

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2017**

	Note	As at <b>31 March 2017</b> RM'000	As at 31 December 2016 RM'000
<b>ASSETS</b>			
Cash and short-term funds		<b>3,856,186</b>	3,436,239
Securities purchased under resale agreements	9	<b>2,182,382</b>	2,353,950
Deposits and placements with banks and other financial institutions		<b>843,013</b>	537,141
Financial assets held-for-trading ('HFT')	10	<b>150,082</b>	10,177
Financial investments available-for-sale ('AFS')	11	<b>3,483,900</b>	3,459,647
Financial investments held-to-maturity ('HTM')	12	<b>2,141,890</b>	2,820,123
Financing and advances	13	<b>35,447,526</b>	33,841,566
Other assets	14	<b>180,496</b>	171,730
Derivative assets		<b>265,558</b>	402,763
Statutory deposits with Bank Negara Malaysia		<b>863,551</b>	1,051,050
Deferred tax assets		<b>16,175</b>	20,929
Property, plant and equipment		<b>6,187</b>	6,576
Intangible assets		<b>4,304</b>	4,750
<b>TOTAL ASSETS</b>		<b>49,441,250</b>	48,116,641
<b>LIABILITIES AND EQUITY</b>			
Deposits from customers	15	<b>30,734,830</b>	29,419,928
Investment account from customers	16	<b>100</b>	-
Deposits and placements of banks and other financial institutions	17	<b>5,853,862</b>	6,430,194
Investment account due to designated financial institutions	18	<b>7,320,835</b>	6,622,471
Bills and acceptances payable		<b>10,945</b>	9,050
Derivative liabilities		<b>269,171</b>	400,812
Recourse obligation on financing sold to Cagamas Berhad ('Cagamas')		<b>700,870</b>	815,243
Subordinated obligations		<b>509,290</b>	503,187
Other liabilities	19	<b>1,002,902</b>	957,863
Provision for tax and zakat		<b>23,291</b>	29,451
<b>TOTAL LIABILITIES</b>		<b>46,426,096</b>	45,188,199
Share capital		<b>1,273,424</b>	1,273,424
Reserves		<b>1,741,730</b>	1,655,018
<b>TOTAL EQUITY</b>		<b>3,015,154</b>	2,928,442
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>49,441,250</b>	48,116,641
<b>COMMITMENTS AND CONTINGENCIES</b>	26	<b>21,304,436</b>	21,492,582

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2016.

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENT**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2017**

	Note	<b>Three Months Ended</b>	
		<b>31 March 2017</b>	31 March 2016
		<b>RM'000</b>	RM'000
Income derived from investment of depositors' funds	20	<b>455,587</b>	418,038
Income derived from investment account funds	21	<b>84,027</b>	82,320
Income derived from investment of shareholders' funds	22	<b>31,684</b>	38,465
Allowance for impairment on financing and advances	23	<b>(28,216)</b>	(14,838)
Total distributable income		<b>543,082</b>	523,985
Income attributable to depositors	24	<b>(297,085)</b>	(301,831)
Profit distributed to investment account holders		<b>(69,481)</b>	(64,939)
		<b>176,516</b>	157,215
Personnel expenses		<b>(7,488)</b>	(7,859)
Other overheads and expenditures		<b>(69,635)</b>	(53,100)
Profit before taxation		<b>99,393</b>	96,256
Taxation		<b>(23,749)</b>	(22,724)
Net profit for the financial period		<b>75,644</b>	73,532
Basic earnings per share (sen)	25	<b>5.94</b>	6.27

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2016.

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2017**

	<b><u>Three Months Ended</u></b>	
	<b><u>31 March 2017</u></b>	<b><u>31 March 2016</u></b>
	<b>RM'000</b>	<b>RM'000</b>
Net profit for the financial period	<b>75,644</b>	73,532
Other comprehensive income in respect of:		
Items that will be reclassified subsequently to profit or loss:		
Financial investments AFS:		
- Unrealised net gain on revaluation	<b>15,204</b>	39,520
- Net transfer to income statement on disposal or impairment	<b>(641)</b>	(956)
Income tax relating to components of other comprehensive income	<b>(3,495)</b>	(9,255)
Other comprehensive income, net of tax, for the financial period	<b>11,068</b>	29,309
Total comprehensive income for the financial period	<b><u>86,712</u></b>	<u>102,841</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 2016.

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2017**

	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
<b>Balance as at 1 January 2017</b>	<b>1,273,424</b>	<b>762,388</b>	<b>(31,944)</b>	<b>158,516</b>	<b>766,058</b>	<b>2,928,442</b>
Net profit for the financial period	-	-	-	-	75,644	75,644
Other comprehensive income/(loss):						
Financial investments AFS:						
- Unrealised net gain on revaluation	-	-	15,204	-	-	15,204
- Net transfer to income statement on disposal or impairment	-	-	(641)	-	-	(641)
Income tax relating to components of other comprehensive income	-	-	(3,495)	-	-	(3,495)
Other comprehensive income, net of tax, for the financial period	-	-	11,068	-	-	11,068
Total comprehensive income for the financial period	-	-	11,068	-	75,644	86,712
Transfer to regulatory reserve	-	-	-	268	(268)	-
<b>Balance as at 31 March 2017</b>	<b>1,273,424</b>	<b>762,388</b>	<b>(20,876)</b>	<b>158,784</b>	<b>841,434</b>	<b>3,015,154</b>

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2017**

	Share capital RM'000	Non distributable			Distributable	Total RM'000
		Statutory reserve RM'000	AFS reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	
<b>Balance as at 1 January 2016</b>	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)	-
<b>Balance as at 31 March 2016</b>	<u>1,173,424</u>	<u>681,192</u>	<u>(9,886)</u>	<u>172,956</u>	<u>581,562</u>	<u>2,599,248</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 2016.

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2017**

	<b>Three months ended</b>	
	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	99,393	96,256
Adjustments for non-cash items	<u>(27,186)</u>	<u>(33,700)</u>
Operating profit before changes in working capital	72,207	62,556
Changes in working capital:		
Net changes in operating assets	(1,731,608)	(1,848,222)
Net changes in operating liabilities	<u>1,375,468</u>	<u>1,932,183</u>
Cash (used in)/generated from operations	(283,933)	146,517
Zakat paid	(250)	-
Tax paid	<u>(28,400)</u>	<u>(18,858)</u>
Net cash (used in)/generated from operating activities	<u>(312,583)</u>	<u>127,659</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(237)	(130)
Purchase of intangible assets	(18)	(966)
Net disposal of financial investments AFS	(3,947)	13,333
Net redemption of financial investments HTM	680,225	14,000
Income received from financial investments AFS	30,774	19,614
Income received from financial investments HTM	<u>25,733</u>	<u>20,083</u>
Net cash generated from investing activities	<u>732,530</u>	<u>65,934</u>
Net increase in cash and cash equivalents	419,947	193,593
Cash and cash equivalents at the beginning of the financial period	<u>3,436,239</u>	<u>6,149,038</u>
Cash and cash equivalents at the end of the financial period	<u>3,856,186</u>	<u>6,342,631</u>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Cash and short-term funds	<u>3,856,186</u>	<u>6,342,631</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 2016.

**RHB ISLAMIC BANK BERHAD (680329 – V)**  
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2017**

**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 2016.

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 2016, 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 2017:

- Amendments to MFRS 112 'Income Taxes'
- Amendments to MFRS 107 'Statements of Cash Flows'

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

**Changes in regulatory requirements - Companies Act 2016**

The Companies Act 2016 ('New Act') was enacted to replace the Companies Act 1965 with the objective of creating a regulatory structure that will facilitate business and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by Dewan Rakyat and on 29 April 2016 by Dewan Negara and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation (except Section 241 and Division 8 of Part III of the New Act) would be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Bank upon the commencement of the New Act on 31 January 2017 are:

- (i) abolition of the authorised capital; and
- (ii) abolition of the concept of nominal value in shares.

The adoption of the New Act is not expected to have any financial impact on the Bank for the current financial year as any effect of adoption, if applicable, will mainly be on disclosures to the financial statements.

**2 AUDITORS' REPORT**

The auditors' report for the financial year ended 31 December 2016 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 2017.

**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 2017.

**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 2017.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

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 16 and Note 18.

9 SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	<b>As at 31 March 2017</b>	<b>As at 31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysian Government Investment Issues	<b>2,182,382</b>	2,353,950

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

	<b>As at 31 March 2017</b>	<b>As at 31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	<b>150,082</b>	10,177

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

	<b>As at 31 March 2017</b>	<b>As at 31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	685,428	691,196
Wakala Global Sukuk	14,506	14,718
Khazanah bonds	9,101	8,995
Cagamas bonds	40,456	40,018
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	2,530,855	2,504,101
Perpetual sukuk	203,554	200,619
	<b>3,483,900</b>	3,459,647
<b>At cost</b>		
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Shares in Islamic Bank and Financial Institutions of Malaysia ('IBFIM')	549	549
	<b>3,484,449</b>	3,460,196
Accumulated impairment losses	(549)	(549)
	<b>3,483,900</b>	3,459,647



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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

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

	<u>As at</u> <u>31 March 2017</u>	<u>As at</u> <u>31 December 2016</u>
	<u>RM'000</u>	<u>RM'000</u>
<b>At amortised cost</b>		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	403,543	402,619
Sukuk Perumahan Kerajaan	10,066	9,971
Khazanah bonds	21,097	20,872
Cagamas bonds	10,030	150,095
Negotiable Islamic debt certificates	-	895,234
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	1,697,154	1,341,332
	<u><b>2,141,890</b></u>	<u><b>2,820,123</b></u>

Included in financial investments HTM are RIA, as part of arrangement between the Bank and RHB Bank Berhad ('RHB Bank'). As at 31 March 2017, the gross exposure to RIA financing is RM800,775,000 (31 December 2016: RM199,000,000).

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

13 FINANCING AND ADVANCES

<b>31 March 2017</b>	<b>Bai'</b>						<b>Total</b>
	<b>Bithaman</b>	<b>Ijarah</b>	<b>Murabahah</b>	<b>Musyarakah</b>	<b>Bai'Inah</b>	<b>Others</b>	
<b>At amortised cost</b>	<b>Ajil ('BBA')</b>						<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cashline	-	-	432,930	-	-	1,033	433,963
Term financing:							
- Housing financing	494,886	-	68,478	8,935,532	-	448	9,499,344
- Syndicated term financing	-	90,436	1,653,765	-	-	18,899	1,763,100
- Hire purchase receivables	-	5,621,827	-	-	-	33,708	5,655,535
- Other term financing	3,086	479,707	13,702,328	-	1,526,036	11,766	15,722,923
Bills receivables	-	-	920,098	-	-	4,863	924,961
Trust receipts	-	-	11,416	-	-	253	11,669
Staff financing	2,775	-	-	-	-	-	2,775
Credit/charge card receivables	-	-	-	-	-	262,955	262,955
Revolving financing	-	-	1,440,836	-	-	-	1,440,836
Gross financing and advances	<u>500,747</u>	<u>6,191,970</u>	<u>18,229,851</u>	<u>8,935,532</u>	<u>1,526,036</u>	<u>333,925</u>	<u>35,718,061</u>
Fair value changes arising from fair value hedge							<u>2,093</u>
							35,720,154
Allowance for impaired financing and advances:							
- Individual impairment allowance							(16,335)
- Collective impairment allowance							(256,293)
Net financing and advances							<u><u>35,447,526</u></u>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

13 FINANCING AND ADVANCES (CONTINUED)

<b>31 December 2016</b>	<b>Bai' Bithaman</b>						<b>Total</b>
<b>At amortised cost</b>	<b>Ajil ('BBA')</b>	<b>Ijarah</b>	<b>Murabahah</b>	<b>Musyarakah</b>	<b>Bai'Inah</b>	<b>Others</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cashline	-	-	401,337	-	-	1,463	402,800
Term financing:							
- Housing financing	512,215	-	2,913	8,541,764	-	454	9,057,346
- Syndicated term financing	-	93,884	1,309,912	-	-	18,899	1,422,695
- Hire purchase receivables	-	5,600,165	-	-	-	33,345	5,633,510
- Other term financing	3,126	494,435	13,103,916	-	1,862,705	12,204	15,476,386
Bills receivables	-	-	790,186	-	-	3,097	793,283
Trust receipts	-	-	13,773	-	-	253	14,026
Staff financing	3,394	-	-	-	-	-	3,394
Credit/charge card receivables	-	-	-	-	-	274,532	274,532
Revolving financing	-	-	1,009,152	-	-	-	1,009,152
Gross financing and advances	518,735	6,188,484	16,631,189	8,541,764	1,862,705	344,247	34,087,124
Fair value changes arising from fair value hedge							6,831
							34,093,955
Allowance for impaired financing and advances:							
- Individual impairment allowance							(15,864)
- Collective impairment allowance							(236,525)
Net financing and advances							33,841,566

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

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 31 March 2017, the gross exposure to RIA financing is RM6,049,152,000 (31 December 2016: RM5,804,399,000) and the portfolio allowance for impairment losses for financing and advances relating to RIA amounting to RM34,924,000 (31 December 2016: RM33,626,000) is recognised in the financial statements of RHB Bank. There is 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 RM683,654,000 (31 December 2016: RM791,238,000).

(i) By type of customer	As at 31 March 2017	As at 31 December 2016
	RM'000	RM'000
Domestic non-bank financial institutions:		
- Others	1,064,560	995,486
Domestic business enterprises:		
- Small medium enterprises	2,551,616	2,526,817
- Others	11,768,607	10,374,884
Government and statutory bodies	2,715,462	3,087,891
Individuals	17,200,462	16,688,969
Other domestic entities	112,534	103,742
Foreign entities	304,820	309,335
	<b>35,718,061</b>	<b>34,087,124</b>

- (ii) By profit rate sensitivity

Fixed rate:		
- Housing financing	495,135	512,441
- Hire-purchase receivables	5,655,535	5,633,510
- Other fixed rate financing	7,703,946	7,277,587
Variable rate:		
- BFR-plus	20,926,814	19,856,277
- Cost-plus	936,631	807,309
	<b>35,718,061</b>	<b>34,087,124</b>

- (iii) By purpose

Purchase of securities	503,889	65,524
Purchase of transport vehicles	5,594,335	5,573,799
Purchase of landed property:		
- Residential	9,139,291	8,709,537
- Non-residential	2,844,745	2,536,021
Purchase of property, plant and equipment other than land and building	736,479	755,946
Personal use	2,246,405	2,162,519
Credit card	262,955	274,532
Construction	808,618	550,030
Working capital	8,069,925	7,422,039
Merger and acquisition	1,437,563	1,437,555
Other purposes	4,073,856	4,599,622
	<b>35,718,061</b>	<b>34,087,124</b>

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 THREE MONTHS ENDED 31 MARCH 2017**

13 FINANCING AND ADVANCES (CONTINUED)

	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
(iv) By geographical distribution		
In Malaysia	<u>35,718,061</u>	<u>34,087,124</u>
(v) By remaining contractual maturities		
Maturing within one year	3,664,086	3,681,561
One to three years	3,591,272	2,945,639
Three to five years	6,376,795	6,443,749
Over five years	22,085,908	21,016,175
	<u>35,718,061</u>	<u>34,087,124</u>
(vi) Impaired financing and advances		
(a) Movement in impaired financing and advances		
Balance as at the beginning of the financial period/year	393,096	362,736
Classified as impaired	124,905	514,915
Reclassified as non-impaired	(107,636)	(352,703)
Amount recovered	(21,784)	(78,617)
Amount written off	(10,831)	(53,235)
Balance as at the end of the financial period/year	<u>377,750</u>	<u>393,096</u>
(b) By purpose		
Purchase of transport vehicles	53,077	54,189
Purchase of landed property:		
- Residential	145,081	159,833
- Non-residential	43,497	47,259
Purchase of property, plant and equipment other than land and building	2,831	2,826
Personal use	4,968	4,869
Credit card	4,920	5,362
Working capital	101,106	96,456
Other purposes	22,270	22,302
	<u>377,750</u>	<u>393,096</u>
(c) By geographical distribution		
In Malaysia	<u>377,750</u>	<u>393,096</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	15,864	22,649
Net allowance made/(written back)	471	(3,438)
Amount written off	-	(3,347)
Balance as at the end of the financial period/year	<u>16,335</u>	<u>15,864</u>
<u>Collective impairment allowance</u>		
Balance as at the beginning of the financial period/year	236,525	199,653
Net allowance made	28,910	77,902
Amount written off	(9,142)	(41,030)
Balance as at the end of the financial period/year	<u>256,293</u>	<u>236,525</u>
Collective impairment allowance as % of gross financing and advances (excluding RIA financing) less individual impairment allowance	<u>0.86%</u>	<u>0.84%</u>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

14 OTHER ASSETS

	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
Prepayments	13,963	11,751
Deposits	1,696	1,305
Other debtors	164,837	158,674
	<b>180,496</b>	<b>171,730</b>

15 DEPOSITS FROM CUSTOMERS

	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
<u>Savings Deposits</u>		
Wadiah	1,302,045	1,221,616
<u>Demand Deposits</u>		
Wadiah	4,328,715	3,764,386
Commodity Murabahah	2,004	5,926
<u>Term Deposits</u>		
Commodity Murabahah	16,558,998	16,716,463
<u>Specific Investment Account</u>		
Murabahah	8,394,175	7,556,178
<u>General Investment Account</u>		
Mudharabah	148,893	155,359
	<b>30,734,830</b>	<b>29,419,928</b>

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

Due within six months	20,154,246	20,429,737
Six months to one year	4,938,155	3,953,480
One year to three years	8,063	44,335
Three years to five years	1,602	448
	<b>25,102,066</b>	<b>24,428,000</b>

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

Government and statutory bodies	5,374,834	3,993,795
Business enterprises	19,011,426	19,129,387
Individuals	5,789,451	5,735,775
Others	559,119	560,971
	<b>30,734,830</b>	<b>29,419,928</b>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

16 INVESTMENT ACCOUNT FROM CUSTOMERS

	As at <u>31 March 2017</u>	As at 31 December 2016
	RM'000	RM'000
<u>Restricted Investment Account with maturity:</u>		
Wakalah	<u>100</u>	-
<u>Investment asset (principal):</u>		
Short term fund	<u>100</u>	-
(a) The maturity structure is as follows:		
Due within six months	<u>100</u>	-
(b) The investment accounts are sourced from the following class of customers:		
Individuals	<u>100</u>	-

17 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at <u>31 March 2017</u>	As at 31 December 2016
	RM'000	RM'000
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	2,485,191	4,179,222
Licensed banks	2,448,520	1,591,693
Licensed investment banks	595,932	99,761
Bank Negara Malaysia	<u>8,482</u>	<u>3,890</u>
	5,538,124	5,874,566
<u>Mudharabah Funds:</u>		
Other financial institutions	<u>315,738</u>	555,628
	<u>5,853,862</u>	<u>6,430,194</u>

18 INVESTMENT ACCOUNT DUE TO DESIGNATED FINANCIAL INSTITUTIONS

	As at <u>31 March 2017</u>	As at 31 December 2016
	RM'000	RM'000
<u>Restricted Investment Account:</u>		
Mudharabah	<u>7,320,835</u>	6,622,471
<u>By type of counterparty:</u>		
Licensed banks	<u>7,320,835</u>	6,622,471
<u>Investment asset (principal):</u>		
Housing financing	290,563	300,000
Hire purchase receivables	700,000	700,000
Other term financing	5,058,589	4,804,399
Short term fund	159,855	334,047
Marketable securities	<u>800,775</u>	<u>199,000</u>
	<u>7,009,782</u>	<u>6,337,446</u>

19 OTHER LIABILITIES

	As at <u>31 March 2017</u>	As at 31 December 2016
	RM'000	RM'000
Sundry creditors	10,018	10,692
Amount due to holding company	764,505	769,591
Amount due to other related companies	380	668
Deferred income	40,881	43,947
Short term employee benefits	3,567	7,397
Accrual for operational expenses	11,698	9,993
Other accruals and payables	<u>171,853</u>	<u>115,575</u>
	<u>1,002,902</u>	<u>957,863</u>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

20 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	<b><u>Three Months Ended</u></b>	
	<b><u>31 March 2017</u></b>	<b><u>31 March 2016</u></b>
	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of:		
(i) General investment deposits	<b>1,883</b>	2,079
(ii) Other deposits	<b>453,704</b>	415,959
	<b><u>455,587</u></b>	<b><u>418,038</u></b>
 (i) Income derived from investment of general investment deposits:		
Financing and advances	<b>1,438</b>	1,552
Securities purchased under resale agreements	<b>58</b>	1
Financial assets HFT	<b>2</b>	3
Financial investments AFS	<b>146</b>	152
Financial investments HTM	<b>91</b>	97
Money at call and deposits with banks and other financial institutions	<b>144</b>	257
Total finance income and hibah	<b>1,879</b>	2,062
Other operating income (Note a to c)	<b>4</b>	17
	<b><u>1,883</u></b>	<b><u>2,079</u></b>
 Of which:		
Financing income earned on impaired financing	<b><u>14</u></b>	<b><u>16</u></b>
 Other operating income comprise of:		
(a) Fee income:		
- Commission	<b>-</b>	5
- Guarantee fees	<b>1</b>	3
	<b><u>1</u></b>	<b><u>8</u></b>
(b) Net gain on disposal of financial assets HFT	<b>-</b>	5
(c) Net gain on disposal of financial investments AFS	<b>3</b>	4
	<b><u>4</u></b>	<b><u>17</u></b>



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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

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

	<b><u>Three Months Ended</u></b>	
	<b><u>31 March 2017</u></b>	<b><u>31 March 2016</u></b>
	<b>RM'000</b>	<b>RM'000</b>
(ii) Income derived from investment of other deposits:		
Financing and advances	<b>346,738</b>	310,523
Securities purchased under resale agreements	<b>13,890</b>	145
Financial assets HFT	<b>473</b>	625
Financial investments AFS	<b>35,169</b>	30,322
Financial investments HTM	<b>21,968</b>	19,343
Money at call and deposits with banks and other financial institutions	<b>34,706</b>	51,397
Total finance income and hibah	<b>452,944</b>	412,355
Other operating income (Note a to c)	<b>760</b>	3,604
	<b>453,704</b>	415,959
Of which:		
Financing income earned on impaired financing	<b>3,400</b>	3,305
Other operating income comprise of:		
(a) Fee income:		
- Commission	<b>22</b>	1,031
- Guarantee fees	<b>194</b>	676
	<b>216</b>	1,707
(b) Net (loss)/gain on disposal of financial assets HFT	<b>(84)</b>	976
(c) Net gain on disposal of financial investments AFS	<b>628</b>	921
	<b>760</b>	3,604

21 INCOME DERIVED FROM INVESTMENT ACCOUNT FUNDS

	<b><u>Three Months Ended</u></b>	
	<b><u>31 March 2017</u></b>	<b><u>31 March 2016</u></b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Finance income and hibah</u>		
Financing and advances	<b>76,392</b>	81,101
Financial investments HTM	<b>5,316</b>	1,206
Money at call and deposits with banks and other financial institutions	<b>2,319</b>	13
Total finance income and hibah	<b>84,027</b>	82,320

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

22 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	<b>Three Months Ended</b>	
	<b>31 March 2017</b>	31 March 2016
	<b>RM'000</b>	RM'000
Financing and advances	5,531	10,717
Securities purchased under resale agreements	222	5
Financial assets HFT	8	22
Financial investments AFS	561	1,046
Financial investments HTM	350	668
Money at call and deposits with banks and other financial institutions	554	1,774
Total finance income and hibah	<u>7,226</u>	<u>14,232</u>
Other operating income (Note a to f)	<u>24,458</u>	<u>24,233</u>
	<u><b>31,684</b></u>	<u><b>38,465</b></u>
Of which:		
Financing income earned on impaired financing	<u><b>54</b></u>	<u>114</u>
Other operating income comprise of:		
(a) Fee income:		
- Commission	5,327	3,649
- Service charges and fees	19,636	14,626
- Guarantee and underwriting fees	3	23
	<u>24,966</u>	<u>18,298</u>
(b) Net (loss)/gain on disposal of financial assets HFT	(1)	33
(c) Net loss on revaluation of derivatives	(5,792)	(1,238)
(d) Net gain on fair value hedges	299	492
(e) Net gain on disposal of financial investments AFS	10	32
(f) Other income:		
- Foreign exchange gain	4,974	6,615
- Other non-operating income	2	1
	<u>24,458</u>	<u>24,233</u>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

23 ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES

	<u>Three Months Ended</u>	
	<u>31 March 2017</u>	<u>31 March 2016</u>
	RM'000	RM'000
Allowance for impairment on financing and advances:		
- Individual impairment allowance made/(written back)	471	(891)
- Collective impairment allowance	28,910	15,649
- Impaired financing recovered	(2,655)	(4,353)
- Impaired financing written off	1,490	4,433
	<u>28,216</u>	<u>14,838</u>

24 INCOME ATTRIBUTABLE TO DEPOSITORS

	<u>Three Months Ended</u>	
	<u>31 March 2017</u>	<u>31 March 2016</u>
	RM'000	RM'000
Deposits from customers:		
- Mudharabah funds	1,143	1,276
- Non-Mudharabah funds	235,312	243,103
Deposits and placements of banks and other financial institutions:		
- Non-Mudharabah funds	45,075	39,654
Subordinated obligations	6,103	6,154
Recourse obligation on financing sold to Cagamas	9,452	11,644
	<u>297,085</u>	<u>301,831</u>

25 EARNINGS PER SHARE

	<u>Three Months Ended</u>	
	<u>31 March 2017</u>	<u>31 March 2016</u>
Net profit for the financial period (RM'000)	<u>75,644</u>	<u>73,532</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,273,424</u>	<u>1,173,424</u>
Basic earnings per share (sen)	<u>5.94</u>	<u>6.27</u>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

26 COMMITMENTS AND CONTINGENCIES

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

	<b>As at 31 March 2017</b>	<b>As at 31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Transaction-related contingent items	<b>146,921</b>	127,119
Short term self-liquidating trade-related contingencies	<b>91,168</b>	74,479
Obligations under underwriting agreements	<b>76,000</b>	76,000
Irrevocable commitments to extend credit:		
- maturity more than one year	<b>3,999,602</b>	4,824,220
Foreign exchange related contracts <sup>@</sup> :		
- less than one year	<b>7,533,315</b>	7,577,185
- one year to less than five years	<b>1,426,229</b>	766,434
- more than five years	<b>992,726</b>	999,623
Profit rate related contracts <sup>@</sup> :		
- less than one year	<b>2,835,000</b>	2,585,000
- one year to less than five years	<b>1,854,374</b>	2,279,448
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	<b>2,349,101</b>	2,183,074
<b>Total</b>	<b>21,304,436</b>	21,492,582

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

27 CAPITAL COMMITMENTS

	<b>As at 31 March 2017</b>	<b>As at 31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Capital expenditure for property, plant and equipment:		
- Authorised but not contracted for	<b>690</b>	1,794
- Authorised and contracted for	<b>4,362</b>	3,084
	<b>5,052</b>	4,878

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

28 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>
<b><u>31 March 2017</u></b>				
<b><u>Financial assets</u></b>				
Financial assets HFT:				
- money market instruments	-	150,082	-	150,082
Financial investments AFS:				
- money market instruments	-	3,280,346	203,554	3,483,900
- unquoted securities	-	749,491	-	749,491
	-	2,530,855	203,554	2,734,409
Derivative assets				
	-	265,558	-	265,558
	-	3,695,986	203,554	3,899,540
<b><u>Financial liabilities</u></b>				
Derivative liabilities				
	-	269,171	-	269,171
<b><u>31 December 2016</u></b>				
<b><u>Financial assets</u></b>				
Financial assets HFT:				
- money market instruments	-	10,177	-	10,177
Financial investments AFS:				
- money market instruments	-	3,259,028	200,619	3,459,647
- unquoted securities	-	754,927	-	754,927
	-	2,504,101	200,619	2,704,720
Derivative assets				
	-	402,763	-	402,763
	-	3,671,968	200,619	3,872,587
<b><u>Financial liabilities</u></b>				
Derivative liabilities				
	-	400,812	-	400,812

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2017**

28 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 non-transferable and non-tradable perpetual sukuk and impaired securities.

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

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

**Financial investments AFS**

	<b>As at</b>	<b>As at</b>
	<b>31 March 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance as at the beginning of the financial period/year	<b>200,619</b>	201,162
Profit recognised	<b>2,935</b>	11,900
Payment received	-	(11,894)
Impairment losses	-	(549)
Balance as at the end of the financial period/year	<b><u>203,554</u></b>	<b><u>200,619</u></b>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

29 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 2017 RM'000	As at 31 December 2016 RM'000
<b><u>Common Equity Tier-I ('CET-I') Capital /Tier I Capital</u></b>		
Share capital	1,273,424	1,273,424
Retained profits	765,790	766,058
Statutory reserve	762,388	762,388
AFS reserve	(20,876)	(31,944)
	<u>2,780,726</u>	<u>2,769,926</u>
Less:		
Deferred tax assets	(20,993)	(25,748)
Ageing Reserves and Liquidity Reserve*	(2,161)	(2,891)
Total CET-I /Total Tier I Capital	<u>2,757,572</u>	<u>2,741,287</u>
<b><u>Tier II Capital</u></b>		
Subordinated obligations	500,000	500,000
Collective impairment allowance and regulatory reserve <sup>^</sup>	305,912	290,408
Total Tier II Capital	<u>805,912</u>	<u>790,408</u>
Total Capital	<u>3,563,484</u>	<u>3,531,695</u>
<b><u>Capital Ratios</u></b>		
CET-I Capital Ratio	10.580%	10.868%
Tier-I Capital Ratio	10.580%	10.868%
Total Capital Ratio	<u>13.672%</u>	<u>14.002%</u>

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

Credit risk-weighted assets	30,705,711	29,623,743
Credit risk-weighted assets absorbed by PSIA	(6,232,776)	(5,665,344)
Market risk-weighted assets	341,239	63,426
Operational risk-weighted assets	1,249,333	1,200,381
Total risk-weighted assets	<u>26,063,507</u>	<u>25,222,206</u>

In accordance with BNM's Guideline on "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 account (RPSIA) which qualifies as risk absorbent are excluded from the risk weighted capital ratio (RWCR) calculation. As at 31 March 2017, credit risks relating to RPSIA assets excluded from the RWCR calculation amounted to RM6,232,776,000 (31 December 2016: RM5,665,344,000).

<sup>^</sup> 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 RM158,784,000 (31 December 2016: RM158,516,000).

\* 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.

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2017**

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

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

**31 EVENTS SUBSEQUENT TO BALANCE SHEET DATE**

The Bank had on 27 April 2017 issued Subordinated Sukuk Murabahah of RM250 million in nominal value under a RM1 billion programme. The Subordinated Sukuk Murabahah is issued for a tenure of 10 non-callable 5 years with a fixed profit rate of 4.88% per annum, payable semi-annually in arrears throughout the entire tenure.

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

**32 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 2017.

**33 CHANGES IN PROFIT FOR THE QUARTER**

The Bank reported a pre-tax profit of RM99.4 million for the current quarter, 25.0% lower as compared to the preceding quarter ended 31 December 2016. The lower profit was mainly attributed to higher allowances for financing and advances by RM14.7 million, lower non funding income by RM12.4 million and higher overhead expenses by RM12.1 million, partially offset by higher net funding income by RM5.5 million.

**34 PERFORMANCE REVIEW**

For the three months ended 31 March 2017, the Bank recorded a pre-tax profit of RM99.4 million, 3.3% higher than previous year corresponding period of RM96.3 million. The higher profit was mainly due to higher net funding income by RM35.3 million, offset by higher overhead expenses by RM16.2 million, higher allowances for financing and advances by RM13.4 million and lower non funding income by RM2.6 million.

**35 PROSPECTS FOR 2017**

The Malaysian economy grew 5.6% in Q1 2017 and is forecast to grow 4.8% for the year. The improvement in overall economic activity is driven by the recovery in both exports and domestic demand as the higher exports growth is expected to lead to better consumer spending and private investment. Public spending is expected to rise, supported by the implementation of major infrastructure projects under the various economic programmes.

The Malaysian banking sector loans growth is expected to range between 5.5% to 6.0%, with lending to businesses being the key growth driver. Household loans growth is expected to be moderate.

The Bank remains cautiously optimistic on the business environment and the development in both domestic and external markets. Notwithstanding this, the Bank continues to pursue growth responsibly while also effectively managing asset quality and enhancing productivity. We remain committed to our 2017 IGNITE Transformation strategies to drive performance improvements.

We expect to deliver a better performance this year and are on track to achieve our long-term objectives.