

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2017**

	Note	As at 30 September 2017 RM'000	As at 31 December 2016 RM'000
<b>ASSETS</b>			
Cash and short-term funds		9,145,116	3,436,239
Securities purchased under resale agreements	9	1,766,237	2,353,950
Deposits and placements with banks and other financial institutions		116,219	537,141
Financial assets held-for-trading ('HFT')	10	253,141	10,177
Financial investments available-for-sale ('AFS')	11	3,559,858	3,459,647
Financial investments held-to-maturity ('HTM')	12	2,514,696	2,820,123
Financing and advances	13	40,452,178	33,841,566
Other assets	14	178,723	171,730
Derivative assets		176,588	402,763
Statutory deposits with Bank Negara Malaysia		1,077,200	1,051,050
Deferred tax assets		14,340	20,929
Property, plant and equipment		6,346	6,576
Intangible assets		3,883	4,750
<b>TOTAL ASSETS</b>		<b>59,264,525</b>	<b>48,116,641</b>
<b>LIABILITIES AND EQUITY</b>			
Deposits from customers	15	39,767,270	29,419,928
Deposits and placements of banks and other financial institutions	16	6,393,868	6,430,194
Investment account due to designated financial institutions	17	8,549,602	6,622,471
Bills and acceptances payable		9,604	9,050
Derivative liabilities		182,197	400,812
Recourse obligation on financing sold to Cagamas Berhad ('Cagamas')		84,546	815,243
Subordinated obligations		764,673	503,187
Other liabilities	18	255,619	957,863
Provision for tax and zakat		27,463	29,451
<b>TOTAL LIABILITIES</b>		<b>56,034,842</b>	<b>45,188,199</b>
Share capital		1,273,424	1,273,424
Reserves		1,956,259	1,655,018
<b>TOTAL EQUITY</b>		<b>3,229,683</b>	<b>2,928,442</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>59,264,525</b>	<b>48,116,641</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	25	<b>21,937,951</b>	<b>21,492,582</b>

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 NINE MONTHS ENDED 30 SEPTEMBER 2017**

	Note	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
		<u>30 September 2017</u>	30 September 2016	<u>30 September 2017</u>	30 September 2016
		<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Income derived from investment of depositors' funds	19	<b>510,385</b>	440,414	<b>1,420,093</b>	1,289,399
Income derived from investment account funds	20	<b>98,359</b>	81,558	<b>277,003</b>	239,226
Income derived from investment of shareholders' funds	21	<b>41,310</b>	37,182	<b>128,629</b>	117,095
Allowance for impairment on financing and advances	22	<b>(34,595)</b>	(23,625)	<b>(51,435)</b>	(56,678)
Total distributable income		<b>615,459</b>	535,529	<b>1,774,290</b>	1,589,042
Income attributable to depositors	23	<b>(346,041)</b>	(303,139)	<b>(951,156)</b>	(908,048)
Profit distributed to investment account holders		<b>(81,951)</b>	(65,046)	<b>(227,028)</b>	(194,872)
		<b>187,467</b>	167,344	<b>596,106</b>	486,122
Personnel expenses		<b>(5,402)</b>	(8,872)	<b>(20,011)</b>	(24,700)
Other overheads and expenditures		<b>(75,116)</b>	(56,262)	<b>(216,567)</b>	(162,342)
Profit before taxation		<b>106,949</b>	102,210	<b>359,528</b>	299,080
Taxation		<b>(21,135)</b>	(25,086)	<b>(81,916)</b>	(72,793)
Net profit for the financial period		<b>85,814</b>	77,124	<b>277,612</b>	226,287
Basic earnings per share (sen)	24	<b>6.74</b>	6.57	<b>21.80</b>	19.28

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 NINE MONTHS ENDED 30 SEPTEMBER 2017**

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September 2017</u>	30 September 2016	<u>30 September 2017</u>	30 September 2016
	<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Net profit for the financial period	<u>85,814</u>	77,124	<u>277,612</u>	226,287
Other comprehensive income in respect of:				
Items that will be reclassified subsequently to profit or loss:				
Financial investments AFS:				
- Unrealised net gain on revaluation	5,922	31,968	33,481	86,205
- Net transfer to income statement on disposal or impairment	(669)	(2,538)	(2,390)	(5,199)
Income tax relating to components of other comprehensive income	(1,261)	(7,063)	(7,462)	(19,441)
Other comprehensive income, net of tax, for the financial period	<u>3,992</u>	22,367	<u>23,629</u>	61,565
Total comprehensive income for the financial period	<u><u>89,806</u></u>	<u>99,491</u>	<u><u>301,241</u></u>	<u>287,852</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 NINE MONTHS ENDED 30 SEPTEMBER 2017**

Note	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 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	-	-	-	-	277,612	277,612
Other comprehensive income/(loss):						
Financial investments AFS:						
- Unrealised net gain on revaluation	-	-	33,481	-	-	33,481
- Net transfer to income statement on disposal or impairment	-	-	(2,390)	-	-	(2,390)
Income tax relating to components of other comprehensive income	-	-	(7,462)	-	-	(7,462)
Other comprehensive income, net of tax, for the financial period	-	-	23,629	-	-	23,629
Total comprehensive income for the financial period	-	-	23,629	-	277,612	301,241
Transfer from statutory reserve		1(b)(ii) (762,388)			762,388	-
Transfer to regulatory reserve	-	-	-	56,163	(56,163)	-
<b>Balance as at 30 September 2017</b>	<b>1,273,424</b>	<b>-</b>	<b>(8,315)</b>	<b>214,679</b>	<b>1,749,895</b>	<b>3,229,683</b>

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 NINE MONTHS ENDED 30 SEPTEMBER 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 2016</b>	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	-
<b>Balance as at 30 September 2016</b>	<b>1,173,424</b>	<b>718,483</b>	<b>22,370</b>	<b>159,533</b>	<b>710,449</b>	<b>2,784,259</b>

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 NINE MONTHS ENDED 30 SEPTEMBER 2017**

	Nine months ended	
	30 September 2017	30 September 2016
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	359,528	299,080
Adjustments for non-cash items	(128,746)	(100,377)
Operating profit before changes in working capital	230,782	198,703
Changes in working capital:		
Net changes in operating assets	(5,936,039)	(6,152,352)
Net changes in operating liabilities	10,815,340	6,057,167
Cash generated from operations	5,110,083	103,518
Zakat paid	(1,350)	(3,000)
Tax paid	(83,427)	(63,908)
Net cash generated from operating activities	<u>5,025,306</u>	<u>36,610</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,749)	(384)
Purchase of intangible assets	(185)	(992)
Net purchase of financial investments AFS	(57,488)	(279,746)
Net redemption of financial investments HTM	307,048	89,408
Income received from financial investments AFS	100,144	88,402
Income received from financial investments HTM	85,801	65,005
Net cash generated from/(used in) investing activities	<u>433,571</u>	<u>(38,307)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of subordinated sukuk	250,000	-
Net cash generated from financing activities	<u>250,000</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	5,708,877	(1,697)
Cash and cash equivalents at the beginning of the financial period	3,436,239	6,149,038
Cash and cash equivalents at the end of the financial period	<u>9,145,116</u>	<u>6,147,341</u>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Cash and short-term funds	<u>9,145,116</u>	<u>6,147,341</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 NINE MONTHS ENDED 30 SEPTEMBER 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.

(a) 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.

(b) Changes in regulatory requirements

(i) 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:

- abolition of the authorised capital; and
- abolition of the concept of nominal value in shares.

(ii) Revised Policy Document on Capital Funds

Bank Negara Malaysia ('BNM') had on 3 May 2017, issued a Revised Policy Document on Capital Funds for Islamic Banks ('Revised Policy Document') which is applicable to banking institutions in Malaysia that covers licensed Islamic bank. The issuance of this Revised Policy Document has superseded the guideline issued by BNM previously, namely Capital Funds for Islamic Banks dated 1 July 2013.

The key changes in the Revised Policy Document are:

- the removal of the requirement on maintenance of a reserve fund; and
- the revised component of capital funds shall exclude share premium and reserve fund.

During the financial period, the Bank had transferred a total of RM762,388,000 from the statutory reserve to retained profits pursuant to the adoption of the Revised Policy Document.

The adoption of the New Act and the Revised Policy Document are 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 nine months ended 30 September 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 nine months ended 30 September 2017.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017**

**6 CHANGES IN DEBT AND EQUITY SECURITIES**

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 were no other issuances and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the nine months ended 30 September 2017.

**7 DIVIDENDS PAID**

No dividend has been paid during the nine months ended 30 September 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 17.

**9 SECURITIES PURCHASED UNDER RESALE AGREEMENTS**

	<b>As at 30 September 2017</b>	<b>As at 31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysian Government Investment Issues	<b>1,766,237</b>	<b>2,353,950</b>

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

	<b>As at 30 September 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>253,141</b>	<b>10,177</b>



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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017**

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

	As at 30 September 2017	As at 31 December 2016
	RM'000	RM'000
<b>At fair value</b>		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	658,329	691,196
Wakala Global Sukuk	-	14,718
Khazanah bonds	9,311	8,995
Cagamas bonds	70,700	40,018
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	2,617,932	2,504,101
Perpetual sukuk	203,586	200,619
	3,559,858	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
	3,560,407	3,460,196
Accumulated impairment losses	(549)	(549)
	3,559,858	3,459,647

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

	As at 30 September 2017	As at 31 December 2016
	RM'000	RM'000
<b>At amortised cost</b>		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	336,417	402,619
Sukuk Perumahan Kerajaan	10,073	9,971
Khazanah bonds	21,562	20,872
Cagamas bonds	-	150,095
Negotiable Islamic debt certificates	-	895,234
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	2,146,644	1,341,332
	2,514,696	2,820,123

Included in financial investments HTM are securities acquired and funded via the RIA, as part of arrangement between the Bank and RHB Bank Berhad ('RHB Bank'). As at 30 September 2017, the gross exposure to RIA financing is RM1,260,275,000 (31 December 2016: RM199,000,000).

**RHB ISLAMIC BANK BERHAD (680329 – V)**  
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017**

13 FINANCING AND ADVANCES

<b>30 September 2017</b>	<b>Bai'</b>						
	<b>Bithaman</b>						
	<b>Ajil ('BBA')</b>	<b>Ijarah</b>	<b>Murabahah</b>	<b>Musyarakah</b>	<b>Bai'Inah</b>	<b>Others</b>	<b>Total</b>
<b>At amortised cost</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	-	-	497,414	-	-	2,601	500,015
Term financing:							
- Housing financing	460,411	-	440,074	9,775,215	-	419	10,676,119
- Syndicated term financing	-	81,916	1,750,220	-	-	18,899	1,851,035
- Hire purchase receivables	-	5,883,315	-	-	-	37,485	5,920,800
- Other term financing	2,858	511,512	15,631,538	-	1,526,333	5,510	17,677,751
Bills receivables	-	-	933,253	-	-	5,991	939,244
Trust receipts	-	-	11,423	-	-	-	11,423
Staff financing	2,643	-	-	-	-	-	2,643
Credit/charge card receivables	-	-	-	-	-	260,730	260,730
Revolving financing	-	-	2,880,851	-	-	-	2,880,851
Gross financing and advances	<b>465,912</b>	<b>6,476,743</b>	<b>22,144,773</b>	<b>9,775,215</b>	<b>1,526,333</b>	<b>331,635</b>	<b>40,720,611</b>
Fair value changes arising from fair value hedge							<b>3,309</b>
							<b>40,723,920</b>
Allowance for impaired financing and advances:							
- Individual impairment allowance							(23,509)
- Collective impairment allowance							(248,233)
Net financing and advances							<b>40,452,178</b>

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

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 holding company, RHB Bank.

As at 30 September 2017, the gross exposure to RIA financing is RM6,994,090,000 (31 December 2016: RM5,804,399,000) and the portfolio allowance for impairment losses for financing and advances relating to RIA amounting to RM46,744,000 (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 RM77,081,000 (31 December 2016: RM791,238,000).

- (i) By type of customer

	As at 30 September 2017	As at 31 December 2016
	RM'000	RM'000
Domestic non-bank financial institutions:		
- Others	1,510,272	995,486
Domestic business enterprises:		
- Small medium enterprises	2,954,400	2,526,817
- Others	12,739,254	10,374,884
Government and statutory bodies	3,781,811	3,087,891
Individuals	19,311,221	16,688,969
Other domestic entities	99,934	103,742
Foreign entities	323,719	309,335
	<b>40,720,611</b>	<b>34,087,124</b>

- (ii) By profit rate sensitivity

Fixed rate:		
- Housing financing	460,685	512,441
- Hire-purchase receivables	5,920,800	5,633,510
- Other fixed rate financing	8,278,151	7,277,587
Variable rate:		
- BFR-plus	24,108,734	19,856,277
- Cost-plus	1,952,241	807,309
	<b>40,720,611</b>	<b>34,087,124</b>

- (iii) By purpose

Purchase of securities	1,417,746	65,524
Purchase of transport vehicles	5,890,840	5,573,799
Purchase of landed property:		
- Residential	10,238,690	8,709,537
- Non-residential	3,246,959	2,536,021
Purchase of property, plant and equipment other than land and building	683,066	755,946
Personal use	2,542,818	2,162,519
Credit card	260,730	274,532
Construction	675,949	550,030
Working capital	9,640,839	7,422,039
Merger and acquisition	1,399,980	1,437,555
Other purposes	4,722,994	4,599,622
	<b>40,720,611</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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13 FINANCING AND ADVANCES (CONTINUED)

	As at <b>30 September 2017</b>	As at 31 December 2016
	RM'000	RM'000
(iv) By geographical distribution		
In Malaysia	<b>40,720,611</b>	34,087,124
(v) By remaining contractual maturities		
Maturing within one year	6,821,833	3,681,561
One to three years	2,577,272	2,945,639
Three to five years	6,392,471	6,443,749
Over five years	24,929,035	21,016,175
	<b>40,720,611</b>	34,087,124
(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	381,156	514,915
Reclassified as non-impaired	(292,720)	(352,703)
Amount recovered	(60,745)	(78,617)
Amount written off	(41,803)	(53,235)
Balance as at the end of the financial period/year	<b>378,984</b>	393,096
(b) By purpose		
Purchase of transport vehicles	54,458	54,189
Purchase of landed property:		
- Residential	139,975	159,833
- Non-residential	41,898	47,259
Purchase of property, plant and equipment other than land and building	1,066	2,826
Personal use	6,862	4,869
Credit card	4,862	5,362
Working capital	108,247	96,456
Other purposes	21,616	22,302
	<b>378,984</b>	393,096
(c) By geographical distribution		
In Malaysia	<b>378,984</b>	393,096
(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)	7,686	(3,438)
Amount written off	(41)	(3,347)
Balance as at the end of the financial period/year	<b>23,509</b>	15,864
<u>Collective impairment allowance</u>		
Balance as at the beginning of the financial period/year	236,525	199,653
Net allowance made	44,443	77,902
Amount written off	(32,735)	(41,030)
Balance as at the end of the financial period/year	<b>248,233</b>	236,525
Collective impairment allowance as % of gross financing and advances (excluding RIA financing) less individual impairment allowance	<b>0.74%</b>	0.84%

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14 OTHER ASSETS

	As at 30 September 2017 RM'000	As at 31 December 2016 RM'000
Prepayments	15,108	11,751
Deposits	1,738	1,305
Amount due from holding company	43,102	-
Other debtors	118,775	158,674
	<b>178,723</b>	<b>171,730</b>

15 DEPOSITS FROM CUSTOMERS

	As at 30 September 2017 RM'000	As at 31 December 2016 RM'000
<u>Savings Deposits</u>		
Wadiah	1,325,792	1,221,616
<u>Demand Deposits</u>		
Wadiah	4,660,389	3,764,386
Commodity Murabahah	8,266	5,926
<u>Term Deposits</u>		
Commodity Murabahah	25,748,196	16,716,463
<u>Specific Investment Account</u>		
Murabahah	7,886,056	7,556,178
<u>General Investment Account</u>		
Mudharabah	138,571	155,359
	<b>39,767,270</b>	<b>29,419,928</b>

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

Due within six months	20,887,517	20,429,737
Six months to one year	12,818,013	3,953,480
One year to three years	65,603	44,335
Three years to five years	1,690	448
	<b>33,772,823</b>	<b>24,428,000</b>

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

Government and statutory bodies	6,366,882	3,993,795
Business enterprises	25,972,596	19,129,387
Individuals	6,946,245	5,735,775
Others	481,547	560,971
	<b>39,767,270</b>	<b>29,419,928</b>

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16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at <u>30 September 2017</u> RM'000	As at <u>31 December 2016</u> RM'000
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	3,380,335	4,179,222
Licensed banks	2,421,062	1,591,693
Licensed investment banks	394,786	99,761
Bank Negara Malaysia	15,163	3,890
	<u>6,211,346</u>	<u>5,874,566</u>
<u>Mudharabah Funds:</u>		
Other financial institutions	182,522	555,628
	<u>6,393,868</u>	<u>6,430,194</u>

17 INVESTMENT ACCOUNT DUE TO DESIGNATED FINANCIAL INSTITUTIONS

	As at <u>30 September 2017</u> RM'000	As at <u>31 December 2016</u> RM'000
<u>Restricted Investment Account:</u>		
Mudharabah	<u>8,549,602</u>	<u>6,622,471</u>
<u>By type of counterparty:</u>		
Licensed banks	<u>8,549,602</u>	<u>6,622,471</u>
<u>Investment asset (principal):</u>		
Housing financing	290,464	300,000
Hire purchase receivables	700,000	700,000
Other term financing	6,003,626	4,804,399
Short term funds	9,536	334,047
Unquoted securities (Note 12)	1,260,275	199,000
	<u>8,263,901</u>	<u>6,337,446</u>

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

18 OTHER LIABILITIES

	As at <u>30 September 2017</u> RM'000	As at <u>31 December 2016</u> RM'000
Sundry creditors	12,305	10,692
Amount due to holding company	49,088	769,591
Amount due to other related companies	184	668
Deferred income	34,748	43,947
Short term employee benefits	4,378	7,397
Accrual for operational expenses	9,725	9,993
Other accruals and payables	145,191	115,575
	<u>255,619</u>	<u>957,863</u>

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19 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September 2017</u>	30 September 2016	<u>30 September 2017</u>	30 September 2016
	<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Income derived from investment of:				
(i) General investment deposits	<b>1,730</b>	2,025	<b>5,379</b>	6,169
(ii) Other deposits	<b>508,655</b>	438,389	<b>1,414,714</b>	1,283,230
	<b>510,385</b>	440,414	<b>1,420,093</b>	1,289,399
(i) Income derived from investment of general investment deposits:				
Financing and advances	<b>1,348</b>	1,551	<b>4,158</b>	4,667
Securities purchased under resale agreements	<b>44</b>	109	<b>141</b>	168
Financial assets HFT	<b>4</b>	2	<b>10</b>	10
Financial investments AFS	<b>118</b>	159	<b>398</b>	465
Financial investments HTM	<b>43</b>	84	<b>184</b>	265
Money at call and deposits with banks and other financial institutions	<b>152</b>	94	<b>456</b>	537
Total finance income and hibah	<b>1,709</b>	1,999	<b>5,347</b>	6,112
Other operating income (Note a to d)	<b>21</b>	26	<b>32</b>	57
	<b>1,730</b>	2,025	<b>5,379</b>	6,169
Of which:				
Financing income earned on impaired financing	<b>8</b>	13	<b>33</b>	43
Other operating income comprise of:				
(a) Fee income:				
- Commission	<b>17</b>	7	<b>19</b>	18
- Guarantee fees	<b>4</b>	4	<b>6</b>	8
	<b>21</b>	11	<b>25</b>	26
(b) Net (loss)/gain on disposal of financial assets HFT	<b>(3)</b>	3	<b>(3)</b>	6
(c) Net gain on disposal of financial investments AFS	<b>2</b>	11	<b>9</b>	24
(d) Net gain on early redemption of financial investments HTM	<b>1</b>	1	<b>1</b>	1
	<b>21</b>	26	<b>32</b>	57



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

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September 2017</u>	30 September 2016	<u>30 September 2017</u>	30 September 2016
	<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
(ii) Income derived from investment of other deposits:				
Financing and advances	395,293	335,769	1,093,306	970,972
Securities purchased under resale agreements	13,197	22,813	37,171	34,877
Financial assets HFT	1,192	528	2,577	2,088
Financial investments AFS	35,107	34,211	104,729	96,668
Financial investments HTM	13,396	18,138	48,416	55,040
Money at call and deposits with banks and other financial institutions	44,404	21,591	119,842	111,812
Total finance income and hibah	<u>502,589</u>	433,050	<u>1,406,041</u>	1,271,457
Other operating income (Note a to d)	<u>6,066</u>	5,339	<u>8,673</u>	11,773
	<u><u>508,655</u></u>	<u>438,389</u>	<u><u>1,414,714</u></u>	<u>1,283,230</u>
Of which:				
Financing income earned on impaired financing	<u>2,452</u>	2,720	<u>8,721</u>	8,920
Other operating income comprise of:				
(a) Fee income:				
- Commission	4,706	1,416	5,095	3,642
- Guarantee fees	1,040	717	1,540	1,588
	<u>5,746</u>	2,133	<u>6,635</u>	5,230
(b) Net (loss)/gain on disposal of financial assets HFT	(650)	472	(631)	1,249
(c) Net gain on disposal of financial investments AFS	647	2,444	2,304	5,004
(d) Net gain on early redemption of financial investments HTM	323	290	365	290
	<u>6,066</u>	5,339	<u>8,673</u>	11,773

20 INCOME DERIVED FROM INVESTMENT ACCOUNT FUNDS

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September 2017</u>	30 September 2016	<u>30 September 2017</u>	30 September 2016
	<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Financing and advances	79,502	77,559	235,915	230,952
Financial investments HTM	18,613	2,823	36,793	7,085
Money at call and deposits with banks and other financial institutions	244	1,176	4,295	1,189
Total finance income and hibah	<u>98,359</u>	81,558	<u>277,003</u>	239,226

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21 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September 2017</u>	30 September 2016	<u>30 September 2017</u>	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Financing and advances	12,465	11,352	36,906	33,230
Securities purchased under resale agreements	416	778	1,256	1,194
Financial assets HFT	39	17	87	71
Financial investments AFS	1,097	1,157	3,535	3,308
Financial investments HTM	408	613	1,634	1,884
Money at call and deposits with banks and other financial institutions	1,404	719	4,045	3,827
Total finance income and hibah	<u>15,829</u>	14,636	<u>47,463</u>	43,514
Other operating income (Note a to g)	<u>25,481</u>	22,546	<u>81,166</u>	73,581
	<u><b>41,310</b></u>	<u>37,182</u>	<u><b>128,629</b></u>	<u>117,095</u>
Of which:				
Financing income earned on impaired financing	<u>74</u>	92	<u>294</u>	305
Other operating income comprise of:				
(a) Fee income:				
- Commission	3,059	3,020	14,472	10,450
- Service charges and fees	15,827	16,808	47,276	45,099
- Guarantee and underwriting fees	34	24	52	54
	<u>18,920</u>	19,852	<u>61,800</u>	55,603
(b) Net (loss)/gain on disposal of financial assets HFT	(22)	16	(21)	42
(c) Net loss on revaluation of derivatives	(1,764)	(691)	(9,463)	(2,193)
(d) Net gain/(loss) on fair value hedges	258	(991)	743	(781)
(e) Net gain on disposal of financial investments AFS	20	83	78	171
(f) Net gain on early redemption of financial investments HTM	11	10	12	10
(g) Other income:				
- Foreign exchange gain	8,055	4,266	27,997	20,700
- Other non-operating income	3	1	20	29
	<u>25,481</u>	22,546	<u>81,166</u>	73,581

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22 ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September 2017</u>	30 September 2016	<u>30 September 2017</u>	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment on financing and advances:				
- Individual impairment allowance made/(written back)	5,973	(455)	7,686	(2,232)
- Collective impairment allowance	27,355	26,061	44,443	62,053
- Impaired financing recovered	(3,849)	(3,072)	(9,284)	(10,540)
- Impaired financing written off	5,116	1,091	8,590	7,397
	<u>34,595</u>	<u>23,625</u>	<u>51,435</u>	<u>56,678</u>

23 INCOME ATTRIBUTABLE TO DEPOSITORS

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September 2017</u>	30 September 2016	<u>30 September 2017</u>	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Deposits from customers:				
- Mudharabah funds	1,151	1,261	3,435	3,850
- Non-Mudharabah funds	290,719	239,497	777,586	732,887
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah funds	41,628	45,446	125,488	119,282
Subordinated obligations	9,313	6,222	23,759	18,529
Recourse obligation on financing sold to Cagamas	3,230	10,713	20,888	33,500
	<u>346,041</u>	<u>303,139</u>	<u>951,156</u>	<u>908,048</u>

24 EARNINGS PER SHARE

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September 2017</u>	30 September 2016	<u>30 September 2017</u>	30 September 2016
Net profit for the financial period (RM'000)	<u>85,814</u>	77,124	<u>277,612</u>	226,287
Weighted average number of ordinary shares in issue ('000)	<u>1,273,424</u>	1,173,424	<u>1,273,424</u>	1,173,424
Basic earnings per share (sen)	<u>6.74</u>	6.57	<u>21.80</u>	19.28

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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.

	<u>As at 30 September 2017</u>	<u>As at 31 December 2016</u>
	RM'000	RM'000
Transaction-related contingent items	179,185	127,119
Short term self-liquidating trade-related contingencies	68,551	74,479
Obligations under underwriting agreements	-	76,000
Irrevocable commitments to extend credit:		
- maturity more than one year	4,398,380	4,824,220
Foreign exchange related contracts <sup>@</sup> :		
- less than one year	7,936,722	7,577,185
- one year to less than five years	1,789,713	766,434
- more than five years	969,155	999,623
Profit rate related contracts <sup>@</sup> :		
- less than one year	2,712,000	2,585,000
- one year to less than five years	1,432,034	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	<u>2,452,211</u>	<u>2,183,074</u>
Total	<u><u>21,937,951</u></u>	<u><u>21,492,582</u></u>

<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.

26 CAPITAL COMMITMENTS

	<u>As at 30 September 2017</u>	<u>As at 31 December 2016</u>
	RM'000	RM'000
Capital expenditure for property, plant and equipment:		
- Authorised but not contracted for	799	1,794
- Authorised and contracted for	<u>5,768</u>	<u>3,084</u>
	<u><u>6,567</u></u>	<u><u>4,878</u></u>

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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>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b><u>30 September 2017</u></b>				
<b><u>Financial assets</u></b>				
Financial assets HFT:				
- money market instruments	-	253,141	-	253,141
Financial investments AFS:				
- money market instruments	-	3,356,272	203,586	3,559,858
- unquoted securities	-	738,340	-	738,340
	-	2,617,932	203,586	2,821,518
Derivative assets				
	-	176,588	-	176,588
	-	3,786,001	203,586	3,989,587
<b><u>Financial liabilities</u></b>				
Derivative liabilities				
	-	182,197	-	182,197
<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

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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 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>30 September 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>8,901</b>	11,900
Payment received	<b>(5,934)</b>	(11,894)
Impairment losses	<b>-</b>	(549)
Balance as at the end of the financial period/year	<b><u>203,586</u></b>	<b><u>200,619</u></b>

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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 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	1,664,081	766,058
Statutory reserve	-	762,388
AFS reserve	(8,315)	(31,944)
	<u>2,929,190</u>	<u>2,769,926</u>
Less:		
Deferred tax assets	(15,099)	(25,748)
Intangible assets (include associated deferred tax liabilities)	(3,124)	-
Ageing Reserves and Liquidity Reserve*	(2,397)	(2,891)
Total CET-I /Total Tier I Capital	<u>2,908,570</u>	<u>2,741,287</u>
<b><u>Tier II Capital</u></b>		
Subordinated obligations	750,000	500,000
Collective impairment allowance and regulatory reserve <sup>^</sup>	322,971	290,408
Total Tier II Capital	<u>1,072,971</u>	<u>790,408</u>
Total Capital	<u>3,981,541</u>	<u>3,531,695</u>
<b><u>Capital Ratios</u></b>		
CET-I Capital Ratio	10.537%	10.868%
Tier-I Capital Ratio	10.537%	10.868%
Total Capital Ratio	<u>14.423%</u>	<u>14.002%</u>

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

Credit risk-weighted assets	33,639,130	29,623,743
Credit risk-weighted assets absorbed by PSIA	(7,801,487)	(5,665,344)
Market risk-weighted assets	418,655	63,426
Operational risk-weighted assets	1,348,330	1,200,381
Total risk-weighted assets	<u>27,604,628</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 30 September 2017, credit risks relating to RPSIA assets excluded from the RWCR calculation amounted to RM7,801,487,000 (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". Includes the qualifying regulatory reserve under the Standardised Approach for non-impaired financing and advances of RM168,092,000 (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 NINE MONTHS ENDED 30 SEPTEMBER 2017**

**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**

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 2017.

**32 CHANGES IN PROFIT FOR THE QUARTER**

The Bank reported a pre-tax profit of RM106.9 million for the current quarter, 30.2% lower as compared to the preceding quarter ended 30 June 2017. The lower profit was mainly attributed to higher allowances for financing and advances by RM46.0 million, lower non funding income by RM1.5 million and higher overhead expenses by RM1.6 million, partially offset by higher net funding income by RM2.8 million.

**33 PERFORMANCE REVIEW**

For the nine months ended 30 September 2017, the Bank recorded a pre-tax profit of RM359.5 million, 20.2% higher than previous year corresponding period of RM299.1 million. The higher profit was mainly due to higher net funding income by RM100.3 million, lower allowances for financing and advances by RM5.2 million and higher non funding income by RM4.4 million, partially offset by higher overhead expenses by RM49.5 million.

**34 PROSPECTS FOR 2017**

The Malaysian economy grew at a robust pace in the first nine months of the year with the third quarter registering a 6.2% growth year-on-year. This was achieved through a combination of higher exports and increase in domestic demand. Moving forward, sustained domestic demand underpinned by investment spending will be the principal growth catalysts while improving exports will provide additional boost. Real GDP for the year is estimated to grow at 5.6%, up from 4.2% recorded in 2016.

The Malaysian banking sector is expected to see modest growth, with lending momentum expected to improve in the last quarter of the year. Nevertheless, rising pressure on funding cost may weigh on the performance of banks.

The Bank will continue to focus on selective areas of growth while also effectively managing asset quality and enhancing productivity, particularly through our various digitisation initiatives. The Bank expects to deliver a better performance this year.