,550	1,032,842
Total risk-weighted assets	<u>23,894,247</u>	<u>20,990,225</u>

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 30 September 2016, credit risks relating to RPSIA assets excluded from the TCR calculation amounted to RM5,637 million (31 December 2015: RM5,759 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.

^ 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 RM152 million (31 December 2015: RM140 million).

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29 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

30 EVENTS SUBSEQUENT TO BALANCE SHEET DATE

On 18 November 2016, the Bank increased its issued and paid up capital share from RM1,173,424,000 to RM1,273,424,000 via the issuance of 100,000,000 new ordinary shares of RM1.00 each to RHB Bank Berhad, its immediate holding company, for working capital purposes. The new ordinary shares issued ranked pari passu in all respects with the existing ordinary shares of the Bank.

Other than the above, there are no material events subsequent to the balance sheet date that have not been reflected in the financial statements.

31 CHANGES IN THE COMPOSITION OF THE BANK

There are no significant changes in the composition of the Bank for the nine months ended 30 September 2016.

32 CHANGES IN PROFIT FOR THE QUARTER

The Bank reported a pre-tax profit of RM102.2 million for the current quarter, 1.6% higher as compared to the preceding quarter ended 30 June 2016. The higher profit was mainly attributed to higher net funding income by RM12.9 million, partially offset by higher allowances for financing and advances by RM5.4 million, higher overhead expenses by RM4.1 million and lower non funding income by RM1.8 million.

33 PERFORMANCE REVIEW

For the nine months ended 30 September 2016, the Bank recorded a pre-tax profit of RM299.1 million, 17.7% higher than previous year corresponding period of RM254.1 million. The higher profit was mainly due to higher net funding income by RM58.4 million and higher non funding income by RM18.5 million, partially offset by higher overhead expenses by RM16.4 million and higher allowances for financing and advances by RM15.5 million.

34 PROSPECTS FOR 2016

Malaysia's GDP for 2016 is expected to grow between 4% to 5%. The growth is driven mainly by consumer spending, but partly offset by decline in net exports.

The Malaysian banking sector growth will remain modest. Corporate loans growth is expected to be lower and there will be ongoing consolidation in the household loans segment. The financial and capital market is expected to be softer and rising pressure on liquidity and asset quality will also affect the performance of the banking sector.

The Bank will continue to execute the various initiatives under the Group 2017 IGNITE transformation programme that has thus far registered many positive achievements. The Bank will remain vigilant by focusing on asset quality and improving operational efficiency.

We expect to maintain our performance this year notwithstanding the challenging global environment and we are on track to achieve our long-term objectives.