

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
ASSETS			
Cash and short-term funds		4,183,032	3,463,278
Securities purchased under resale agreements	9	944,890	926,125
Financial assets at fair value through profit or loss ('FVTPL')	10	152,678	274,226
Financial assets at fair value through other comprehensive income ('FVOCI')	11	5,858,792	4,150,325
Financial investments at amortised cost	12	3,064,867	2,856,789
Financing and advances	13	53,954,888	51,813,230
Other assets	14	243,765	477,535
Derivative assets		149,877	204,543
Statutory deposits with Bank Negara Malaysia		1,549,000	1,420,450
Deferred tax assets		5,122	23,241
Right of use assets		4,884	-
Property, plant and equipment		4,292	4,251
Intangible assets		4,181	4,529
TOTAL ASSETS		70,120,268	65,618,522
LIABILITIES AND EQUITY			
Deposits from customers	15	50,908,452	45,732,352
Deposits and placements of banks and other financial institutions	16	2,971,246	4,403,721
Investment account due to designated financial institutions	17	8,054,961	7,898,611
Bills and acceptances payable		29,161	9,515
Other liabilities	18	707,675	281,558
Derivative liabilities		176,615	211,555
Recourse obligation on financing sold to Cagamas Berhad ('Cagamas')		2,272,585	2,270,239
Provision for tax and zakat		12,862	8,376
Lease liabilities		5,024	-
Subordinated obligations		764,437	755,326
TOTAL LIABILITIES		65,903,018	61,571,253
Share capital		1,673,424	1,673,424
Reserves		2,543,826	2,373,845
TOTAL EQUITY		4,217,250	4,047,269
TOTAL LIABILITIES AND EQUITY		70,120,268	65,618,522
COMMITMENTS AND CONTINGENCIES	25	23,872,891	23,133,354

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2018.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2019

	Note	Three Months Ended	
		31 March 2019	31 March 2018
		RM'000	RM'000
Income derived from investment of depositors' funds	19	669,258	548,702
Income derived from investment account funds	20	107,196	103,844
Income derived from investment of shareholders' funds	21	45,075	57,361
Allowance for credit losses	22	(4,302)	(22,098)
Total distributable income		817,227	687,809
Income attributable to depositors	23	(466,980)	(353,226)
Profit distributed to investment account holders		(85,147)	(85,742)
		265,100	248,841
Personnel expenses		(8,983)	(8,881)
Other overheads and expenditures		(100,892)	(91,102)
Profit before taxation and zakat		155,225	148,858
Taxation and zakat		(37,379)	(35,360)
Net profit for the financial period		117,846	113,498
Basic earnings per share (sen)	24	7.04	8.22

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2018.

RHB ISLAMIC BANK BERHAD (680329 – V)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2019

	Three Months Ended	
	31 March 2019	31 March 2018
	RM'000	RM'000
Net profit for the financial period	117,846	113,498
Other comprehensive income/(loss) in respect of:		
Items that will be reclassified subsequently to profit or loss:		
(a) Debt instruments measured at FVOCI:		
- Unrealised net gain	72,911	6,811
- Net transfer to income statement on disposal	(3,423)	(86)
- Changes in expected credit losses	(569)	121
Income tax relating to components of other comprehensive income	<u>(16,677)</u>	<u>(1,614)</u>
Other comprehensive income/(loss), net of tax, for the financial period	<u>52,242</u>	<u>5,232</u>
Total comprehensive income for the financial period	<u>170,088</u>	<u>118,730</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 2018.

RHB ISLAMIC BANK BERHAD (680329 – V)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2019

Note	Share capital RM'000	Non distributable		Distributable	Total RM'000
		FVOCI reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	
Balance as at 1 January 2019					
- As previously reported	1,673,424	1,898	358,054	2,013,893	4,047,269
- Effect of adoption of MFRS 16	-	-	-	(107)	(107)
- As restated	1,673,424	1,898	358,054	2,013,786	4,047,162
Net profit for the financial period	-	-	-	117,846	117,846
Other comprehensive income/(loss):					
Debt instruments:					
- Unrealised net gain	-	72,911	-	-	72,911
- Net transfer to income statement on disposal	-	(3,423)	-	-	(3,423)
- Changes in expected credit losses	-	(569)	-	-	(569)
Income tax relating to components of other comprehensive income	-	(16,677)	-	-	(16,677)
Other comprehensive income, net of tax, for the financial period	-	52,242	-	-	52,242
Total comprehensive income for the financial period	-	52,242	-	117,846	170,088
Transfer to regulatory reserve	-	-	45,007	(45,007)	-
Balance as at 31 March 2019	1,673,424	54,140	403,061	2,086,625	4,217,250

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RHB ISLAMIC BANK BERHAD (680329 – V)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2019

Note	Share capital RM'000	Non distributable		Distributable	Total RM'000
		FVOCI reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	
Balance as at 1 January 2018	1,273,424	(10,750)	321,442	1,615,672	3,199,788
Net profit for the financial period	-	-	-	113,498	113,498
Other comprehensive income/(loss):					
Debt instruments:					
- Unrealised net gain	-	6,811	-	-	6,811
- Net transfer to income statement on disposal	-	(86)	-	-	(86)
- Changes in expected credit losses		121			121
Income tax relating to components of other comprehensive income	-	(1,614)	-	-	(1,614)
Other comprehensive income, net of tax, for the financial period	-	5,232	-	-	5,232
Total comprehensive income for the financial period	-	5,232	-	113,498	118,730
Issuance of shares	400,000	-	-	-	400,000
Transfer to regulatory reserve	-	-	40,069	(40,069)	-
Balance as at 31 March 2018	1,673,424	(5,518)	361,511	1,689,101	3,718,518

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2018.

RHB ISLAMIC BANK BERHAD (680329 – V)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2019

	Three months ended	
	31 March 2019	31 March 2018
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	155,225	148,858
Adjustments for non-cash items	<u>(72,946)</u>	<u>(34,371)</u>
Operating profit before changes in working capital	82,279	114,487
Changes in working capital:		
Net changes in operating assets	(1,929,532)	(2,210,289)
Net changes in operating liabilities	<u>4,365,926</u>	<u>3,623,830</u>
Cash generated from operations	2,518,673	1,528,028
Profit paid	(70)	-
Zakat paid	(818)	-
Tax paid	<u>(30,599)</u>	<u>(28,917)</u>
Net cash generated from operating activities	<u>2,487,186</u>	<u>1,499,111</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(417)	(131)
Purchase of intangible assets	(8)	(212)
Net (purchase)/proceeds from disposal of financial assets at FVOCI	(1,624,279)	717
Net (purchase)/redemption of financial investments at amortised cost	(207,000)	1,007,327
Income received from financial assets at FVOCI	29,027	28,491
Income received from financial investments at amortised cost	<u>36,255</u>	<u>26,610</u>
Net cash (used in)/generated from investing activities	<u>(1,766,422)</u>	<u>1,062,802</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	-	400,000
Payment for lease liabilities	<u>(1,010)</u>	<u>-</u>
Net cash (used in)/generated from financing activities	<u>(1,010)</u>	<u>400,000</u>
Net increase in cash and cash equivalents	719,754	2,961,913
Cash and cash equivalents at the beginning of the financial period	<u>3,463,278</u>	<u>2,029,638</u>
Cash and cash equivalents at the end of the financial period	<u>4,183,032</u>	<u>4,991,551</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds	<u>4,183,032</u>	<u>4,991,551</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 2018.

RHB ISLAMIC BANK BERHAD (680329 – V)
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2019**

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 2018.

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 2018, except for the adoption of the following:

- (a) Accounting standards, annual improvements and amendments to MFRS which are effective for annual periods beginning on or after 1 January 2019:
- MFRS 16 'Leases'
 - Annual Improvements to MFRS 2015-2017 Cycle:
 - Amendments to MFRS 112 'Income Taxes'
 - Amendments to MFRS 123 'Borrowing Costs'
 - Amendments to MFRS 9 'Prepayment Features with Negative Compensation'
 - IC Interpretation 23 'Uncertainty over Income Tax Treatments'

The adoption of the above accounting standards, annual improvements and amendments do not give rise to any material financial impact to the Bank other than the effects and change in accounting policy arising from the adoption of MFRS 16 as disclosed in Note 35.

2 AUDITORS' REPORT

The auditors' report for the financial year ended 31 December 2018 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 2019.

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 2019.

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 three months ended 31 March 2019.

7 DIVIDENDS PAID

No dividend has been paid during the three months ended 31 March 2019.

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.
- Details of the IA are as disclosed in Note 17.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2019**

9 SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	As at 31 March 2019	As at 31 December 2018
	RM'000	RM'000
At amortised cost		
Malaysian Government Investment Issues	944,890	926,125

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	As at 31 March 2019	As at 31 December 2018
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	152,678	274,226

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	As at 31 March 2019	As at 31 December 2018
	RM'000	RM'000
At fair value		
Debt instruments	5,858,792	4,150,325
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	1,118,942	1,032,474
Khazanah bonds	9,858	9,762
Cagamas bonds	10,062	10,144
Negotiable Islamic debt certificates	1,536,729	198,834
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	3,158,030	2,873,629
<u>Outside Malaysia</u>		
Corporate sukuk	25,171	25,482
	5,858,792	4,150,325

(a) Movement in allowance for credit losses recognised in FVOCI reserve

	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
31 March 2019				
Balance as at the beginning of the financial period	5,090	307	-	5,397
Allowance written back during the financial period	(262)	(307)	-	(569)
Balance as at the end of the financial period	4,828	-	-	4,828
31 December 2018				
Balance as at the beginning of the financial year	5,179	-	-	5,179
Allowance made/(written back) during the financial year	(89)	307	-	218
Balance as at the end of the financial year	5,090	307	-	5,397

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2019**

12 FINANCIAL INVESTMENTS AT AMORTISED COST

	As at 31 March 2019	As at 31 December 2018
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	189,733	188,059
Sukuk Perumahan Kerajaan	10,094	10,000
Khazanah bonds	23,016	22,770
Cagamas bonds	463,426	218,325
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	2,381,862	2,423,785
	3,068,131	2,862,939
Allowance for credit losses	(3,264)	(6,150)
	3,064,867	2,856,789

Included in financial investments at amortised cost are securities acquired and funded via the RIA, as part of arrangement between the Bank and RHB Bank Berhad ('RHB Bank'), its holding company. Gross exposure to RIA financing as at 31 March 2019 was RM693,775,000 (31 December 2018: RM693,775,000).

(a) Movement in allowance for credit losses

	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
31 March 2019				
Balance as at the beginning of the financial period	3,897	2,253	-	6,150
Allowance written back during the financial period	(1,076)	(1,810)	-	(2,886)
Balance as at the end of the financial period	2,821	443	-	3,264
31 December 2018				
Balance as at the beginning of the financial year	1,708	1,318	-	3,026
Allowance made during the financial year	2,189	935	-	3,124
Balance as at the end of the financial year	3,897	2,253	-	6,150

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2019**

13 FINANCING AND ADVANCES

31 March 2019	Bai' Bithaman Ajil ('BBA')	Ijarah	Murabahah	Musarakah	Bai'Inah	Others	Total
At amortised cost	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cashline	-	-	686,486	-	-	44,518	731,004
Term financing:							
- Housing financing	375,249	-	3,391,901	12,452,756	-	516	16,220,422
- Syndicated term financing	-	65,844	1,940,559	-	-	19,166	2,025,569
- Hire purchase receivables	-	7,374,369	-	-	-	54,676	7,429,045
- Other term financing	763	177,522	20,845,659	-	1,526,064	4,735	22,554,743
Bills receivables	-	-	1,119,330	-	-	4,959	1,124,289
Trust receipts	-	-	20,068	-	-	255	20,323
Staff financing	2,238	-	-	-	-	-	2,238
Credit/charge card receivables	-	-	-	-	-	278,205	278,205
Revolving financing	-	-	3,990,984	-	-	-	3,990,984
Gross financing and advances	<u>378,250</u>	<u>7,617,735</u>	<u>31,994,987</u>	<u>12,452,756</u>	<u>1,526,064</u>	<u>407,030</u>	<u>54,376,822</u>
Fair value changes arising from fair value hedge							(4,496)
							<u>54,372,326</u>
Allowance for credit losses on financing and advances							(417,438)
Net financing and advances							<u><u>53,954,888</u></u>

RHB ISLAMIC BANK BERHAD (680329 – V)
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2019**

13 FINANCING AND ADVANCES (CONTINUED)

31 December 2018	Bai' Bithaman Ajil ('BBA')	Ijarah	Murabahah	Musyarakah	Bai'Inah	Others	Total
At amortised cost	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cashline	-	-	642,459	-	-	46,474	688,933
Term financing:							
- Housing financing	389,062	-	2,734,472	12,223,037	-	470	15,347,041
- Syndicated term financing	-	69,044	2,042,604	-	-	18,551	2,130,199
- Hire purchase receivables	-	7,192,178	-	-	-	53,901	7,246,079
- Other term financing	782	187,024	19,734,078	-	1,509,993	3,572	21,435,449
Bills receivables	-	-	1,037,358	-	-	3,056	1,040,414
Trust receipts	-	-	22,368	-	-	254	22,622
Staff financing	2,291	-	-	-	-	-	2,291
Credit/charge card receivables	-	-	-	-	-	284,170	284,170
Revolving financing	-	-	4,056,999	-	-	-	4,056,999
Gross financing and advances	392,135	7,448,246	30,270,338	12,223,037	1,509,993	410,448	52,254,197
Fair value changes arising from fair value hedge							(17,879)
							52,236,318
Allowance for credit losses on financing and advances							(423,088)
Net financing and advances							<u>51,813,230</u>

RHB ISLAMIC BANK BERHAD (680329 – V)
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2019**

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 31 March 2019, the gross exposure to RIA financing is RM7,274,657,000 (31 December 2018: RM7,122,927,000) and the portfolio expected credit losses for financing and advances relating to RIA amounting to RM125,155,000 (31 December 2018: RM143,813,000) is recognised in the financial statements of RHB Bank. There is no Stage 3 expected credit losses being made for such RIA financing.

- (b) Included in term financing are housing financing sold to Cagamas amounting to RM2,178,771,000 (31 December 2018: RM2,203,000,000).

- (i) By type of customer

	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Domestic non-bank financial institutions:		
- Others	2,194,332	2,244,410
Domestic business enterprises:		
- Small medium enterprises	4,301,239	4,177,511
- Others	12,545,920	12,365,324
Government and statutory bodies	5,075,463	5,024,919
Individuals	29,781,269	27,963,814
Other domestic entities	128,060	129,993
Foreign entities	350,539	348,226
	<u>54,376,822</u>	<u>52,254,197</u>

- (ii) By profit rate sensitivity

Fixed rate:		
- Housing financing	375,374	389,190
- Hire-purchase receivables	2,998,211	3,269,651
- Other fixed rate financing	5,333,177	6,968,025
Variable rate:		
- Base financing rate-plus	43,120,771	39,100,659
- Cost-plus	2,549,289	2,526,672
	<u>54,376,822</u>	<u>52,254,197</u>

- (iii) By economic sector

Agriculture, hunting, forestry and fishing	1,115,050	1,073,247
Mining and quarrying	119,673	243,067
Manufacturing	1,437,428	1,281,161
Electricity, gas and water	172,724	173,961
Construction	4,088,594	4,091,139
Wholesale and retail trade and restaurant and hotel	1,502,377	1,516,641
Transport, storage and communication	4,694,407	4,715,600
Real estate	1,291,889	992,581
Finance, insurance and business services	4,345,099	4,444,028
Government and government agencies	3,549,359	3,514,858
Education, health and others	1,926,155	1,935,475
Household sector	29,953,412	28,084,205
Others	180,655	188,234
	<u>54,376,822</u>	<u>52,254,197</u>

- (iv) By purpose

Purchase of securities	3,539,490	2,884,807
Purchase of transport vehicles	7,397,630	7,217,259
Purchase of landed property:		
- Residential	15,279,925	14,489,096
- Non-residential	3,858,619	3,587,570
Purchase of property, plant and equipment other than land and building	504,226	521,325
Personal use	3,691,866	3,540,743
Credit card	278,205	284,170
Construction	1,276,695	1,240,741
Working capital	11,757,976	11,763,783
Merger and acquisition	1,250,679	1,252,698
Other purposes	5,541,511	5,472,005
	<u>54,376,822</u>	<u>52,254,197</u>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2019**

13 FINANCING AND ADVANCES (CONTINUED)

	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
(v) By geographical distribution		
In Malaysia	<u>54,376,822</u>	<u>52,254,197</u>
(vi) By remaining contractual maturities		
Maturing within one year	6,501,151	6,519,750
One to three years	3,651,041	3,717,980
Three to five years	5,933,988	5,912,468
Over five years	<u>38,290,642</u>	<u>36,103,999</u>
	<u>54,376,822</u>	<u>52,254,197</u>
(vii) Impaired financing and advances		
(a) Movement in impaired financing and advances		
Balance as at the beginning of the financial period/year	509,183	464,974
Transfer to 12-month ECL (Stage 1)	(17,723)	(53,484)
Transfer to Lifetime ECL not credit impaired (Stage 2)	(26,124)	(35,399)
Transfer to Lifetime ECL credit impaired (Stage 3)	88,591	204,163
Purchases and origination	7,730	54,516
Derecognition	(40,987)	(57,374)
Amount written off	(17,617)	(68,213)
Balance as at the end of the financial period/year	<u>503,053</u>	<u>509,183</u>
(b) By economic sector		
Agriculture, hunting, forestry and fishing	350	356
Mining and quarrying	1,533	1,588
Manufacturing	28,735	31,550
Electricity, gas and water	57,014	57,120
Construction	83,327	83,903
Wholesale and retail trade and restaurant and hotel	62,948	63,362
Transport, storage and communication	9,756	9,799
Real estate	6,778	6,693
Finance, insurance and business services	18,580	20,336
Education, health and others	7,930	8,452
Household sector	<u>226,102</u>	<u>226,024</u>
	<u>503,053</u>	<u>509,183</u>
(c) By geographical distribution		
In Malaysia	<u>503,053</u>	<u>509,183</u>

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13 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

(d) Movement in allowance for credit losses

	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
31 March 2019	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of the financial period	73,615	116,254	233,219	423,088
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to 12-month ECL (Stage 1)	24,986	(19,726)	(5,260)	-
- Transferred to Lifetime ECL not credit impaired (Stage 2)	(4,146)	12,933	(8,787)	-
- Transferred to Lifetime ECL credit impaired (Stage 3)	(113)	(3,001)	3,114	-
	20,727	(9,794)	(10,933)	-
Allowance (written back)/made during the financial period	(17,701)	17,272	24,421	23,992
Bad debts written off	-	-	(10,800)	(10,800)
Derecognised during the financial period	(967)	(9,785)	(8,090)	(18,842)
Balance as at the end of the financial period	<u>75,674</u>	<u>113,947</u>	<u>227,817</u>	<u>417,438</u>

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13 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

(d) Movement in allowance for credit losses

	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
31 December 2018	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of the financial year	53,225	105,450	217,603	376,278
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to 12-month ECL (Stage 1)	34,882	(22,784)	(12,098)	-
- Transferred to Lifetime ECL not credit impaired (Stage 2)	(13,222)	20,844	(7,622)	-
- Transferred to Lifetime ECL credit impaired (Stage 3)	(679)	(5,966)	6,645	-
	20,981	(7,906)	(13,075)	-
Allowance made during the financial year	10,513	31,760	122,537	164,810
Bad debts written off	-	-	(59,852)	(59,852)
Derecognised during the financial year	(11,104)	(13,050)	(33,994)	(58,148)
Balance as at the end of the financial year	<u>73,615</u>	<u>116,254</u>	<u>233,219</u>	<u>423,088</u>

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14 OTHER ASSETS

	<u>As at 31 March 2019</u>	<u>As at 31 December 2018</u>
	<u>RM'000</u>	<u>RM'000</u>
Prepayments	24,715	23,288
Deposits	1,593	1,591
Other receivables	217,457	452,656
	<u>243,765</u>	<u>477,535</u>

15 DEPOSITS FROM CUSTOMERS

	<u>As at 31 March 2019</u>	<u>As at 31 December 2018</u>
	<u>RM'000</u>	<u>RM'000</u>
<u>Savings Deposits</u>		
Wadiah	1,519,307	1,451,012
<u>Demand Deposits</u>		
Wadiah	5,138,933	5,161,736
Commodity Murabahah	-	231,130
<u>Term Deposits</u>		
Commodity Murabahah	37,960,584	29,045,477
<u>Specific Investment Account</u>		
Commodity Murabahah	6,179,468	9,730,411
<u>General Investment Account</u>		
Mudharabah	110,160	112,586
	<u>50,908,452</u>	<u>45,732,352</u>

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

Due within six months	34,699,750	28,151,327
Six months to one year	8,377,562	10,463,407
One year to three years	696,452	182,817
Three years to five years	476,448	90,923
	<u>44,250,212</u>	<u>38,888,474</u>

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

Government and statutory bodies	11,797,566	6,451,380
Business enterprises	23,831,898	26,158,852
Individuals	14,720,460	12,717,486
Others	558,528	404,634
	<u>50,908,452</u>	<u>45,732,352</u>

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16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>As at 31 March 2019</u>	<u>As at 31 December 2018</u>
	<u>RM'000</u>	<u>RM'000</u>
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	918,429	1,598,865
Licensed banks	1,752,269	2,764,399
Licensed investment banks	257,537	-
Bank Negara Malaysia	43,011	40,457
	<u>2,971,246</u>	<u>4,403,721</u>

17 INVESTMENT ACCOUNT DUE TO DESIGNATED FINANCIAL INSTITUTIONS

	<u>As at 31 March 2019</u>	<u>As at 31 December 2018</u>
	<u>RM'000</u>	<u>RM'000</u>
<u>Restricted Investment Account:</u>		
Mudharabah	<u>8,054,961</u>	<u>7,898,611</u>
<u>By type of counterparty:</u>		
Licensed banks	<u>8,054,961</u>	<u>7,898,611</u>
<u>Investment asset (principal):</u>		
Personal financing	1,000,000	700,000
Other term financing	6,274,657	6,422,927
Unquoted securities (Note 12)	693,775	693,775
	<u>7,968,432</u>	<u>7,816,702</u>

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

18 OTHER LIABILITIES

	<u>As at 31 March 2019</u>	<u>As at 31 December 2018</u>
	<u>RM'000</u>	<u>RM'000</u>
Sundry creditors	5,976	4,996
Amount due to holding company	120,747	205,700
Amount due to other related companies	491	111
Deferred income	16,352	19,418
Short term employee benefits	2,137	5,830
Accrual for operational expenses	12,054	11,476
Other accruals and payables	549,918	34,027
	<u>707,675</u>	<u>281,558</u>

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19 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	Three Months Ended	
	31 March 2019	31 March 2018
	RM'000	RM'000
Income derived from investment of:		
(i) General investment deposits	1,443	1,668
(ii) Other deposits	667,815	547,034
	669,258	548,702
 (i) Income derived from investment of general investment deposits:		
Financing and advances	1,189	1,369
Securities purchased under resale agreements	21	26
Financial assets at FVTPL	25	2
Financial assets at FVOCI	84	103
Financial investments at amortised cost	49	78
Money at call and deposits with banks and other financial institutions	50	78
Total finance income and hibah	1,418	1,656
Other operating income (Note a)	25	12
	1,443	1,668
 Of which:		
Financing income earned on impaired financing	7	8
 (a) Other operating income comprise of:		
Fee income:		
- Commission	5	7
- Guarantee fees	2	4
	7	11
 Net gain on revaluation of financial assets at FVTPL	2	2
 Net gain/(loss) on disposal of financial assets at FVTPL	8	(1)
 Net gain on disposal of financial assets at FVOCI	8	-
	25	12

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

	Three Months Ended	
	31 March 2019	31 March 2018
	RM'000	RM'000
(ii) Income derived from investment of other deposits:		
Financing and advances	549,848	448,510
Securities purchased under resale agreements	9,888	8,570
Financial assets at FVTPL	11,674	703
Financial assets at FVOCI	38,931	33,752
Financial investments at amortised cost	22,523	25,671
Money at call and deposits with banks and other financial institutions	23,318	25,608
Total finance income and hibah	<u>656,182</u>	542,814
Other operating income (Note a)	<u>11,633</u>	4,220
	<u>667,815</u>	<u>547,034</u>
Of which:		
Financing income earned on impaired financing	<u>3,285</u>	<u>2,426</u>
(a) Other operating income comprise of:		
Fee income:		
- Commission	2,382	2,285
- Guarantee fees	786	1,253
	<u>3,168</u>	<u>3,538</u>
Net gain on revaluation of financial assets at FVTPL	1,445	674
Net gain/(loss) on disposal of financial assets at FVTPL	3,713	(76)
Net gain on disposal of financial assets at FVOCI	3,307	84
	<u>11,633</u>	<u>4,220</u>

20 INCOME DERIVED FROM INVESTMENT ACCOUNT FUNDS

	Three Months Ended	
	31 March 2019	31 March 2018
	RM'000	RM'000
Financing and advances	96,067	90,541
Financial investments at amortised cost	11,129	13,302
Money at call and deposits with banks and other financial institutions	-	1
Total finance income and hibah	<u>107,196</u>	<u>103,844</u>

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21 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Three Months Ended	
	31 March 2019	31 March 2018
	RM'000	RM'000
Financing and advances	18,218	14,361
Securities purchased under resale agreements	328	274
Financial assets at FVTPL	387	22
Financial assets at FVOCI	1,290	1,081
Financial investments at amortised cost	746	822
Money at call and deposits with banks and other financial institutions	773	820
Total finance income and hibah	21,742	17,380
Other operating income (Note a)	23,333	39,981
	45,075	57,361
Of which:		
Financing income earned on impaired financing	109	78
(a) Other operating income comprise of:		
Fee income:		
- Commission	9,396	7,864
- Guarantee and underwriting fees	26	40
- Service charges and fees	14,598	12,722
	24,020	20,626
Net gain on revaluation of financial assets at FVTPL	48	22
Net gain/(loss) on disposal of financial assets at FVTPL	123	(2)
Net gain on disposal of financial investments at FVOCI	110	3
Net loss on revaluation of derivatives	(1,883)	(514)
Net loss on fair value hedges	(1,259)	(6,078)
Other income:		
- Foreign exchange gain	1,761	25,306
- Other non-operating income	413	618
	23,333	39,981

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22 ALLOWANCE FOR CREDIT LOSSES

	Three Months Ended	
	31 March 2019	31 March 2018
	RM'000	RM'000
<u>Charge/(Writeback)</u>		
Financing and advances:		
- Net charge	5,150	21,533
- Bad debts recovered	(4,255)	(2,966)
- Bad debts written off	6,898	4,070
	7,793	22,637
Financial assets at FVOCI	(569)	121
Financial investments at amortised cost	(2,886)	(492)
Other financial assets	(36)	(168)
	4,302	22,098

23 INCOME ATTRIBUTABLE TO DEPOSITORS

	Three Months Ended	
	31 March 2019	31 March 2018
	RM'000	RM'000
Deposits from customers:		
- Mudharabah funds	1,290	1,166
- Non-Mudharabah funds	394,794	314,725
Deposits and placements of banks and other financial institutions:		
- Non-Mudharabah funds	37,519	27,482
Others:		
- Subordinated obligations	9,111	9,111
- Recourse obligation on financing sold to Cagamas	24,196	359
- Obligations on securities sold under repurchase agreements	-	383
- Others	70	-
	466,980	353,226

24 EARNINGS PER SHARE

	Three Months Ended	
	31 March 2019	31 March 2018
Net profit for the financial period (RM'000)	117,846	113,498
Weighted average number of ordinary shares in issue ('000)	1,673,424	1,380,091
Basic earnings per share (sen)	7.04	8.22

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25 COMMITMENTS AND CONTINGENCIES

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

	As at 31 March 2019	As at 31 December 2018
	RM'000	RM'000
Transaction-related contingent items	207,724	212,768
Short term self-liquidating trade-related contingencies	58,995	65,253
Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns	168,901	-
Irrevocable commitments to extend credit:		
- maturity less than one year	-	11,659
- maturity more than one year	7,019,824	6,567,847
Foreign exchange related contracts [@] :		
- less than one year	8,792,233	8,926,427
- one year to less than five years	1,390,100	1,398,451
- more than five years	953,264	959,044
Profit rate related contracts [@] :		
- less than one year	1,275,000	1,265,000
- one year to less than five years	935,344	939,596
- more than five years	1,000,000	685,000
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	2,071,506	2,102,309
Total	<u>23,872,891</u>	<u>23,133,354</u>

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

26 CAPITAL COMMITMENTS

	As at 31 March 2019	As at 31 December 2018
	RM'000	RM'000
Capital expenditure for property, plant and equipment:		
- Authorised and contracted for	<u>791</u>	<u>577</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>
	RM'000	RM'000	RM'000	RM'000
<u>31 March 2019</u>				
<u>Financial assets</u>				
Financial assets at FVTPL:				
- money market instruments	-	152,678	-	152,678
Financial assets at FVOCI:				
- money market instruments	-	5,858,792	-	5,858,792
- unquoted securities	-	2,675,591	-	2,675,591
	-	3,183,201	-	3,183,201
Derivative assets	-	149,877	-	149,877
	-	6,161,347	-	6,161,347
<u>Financial liabilities</u>				
Derivative liabilities	-	176,615	-	176,615
<u>31 December 2018</u>				
<u>Financial assets</u>				
Financial assets at FVTPL:				
- money market instruments	-	274,226	-	274,226
Financial assets at FVOCI:				
- money market instruments	-	4,150,325	-	4,150,325
- unquoted securities	-	1,251,214	-	1,251,214
	-	2,899,111	-	2,899,111
Derivative assets	-	204,543	-	204,543
	-	4,629,094	-	4,629,094
<u>Financial liabilities</u>				
Derivative liabilities	-	211,555	-	211,555

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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 assets at FVOCI

	As at 31 March 2019	As at 31 December 2018
	RM'000	RM'000
Balance as at the beginning of the financial period/year	-	200,620
Profit recognised	-	9,455
Payment received	-	(10,075)
Disposal	-	(200,000)
Balance as at the end of the financial period/year	<u>-</u>	<u>-</u>

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28 CAPITAL ADEQUACY

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

The capital adequacy ratios of the Bank are as follows:

	As at 31 March 2019	As at 31 December 2018
	RM'000	RM'000
<u>Common Equity Tier-I ('CET-I') Capital /Tier I Capital</u>		
Share capital	1,673,424	1,673,424
Retained profits	1,968,779	2,013,893
FVOCI reserve	49,312	(3,499)
	3,691,515	3,683,818
Less:		
Deferred tax assets	(5,863)	(23,499)
Intangible assets (include associated deferred tax liabilities)	(3,440)	(4,271)
55% of cumulative gains of financial assets at FVOCI	(27,123)	-
Ageing Reserves and Liquidity Reserve*	(6,098)	(4,849)
Total CET-I /Total Tier I Capital	3,648,991	3,651,199
<u>Tier II Capital</u>		
Subordinated obligations	750,000	750,000
Surplus eligible provisions over expected losses	98,053	94,333
General provisions [^]	50,713	54,330
Total Tier II Capital	898,766	898,663
Total Capital	4,547,757	4,549,862
<u>Capital Ratios</u>		
CET-I Capital Ratio	12.734%	13.222%
Tier-I Capital Ratio	12.734%	13.222%
Total Capital Ratio	15.870%	16.476%

* Pursuant to the Basel II Market Risk para 5.18 and 5.19 – Valuation Adjustments, the Capital Adequacy Framework for Islamic Banks (Basel II - Risk Weighted Assets) calculation shall account for the ageing, liquidity and holding back adjustments/reserves on its trading portfolio.

[^] Pursuant to BNM's policy document on Financial Reporting for Islamic Banking Institutions, general provision refers to loss allowance measured at an amount equal to 12-month and lifetime expected credit losses as defined under MFRS 9 'Financial Instruments'; and regulatory reserve, to the extent they are ascribed to non-credit-impaired exposures, determined under standardised approach for credit risk.

Includes the qualifying regulatory reserve of the Bank of RM37,430,000 (31 December 2018: RM42,756,000).

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28 CAPITAL ADEQUACY (CONTINUED)

The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

	As at 31 March 2019	As at 31 December 2018
	RM'000	RM'000
Credit risk	26,331,059	25,943,117
Credit risk absorbed by PSIA ⁺	(5,931,931)	(5,874,587)
Market risk	196,001	268,130
Operational risk	1,738,853	1,679,551
Additional RWA due to capital floor	6,321,695	5,599,323
Total risk-weighted assets	<u>28,655,677</u>	<u>27,615,534</u>

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

⁺ In accordance with BNM's 'Guidelines on the Recognition and Measurement of Profit Sharing Investment Account ('PSIA') as Risk Absorbent', the credit and market risks of the assets funded by the Restricted Profit Sharing Investment account ('RPSIA') which qualifies as risk absorbent are excluded from the risk weighted capital ratio (RWCR) calculation. As at 31 March 2019, credit risks relating to RPSIA assets excluded from the RWCR calculation amounted to RM5,931,931,000 (31 December 2018: RM5,874,587,000).

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29 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

30 EVENTS SUBSEQUENT TO BALANCE SHEET DATE

There are no material events subsequent to the balance sheet date that have not been reflected in the financial statements other than as disclosed below:

(a) The Bank had on 15 May 2019, fully redeemed RM500 million in nominal value of Subordinated Sukuk Murabahah issued in 2014 ('Redeemed Subordinated Sukuk').

In addition, the Bank had on 21 May 2019 issued Subordinated Sukuk Murabahah ('Subordinated Sukuk Murabahah') of RM500 million in nominal value to replenish the Redeemed Subordinated Sukuk. The Subordinated Sukuk Murabahah is issued for a tenure of 10 non-callable 5 years with a fixed profit rate of 4.32% per annum, payable semi-annually in arrears throughout the entire tenure.

Proceeds from the Subordinated Sukuk Murabahah will be utilised for the Bank's Shariah compliant working capital and general banking purposes.

31 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 2019.

32 CHANGES IN PROFIT FOR THE QUARTER

The Bank reported a pre-tax profit of RM155.2 million for the current quarter, 4.6% lower as compared to the preceding quarter ended 31 December 2018 of RM162.7 million. The lower profit was mainly attributed to lower net funding income by RM15.1 million and higher overhead expenses by RM10.4 million, partially offset by lower allowance for credit losses by RM17.4 million and higher non funding income by RM0.6 million.

33 PERFORMANCE REVIEW

For the three months ended 31 March 2019, the Bank recorded a pre-tax profit of RM155.2 million, 4.3% higher than previous year corresponding period of RM148.9 million. The higher profit was mainly due to lower allowance for credit losses by RM17.8 million and higher net funding income by RM7.6 million, partially offset by higher overhead expenses by RM9.9 million and lower non funding income by RM9.2 million.

34 PROSPECTS FOR 2019

Malaysia's economy is expected to moderate to 4.6% in 2019 from 4.7% recorded in 2018 on account of slowing global growth and continued uncertainty over the US-China trade tensions that could weigh on Malaysia's exports. For the banking sector, loans are expected to grow by mid-single digit supported by the consumer and business segments.

Given the challenging environment, we remain cautious in our business approach while we continue to pursue opportunities for long term growth and improve efficiency across the Group.

Our five-year strategy, FIT22, is making progress as we continue to build strong foundation and deliver strategic priorities with a focus to serve our customers better. We will also continue to invest in our workforce, technology infrastructure and digital capabilities and promote the AGILE way of working to enhance our competitive edge.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2019

35 CHANGE IN ACCOUNTING POLICIES

The Bank has adopted MFRS 16 ‘Leases’ issued by the MASB with its mandatory adoption date of 1 January 2019. MFRS 16 supersedes MFRS 117 ‘Leases’ and the related interpretations. As permitted by MFRS 16, the Bank has adopted the simplified transitional approach and will not restate comparative amounts for the year prior to first adoption.

Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

On adoption of MFRS 16, the Bank recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of MFRS 117 ‘Leases’. These liabilities were measured at the present value of the remaining lease payments, discounted using the Bank’s borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 for the Bank was at 4.93%.

Summarised below are the effects upon adoption of MFRS 16 as at 1 January 2019:

	As previously reported	Effect of adoption of MFRS 16	As restated
	RM'000	RM'000	RM'000
Deferred tax assets	23,241	34	23,275
Right of use assets	-	5,893	5,893
Lease liabilities	-	6,035	6,035
Reserves	2,373,845	(107)	2,373,738

The reconciliation on operating lease commitments under MFRS 117 to MFRS 16 are as follows:

	RM'000
Operating lease commitments as at 31 December 2018	6,344
Discounted using the incremental borrowing rate	<u>(309)</u>
Lease liability recognised as at 1 January 2019	<u><u>6,035</u></u>

The recognised right-of-use assets relate to the following type of assets:

Properties	<u>5,893</u>
	<u><u>5,893</u></u>