

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

	Note	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
ASSETS			
Cash and short-term funds		3,202,312	3,463,278
Securities purchased under resale agreements	9	2,123,202	926,125
Financial assets at fair value through profit or loss ('FVTPL')	10	165,104	274,226
Financial assets at fair value through other comprehensive income	11	5,048,688	4,150,325
Financial investments at amortised cost	12	3,248,566	2,856,789
Financing and advances	13	57,268,559	51,813,230
Other assets	14	554,649	477,535
Derivative assets		69,487	204,543
Statutory deposits with Bank Negara Malaysia		1,670,000	1,420,450
Deferred tax assets		-	23,241
Right of use assets		3,478	-
Property, plant and equipment		3,947	4,251
Intangible assets		3,834	4,529
TOTAL ASSETS		73,361,826	65,618,522
LIABILITIES AND EQUITY			
Deposits from customers	15	51,462,166	45,732,352
Deposits and placements of banks and other financial institutions	16	5,830,737	4,403,721
Investment account due to designated financial institutions	17	8,010,329	7,898,611
Bills and acceptances payable		7,793	9,515
Other liabilities	18	217,897	281,558
Derivative liabilities		117,010	211,555
Recourse obligation on financing sold to Cagamas Berhad ('Cagamas')		2,272,612	2,270,239
Provision for tax and zakat		52,044	8,376
Deferred tax liabilities		29,063	-
Lease liabilities		3,605	-
Subordinated obligations		763,052	755,326
TOTAL LIABILITIES		68,766,308	61,571,253
Share capital		1,673,424	1,673,424
Reserves		2,922,094	2,373,845
TOTAL EQUITY		4,595,518	4,047,269
TOTAL LIABILITIES AND EQUITY		73,361,826	65,618,522
COMMITMENTS AND CONTINGENCIES	25	26,836,850	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 NINE MONTHS ENDED 30 SEPTEMBER 2019

	Note	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
		<u>30 September</u>	30 September	<u>30 September</u>	30 September
		<u>2019</u>	2018	<u>2019</u>	2018
		<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Income derived from investment of depositors' funds	19	726,773	593,498	2,090,633	1,719,908
Income derived from investment account funds	20	108,456	101,647	323,344	311,733
Income derived from investment of shareholders' funds	21	54,194	59,552	157,211	163,841
Allowance for credit losses	22	(24,216)	(38,094)	(16,041)	(93,846)
Total distributable income		865,207	716,603	2,555,147	2,101,636
Income attributable to depositors	23	(493,351)	(390,182)	(1,449,625)	(1,135,822)
Profit distributed to investment account holders		(85,161)	(92,183)	(254,863)	(265,436)
		286,695	234,238	850,659	700,378
Personnel expenses		(8,204)	(7,141)	(24,962)	(23,405)
Other overheads and expenditures		(85,918)	(85,436)	(273,884)	(260,510)
Profit before taxation and zakat		192,573	141,661	551,813	416,463
Taxation and zakat		(49,171)	(34,853)	(136,238)	(101,026)
Net profit for the financial period		143,402	106,808	415,575	315,437
Basic earnings per share (sen)	24	8.57	6.38	24.83	20.01

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 NINE MONTHS ENDED 30 SEPTEMBER 2019

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September</u>	30 September	<u>30 September</u>	30 September
	<u>2019</u>	2018	<u>2019</u>	2018
	<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Net profit for the financial period	<u>143,402</u>	106,808	<u>415,575</u>	315,437
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	67,609	35,598	190,833	19,813
- Net transfer to income statement on disposal	(7,260)	(4,266)	(12,563)	(4,919)
- Changes in expected credit losses	(1,572)	(30)	(2,704)	(542)
Income tax relating to components of other comprehensive income	(14,484)	(7,520)	(42,785)	(3,575)
Other comprehensive income, net of tax, for the financial period	<u>44,293</u>	23,782	<u>132,781</u>	10,777
Total comprehensive income for the financial period	<u>187,695</u>	130,590	<u>548,356</u>	326,214

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 NINE MONTHS ENDED 30 SEPTEMBER 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	-	-	-	415,575	415,575
Other comprehensive income/(loss):					
Debt instruments measured at FVOCI:					
- Unrealised net gain	-	190,833	-	-	190,833
- Net transfer to income statement on disposal	-	(12,563)	-	-	(12,563)
- Changes in expected credit losses	-	(2,704)	-	-	(2,704)
Income tax relating to components of other comprehensive income	-	(42,785)	-	-	(42,785)
Other comprehensive income, net of tax, for the financial period	-	132,781	-	-	132,781
Total comprehensive income for the financial period	-	132,781	-	415,575	548,356
Transfer to regulatory reserve	-	-	90,378	(90,378)	-
Balance as at 30 September 2019	1,673,424	134,679	448,432	2,338,983	4,595,518

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 CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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	-	-	-	315,437	315,437
Other comprehensive income/(loss):					
Debt instruments measured at FVOCI:					
- Unrealised net gain	-	19,813	-	-	19,813
- Net transfer to income statement on disposal	-	(4,919)	-	-	(4,919)
- Changes in expected credit losses	-	(542)	-	-	(542)
Income tax relating to components of other comprehensive income	-	(3,575)	-	-	(3,575)
Other comprehensive income, net of tax, for the financial period	-	10,777	-	-	10,777
Total comprehensive income for the financial period	-	10,777	-	315,437	326,214
Issuance of shares	400,000	-	-	-	400,000
Transfer to regulatory reserve	-	-	32,604	(32,604)	-
Balance as at 30 September 2018	1,673,424	27	354,046	1,898,505	3,926,002

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 NINE MONTHS ENDED 30 SEPTEMBER 2019

	Nine months ended	
	30 September 2019	30 September 2018
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	551,813	416,463
Adjustments for non-cash items	<u>(226,442)</u>	<u>(85,662)</u>
Operating profit before changes in working capital	325,371	330,801
Changes in working capital:		
Net changes in operating assets	(6,889,850)	(4,063,839)
Net changes in operating liabilities	<u>7,242,806</u>	<u>2,792,353</u>
Cash generated from/(used in) operations	678,327	(940,685)
Profit paid	(18,534)	(18,357)
Zakat paid	(600)	(3,500)
Tax paid	<u>(82,417)</u>	<u>(77,417)</u>
Net cash generated from/(used in) operating activities	<u>576,776</u>	<u>(1,039,959)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase)/Proceeds from disposal of property, plant and equipment	(804)	257
Purchase of intangible assets	(366)	(1,233)
Net purchase of financial assets at FVOCI	(681,446)	(459,046)
Net (purchase)/redemption of financial investments at amortised cost	(393,882)	1,200,405
Income received from financial assets at FVOCI	128,954	101,753
Income received from financial investments at amortised cost	<u>112,380</u>	<u>81,394</u>
Net cash (used in)/generated from investing activities	<u>(835,164)</u>	<u>923,530</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	-	400,000
Issuance of subordinated sukuk	500,000	-
Redemption of subordinated sukuk	(500,000)	-
Principal lease payment	<u>(2,578)</u>	<u>-</u>
Net cash (used in)/generated from financing activities	<u>(2,578)</u>	<u>400,000</u>
Net (decrease)/increase in cash and cash equivalents	(260,966)	283,571
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>3,202,312</u>	<u>2,313,209</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds	<u>3,202,312</u>	<u>2,313,209</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 NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 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 nine months ended 30 September 2019.

6 CHANGES IN DEBT AND EQUITY SECURITIES

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.

Other than as disclosed 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 2019.

7 DIVIDENDS PAID

No dividend has been paid during the nine months ended 30 September 2019.

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

9 SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	<u>As at</u> <u>30 September 2019</u>	<u>As at</u> <u>31 December 2018</u>
	RM'000	RM'000
At amortised cost		
Malaysian Government Investment Issues	<u>2,123,202</u>	<u>926,125</u>

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

	<u>As at</u> <u>30 September 2019</u>	<u>As at</u> <u>31 December 2018</u>
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	<u>165,104</u>	<u>274,226</u>

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

	<u>As at</u> <u>30 September 2019</u>	<u>As at</u> <u>31 December 2018</u>
	RM'000	RM'000
At fair value		
Debt instruments	<u>5,048,688</u>	<u>4,150,325</u>
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	1,490,078	1,032,474
Khazanah bonds	-	9,762
Cagamas bonds	10,122	10,144
Negotiable Islamic debt certificates	199,585	198,834
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	3,323,656	2,873,629
<u>Outside Malaysia</u>		
Corporate sukuk	25,247	25,482
	<u>5,048,688</u>	<u>4,150,325</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

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

(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
30 September 2019				
Balance as at the beginning of the financial period	5,090	307	-	5,397
Allowance written back during the financial period	(2,397)	(307)	-	(2,704)
Balance as at the end of the financial period	<u>2,693</u>	<u>-</u>	<u>-</u>	<u>2,693</u>
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	<u>5,090</u>	<u>307</u>	<u>-</u>	<u>5,397</u>

12 FINANCIAL INVESTMENTS AT AMORTISED COST

	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	169,124	188,059
Sukuk Perumahan Kerajaan	10,103	10,000
Khazanah bonds	93,556	22,770
Cagamas bonds	-	218,325
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Corporate sukuk	2,981,349	2,423,785
	<u>3,254,132</u>	<u>2,862,939</u>
Allowance for credit losses	(5,566)	(6,150)
	<u>3,248,566</u>	<u>2,856,789</u>

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 30 September 2019 was RM753,775,000 (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
30 September 2019				
Balance as at the beginning of the financial period	3,897	2,253	-	6,150
Allowance made/(written back) during the financial period	1,484	(2,068)	-	(584)
Balance as at the end of the financial period	<u>5,381</u>	<u>185</u>	<u>-</u>	<u>5,566</u>
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	<u>3,897</u>	<u>2,253</u>	<u>-</u>	<u>6,150</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

13 FINANCING AND ADVANCES

30 September 2019	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	-	-	806,099	-	-	28,620	834,719
Term financing:							
- Housing financing	350,562	-	4,625,759	12,686,119	-	554	17,662,994
- Syndicated term financing	-	-	1,781,686	-	-	19,166	1,800,852
- Hire purchase receivables	-	7,617,500	-	-	-	55,423	7,672,923
- Other term financing	724	156,334	22,556,040	-	1,526,333	2,953	24,242,384
Bills receivables	-	-	920,013	-	-	-	920,013
Trust receipts	-	-	24,748	-	-	-	24,748
Staff financing	1,972	-	3,214	-	-	-	5,186
Credit/charge card receivables	-	-	-	-	-	282,443	282,443
Revolving financing	-	-	4,178,792	-	-	-	4,178,792
Gross financing and advances	353,258	7,773,834	34,896,351	12,686,119	1,526,333	389,159	57,625,054
Fair value changes arising from fair value hedge							16,916
							57,641,970
Allowance for credit losses on financing and advances							(373,411)
Net financing and advances							57,268,559

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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	-	2,733,723	12,223,037	-	470	15,346,292
- 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	-	749	-	-	-	3,040
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>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 30 September 2019, the gross exposure to RIA financing is RM7,164,201,000 (31 December 2018: RM7,122,927,000) and the portfolio expected credit losses for financing and advances relating to RIA amounting to RM125,287,000 (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 RM2,158,944,000 (31 December 2018: RM2,203,000,000).

(i) By type of customer	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Domestic non-bank financial institutions:		
- Others	2,318,887	2,244,410
Domestic business enterprises:		
- Small medium enterprises	5,472,013	4,177,511
- Others	11,788,576	12,365,324
Government and statutory bodies	5,136,049	5,024,919
Individuals	32,448,606	27,963,814
Other domestic entities	124,545	129,993
Foreign entities	336,378	348,226
	57,625,054	52,254,197
(ii) By profit rate sensitivity		
Fixed rate:		
- Housing financing	350,686	389,190
- Hire-purchase receivables	2,482,675	3,269,651
- Other fixed rate financing	5,297,897	6,968,025
Variable rate:		
- Base financing rate-plus	47,326,856	39,100,659
- Cost-plus	2,166,940	2,526,672
	57,625,054	52,254,197
(iii) By economic sector		
Agriculture, hunting, forestry and fishing	1,162,324	1,073,247
Mining and quarrying	109,483	243,067
Manufacturing	1,282,991	1,281,161
Electricity, gas and water	220,362	173,961
Construction	4,739,105	4,091,139
Wholesale and retail trade and restaurant and hotel	1,726,365	1,516,641
Transport, storage and communication	4,513,819	4,715,600
Finance, insurance, real estate and business services	5,523,941	5,436,609
Government and government agencies	3,549,718	3,514,858
Education, health and others	1,951,359	1,935,475
Household sector	32,640,630	28,084,205
Others	204,957	188,234
	57,625,054	52,254,197
(iv) By purpose		
Purchase of securities	4,203,900	2,884,807
Purchase of transport vehicles	7,641,049	7,217,259
Purchase of landed property:		
- Residential	16,631,606	14,489,096
- Non-residential	3,917,619	3,587,570
Purchase of property, plant and equipment other than land and building	525,255	521,325
Personal use	4,025,246	3,540,743
Credit card	282,443	284,170
Construction	1,431,941	1,240,741
Working capital	11,409,634	11,763,783
Merger and acquisition	1,402,743	1,252,698
Other purposes	6,153,618	5,472,005
	57,625,054	52,254,197

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13 FINANCING AND ADVANCES (CONTINUED)

	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
(v) By geographical distribution		
In Malaysia	57,625,054	52,254,197
(vi) By remaining contractual maturities		
Maturing within one year	6,706,431	6,519,750
One to three years	3,667,393	3,717,980
Three to five years	8,367,840	5,912,468
Over five years	38,883,390	36,103,999
	57,625,054	52,254,197
(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)	(21,929)	(53,484)
Transfer to Lifetime ECL not credit impaired (Stage 2)	(31,669)	(35,399)
Transfer to Lifetime ECL credit impaired (Stage 3)	206,493	204,163
Purchases and origination	28,333	54,516
Derecognition	(109,528)	(57,374)
Amount written off	(80,952)	(68,213)
Balance as at the end of the financial period/year	499,931	509,183
(b) By economic sector		
Agriculture, hunting, forestry and fishing	942	356
Mining and quarrying	1,270	1,588
Manufacturing	26,227	31,550
Electricity, gas and water	55,343	57,120
Construction	44,966	83,903
Wholesale and retail trade and restaurant and hotel	43,453	63,362
Transport, storage and communication	13,744	9,799
Finance, insurance, real estate and business services	32,620	27,029
Education, health and others	6,768	8,452
Household sector	274,598	226,024
	499,931	509,183
(c) By purpose		
Purchase of securities	1,262	154
Purchase of transport vehicles	62,672	58,661
Purchase of landed property:		
- Residential	199,744	164,387
- Non-residential	69,166	62,810
Purchase of property, plant and equipment other than land and building	6,242	8,012
Personal use	7,497	5,829
Credit card	3,747	3,635
Working capital	119,555	176,159
Other purposes	30,046	29,536
	499,931	509,183
(d) By geographical distribution		
In Malaysia	499,931	509,183

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13 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

(e) 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
30 September 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 been:				
- Transferred to 12-month ECL (Stage 1)	31,907	(24,906)	(7,001)	-
- Transferred to Lifetime ECL not credit impaired (Stage 2)	(5,267)	15,985	(10,718)	-
- Transferred to Lifetime ECL credit impaired (Stage 3)	(487)	(3,832)	4,319	-
	26,153	(12,753)	(13,400)	-
Allowance (written back)/made during the financial period	(18,885)	18,069	59,980	59,164
Bad debts written off	-	-	(67,585)	(67,585)
Derecognised during the financial period	(7,299)	(14,226)	(19,731)	(41,256)
Balance as at the end of the financial period	73,584	107,344	192,483	373,411

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13 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

(e) 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 been:				
- 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

	As at 30 September 2019	As at 31 December 2018
	RM'000	RM'000
Prepayments	27,195	23,288
Deposits	1,527	1,591
Amount due from holding company	203,073	-
Other receivables	322,854	452,656
	554,649	477,535

15 DEPOSITS FROM CUSTOMERS

	As at 30 September 2019	As at 31 December 2018
	RM'000	RM'000
<u>Savings Deposits</u>		
Wadiah	1,547,368	1,451,012
<u>Demand Deposits</u>		
Wadiah	5,133,967	5,161,736
Commodity Murabahah	-	231,130
<u>Term Deposits</u>		
Commodity Murabahah	37,338,285	29,045,477
<u>Specific Investment Account</u>		
Commodity Murabahah	7,339,121	9,730,411
<u>General Investment Account</u>		
Mudharabah	103,425	112,586
	51,462,166	45,732,352

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

Due within six months	30,401,226	28,151,327
Six months to one year	11,680,264	10,463,407
One year to three years	2,221,717	182,817
Three years to five years	477,624	90,923
	44,780,831	38,888,474

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

Government and statutory bodies	12,173,964	6,451,380
Business enterprises	23,883,463	26,158,852
Individuals	14,339,247	12,717,486
Others	1,065,492	404,634
	51,462,166	45,732,352

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16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 September 2019	As at 31 December 2018
	RM'000	RM'000
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	1,149,876	1,598,865
Licensed banks	4,128,064	2,764,399
Licensed investment banks	198,389	-
Bank Negara Malaysia	52,860	40,457
	5,529,189	4,403,721
<u>Mudharabah Funds:</u>		
Other financial institutions	301,548	-
	5,830,737	4,403,721

17 INVESTMENT ACCOUNT DUE TO DESIGNATED FINANCIAL INSTITUTIONS

	As at 30 September 2019	As at 31 December 2018
	RM'000	RM'000
<u>Restricted Investment Account:</u>		
Mudharabah	8,010,329	7,898,611
<u>By type of counterparty:</u>		
Licensed banks	8,010,329	7,898,611
<u>Investment asset (principal):</u>		
Personal financing	1,000,000	700,000
Other term financing	6,164,201	6,422,927
Unquoted securities (Note 12)	753,775	693,775
	7,917,976	7,816,702

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

18 OTHER LIABILITIES

	As at 30 September 2019	As at 31 December 2018
	RM'000	RM'000
Sundry creditors	9,975	4,996
Amount due to holding company	-	205,700
Amount due to other related companies	279	111
Deferred income	10,220	19,418
Short term employee benefits	4,757	5,830
Accrual for operational expenses	8,725	11,476
Other accruals and payables	183,941	34,027
	217,897	281,558

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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 2019</u>	30 September 2018	<u>30 September 2019</u>	30 September 2018
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) General investment deposits	1,352	1,642	4,191	4,977
(ii) Other deposits	<u>725,421</u>	<u>591,856</u>	<u>2,086,442</u>	<u>1,714,931</u>
	<u>726,773</u>	<u>593,498</u>	<u>2,090,633</u>	<u>1,719,908</u>
(i) Income derived from investment of general investment deposits:				
Financing and advances	1,114	1,383	3,469	4,147
Securities purchased under resale agreements	37	-	76	27
Financial assets at FVTPL	2	6	10	12
Financial assets at FVOCI	93	95	301	297
Financial investments at amortised cost	49	67	146	204
Money at call and deposits with banks and other financial institutions	34	66	128	245
Total finance income and hibah	<u>1,329</u>	<u>1,617</u>	<u>4,130</u>	<u>4,932</u>
Other operating income (Note a)	<u>23</u>	<u>25</u>	<u>61</u>	<u>45</u>
	<u>1,352</u>	<u>1,642</u>	<u>4,191</u>	<u>4,977</u>
Of which:				
Financing income earned on impaired financing	<u>6</u>	<u>10</u>	<u>16</u>	<u>26</u>
(a) Other operating income comprise of:				
Fee income:				
- Commission	4	7	13	19
- Guarantee fees	<u>2</u>	<u>2</u>	<u>6</u>	<u>9</u>
	<u>6</u>	<u>9</u>	<u>19</u>	<u>28</u>
Net gain on revaluation of financial assets at FVTPL	1	4	-	3
Net gain on disposal of financial assets at FVTPL	3	-	18	-
Net gain on disposal of financial assets at FVOCI	<u>13</u>	<u>12</u>	<u>24</u>	<u>14</u>
	<u>23</u>	<u>25</u>	<u>61</u>	<u>45</u>

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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 2019</u>	30 September 2018	<u>30 September 2019</u>	30 September 2018
	RM'000	RM'000	RM'000	RM'000
(ii) Income derived from investment of other deposits:				
Financing and advances	597,903	498,598	1,726,600	1,428,817
Securities purchased under resale agreements	18,904	-	37,767	9,372
Financial assets at FVTPL	1,234	2,387	5,212	4,255
Financial assets at FVOCI	50,360	34,170	149,967	102,301
Financial investments at amortised cost	26,143	23,969	72,833	70,204
Money at call and deposits with banks and other financial institutions	18,747	24,281	63,726	84,567
Total finance income and hibah	<u>713,291</u>	<u>583,405</u>	<u>2,056,105</u>	<u>1,699,516</u>
Other operating income (Note a)	<u>12,130</u>	<u>8,451</u>	<u>30,337</u>	<u>15,415</u>
	<u>725,421</u>	<u>591,856</u>	<u>2,086,442</u>	<u>1,714,931</u>
Of which:				
Financing income earned on impaired financing	<u>3,080</u>	<u>3,506</u>	<u>8,010</u>	<u>8,819</u>
(a) Other operating income comprise of:				
Fee income:				
- Commission	2,055	2,212	6,301	6,386
- Guarantee fees	1,204	993	2,945	3,231
	<u>3,259</u>	<u>3,205</u>	<u>9,246</u>	<u>9,617</u>
Net gain on revaluation of financial assets at FVTPL	386	945	85	941
Net gain on disposal of financial assets at FVTPL	1,459	76	8,854	-
Net gain on disposal of financial assets at FVOCI	7,026	4,101	12,152	4,733
Net gain on redemption of financial assets at amortised cost	-	124	-	124
	<u>12,130</u>	<u>8,451</u>	<u>30,337</u>	<u>15,415</u>

20 INCOME DERIVED FROM INVESTMENT ACCOUNT FUNDS

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September 2019</u>	30 September 2018	<u>30 September 2019</u>	30 September 2018
	RM'000	RM'000	RM'000	RM'000
Financing and advances	96,445	87,821	288,949	270,432
Financial investments at amortised cost	12,011	13,824	34,395	41,298
Money at call and deposits with banks and other financial institutions	-	2	-	3
Total finance income and hibah	<u>108,456</u>	<u>101,647</u>	<u>323,344</u>	<u>311,733</u>

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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 2019</u>	30 September 2018	<u>30 September 2019</u>	30 September 2018
	RM'000	RM'000	RM'000	RM'000
Financing and advances	18,259	23,414	54,909	51,844
Securities purchased under resale agreements	588	-	1,201	286
Financial assets at FVTPL	37	49	166	106
Financial assets at FVOCI	1,535	1,678	4,769	3,761
Financial investments at amortised cost	800	1,134	2,316	2,547
Money at call and deposits with banks and other financial institutions	566	1,225	2,027	3,068
Total finance income and hibah	<u>21,785</u>	<u>27,500</u>	<u>65,388</u>	<u>61,612</u>
Other operating income (Note a)	<u>32,409</u>	<u>32,052</u>	<u>91,823</u>	<u>102,229</u>
	<u>54,194</u>	<u>59,552</u>	<u>157,211</u>	<u>163,841</u>
Of which:				
Financing income earned on impaired financing	<u>95</u>	<u>157</u>	<u>255</u>	<u>235</u>
(a) Other operating income comprise of:				
Fee income:				
- Commission	10,780	10,479	31,269	27,423
- Guarantee and underwriting fees	37	49	94	117
- Service charges and fees	19,439	12,442	59,336	42,792
	<u>30,256</u>	<u>22,970</u>	<u>90,699</u>	<u>70,332</u>
Net gain on revaluation of financial assets at FVTPL	13	34	3	34
Net gain on disposal of financial assets at FVTPL	42	2	282	-
Net gain on disposal of financial investments at FVOCI	220	153	386	172
Net loss on revaluation of derivatives	(1,981)	(300)	(5,224)	(1,258)
Net gain/(loss) on fair value hedges	103	(1,715)	(3,330)	(12,570)
Net gain on redemption of financial assets at amortised cost	-	5	-	5
Other income:				
- Foreign exchange gain	3,849	10,497	8,205	44,050
- Other non-operating income	(93)	406	802	1,464
	<u>32,409</u>	<u>32,052</u>	<u>91,823</u>	<u>102,229</u>

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22 ALLOWANCE FOR CREDIT LOSSES

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September 2019</u>	30 September 2018	<u>30 September 2019</u>	30 September 2018
<u>Charge/(Writeback)</u>	<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Financing and advances:				
- Net charge	24,382	36,572	17,908	90,766
- Bad debts recovered	(4,231)	(4,081)	(11,773)	(10,455)
- Bad debts written off	3,354	2,383	13,294	10,425
	<u>23,505</u>	34,874	<u>19,429</u>	90,736
Financial assets at FVOCI	(1,572)	(30)	(2,704)	(542)
Financial investments at amortised cost	2,215	3,339	(584)	3,846
Other financial assets	68	(89)	(100)	(194)
	<u><u>24,216</u></u>	<u>38,094</u>	<u><u>16,041</u></u>	<u>93,846</u>

23 INCOME ATTRIBUTABLE TO DEPOSITORS

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September 2019</u>	30 September 2018	<u>30 September 2019</u>	30 September 2018
	<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Deposits from customers:				
- Mudharabah funds	2,507	13,028	5,225	34,812
- Non-Mudharabah funds	410,174	335,043	1,232,050	976,742
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah funds	47,730	21,962	113,167	74,159
Others:				
- Subordinated obligations	8,520	9,314	26,082	27,637
- Recourse obligation on financing sold to Cagamas	24,370	10,835	72,923	22,089
- Obligations on securities sold under repurchase agreements	-	-	-	383
- Others	50	-	178	-
	<u><u>493,351</u></u>	<u>390,182</u>	<u><u>1,449,625</u></u>	<u>1,135,822</u>

24 EARNINGS PER SHARE

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September 2019</u>	30 September 2018	<u>30 September 2019</u>	30 September 2018
Net profit for the financial period (RM'000)	<u>143,402</u>	106,808	<u>415,575</u>	315,437
Weighted average number of ordinary shares in issue ('000)	<u>1,673,424</u>	1,673,424	<u>1,673,424</u>	1,576,721
Basic earnings per share (sen)	<u>8.57</u>	6.38	<u>24.83</u>	20.01

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25 COMMITMENTS AND CONTINGENCIES

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

	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Transaction-related contingent items	253,078	212,768
Short term self-liquidating trade-related contingencies	52,117	65,253
Irrevocable commitments to extend credit:		
- maturity less than one year	19,600	11,659
- maturity more than one year	7,436,066	6,567,847
Foreign exchange related contracts [^] :		
- less than one year	10,324,795	8,926,427
- one year to less than five years	1,037,372	1,398,451
- more than five years	965,335	959,044
Profit rate related contracts [^] :		
- less than one year	2,450,000	1,265,000
- one year to less than five years	854,224	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	2,444,263	2,102,309
	26,836,850	23,133,354

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

26 CAPITAL COMMITMENTS

	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Capital expenditure for property, plant and equipment:		
- Authorised and contracted for	960	577

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27 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>30 September 2019</u>				
<u>Financial assets</u>				
Financial assets at FVTPL:				
- money market instruments	-	165,104	-	165,104
Financial assets at FVOCI:				
- money market instruments	-	5,048,688	-	5,048,688
- unquoted securities	-	1,699,785	-	1,699,785
	-	3,348,903	-	3,348,903
Derivative assets	-	69,487	-	69,487
	-	5,283,279	-	5,283,279
<u>Financial liabilities</u>				
Derivative liabilities	-	117,010	-	117,010
<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 30 September 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 30 September 2019 RM'000	As at 31 December 2018 RM'000
<u>Common Equity Tier-I ('CET-I') Capital /Tier I Capital</u>		
Share capital	1,673,424	1,673,424
Retained profits	2,195,581	2,013,893
FVOCI reserve	131,986	(3,499)
	4,000,991	3,683,818
Less:		
Deferred tax assets	-	(23,499)
Intangible assets (include associated deferred tax liabilities)	(3,255)	(4,271)
55% of cumulative gains of financial assets at FVOCI	(72,593)	-
Other deductions*	(1,349)	(4,849)
Total CET-I/Total Tier I Capital	3,923,794	3,651,199
<u>Tier II Capital</u>		
Subordinated obligations	750,000	750,000
Surplus eligible provisions over expected losses	103,975	94,333
General provisions [^]	52,087	54,330
Total Tier II Capital	906,062	898,663
Total Capital	4,829,856	4,549,862
<u>Capital Ratios</u>		
CET-I Capital Ratio	13.837%	13.222%
Tier-I Capital Ratio	13.837%	13.222%
Total Capital Ratio	17.032%	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 RM42,555,000 (31 December 2018: RM42,756,000).

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28 CAPITAL ADEQUACY (CONTINUED)

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

	As at 30 September 2019	As at 31 December 2018
	RM'000	RM'000
Credit risk	27,225,571	25,943,117
Credit risk absorbed by PSIA ⁺	(5,729,471)	(5,874,587)
Market risk	290,309	268,130
Operational risk	1,877,576	1,679,551
Additional RWA due to capital floor	4,693,736	5,599,323
Total risk-weighted assets	28,357,721	27,615,534

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 30 September 2019, credit risks relating to RPSIA assets excluded from the RWCR calculation amounted to RM5,729,471,000 (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.

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 2019.

32 CHANGES IN PROFIT FOR THE QUARTER

The Bank reported a pre-tax profit of RM192.6 million for the current quarter, 5.6% lower as compared to the preceding quarter ended 30 June 2019 of RM204.0 million. The lower profit was mainly attributed to higher allowance for credit losses by RM36.7 million, partially offset by higher net funding income by RM22.6 million, higher non funding income by RM1.9 million and lower overhead expenses by RM0.8 million.

33 PERFORMANCE REVIEW

For the nine months ended 30 September 2019, the Bank recorded a pre-tax profit of RM551.8 million, 32.5% higher than previous year corresponding period of RM416.5 million. The higher profit was mainly due to lower allowance for credit losses by RM77.8 million, higher net funding income by RM67.9 million and higher non funding income by RM4.5 million, partially offset by higher overhead expenses by RM14.9 million.

34 PROSPECTS FOR 2019

Malaysia's GDP grew 4.4% year-on-year in Q3 2019 from 4.9% in Q2 2019 as both exports and domestic demand moderated. For the full year, GDP is expected to grow by 4.5% (2018: 4.7%) as downside risks continue to weigh on Malaysia's economy as a result of the protracted global trade tensions. For the banking sector, loans growth is expected to be slow, supported by a resilient household sector and SMEs. Additionally, another OPR cut by BNM is possible in 2020, depending largely on global economic development.

Notwithstanding the prolonged challenges in the operating environment, the Group continues its effort to strengthen its fundamentals and improve business performance. Our strategic focus under the current five-year roadmap, FIT22, is growth through key segments of affluent, SME, mid-cap and large-cap, and innovation through digital technology and adopting the AGILE way of working across the organisation aimed at better productivity and efficiency as well as delivering a holistic customer journey and ecosystem.

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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	(309)
Lease liability recognised as at 1 January 2019	<u>6,035</u>

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

Properties	<u>5,893</u>
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