

**RHB INVESTMENT BANK BERHAD (19663-P)**  
Incorporated in Malaysia

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2014**

	Note	Group		Bank	
		As at	As at	As at	As at
		31.03.2014	31.12.2013	31.03.2014	31.12.2013
		RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
Cash and short-term funds		1,095,552	1,065,190	918,338	793,935
Deposits and placements with banks and other financial institutions		5,013	100,715	-	100,715
Financial assets held-for-trading ('HFT')	8	1,209,805	1,226,494	944,573	1,061,869
Financial investments available-for-sale ('AFS')	9	3,602,800	3,668,358	3,519,088	3,574,627
Financial investments held-to-maturity ('HTM')	10	907,266	954,587	907,266	954,587
Loans and advances	11	2,573,925	2,393,747	2,016,638	1,848,325
Clients' and brokers' balances	12	2,094,549	2,573,583	753,159	543,766
Other assets	13	381,133	223,446	281,045	119,229
Derivative assets		43,344	48,760	43,341	48,760
Statutory deposits		219,243	216,643	219,243	216,643
Tax recoverable		27,939	32,701	23,506	28,881
Deferred tax assets		9,747	17,345	3,766	11,121
Investments in subsidiaries		-	-	1,081,535	1,077,291
Investments in associates and joint ventures		29,372	29,044	29,464	29,464
Property, plant and equipment		57,134	56,075	28,188	29,213
Goodwill and intangible assets		1,335,855	1,338,695	1,158,400	1,161,646
<b>TOTAL ASSETS</b>		<b>13,592,677</b>	<b>13,945,383</b>	<b>11,927,550</b>	<b>11,600,072</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	14	1,986,772	2,484,429	2,057,204	2,559,248
Deposits and placements of banks and other financial institutions	15	5,273,532	4,620,678	5,273,532	4,620,678
Obligations on securities sold under repurchase agreements		269,570	401,522	269,570	401,522
Obligations on securities borrowed		167,083	31,734	167,083	31,734
Clients' and brokers' balances		1,717,929	2,314,971	566,034	419,269
Other liabilities	16	261,107	315,172	165,828	170,093
Derivative liabilities		72,964	82,463	72,522	82,284
Tax liabilities		10,217	10,384	-	-
Deferred tax liabilities		9,288	11,028	-	-
Borrowings		269,523	152,192	-	-
Subordinated obligations		563,694	559,099	563,694	559,099
<b>TOTAL LIABILITIES</b>		<b>10,601,679</b>	<b>10,983,672</b>	<b>9,135,467</b>	<b>8,843,927</b>
Share capital		818,646	818,646	818,646	818,646
Reserves		1,983,417	1,951,717	1,973,437	1,937,499
		2,802,063	2,770,363	2,792,083	2,756,145
Non-controlling interests		188,935	191,348	-	-
<b>TOTAL EQUITY</b>		<b>2,990,998</b>	<b>2,961,711</b>	<b>2,792,083</b>	<b>2,756,145</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>13,592,677</b>	<b>13,945,383</b>	<b>11,927,550</b>	<b>11,600,072</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	24	<b>7,132,914</b>	<b>7,907,009</b>	<b>6,031,555</b>	<b>6,961,691</b>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2013.

**RHB INVESTMENT BANK BERHAD (19663-P)**  
Incorporated in Malaysia

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2014**

<u>Group</u>	<u>Note</u>	<u>Individual Quarter</u>		<u>Cumulative Three Months</u>	
		<u>Current Financial Quarter Ended 31.03.2014 RM'000</u>	<u>(Restated) Preceding Corresponding Quarter Ended 31.03.2013 RM'000</u>	<u>Current Financial Three Months Ended 31.03.2014 RM'000</u>	<u>(Restated) Preceding Corresponding Three Months Ended 31.03.2013 RM'000</u>
Interest income	17	104,440	113,472	104,440	113,472
Interest expense	18	(64,586)	(76,537)	(64,586)	(76,537)
Net interest income		39,854	36,935	39,854	36,935
Other operating income	19	199,107	219,992	199,107	219,992
Net income		238,961	256,927	238,961	256,927
Other operating expenses	20	(210,343)	(200,658)	(210,343)	(200,658)
Operating profit before allowances		28,618	56,269	28,618	56,269
Allowance for impairment on loans, advances and other losses	21	17,045	(2,914)	17,045	(2,914)
Impairment losses written back on other assets		3,250	-	3,250	-
		48,913	53,355	48,913	53,355
Share of results of associates		265	403	265	403
Share of results of joint ventures		72	112	72	112
<b>Profit before taxation</b>		<b>49,250</b>	<b>53,870</b>	<b>49,250</b>	<b>53,870</b>
Taxation		(21,564)	(11,304)	(21,564)	(11,304)
<b>Net profit for the financial period</b>		<b>27,686</b>	<b>42,566</b>	<b>27,686</b>	<b>42,566</b>
Profit attributable to:					
Owner of the Bank		25,587	36,344	25,587	36,344
Non-controlling interests		2,099	6,222	2,099	6,222
		27,686	42,566	27,686	42,566
Earnings per share (sen)					
- basic	22	3.1	13.8	3.1	13.8

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**RHB INVESTMENT BANK BERHAD (19663-P)**  
Incorporated in Malaysia

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2014**

<u>Group</u>	<u>Individual Quarter</u>		<u>Cumulative Three Months</u>	
	<b>Current Financial Quarter Ended 31.03.2014 RM'000</b>	<b>(Restated) Preceding Corresponding Quarter Ended 31.03.2013 RM'000</b>	<b>Current Financial Three Months Ended 31.03.2014 RM'000</b>	<b>(Restated) Preceding Corresponding Three Months Ended 31.03.2013 RM'000</b>
Net profit for the financial period	<b>27,686</b>	42,566	<b>27,686</b>	42,566
Other comprehensive income/(loss):				
Item that will not be reclassified subsequently to profit or loss				
- Actuarial losses on defined benefit plan of subsidiaries	<b>(2,797)</b>	-	<b>(2,797)</b>	-
Items that will be reclassified subsequently to profit or loss				
- Currency translation differences	<b>12,736</b>	10,691	<b>12,736</b>	10,691
- Unrealised net (loss)/gain on revaluation of financial investments AFS	<b>(9,514)</b>	13,373	<b>(9,514)</b>	13,373
- Net transfer to income statements on disposal or impairment of financial investments AFS	<b>(369)</b>	(3,867)	<b>(369)</b>	(3,867)
Income tax relating to components of other comprehensive loss/(income)	<b>1,640</b>	(2,274)	<b>1,640</b>	(2,274)
Other comprehensive income, net of tax, for the financial period	<b>1,696</b>	17,923	<b>1,696</b>	17,923
Total comprehensive income for the financial period	<b>29,382</b>	60,489	<b>29,382</b>	60,489
Total comprehensive income attributable to:				
Owner of the Bank	<b>31,700</b>	54,780	<b>31,700</b>	54,780
Non-controlling interests	<b>(2,318)</b>	5,709	<b>(2,318)</b>	5,709
	<b>29,382</b>	60,489	<b>29,382</b>	60,489

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**RHB INVESTMENT BANK BERHAD (19663-P)**  
Incorporated in Malaysia

**INTERIM FINANCIAL STATEMENTS  
UNAUDITED INCOME STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2014**

		<u>Individual Quarter</u>		<u>Cumulative Three Months</u>	
		Current Financial Quarter Ended	(Restated) Preceding Corresponding Quarter Ended	Current Financial Three Months Ended	(Restated) Preceding Corresponding Three Months Ended
<u>Bank</u>	<u>Note</u>	<u>31.03.2014</u>	<u>31.03.2013</u>	<u>31.03.2014</u>	<u>31.03.2013</u>
		RM'000	RM'000	RM'000	RM'000
Interest income	17	87,991	101,386	87,991	101,386
Interest expense	18	(62,729)	(76,041)	(62,729)	(76,041)
Net interest income		25,262	25,345	25,262	25,345
Other operating income	19	115,645	106,956	115,645	106,956
Net income		140,907	132,301	140,907	132,301
Other operating expenses	20	(107,982)	(93,525)	(107,982)	(93,525)
Operating profit before allowances		32,925	38,776	32,925	38,776
Allowance for impairment on loans, advances and other losses	21	17,019	(2,645)	17,019	(2,645)
Impairment losses written back on other assets		6,312	-	6,312	-
<b>Profit before taxation</b>		<b>56,256</b>	36,131	<b>56,256</b>	36,131
Taxation		(20,690)	(7,726)	(20,690)	(7,726)
<b>Net profit for the financial period</b>		<b>35,566</b>	28,405	<b>35,566</b>	28,405

**RHB INVESTMENT BANK BERHAD (19663-P)**  
Incorporated in Malaysia

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2014**

	<u>Individual Quarter</u>		<u>Cumulative Three Months</u>	
	Current Financial Quarter Ended <b>31.03.2014</b> RM'000	(Restated) Preceding Corresponding Quarter Ended <b>31.03.2013</b> RM'000	Current Financial Three Months Ended <b>31.03.2014</b> RM'000	(Restated) Preceding Corresponding Three Months Ended <b>31.03.2013</b> RM'000
<b>Bank</b>				
Net profit for the financial period	<b>35,566</b>	28,405	<b>35,566</b>	28,405
Other comprehensive income/(loss):				
Items that will be reclassified subsequently to profit or loss				
- Unrealised net gain on revaluation of financial investments AFS	<b>863</b>	12,990	<b>863</b>	12,990
- Net transfer to income statements on disposal or impairment of financial investments AFS	<b>(368)</b>	(3,867)	<b>(368)</b>	(3,867)
Income tax relating to components of other comprehensive income	<b>(123)</b>	(2,281)	<b>(123)</b>	(2,281)
Other comprehensive income, net of tax, for the financial period	<b>372</b>	6,842	<b>372</b>	6,842
Total comprehensive income for the financial period	<b>35,938</b>	35,247	<b>35,938</b>	35,247

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**RHB INVESTMENT BANK BERHAD (19663-P)**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2014**

<u>Group</u>	Attributable to the Owner of the Bank							Non- controlling interests	Total
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Translation reserves RM'000	Retained profits RM'000	Total RM'000		
Balance as at 1 January 2014	818,646	1,515,150	278,549	(25,948)	(22,768)	206,734	2,770,363	191,348	2,961,711
Net profit for the financial period	-	-	-	-	-	25,587	25,587	2,099	27,686
Currency translation differences	-	-	-	(6)	12,855	(6)	12,843	(107)	12,736
Financial investments AFS:									
- Unrealised net loss on revaluation	-	-	-	(4,367)	-	-	(4,367)	(5,147)	(9,514)
- Net transfer to income statements on disposal or impairment	-	-	-	(369)	-	-	(369)	-	(369)
Income tax relating to components of other comprehensive loss	-	-	-	776	-	-	776	864	1,640
Actuarial losses on defined benefit plan of subsidiaries	-	-	-	-	-	(2,770)	(2,770)	(27)	(2,797)
Other comprehensive income/(loss), net of tax, for the financial period	-	-	-	(3,966)	12,855	(2,776)	6,113	(4,417)	1,696
Total comprehensive income/(loss) for the financial period	-	-	-	(3,966)	12,855	22,811	31,700	(2,318)	29,382
Transfer to statutory reserves	-	-	1	-	-	(1)	-	-	-
Reclassification of reserve upon disposal of subsidiary	-	-	-	-	1,708	(1,708)	-	-	-
Acquisition of shares from non-controlling interests	-	-	-	-	-	-	-	(95)	(95)
<b>Balance as at 31 March 2014</b>	<b>818,646</b>	<b>1,515,150</b>	<b>278,550</b>	<b>(29,914)</b>	<b>(8,205)</b>	<b>227,836</b>	<b>2,802,063</b>	<b>188,935</b>	<b>2,990,998</b>

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2014**

<u>Group</u>	Attributable to the Owner of the Bank							Non- controlling interests	Total
	Share capital	Statutory reserves	AFS reserves	Translation reserves	Capital contribution by holding company	Retained profits	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2013									
- As previously reported	263,646	278,549	14,720	(6,515)	-	101,299	651,699	-	651,699
Acquisition of subsidiaries									
- Effect of predecessor accounting	-	-	(1,794)	511	1,802,808	14,059	1,815,584	216,576	2,032,160
As restated	263,646	278,549	12,926	(6,004)	1,802,808	115,358	2,467,283	216,576	2,683,859
Net profit for the financial period	-	-	-	-	-	36,344	36,344	6,222	42,566
Currency translation differences	-	-	(65)	11,226	-	-	11,161	(470)	10,691
Financial investments AFS:									
- Unrealised net gain/(loss) on revaluation	-	-	13,423	-	-	-	13,423	(50)	13,373
- Net transfer to income statements on disposal or impairment	-	-	(3,867)	-	-	-	(3,867)	-	(3,867)
Income tax relating to components of other comprehensive (income)/loss	-	-	(2,281)	-	-	-	(2,281)	7	(2,274)
Other comprehensive income/(loss), net of tax, for the financial period	-	-	7,210	11,226	-	-	18,436	(513)	17,923
Total comprehensive income for the financial period	-	-	7,210	11,226	-	36,344	54,780	5,709	60,489
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(9,185)	(9,185)
Accretion on deemed disposal of interest in associates	-	-	-	-	-	(748)	(748)	-	(748)
<b>Balance as at 31 March 2013</b>	<b>263,646</b>	<b>278,549</b>	<b>20,136</b>	<b>5,222</b>	<b>1,802,808</b>	<b>150,954</b>	<b>2,521,315</b>	<b>213,100</b>	<b>2,734,415</b>

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**RHB INVESTMENT BANK BERHAD (19663-P)**  
**Incorporated in Malaysia**

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2014**

	Non-Distributable			Distributable		Total
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Retained profits RM'000	
<b>Bank</b>						
Balance as at 1 January 2014	818,646	1,515,150	278,549	(32,510)	176,310	2,756,145
Net profit for the financial period	-	-	-	-	35,566	35,566
Financial investments AFS:						
- Unrealised net gain on revaluation	-	-	-	863	-	863
- Net transfer to income statements on disposal or impairment	-	-	-	(368)	-	(368)
Income tax relating to components of other comprehensive income	-	-	-	(123)	-	(123)
Other comprehensive income, net of tax, for the financial period	-	-	-	372	-	372
Total comprehensive income for the financial period	-	-	-	372	35,566	35,938
<b>Balance as at 31 March 2014</b>	<b>818,646</b>	<b>1,515,150</b>	<b>278,549</b>	<b>(32,138)</b>	<b>211,876</b>	<b>2,792,083</b>

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**RHB INVESTMENT BANK BERHAD (19663-P)**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2014**

	Non-Distributable			Distributable		Total
	Share capital RM'000	Statutory reserves RM'000	AFS reserves RM'000	Capital contribution by holding company RM'000	Retained profits RM'000	
<b>Bank</b>						
Balance as at 1 January 2013						
- As previously reported	263,646	278,549	14,720	-	85,112	642,027
Acquisition of assets and liabilities						
- Effect of predecessor accounting	-	-	(3,723)	1,802,808	14,312	1,813,397
- Merger deficit adjusted against retained profits	-	-	-	-	(22,636)	(22,636)
As restated	263,646	278,549	10,997	1,802,808	76,788	2,432,788
Net profit for the financial period	-	-	-	-	28,405	28,405
Financial investments AFS:						
- Unrealised net gain on revaluation	-	-	12,990	-	-	12,990
- Net transfer to income statements on disposal or impairment	-	-	(3,867)	-	-	(3,867)
Income tax relating to components of other comprehensive income	-	-	(2,281)	-	-	(2,281)
Other comprehensive income, net of tax, for the financial period	-	-	6,842	-	-	6,842
Total comprehensive income for the financial period	-	-	6,842	-	28,405	35,247
<b>Balance as at 31 March 2013</b>	<b>263,646</b>	<b>278,549</b>	<b>17,839</b>	<b>1,802,808</b>	<b>105,193</b>	<b>2,468,035</b>

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**RHB INVESTMENT BANK BERHAD (19663-P)**  
**Incorporated in Malaysia**

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2014**

	<b>Current Financial Three Months Ended 31.03.2014</b>	<b>(Restated) Preceding Corresponding Three Months Ended 31.03.2013</b>
	<b>RM '000</b>	<b>RM '000</b>
<b><u>Group</u></b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	49,250	53,870
Adjustments for non-cash items	(69,926)	(71,338)
Operating loss before working capital changes	<u>(20,676)</u>	<u>(17,468)</u>
Changes in working capital:		
Net changes in operating assets	332,279	(488,280)
Net changes in operating liabilities	<u>(457,207)</u>	<u>82,796</u>
Cash used in operations	<u>(145,604)</u>	<u>(422,952)</u>
Taxation paid	<u>(9,648)</u>	<u>(9,923)</u>
Net cash used in operating activities	<u>(155,252)</u>	<u>(432,875)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net proceeds from sale of financial investments AFS and HTM	63,263	1,324,646
Interest received from financial investments AFS and HTM	51,930	59,769
Property, plant and equipment:		
- Purchase	(6,290)	(2,623)
- Proceeds from disposal	106	243
Intangible assets:		
- Purchase	(2,959)	(542)
Dividend income received	1	18
Net cash inflow from disposal of a subsidiary	265	-
Acquisition of shares from non-controlling interests	<u>(95)</u>	<u>-</u>
Net cash generated from investing activities	<u>106,221</u>	<u>1,381,511</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net drawdown of borrowings	73,049	106,243
Dividend paid to non-controlling interest	-	(9,185)
Net cash generated from financing activities	<u>73,049</u>	<u>97,058</u>
Net increase in cash and cash equivalents	24,018	1,045,694
Effects of exchange rate differences	6,344	12,319
Cash and cash equivalents		
- at the beginning of the financial period	<u>1,065,190</u>	<u>1,911,815</u>
- at the end of the financial period	<u>1,095,552</u>	<u>2,969,828</u>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS:</b>		
Cash and short-term funds	<u>1,095,552</u>	<u>2,969,828</u>

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**RHB INVESTMENT BANK BERHAD (19663-P)**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2014**

	<b>Current Financial Three Months Ended 31.03.2014</b>	<b>(Restated) Preceding Corresponding Three Months Ended 31.03.2013</b>
	<b>RM '000</b>	<b>RM '000</b>
<b><u>Bank</u></b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	56,256	36,131
Adjustments for non-cash items	<b>(90,534)</b>	<b>(77,575)</b>
Operating loss before working capital changes	<b>(34,278)</b>	<b>(41,444)</b>
Changes in working capital:		
Net changes in operating assets	<b>(240,585)</b>	<b>(64,990)</b>
Net changes in operating liabilities	<b>289,789</b>	<b>(109,831)</b>
Cash generated from/(used in) operations	<b>14,926</b>	<b>(216,265)</b>
Taxation paid	<b>(8,079)</b>	<b>(6,376)</b>
Net cash generated from/(used in) operating activities	<b>6,847</b>	<b>(222,641)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net proceeds from sale of financial investments AFS and HTM	<b>60,421</b>	1,325,190
Interest received from financial investments AFS and HTM	<b>51,929</b>	59,767
Property, plant and equipment:		
- Purchase	<b>(1,799)</b>	<b>(700)</b>
- Proceeds from disposal	-	1
Intangible assets:		
- Purchase	<b>(1,617)</b>	<b>(188)</b>
Dividend income received	<b>12,500</b>	9,570
Additional investments in a subsidiary	<b>(10,410)</b>	-
Proceeds from disposal of a subsidiary	<b>6,532</b>	-
Net cash generated from investing activities	<b>117,556</b>	<b>1,393,640</b>
Net increase in cash and cash equivalents	<b>124,403</b>	1,170,999
Cash and cash equivalents		
- at the beginning of the financial period	<b>793,935</b>	<b>1,509,772</b>
- at the end of the financial period	<b>918,338</b>	<b>2,680,771</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS:</b>		
Cash and short-term funds	<b>918,338</b>	<b>2,680,771</b>

*This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2013.*

**RHB INVESTMENT BANK BERHAD (19663-P)**  
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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014**

**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 Boards ('MASB') and should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2013.

The accounting policies and presentation adopted by the Group and the Bank for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2013, except for the adoption of the following relevant accounting standards, amendments to published accounting standards and interpretations to existing accounting standards which are effective from 1 January 2014:

Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities
Amendments to MFR 132	Offsetting Financial Assets and Financial Liabilities
Amendments to MFR 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFR 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

The adoption of the above accounting standards, amendments to published accounting standards and interpretations to existing accounting standards does not give rise to any material financial impact to the Group and the Bank.

Predecessor accounting

The Group applies predecessor accounting to account for business combinations under common control. Under the predecessor accounting, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to ensure uniform accounting policies of the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) of the acquired entity is recorded as an adjustment to retained earnings. No additional goodwill is recognised.

The acquired entity's results, assets and liabilities are consolidated from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements reflect both entities' full years results. The corresponding amounts for the previous year reflect the combined results of both entities.

**2 Auditors' Report**

The auditors' report for the financial year ended 31 December 2013 was not subjected to any qualification.

**3 Seasonal or Cyclical Factors**

The business operations of the Group and the Bank have not been affected by any material seasonal or cyclical factors.

**4 Exceptional or Extraordinary Items**

There were no exceptional or extraordinary items for the three months ended 31 March 2014.

**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 2014.

**6 Changes in Debt and Equity Securities**

There were no issuance and repayment 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 2014.

**7 Dividends Paid**

No dividend was paid by the Bank during the three months ended 31 March 2014.

**RHB INVESTMENT BANK BERHAD (19663-P)**  
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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (cont'd)**

**8 Financial Assets Held-for-trading**

	Group		Bank	
	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000
<b>At fair value</b>				
<b><u>Money market instruments:</u></b>				
Malaysian Government Securities	171,977	128,150	171,977	128,150
Malaysian Government Investment Issues	149,694	121,510	149,694	121,510
<b><u>Quoted securities:</u></b>				
<b>In Malaysia</b>				
Shares, exchange traded funds and warrants	68,854	59,044	68,854	59,044
Unit trusts	61,084	1,486	-	-
<b>Outside Malaysia</b>				
Shares, exchange traded funds and warrants	96,138	52,962	8,956	4,879
Unit trusts	24,194	34,008	-	14,207
<b><u>Unquoted securities:</u></b>				
<b>In Malaysia</b>				
Private debt securities	336,065	475,529	336,065	475,529
<b>Outside Malaysia</b>				
Private debt securities	301,799	353,805	209,027	258,550
	<b>1,209,805</b>	<b>1,226,494</b>	<b>944,573</b>	<b>1,061,869</b>

Included in financial assets HFT of the Group and the Bank are private debt securities outside Malaysia, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM64,661,000 (31.12.2013: RM200,296,000).

In 2008, the Bank reclassified a portion of their financial assets HFT into financial investments AFS. The reclassifications have been accounted for in accordance with BNM's circular on "Reclassification of Securities under Specific Circumstances" dated 17 October 2008, which is effective from 1 July 2008 until 31 December 2009.

The effect of the reclassification on the income statements for the period from the date of reclassification to 31 March 2014 were as follows:

	Group and Bank	
	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000
<b><u>Reclassified from financial assets HFT to financial investments AFS</u></b>		
- Carrying value	29,948	31,214
- Fair value	29,532	30,798
Fair value losses that would have been recognised if the financial assets HFT had not been reclassified	<b>(416)</b>	<b>(416)</b>

**RHB INVESTMENT BANK BERHAD (19663-P)**  
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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (cont'd)**

**9 Financial Investments Available-for-sale**

	Group		Bank	
	As at 31.03.2014	As at 31.12.2013	As at 31.03.2014	As at 31.12.2013
At fair value	RM'000	RM'000	RM'000	RM'000
<b><u>Money market instruments:</u></b>				
Malaysian Government Securities	385,783	407,032	385,783	407,032
Malaysian Government Investment Issues	523,703	520,724	523,703	520,724
Cagamas bonds	45,204	45,119	45,204	45,119
Khazanah bonds	47,900	47,725	47,900	47,725
Negotiable instruments of deposits	285,597	403,558	285,597	403,558
Bankers' acceptances and Islamic accepted bills	324,829	378,121	324,829	378,121
Sukuk Perumahan Kerajaan ('SPK')	67,751	66,613	67,751	66,613
<b><u>Quoted securities:</u></b>				
<b>In Malaysia</b>				
Shares and warrants	1,608	828	1,570	789
Loan stocks	-	1,495	-	1,495
Unit trusts	5,624	5,571	-	-
<b>Outside Malaysia</b>				
Shares and warrants	1,238	1,300	-	-
Unit trusts	26,855	4,081	22,156	-
<b><u>Unquoted securities:</u></b>				
<b>In Malaysia</b>				
Private and Islamic debt securities	1,528,366	1,443,564	1,528,366	1,443,564
Shares	75,701	72,237	27,905	24,369
Loan stocks	53,326	39,543	53,326	39,543
Prasarana bonds	19,382	19,816	19,382	19,816
<b>Outside Malaysia</b>				
Private and Islamic debt securities	366,360	356,111	366,360	355,970
Shares	23,824	34,237	-	-
Loan stocks	2,085	2,093	-	-
	<b>3,785,136</b>	3,849,768	<b>3,699,832</b>	3,754,438
Accumulated impairment losses	<b>(182,336)</b>	(181,410)	<b>(180,744)</b>	(179,811)
	<b>3,602,800</b>	3,668,358	<b>3,519,088</b>	3,574,627

Included in financial investments AFS of the Group and the Bank are private debt securities outside Malaysia, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM240,826,000 (31.12.2013: RM260,231,000).

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (cont'd)**

**10 Financial Investments Held-to-maturity**

	<b>Group and Bank</b>	
	<b>As at</b>	<b>As at</b>
	<b>31.03.2014</b>	<b>31.12.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>		
<b><u>Money market instruments:</u></b>		
Malaysian Government Securities	<b>20,297</b>	20,516
Malaysian Government Investment Issues	<b>478,997</b>	508,053
Cagamas bonds	<b>50,875</b>	50,426
Khazanah bonds	<b>9,983</b>	9,887
Wakala Global Sukuk	<b>6,961</b>	7,078
<b><u>Unquoted Securities:</u></b>		
<b>In Malaysia</b>		
Private and Islamic debt securities	<b>401,385</b>	424,070
Bonds	<b>23</b>	23
Prasarana bonds	<b>51,075</b>	50,551
<b>Outside Malaysia</b>		
Private and Islamic debt securities	<b>49,797</b>	50,276
	<b>1,069,393</b>	1,120,880
Accumulated impairment losses	<b>(162,127)</b>	(166,293)
	<b>907,266</b>	954,587

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (cont'd)**

**11 Loans and Advances**

	Group		Bank	
	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000
<b>At amortised cost</b>				
Term Loans				
- syndicated term loans	32,767	26,388	32,767	26,388
- other term loans	1,382,447	1,314,912	1,350,016	1,302,200
Share margin financing	1,179,158	1,087,387	581,421	512,846
Revolving credits	-	-	69,403	41,831
Staff loans	2,113	2,281	2,113	2,281
<b>Gross loans and advances</b>	<b>2,596,485</b>	2,430,968	<b>2,035,720</b>	1,885,546
Allowance for impaired loans and advances				
- individual impairment allowance	(15,450)	(29,592)	(11,972)	(29,592)
- collective impairment allowance	(7,110)	(7,629)	(7,110)	(7,629)
<b>Net loans and advances</b>	<b>2,573,925</b>	2,393,747	<b>2,016,638</b>	1,848,325
<b>(i) By type of customer</b>				
Domestic business enterprises				
- small and medium enterprises	38,230	35,702	38,230	35,702
- others	1,315,427	1,268,327	1,315,427	1,268,327
Individuals	350,626	273,049	350,626	273,049
Other domestic entities	-	4,014	-	4,014
Foreign entities				
- Malaysia operations	262,034	262,623	331,437	304,454
- Singapore operations	285,069	275,148	-	-
- Hong Kong operations	195,362	148,102	-	-
- Indonesia operations	30,373	20,639	-	-
- Thailand operations	119,364	143,364	-	-
<b>Gross loans and advances</b>	<b>2,596,485</b>	2,430,968	<b>2,035,720</b>	1,885,546
<b>(ii) By geographical distribution</b>				
In Malaysia	1,966,317	1,843,715	2,035,720	1,885,546
Outside Malaysia				
- Singapore operations	285,069	275,148	-	-
- Hong Kong operations	195,362	148,102	-	-
- Indonesia operations	30,373	20,639	-	-
- Thailand operations	119,364	143,364	-	-
<b>Gross loans and advances</b>	<b>2,596,485</b>	2,430,968	<b>2,035,720</b>	1,885,546



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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (cont'd)**

**11 Loans and Advances (cont'd)**

	Group		Bank	
	As at 31.03.2014	As at 31.12.2013	As at 31.03.2014	As at 31.12.2013
	RM'000	RM'000	RM'000	RM'000
<b>(iii) By interest rate sensitivity</b>				
Fixed rate				
- other fixed rate loans	1,771,511	1,567,122	1,440,355	1,313,166
Variable rate				
- cost plus	530,051	720,479	595,362	572,377
- base lending rate plus	294,923	143,367	3	3
	<b>2,596,485</b>	2,430,968	<b>2,035,720</b>	1,885,546
<b>(iv) By purpose</b>				
Purchase of securities	2,140,994	2,013,238	1,510,826	1,425,985
Purchase of transport vehicles	147	242	147	242
Purchase of landed property:				
- residential	1,968	2,042	1,968	2,042
- non-residential	111,328	81,324	111,328	81,324
Construction	11,948	6,878	11,948	6,878
Working capital	248,284	245,000	317,687	286,831
Other purpose	81,816	82,244	81,816	82,244
	<b>2,596,485</b>	2,430,968	<b>2,035,720</b>	1,885,546
<b>(v) By remaining contractual maturities</b>				
Maturity within one year	1,615,457	1,557,308	1,054,692	1,011,913
One year to three years	951,341	845,260	951,341	845,233
Three years to five years	80	20	80	20
Over five years	29,607	28,380	29,607	28,380
	<b>2,596,485</b>	2,430,968	<b>2,035,720</b>	1,885,546

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (cont'd)**

**11 Loans and Advances (cont'd)**

	Group		Bank	
	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000
<b>(vi) Impaired Loans and Advances</b>				
<b>(a) Movements in impaired loans and advances</b>				
Balance as at the beginning of the financial period/year	78,915	350	78,915	350
Acquisition of subsidiaries / assets and liabilities				
- Effect of predecessor accounting	-	247,189	-	247,189
As restated	78,915	247,539	78,915	247,539
Classified as impaired during the financial period/year	5,730	69,227	1,847	69,227
Reclassified as non-impaired during the financial period/year	(6,878)	(186,062)	(6,878)	(186,062)
Amount recovered	(1,029)	(51,789)	(1,029)	(51,789)
Amount written off	(335)	-	(335)	-
Exchange differences	4	-	-	-
Balance as at the end of the financial period/year	<u>76,407</u>	<u>78,915</u>	<u>72,520</u>	<u>78,915</u>
<b>(b) By purpose</b>				
Purchase of securities	52,810	48,666	48,923	48,666
Construction	-	6,878	-	6,878
Other purpose	23,597	23,371	23,597	23,371
	<u>76,407</u>	<u>78,915</u>	<u>72,520</u>	<u>78,915</u>
<b>(c) By geographical distribution</b>				
In Malaysia	72,520	78,915	72,520	78,915
Outside Malaysia:				
- Singapore operations	3,887	-	-	-
	<u>76,407</u>	<u>78,915</u>	<u>72,520</u>	<u>78,915</u>
<b>(d) Movements in allowances for impaired loan and advances</b>				
<b>Individual impairment allowance</b>				
Balance as at the beginning of the financial period/year	29,592	340	29,592	340
Acquisition of subsidiaries / assets and liabilities				
- Effect of predecessor accounting	-	23,397	-	23,397
As restated	29,592	23,737	29,592	23,737
Net allowance (written back)/made	(13,809)	5,855	(17,286)	5,855
Amount written off	(334)	-	(334)	-
Exchange differences	1	-	-	-
Balance as at the end of the financial period/year	<u>15,450</u>	<u>29,592</u>	<u>11,972</u>	<u>29,592</u>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (cont'd)**

**11 Loans and Advances (cont'd)**

	<b>Group and Bank</b>	
	<b>As at</b>	<b>As at</b>
	<b>31.03.2014</b>	<b>31.12.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(vi) Impaired Loans and Advances (cont'd)</b>		
<b>(d) Movements in allowances for impaired loan and advances (cont'd)</b>		
<b>Collective impairment allowance</b>		
Balance as at the beginning of the financial period/year	7,629	-
Acquisition of subsidiaries / assets and liabilities		
- Effect of predecessor accounting	-	4,971
As restated	<u>7,629</u>	<u>4,971</u>
Net allowance made	(518)	2,658
Amount written back	<u>(1)</u>	<u>-</u>
Balance as at the end of the financial period/year	<u><u>7,110</u></u>	<u><u>7,629</u></u>

**12 Clients' and brokers' balances**

	<b>Group</b>		<b>Bank</b>	
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>31.03.2014</b>	<b>31.12.2013</b>	<b>31.03.2014</b>	<b>31.12.2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amounts owing by clients	950,682	732,340	504,839	376,004
Allowance for impairment losses:				
- individual impairment allowance	(31,923)	(37,301)	(1,558)	(1,547)
- collective impairment allowance	<u>(5,873)</u>	<u>(4,175)</u>	<u>(4,003)</u>	<u>(4,175)</u>
	<u>912,886</u>	690,864	<u>499,278</u>	370,282
Amounts owing by brokers	646,764	202,262	180,373	87,270
Allowance for impairment losses:				
- individual impairment allowance	(995)	(1,014)	(995)	(1,014)
	<u>645,769</u>	201,248	<u>179,378</u>	86,256
Amounts owing by clearing houses and stock exchanges	535,894	1,681,471	74,503	87,228
	<u><u>2,094,549</u></u>	<u><u>2,573,583</u></u>	<u><u>753,159</u></u>	<u><u>543,766</u></u>
<b>Individual impairment allowance</b>				
Balance as at the beginning of the financial period/year	38,315	1,376	2,561	1,376
Acquisition of subsidiaries / assets and liabilities				
- Effect of predecessor accounting	-	8,993	-	2,571
As restated	<u>38,315</u>	10,369	<u>2,561</u>	3,947
Allowance made	-	30,157	-	1,155
Amount written back	(5,356)	(1,995)	(8)	(1,995)
Amount written off	-	(660)	-	(546)
Exchange differences	<u>(41)</u>	444	-	-
Balance as at the end of the financial period/year	<u><u>32,918</u></u>	<u><u>38,315</u></u>	<u><u>2,553</u></u>	<u><u>2,561</u></u>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (cont'd)**

**12 Clients' and brokers' balances (cont'd)**

	Group		Bank	
	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000
<b>Collective impairment allowance</b>				
Balance as at the beginning of the financial period/year	4,175	5,906	4,175	5,906
Acquisition of subsidiaries / assets and liabilities				
- Effect of predecessor accounting	-	182	-	182
As restated	4,175	6,088	4,175	6,088
Net allowance made	1,698	-	-	-
Amount written back	-	(1,913)	(172)	(1,913)
Balance as at the end of the financial period/year	<u>5,873</u>	<u>4,175</u>	<u>4,003</u>	<u>4,175</u>

**13 Other Assets**

	Group		Bank	
	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000
Other debtors	113,957	101,829	86,106	59,922
Amount receivable for release of units due from funds	35,719	22,287	-	-
Deposits	38,621	44,086	6,779	8,840
Prepayments	20,158	18,404	11,294	10,375
Amount due from reverse repo transactions	169,085	32,915	169,085	32,915
Transferable memberships	334	334	271	271
Amount due from holding company	1,619	7	-	-
Amounts due from subsidiaries	-	-	7,404	6,800
Amounts due from related companies	1,640	3,584	106	106
	<u>381,133</u>	<u>223,446</u>	<u>281,045</u>	<u>119,229</u>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (cont'd)**

**14 Deposits from Customers**

	Group		Bank	
	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000
<b>(i) By type of deposits:</b>				
Short term deposits	289,558	574,847	335,511	625,652
Fixed/investments deposits	1,662,463	1,876,315	1,686,942	1,900,329
Negotiable instruments of deposits	34,751	33,267	34,751	33,267
	<u>1,986,772</u>	<u>2,484,429</u>	<u>2,057,204</u>	<u>2,559,248</u>
<b>(ii) By type of customers</b>				
Government and statutory bodies	315,138	490,266	315,138	490,266
Business enterprises	1,538,627	1,870,841	1,609,059	1,945,660
Individuals	133,007	121,428	133,007	121,428
Foreign customers	-	1,894	-	1,894
	<u>1,986,772</u>	<u>2,484,429</u>	<u>2,057,204</u>	<u>2,559,248</u>
<b>(iii) By maturity structure of fixed/investment deposits and negotiable instruments of deposits</b>				
Due within six months	1,931,240	2,430,022	2,001,672	2,504,841
Six months to one year	49,061	47,946	49,061	47,946
One year to three years	6,471	6,359	6,471	6,359
Three years to five years	-	102	-	102
	<u>1,986,772</u>	<u>2,484,429</u>	<u>2,057,204</u>	<u>2,559,248</u>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (cont'd)**

**15 Deposits and Placements of Banks and Other Financial Institutions**

	<b>Group and Bank</b>	
	<b>As at</b>	<b>As at</b>
	<b>31.03.2014</b>	<b>31.12.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	<b>508,830</b>	463,834
Licensed investment banks	<b>180,230</b>	210,772
Bank Negara Malaysia	-	25,425
Other financial institutions	<b>4,584,472</b>	3,920,647
	<b><u>5,273,532</u></b>	<u>4,620,678</u>

**16 Other Liabilities**

	<b>Group</b>		<b>Bank</b>	
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>31.03.2014</b>	<b>31.12.2013</b>	<b>31.03.2014</b>	<b>31.12.2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other creditors and accruals	<b>80,043</b>	119,320	<b>44,187</b>	45,190
Short-term employee benefits	<b>57,754</b>	78,479	<b>37,440</b>	49,000
Remisiers' trust deposits	<b>56,209</b>	55,674	<b>56,209</b>	55,674
Amount payable for creation of units due to funds	<b>32,248</b>	25,898	-	-
Amount payable for redemption units	<b>10,431</b>	18,048	-	-
Amount due to immediate holding company	<b>2,618</b>	490	<b>440</b>	488
Amounts due to subsidiaries	-	-	<b>6,025</b>	3,978
Amounts due to related companies	<b>21,804</b>	17,263	<b>21,527</b>	15,763
	<b><u>261,107</u></b>	<u>315,172</u>	<b><u>165,828</u></b>	<u>170,093</u>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014**  
(cont'd)

	<u>Individual Quarter</u>		<u>Cumulative Three Months</u>	
	Current Financial Quarter Ended <b>31.03.2014</b> RM'000	(Restated) Preceding Corresponding Quarter Ended <b>31.03.2013</b> RM'000	Current Financial Three Months Ended <b>31.03.2014</b> RM'000	(Restated) Preceding Corresponding Three Months Ended <b>31.03.2013</b> RM'000
<b>17 Interest Income</b>				
<b><u>Group</u></b>				
Loans and advances	43,698	32,798	43,698	32,798
Money at call and deposit placements with banks and other financial institutions	7,176	23,441	7,176	23,441
Financial assets held-for-trading	7,891	10,357	7,891	10,357
Financial investments available-for-sale	32,718	33,918	32,718	33,918
Financial investments held-to-maturity	9,686	9,093	9,686	9,093
Others	3,271	3,865	3,271	3,865
	<b>104,440</b>	<b>113,472</b>	<b>104,440</b>	<b>113,472</b>
Of which:				
Interest income accrued on impaired loans and advances	<b>1,243</b>	4,636	<b>1,243</b>	4,636
<b><u>Bank</u></b>				
Loans and advances	31,648	24,944	31,648	24,944
Money at call and deposit placements with banks and other financial institutions	5,972	21,576	5,972	21,576
Financial assets held-for-trading	6,988	9,722	6,988	9,722
Financial investments available-for-sale	32,716	33,916	32,716	33,916
Financial investments held-to-maturity	9,686	9,093	9,686	9,093
Others	981	2,135	981	2,135
	<b>87,991</b>	<b>101,386</b>	<b>87,991</b>	<b>101,386</b>
Of which:				
Interest income accrued on impaired loans and advances	<b>1,243</b>	4,636	<b>1,243</b>	4,636
<b>18 Interest Expense</b>				
<b><u>Group</u></b>				
Deposits and placements of banks and other financial institutions	39,008	44,092	39,008	44,092
Deposits from customers	18,637	24,297	18,637	24,297
Subordinated obligations	4,595	7,055	4,595	7,055
Borrowings	2,020	783	2,020	783
Others	326	310	326	310
	<b>64,586</b>	<b>76,537</b>	<b>64,586</b>	<b>76,537</b>
<b><u>Bank</u></b>				
Deposits and placements of banks and other financial institutions	39,008	44,092	39,008	44,092
Deposits from customers	19,126	24,894	19,126	24,894
Subordinated obligations	4,595	7,055	4,595	7,055
	<b>62,729</b>	<b>76,041</b>	<b>62,729</b>	<b>76,041</b>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014**  
(cont'd)

	<u>Individual Quarter</u>		<u>Cumulative Three Months</u>	
	Current Financial Quarter Ended <b>31.03.2014</b> RM'000	(Restated) Preceding Corresponding Quarter Ended <b>31.03.2013</b> RM'000	Current Financial Three Months Ended <b>31.03.2014</b> RM'000	(Restated) Preceding Corresponding Three Months Ended <b>31.03.2013</b> RM'000
<b>19 Other Operating Income</b>				
<b>Group</b>				
a) Fee Income				
- Net brokerage	<b>84,643</b>	90,585	<b>84,643</b>	90,585
- Fund management fees	<b>24,922</b>	21,533	<b>24,922</b>	21,533
- Fee on loans and advances	<b>2,364</b>	2,602	<b>2,364</b>	2,602
- Corporate advisory fees	<b>6,893</b>	14,225	<b>6,893</b>	14,225
- Arrangement fees	<b>12,957</b>	8,303	<b>12,957</b>	8,303
- Underwriting fees	<b>6,872</b>	2,446	<b>6,872</b>	2,446
- Unit trust fee income	<b>11,482</b>	29,016	<b>11,482</b>	29,016
- Other fee income	<b>25,569</b>	8,128	<b>25,569</b>	8,128
	<b>175,702</b>	176,838	<b>175,702</b>	176,838
b) Net gain arising from financial assets HFT				
- net gain on disposal	<b>10,247</b>	4,158	<b>10,247</b>	4,158
- net (loss)/gain on revaluation	<b>(2,583)</b>	4,199	<b>(2,583)</b>	4,199
- gross dividend income	<b>1,218</b>	356	<b>1,218</b>	356
	<b>8,882</b>	8,713	<b>8,882</b>	8,713
c) Net gain arising from derivatives				
- net loss on disposal	<b>(1,250)</b>	(4,888)	<b>(1,250)</b>	(4,888)
- net gain on revaluation	<b>3,995</b>	16,069	<b>3,995</b>	16,069
- unexpired structured warrants	<b>(2,222)</b>	(3,983)	<b>(2,222)</b>	(3,983)
	<b>523</b>	7,198	<b>523</b>	7,198
d) Net gain arising from financial investments AFS				
- net gain on disposal	<b>523</b>	4,810	<b>523</b>	4,810
- gross dividend income	<b>1</b>	18	<b>1</b>	18
	<b>524</b>	4,828	<b>524</b>	4,828
e) Net gain arising from financial investments held-to-maturity				
- net gain on redemption	<b>3</b>	10	<b>3</b>	10
f) Other income				
- Net foreign exchange gain				
- realised	<b>6,263</b>	4,045	<b>6,263</b>	4,045
- unrealised	<b>4,859</b>	14,519	<b>4,859</b>	14,519
- Gain on disposal of property, plant and equipment	<b>5</b>	4	<b>5</b>	4
- Loss on disposal of a subsidiary	<b>(247)</b>	-	<b>(247)</b>	-
- Other non-operating income	<b>2,593</b>	3,837	<b>2,593</b>	3,837
	<b>13,473</b>	22,405	<b>13,473</b>	22,405
	<b>199,107</b>	219,992	<b>199,107</b>	219,992



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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014**  
(cont'd)

	<u>Individual Quarter</u>		<u>Cumulative Three Months</u>	
	Current Financial Quarter Ended 31.03.2014 RM'000	(Restated) Preceding Corresponding Quarter Ended 31.03.2013 RM'000	Current Financial Three Months Ended 31.03.2014 RM'000	(Restated) Preceding Corresponding Three Months Ended 31.03.2013 RM'000
<b>19 Other Operating Income (cont'd)</b>				
<b><u>Bank</u></b>				
a) Fee Income				
- Net brokerage	55,187	40,900	55,187	40,900
- Fee on loans and advances	1,996	2,602	1,996	2,602
- Corporate advisory fees	7,089	9,879	7,089	9,879
- Arrangement fees	4,384	5,367	4,384	5,367
- Underwriting fees	1,649	794	1,649	794
- Other fee income	21,324	2,972	21,324	2,972
	<b>91,629</b>	<b>62,514</b>	<b>91,629</b>	<b>62,514</b>
b) Net (loss)/gain arising from financial assets HFT				
- net gain on disposal	8,263	1,747	8,263	1,747
- net (loss)/gain on revaluation	(9,025)	492	(9,025)	492
- gross dividend income	188	356	188	356
	<b>(574)</b>	<b>2,595</b>	<b>(574)</b>	<b>2,595</b>
c) Net gain arising from derivatives				
- net loss on disposal	(1,250)	(4,888)	(1,250)	(4,888)
- net gain on revaluation	6,313	16,069	6,313	16,069
- unexpired structured warrants	(2,222)	(3,983)	(2,222)	(3,983)
	<b>2,841</b>	<b>7,198</b>	<b>2,841</b>	<b>7,198</b>
d) Net gain arising from financial investments AFS				
- net gain on disposal	522	4,810	522	4,810
e) Net gain arising from financial investments held-to-maturity				
- net gain on redemption	3	10	3	10
f) Other income				
- Foreign exchange gain				
- realised	6,502	3,285	6,502	3,285
- unrealised	4,663	14,842	4,663	14,842
- Loss on disposal of property, plant and equipment	-	(1)	-	(1)
- Gross dividend income from subsidiaries				
- in Malaysia	12,500	-	12,500	-
- outside Malaysia	-	9,570	-	9,570
- Loss on disposal of a subsidiary	(2,696)	-	(2,696)	-
- Other non-operating income	255	2,133	255	2,133
	<b>21,224</b>	<b>29,829</b>	<b>21,224</b>	<b>29,829</b>
	<b>115,645</b>	<b>106,956</b>	<b>115,645</b>	<b>106,956</b>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014**  
(cont'd)

	<u>Individual Quarter</u>		<u>Cumulative Three Months</u>	
	Current Financial Quarter Ended <b>31.03.2014</b> RM'000	(Restated) Preceding Corresponding Quarter Ended <b>31.03.2013</b> RM'000	Current Financial Three Months Ended <b>31.03.2014</b> RM'000	(Restated) Preceding Corresponding Three Months Ended <b>31.03.2013</b> RM'000
<b>20 Other Operating Expenses</b>				
<u>Group</u>				
<u>Personnel costs</u>				
- Salaries, bonus and allowances	<b>98,825</b>	81,242	<b>98,825</b>	81,242
- Defined contribution plan	<b>9,074</b>	7,918	<b>9,074</b>	7,918
- Other staff related costs	<b>12,098</b>	10,077	<b>12,098</b>	10,077
	<b>119,997</b>	99,237	<b>119,997</b>	99,237
<u>Establishment costs</u>				
- Property, plant and equipment				
- depreciation	<b>5,449</b>	6,446	<b>5,449</b>	6,446
- written off	-	61	-	61
- Amortisation of intangible assets	<b>5,836</b>	5,029	<b>5,836</b>	5,029
- Information technology expenses	<b>2,859</b>	2,527	<b>2,859</b>	2,527
- Repair and maintenance	<b>2,902</b>	2,879	<b>2,902</b>	2,879
- Security and escorting charges	<b>171</b>	159	<b>171</b>	159
- Rental of premises	<b>10,531</b>	10,066	<b>10,531</b>	10,066
- Water and electricity	<b>1,505</b>	1,337	<b>1,505</b>	1,337
- Rental of equipment	<b>894</b>	1,420	<b>894</b>	1,420
- Insurance	<b>1,813</b>	718	<b>1,813</b>	718
- Others	<b>3,816</b>	2,492	<b>3,816</b>	2,492
	<b>35,776</b>	33,134	<b>35,776</b>	33,134
<u>Marketing expenses</u>				
- Sales commission	<b>13,659</b>	25,722	<b>13,659</b>	25,722
- Advertisements and publicity	<b>2,172</b>	2,095	<b>2,172</b>	2,095
- Others	<b>9,780</b>	13,271	<b>9,780</b>	13,271
	<b>25,611</b>	41,088	<b>25,611</b>	41,088
<u>Administration and general expenses</u>				
- Communication expenses	<b>13,542</b>	14,437	<b>13,542</b>	14,437
- Legal and professional fees	<b>2,476</b>	1,102	<b>2,476</b>	1,102
- Others	<b>12,941</b>	11,660	<b>12,941</b>	11,660
	<b>28,959</b>	27,199	<b>28,959</b>	27,199
	<b>210,343</b>	200,658	<b>210,343</b>	200,658

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014**  
(cont'd)

	<u>Individual Quarter</u>		<u>Cumulative Three Months</u>	
	Current Financial Quarter Ended <b>31.03.2014</b> RM'000	(Restated) Preceding Corresponding Quarter Ended <b>31.03.2013</b> RM'000	Current Financial Three Months Ended <b>31.03.2014</b> RM'000	(Restated) Preceding Corresponding Three Months Ended <b>31.03.2013</b> RM'000
<b>20 Other Operating Expenses (cont'd)</b>				
<b><u>Bank</u></b>				
<b><u>Personnel costs</u></b>				
- Salaries, bonus and allowances	53,194	43,365	53,194	43,365
- Defined contribution plan	6,078	5,420	6,078	5,420
- Other staff related costs	6,878	5,224	6,878	5,224
	<b>66,150</b>	<b>54,009</b>	<b>66,150</b>	<b>54,009</b>
<b><u>Establishment costs</u></b>				
- Property, plant and equipment - depreciation	2,824	3,900	2,824	3,900
- Amortisation of intangible assets	4,862	4,281	4,862	4,281
- Information technology expenses	1,147	1,430	1,147	1,430
- Repair and maintenance	2,061	2,003	2,061	2,003
- Security and escorting charges	71	117	71	117
- Rental of premises	5,084	5,017	5,084	5,017
- Water and electricity	1,076	1,051	1,076	1,051
- Rental of equipment	147	667	147	667
- Insurance	1,473	475	1,473	475
- Others	2,264	987	2,264	987
	<b>21,009</b>	<b>19,928</b>	<b>21,009</b>	<b>19,928</b>
<b><u>Marketing expenses</u></b>				
- Sales commission	1,391	205	1,391	205
- Advertisements and publicity	1,274	823	1,274	823
- Others	2,431	3,585	2,431	3,585
	<b>5,096</b>	<b>4,613</b>	<b>5,096</b>	<b>4,613</b>
<b><u>Administration and general expenses</u></b>				
- Communication expenses	6,754	8,168	6,754	8,168
- Legal and professional fees	1,076	207	1,076	207
- Others	7,897	6,600	7,897	6,600
	<b>15,727</b>	<b>14,975</b>	<b>15,727</b>	<b>14,975</b>
	<b>107,982</b>	<b>93,525</b>	<b>107,982</b>	<b>93,525</b>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014**  
(cont'd)

	<u>Individual Quarter</u>		<u>Cumulative Three Months</u>	
	Current Financial Quarter Ended <u>31.03.2014</u>	(Restated) Preceding Corresponding Quarter Ended <u>31.03.2013</u>	Current Financial Three Months Ended <u>31.03.2014</u>	(Restated) Preceding Corresponding Three Months Ended <u>31.03.2013</u>
	RM'000	RM'000	RM'000	RM'000

**21 Allowance for Impairment on Loans,  
Advances and Other Losses**

**Group**

Allowance for impaired

loans and advances:

Individual impairment allowance

- made

**(3,691)**

-

**(3,691)**

-

- written back

**17,500**

37

**17,500**

37

Collective impairment allowance

written back/(made)

**518**

(1,463)

**518**

(1,463)

Bad debts (written off)/recovered

**(331)**

23

**(331)**

23

Allowance written back/(made) for

impairment on other debtors

**3,049**

(1,511)

**3,049**

(1,511)

**17,045**

(2,914)

**17,045**

(2,914)

**Bank**

Allowance for impaired

loans and advances:

Individual impairment allowance

- made

**(214)**

-

**(214)**

-

- written back

**17,500**

37

**17,500**

37

Collective impairment allowance

written back/(made)

**518**

(1,463)

**518**

(1,463)

Bad debts (written off)/recovered

**(335)**

9

**(335)**

9

Allowance made for

impairment on other debtors

**(450)**

(1,228)

**(450)**

(1,228)

**17,019**

(2,645)

**17,019**

(2,645)

**22 Earnings per share**

The basic earnings per share ('EPS') of the Group is calculated by dividing the net profit attributable to owner of the Bank for the three months ended 31 March 2014 by the weighted average number of ordinary shares in issue during the period.

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014**  
(cont'd)

**23 Capital Adequacy Ratio**

BNM guidelines on capital adequacy requires the Group and 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.

Effective 1 January 2013, the capital ratios of the Group and the Bank have been computed based on BNM's Capital Adequacy Framework (Capital Components) issued on 28 November 2012.

The capital adequacy ratios of the Group and the Bank are as follows:

	Group		Bank	
	As at 31.03.2014	As at 31.12.2013	As at 31.03.2014	As at 31.12.2013
	RM'000	RM'000	RM'000	RM'000
<b>Common Equity Tier I Capital ("CET I")/Tier I Capital</b>				
Paid-up ordinary share capital	818,646	818,646	818,646	818,646
Share premium	1,515,150	1,515,150	1,515,150	1,515,150
Retained profits	206,734	206,734	176,310	176,310
Other reserves	270,345	255,781	278,549	278,549
AFS reserves	(29,914)	(25,948)	(32,138)	(32,510)
	<u>2,780,961</u>	<u>2,770,363</u>	<u>2,756,517</u>	<u>2,756,145</u>
Less: Goodwill	(1,269,934)	(1,269,934)	(1,118,418)	(1,118,418)
Investments in subsidiaries, associates and joint ventures (portion deducted from CET I Capital) *	(5,874)	-	(222,200)	-
Intangible assets (include associated deferred tax liabilities)	(67,500)	(68,406)	(41,561)	(42,967)
Securitisation exposure subject to deductions	(478)	(1,744)	(478)	(1,744)
Other deductions	(2,240)	(2,019)	(2,240)	(2,019)
Deferred tax assets	(9,747)	(17,700)	(3,766)	(11,382)
Reduction in excess of Tier II Capital due to insufficient Tier II Capital #	-	-	(341,813)	(554,041)
Total CET I Capital	<u>1,425,188</u>	<u>1,410,560</u>	<u>1,026,041</u>	<u>1,025,574</u>
Qualifying non-controlling interests recognised as Tier I Capital	<u>35,367</u>	<u>31,301</u>	<u>-</u>	<u>-</u>
Total Tier I Capital	<u>1,460,555</u>	<u>1,441,861</u>	<u>1,026,041</u>	<u>1,025,574</u>
<b>Tier II Capital</b>				
Subordinated obligations**	539,765	545,000	539,765	545,000
Qualifying non-controlling interests recognised as Tier II Capital	7,188	5,665	-	-
Collective impairment allowance^	9,091	7,714	7,221	7,714
	<u>556,044</u>	<u>558,379</u>	<u>546,986</u>	<u>552,714</u>
Less: Investments in subsidiaries, associates and joint ventures	(23,498)	(29,044)	(546,986)	(552,714)
Total Tier II Capital	<u>532,546</u>	<u>529,335</u>	<u>-</u>	<u>-</u>
<b>Total Capital</b>	<u>1,993,101</u>	<u>1,971,196</u>	<u>1,026,041</u>	<u>1,025,574</u>
<b>Capital ratios</b>				
Before proposed dividends:				
CET I Capital Ratio	24.578%	24.766%	24.835%	24.556%
Tier I Capital Ratio	25.188%	25.316%	24.835%	24.556%
Total Capital Ratio	<u>34.372%</u>	<u>34.610%</u>	<u>24.835%</u>	<u>24.556%</u>
After proposed dividends:				
CET I Capital Ratio	24.578%	24.766%	24.835%	24.556%
Tier I Capital Ratio	25.188%	25.316%	24.835%	24.556%
Total Capital Ratio	<u>34.372%</u>	<u>34.610%</u>	<u>24.835%</u>	<u>24.556%</u>

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (cont'd)**

**23 Capital Adequacy Ratio (cont'd)**

\* Investments in subsidiaries are subject to the gradual deduction in the calculation under CET-I Capital effective from 1 January 2014 as prescribed under paragraph 36.15 of the BNM's Guidelines on Capital Adequacy Framework (Capital Components).

# The remaining portion of regulatory adjustments not deducted in calculation of Tier II Capital shall be deducted in the next higher tier of capital as prescribed under paragraph 31.1 of the BNM's Guidelines on Capital Adequacy Framework (Capital Components).

\*\* Subordinated obligations that are recognised as Tier II Capital instruments are subject to the gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 36.10 of the BNM's Guidelines on Capital Adequacy Framework (Capital Components).

^ Excludes collective impairment allowance attributable to loans and advances classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on Classification and Impairment Provisions for Loans/Advances.

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

	<b>Group</b>		<b>Bank</b>	
	<b>As at 31.03.2014</b>	<b>As at 31.12.2013</b>	<b>As at 31.03.2014</b>	<b>As at 31.12.2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Credit risk	<b>3,701,105</b>	3,472,531	<b>2,685,817</b>	2,518,192
Market risk	<b>1,057,839</b>	1,300,494	<b>795,576</b>	1,070,638
Operational risk	<b>1,039,582</b>	922,336	<b>649,923</b>	587,482
Total risk-weighted assets	<b><u>5,798,526</u></b>	<u>5,695,361</u>	<b><u>4,131,316</u></b>	<u>4,176,312</u>

The total risk-weighted assets of the Group and the Bank are computed based on BNM's Guidelines on Risk Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk (Basel II).

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (cont'd)**

**24 Commitments And Contingencies**

In the normal course of business, the Group and the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. Apart from the allowance for commitments and contingencies already made in the financial statements, no material losses are anticipated as a result of these transactions.

The commitments and contingencies comprise the following:

	← 31.03.2014 →			← 31.12.2013 →		
	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000
<b>Group</b>						
Direct credit substitute #	159,917	159,917	159,917	-	-	-
Obligations under underwriting agreements	-	-	-	267,648	133,824	85,356
Irrevocable commitments to extend credit:						
- maturity not exceeding one year	1,764,606	352,921	150,378	1,733,605	346,721	346,721
- maturity exceeding one year	118,012	59,006	34,462	52,922	26,461	26,466
Foreign exchange related contracts: ^						
- less than one year	326,388	3,461	1,393	669,034	8,599	2,640
- one year to less than five years	1,765,261	218,181	62,714	1,640,120	213,740	58,934
Interest rate related contracts: ^						
- less than one year	1,015,000	2,005	401	1,055,000	2,087	417
- one year to less than five years	1,983,730	37,291	8,590	2,488,680	46,340	11,330
- five years and above				-	-	-
<b>Total</b>	<b>7,132,914</b>	<b>832,782</b>	<b>417,855</b>	<b>7,907,009</b>	<b>777,772</b>	<b>531,864</b>

# Included in direct credit substitute is financial corporate guarantee amounting to RM159,917,000 (31.12.2013 : RMNil).

^ These derivatives are revalued on gross position basis and the unrealised gains or losses has been reflected in the financial statements as derivatives assets or derivatives liabilities.

\* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia's guidelines. Foreign exchange and interest rate related contracts are subject to market risk and credit risk.

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (cont'd)**

**24 Commitments And Contingencies (cont'd)**

	← 31.03.2014 →			← 31.12.2013 →		
	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000
<b>Bank</b>						
Direct credit substitute #	159,917	159,917	159,917	-	-	-
Obligations under underwriting agreements	-	-	-	228,069	114,035	65,567
Irrevocable commitments to extend credit:						
- maturity not exceeding one year	728,580	145,716	63,890	827,866	165,573	165,573
- maturity exceeding one year	118,012	59,006	34,462	52,922	26,461	26,466
Foreign exchange related contracts: ^						
- less than one year	261,055	3,140	1,329	669,034	8,599	2,640
- one year to less than five years	1,765,261	218,181	62,714	1,640,120	213,740	58,934
Interest rate related contracts: ^						
- less than one year	1,015,000	2,005	401	1,055,000	2,087	417
- one year to less than five years	1,983,730	37,291	8,590	2,488,680	46,340	11,330
<b>Total</b>	<b>6,031,555</b>	<b>625,256</b>	<b>331,303</b>	<b>6,961,691</b>	<b>576,835</b>	<b>330,927</b>

# Included in direct credit substitute is financial corporate guarantee amounting to RM159,917,000 (31.12.2013 : RMNil).

^ These derivatives are revalued on gross position basis and the unrealised gains or losses has been reflected in the financial statements as derivatives assets or derivatives liabilities.

\* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia's guidelines. Foreign exchange and interest rate related contracts are subject to market risk and credit risk.



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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (cont'd)**

**25 Valuation of Property, Plant and Equipment**

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

**26 Events Subsequent to the Date of Statements of Financial Position**

There were no material events subsequent to the end of the reporting date.

**27 Changes in the Composition of the Group**

a) Disposal of RD RHB OSK Indonesia Dynamic Resources Plus Fund

On 7 February 2014, the Bank has disposed its entire investment in RD RHB OSK Indonesia Dynamic Resources Plus Fund, a subsidiary of the Bank, for a sale proceeds of RM6.5 million.

b) Subscription of SGD4,000,000 ordinary shares in RHB OSK International Investments Pte Ltd ('ROII')

On 31 March 2014, the Bank subscribed for SGD4,000,000 new ordinary shares in ROII. The issued and paid-up share capital of ROII increased from SGD5,000,000 to SGD9,000,000. The rationale for the increase is to facilitate the subscription of additional shares in RHB OSK Asset Management Pte Ltd as disclosed in Note 27(c).

c) Subscription of SGD4,000,000 ordinary shares in RHB OSK Asset Management Pte Ltd ("ROAM") by ROII

On 31 March 2014, ROII subscribed for SGD4,000,000 new ordinary shares in ROAM for additional working capital purpose. The issued and paid-up share capital of ROAM increased from SGD5,100,000 to SGD9,100,000.

ROAM is a wholly-owned subsidiary of ROII which in turn is a wholly-owned subsidiary of the Bank. Upon completion of the subscription, the equity interest held by ROII in ROAM remains the same.

**28 Changes in Profit for the Quarter**

For the current financial quarter ended 31 March 2014, the Group recorded a pre-tax profit of RM49.3 million, a decrease of 8% as compared to the profit of RM53.3 million for the preceding quarter ended 31 December 2013. The lower profit was mainly due to lower other operating income by RM71.5 million and lower net interest income by RM14.0 million offset with higher impairment losses on loans, advances and other losses written back by RM61.5 million, lower other operating expenses by RM16.5 million and higher impairment losses on other assets written back by RM3.2 million.

**29 Performance Review**

For the three months ended 31 March 2014, the Group recorded a pre-tax profit of RM49.3 million, 9% lower as compared to the previous corresponding three months ended 31 March 2013 of RM53.9 million. The decrease in profit of RM4.6 million was mainly due to lower other operating income by RM20.9 million and higher other operating expenses by RM9.7 million, partially offset with higher impairment losses on loans, advances and other losses written back by RM20.0 million, impairment on other assets written back by RM3.3 million and higher net interest income by RM2.9 million.

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (cont'd)**

**30 Significant Event During the Financial Period**

On 7 March 2014, the Bank entered into a sale and purchase agreement with iFast Corporation Pte. Ltd. for the sale of all the shares owned by the Bank in iFast-OSK Sdn Bhd ('iFast'), comprising 9.07 million ordinary shares, representing 34.88% of the issued share capital of iFast, at the consideration of RM9.07 million.

The consideration will be settled in cash, and has been arrived at based on willing-buyer-willing seller basis.

**31 Prospects for 2014**

The Malaysian Gross Domestic Product is projected to expand by about 5.4% in 2014 versus 4.7% in 2013. The growth is expected to be supported by stronger external demand for the country's export on the back of improving global activities, coupled with sustained domestic demand and robust private investment. The ample liquidity in the financial system will also provide a conducive capital market.

RHB Banking Group launched IGNITE 2017, the third phase of its transformation program, which focuses on growing the domestic and regional business and developing the RHB Banking Group into a leading multinational financial services group by 2020.

Barring unforeseen circumstances, the Group expects 2014 performance to be better than 2013.

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (cont'd)**

**32 Fair Value of Financial Instruments**

**Determination of fair value and fair value hierarchy**

The Group and the Bank analyse their 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 :

<b><u>31.03.2014</u></b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Group</u></b>				
<b><u>Financial assets</u></b>				
Financial assets HFT:	250,270	917,690	41,845	1,209,805
- money market instruments	-	321,671	-	321,671
- quoted securities	250,270	-	-	250,270
- unquoted securities	-	596,019	41,845	637,864
Financial investments AFS:	35,325	3,423,130	144,345	3,602,800
- money market instruments	-	1,680,767	-	1,680,767
- quoted securities	35,325	-	-	35,325
- unquoted securities	-	1,742,363	144,345	1,886,708
Derivative assets				
- money market instruments	-	43,344	-	43,344
	<b>285,595</b>	<b>4,384,164</b>	<b>186,190</b>	<b>4,855,949</b>
<b><u>Financial liabilities</u></b>				
Derivative liabilities				
- money market instruments	19,784	53,180	-	72,964
<b><u>31.12.2013</u></b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Group</u></b>				
<b><u>Financial assets</u></b>				
Financial assets HFT:	147,500	1,037,149	41,845	1,226,494
- money market instruments	-	249,660	-	249,660
- quoted securities	147,500	-	-	147,500
- unquoted securities	-	787,489	41,845	829,334
Financial investments AFS:	11,780	3,501,958	154,620	3,668,358
- money market instruments	-	1,868,892	-	1,868,892
- quoted securities	11,780	-	-	11,780
- unquoted securities	-	1,633,066	154,620	1,787,686
Derivative assets				
- money market instruments	-	48,760	-	48,760
	<b>159,280</b>	<b>4,587,867</b>	<b>196,465</b>	<b>4,943,612</b>
<b><u>Financial liabilities</u></b>				
Derivative liabilities				
- money market instruments	16,462	66,001	-	82,463

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (cont'd)**

**32 Fair Value of Financial Instruments (cont'd)**

**Determination of fair value and fair value hierarchy (cont'd)**

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy : (cont'd)

<b><u>31.03.2014</u></b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Bank</u></b>				
<b><u>Financial assets</u></b>				
Financial assets HFT:	77,810	824,918	41,845	944,573
- money market instruments	-	321,671	-	321,671
- quoted securities	77,810	-	-	77,810
- unquoted securities	-	503,247	41,845	545,092
Financial investments AFS:	23,726	3,423,129	72,233	3,519,088
- money market instruments	-	1,680,767	-	1,680,767
- quoted securities	23,726	-	-	23,726
- unquoted securities	-	1,742,362	72,233	1,814,595
Derivative assets				
- money market instruments	-	43,341	-	43,341
	<b>101,536</b>	<b>4,291,388</b>	<b>114,078</b>	<b>4,507,002</b>
<b><u>Financial liabilities</u></b>				
Derivative liabilities				
- money market instruments	19,784	52,738	-	72,522
<b><u>31.12.2013</u></b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Bank</u></b>				
<b><u>Financial assets</u></b>				
Financial assets HFT:	78,130	941,894	41,845	1,061,869
- money market instruments	-	249,660	-	249,660
- quoted securities	78,130	-	-	78,130
- unquoted securities	-	692,234	41,845	734,079
Financial investments available-for-sale:	789	3,501,816	72,022	3,574,627
- money market instruments	-	1,868,892	-	1,868,892
- quoted securities	789	-	-	789
- unquoted securities	-	1,632,924	72,022	1,704,946
Derivative assets				
- money market instruments	-	48,760	-	48,760
	<b>78,919</b>	<b>4,492,470</b>	<b>113,867</b>	<b>4,685,256</b>
<b><u>Financial liabilities</u></b>				
Derivative liabilities				
- money market instruments	16,462	65,822	-	82,284

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (cont'd)**

**32 Fair Value of Financial Instruments (cont'd)**

**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 is 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. These would include quoted securities and unit trusts.

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 Group and the Bank then determines fair value based upon valuation techniques that market parameters including but not limited to yield curves, volatilities and foreign exchange rates as inputs. The majority of valuation techniques employ only observable market data. These would include certain bonds, government bonds, corporate debt securities and derivatives.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for socio economic reasons and unquoted corporate loan stocks. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. For unquoted corporate loan stocks, discounted cash flow analysis have been performed to determine the recoverability of the instruments, in accordance with the Group's impairment losses policy.

Current year valuation methodologies were consistent with those disclosed in the audited financial statements for the financial year ended 31 December 2013.

**Reconciliation of movements in Level 3 financial instruments**

The following represents the changes in Level 3 instruments for the financial period/year ended 31 March 2014 and 31 December 2013 for the Group and the Bank:

	<b>Financial assets HFT</b>		<b>Financial investments AFS</b>	
	<b>As at 31.03.2014 RM'000</b>	<b>As at 31.12.2013 RM'000</b>	<b>As at 31.03.2014 RM'000</b>	<b>As at 31.12.2013 RM'000</b>
<b><u>Group</u></b>				
Balance as at the beginning of the financial period/year				
- As previously reported	<b>41,845</b>	1,845	<b>154,620</b>	43,137
Acquisition of subsidiaries				
- Effect of predecessor accounting	-	-	-	38,276
As restated	<b>41,845</b>	1,845	<b>154,620</b>	81,413
Total (losses)/gains recognised in other comprehensive income	-	-	<b>(8,005)</b>	16,901
Purchases	-	-	-	59,026
Settlements	-	-	<b>(1,337)</b>	(15,633)
Impairment losses made	-	-	<b>(932)</b>	(12,533)
Transferred from Level 2	-	40,000	-	25,418
Exchange differences	-	-	<b>(1)</b>	28
Balance as at the end of the financial period/year	<b>41,845</b>	41,845	<b>144,345</b>	154,620

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (cont'd)**

**32 Fair Value of Financial Instruments (cont'd)**

**Reconciliation of movements in Level 3 financial instruments (cont'd)**

The following represents the changes in Level 3 instruments for the financial period/year ended 31 March 2014 and 31 December 2013 for the Group and the Bank: (cont'd)

	Financial assets HFT		Financial investments AFS	
	As at 31.03.2014	As at 31.12.2013	As at 31.03.2014	As at 31.12.2013
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
Balance as at the beginning of the financial period/year				
- As previously reported	41,845	1,845	72,022	42,677
Acquisition of assets and liabilities				
- Effect of predecessor accounting	-	-	-	15,356
As restated	41,845	1,845	72,022	58,033
Total gains/(losses) recognised in other comprehensive income	-	-	2,408	(258)
Purchases	-	-	-	13,783
Settlements	-	-	(1,265)	(12,421)
Impairment losses made	-	-	(932)	(12,533)
Transferred from Level 2	-	40,000	-	25,418
Balance as at the end of the financial period/year	<b>41,845</b>	<b>41,845</b>	<b>72,233</b>	<b>72,022</b>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (cont'd)**

**33 Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.

For the current financial period, the Group's business segments can be organised into the following main segments reflecting the Group's internal reporting structure:

(a) Investment Banking

Investment Banking provides services for advisory, fund raising in the structuring and issuance of debt securities and capital market instruments, corporate and debt restructuring, mergers and acquisitions, private placements, underwriting, structuring of bilateral lending, project financing, loans syndication, infrastructure financing, initial public offerings of equity related instruments, private placements and underwriting. This segment also cover facilities for equity share trading in local and foreign markets, share margin financing, futures broking products and services, custodian and nominees services and investment cash management.

(b) Treasury

Treasury operations are involved in proprietary trading in fixed income securities and foreign exchange, derivatives trading and structuring, managing customer-based foreign exchange and money market transactions, distribution of capital market products, funding and investments in ringgit and foreign currencies.

(c) Asset Management

Asset Management business focuses on providing investment management services, unit trust fund management services, Islamic funds management services, wills and trustee services.

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (cont'd)**

**33 Segment Reporting (cont'd)**

**Segment Profit and Loss for the Three Months Ended 31 March 2014**

	Investment Banking RM'000	Treasury RM'000	Asset Management RM'000	Elimination RM'000	Total RM'000
External revenue	183,526	14,507	40,928	-	238,961
Inter-segment revenue	8,538	-	-	(8,538)	-
Segment revenue	<u>192,064</u>	<u>14,507</u>	<u>40,928</u>	<u>(8,538)</u>	<u>238,961</u>
Overhead expenses	(175,225)	(5,488)	(38,168)	8,538	(210,343)
Including:					
Depreciation of property, plant and equipment	(5,153)	(55)	(241)	-	(5,449)
Amortisation of intangible assets	(5,166)	(509)	(161)	-	(5,836)
Allowance for impairment on loans, advances and other losses	17,066	-	(21)	-	17,045
Impairment losses written back on other assets	1,600	1,650	-	-	3,250
	<u>35,505</u>	<u>10,669</u>	<u>2,739</u>	<u>-</u>	<u>48,913</u>
Share of results of associates					265
Share of results of joint ventures					72
Profit before taxation					<u>49,250</u>
Taxation					<u>(21,564)</u>
Net profit for the financial period					<u><u>27,686</u></u>

**Segment Assets and Liabilities As At 31 March 2014**

	Investment Banking RM'000	Treasury RM'000	Asset Management RM'000	Elimination RM'000	Total RM'000
Segment assets	5,184,984	8,131,682	225,162	(1,286,143)	12,255,685
Goodwill	512,391	614,176	143,367	-	1,269,934
Investments in associates and joint ventures					29,372
Tax recoverable					27,939
Deferred tax assets					9,747
Total assets					<u><u>13,592,677</u></u>
Segment liabilities	1,495,201	8,309,321	81,925	(137,490)	9,748,957
Tax liabilities					10,217
Deferred tax liabilities					9,288
Borrowings					269,523
Subordinated obligations					563,694
Total liabilities					<u><u>10,601,679</u></u>



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**33 Segment Reporting (cont'd)**

**Segment Profit and Loss for the Three Months Ended 31 March 2013**

	<b>Investment Banking</b>	<b>Treasury</b>	<b>Asset Management</b>	<b>Elimination</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
External revenue	162,854	38,918	55,155	-	256,927
Inter-segment revenue	5,165	-	-	(5,165)	-
Segment revenue	168,019	38,918	55,155	(5,165)	256,927
Overhead expenses	(154,949)	(4,003)	(46,871)	5,165	(200,658)
Including:					
Depreciation of property, plant and equipment	(6,029)	(132)	(285)	-	(6,446)
Amortisation of intangible assets	(4,562)	(375)	(92)	-	(5,029)
Allowance for impairment on loans, advances and other losses	(2,631)	-	(283)	-	(2,914)
	10,439	34,915	8,001	-	53,355
Share of results of associates					403
Share of results of joint ventures					112
Profit before taxation					53,870
Taxation					(11,304)
Net profit for the financial period					42,566

**Segment Assets and Liabilities As At 31 December 2013**

	<b>Investment Banking</b>	<b>Treasury</b>	<b>Asset Management</b>	<b>Elimination</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Segment assets	5,293,152	8,283,705	227,227	(1,207,725)	12,596,359
Goodwill	512,391	614,176	143,367	-	1,269,934
Investments in associates and joint ventures					29,044
Tax recoverable					32,701
Deferred tax assets					17,345
Total assets					13,945,383
Segment liabilities	2,591,447	7,668,715	89,616	(98,809)	10,250,969
Tax liabilities					10,384
Deferred tax liabilities					11,028
Borrowings					152,192
Subordinated obligations					559,099
Total liabilities					10,983,672

**34 Restatement of comparatives**

The Group and the Bank have restated certain comparatives to reflect the effect of acquisition of assets and liabilities of OSK Investment Bank Berhad by applying predecessor accounting. Arising from this, certain comparatives for preceding corresponding quarter have been restated.