

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014

	Note	As at 30 September 2014 RM'000	As at 31 December 2013 RM'000
ASSETS			
Cash and short-term funds		2,193,436	3,331,680
Deposits and placements with banks and other financial institutions		1,150,934	704,325
Financial assets held-for-trading	9	221,323	793,559
Financial investments available-for-sale	10	2,391,331	2,379,701
Financial investments held-to-maturity	11	2,512,065	2,586,660
Financing and advances	12	23,193,699	18,436,792
Other assets	13	76,194	48,131
Derivative assets		25,464	23,457
Statutory deposits		927,500	790,000
Deferred tax assets		8,289	12,146
Property, plant and equipment		12,976	13,923
Intangible assets		7,188	10,715
TOTAL ASSETS		32,720,399	29,131,089
LIABILITIES AND EQUITY			
Deposits from customers	14	21,364,043	21,034,100
Deposits and placements of banks and other financial institutions	15	7,018,328	4,427,634
Bills and acceptances payable		78,877	15,092
Derivative liabilities		5,396	7,240
Recourse obligation on financing sold to Cagamas Berhad ('Cagamas')		1,188,253	1,308,332
Other liabilities	16	332,736	297,760
Provision for tax and zakat		28,608	13,799
Subordinated obligations		509,425	-
TOTAL LIABILITIES		30,525,666	27,103,957
Share capital		1,173,424	1,173,424
Reserves		1,021,309	853,708
TOTAL EQUITY		2,194,733	2,027,132
TOTAL LIABILITIES AND EQUITY		32,720,399	29,131,089
COMMITMENTS AND CONTINGENCIES	21	10,301,470	8,839,469

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

	Note	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
		<u>30 September</u> <u>2014</u> <u>RM'000</u>	30 September 2013 RM'000	<u>30 September</u> <u>2014</u> <u>RM'000</u>	30 September 2013 RM'000
Income derived from investment of depositors' funds	17	355,152	277,965	947,239	812,588
Income derived from investment of shareholders' funds	18	32,600	27,214	93,561	78,508
Allowance for impairment on financing and advances	19	(7,822)	(6,709)	(20,225)	(37,509)
Impairment losses on other assets		(359)	-	(217)	(701)
Total distributable income		379,571	298,470	1,020,358	852,886
Income attributable to depositors	20	(237,176)	(187,065)	(631,147)	(539,936)
		142,395	111,405	389,211	312,950
Personnel expenses		(5,928)	(19,764)	(44,202)	(58,048)
Other overheads and expenditures		(43,462)	(35,299)	(125,488)	(104,732)
Profit before zakat and taxation		93,005	56,342	219,521	150,170
Zakat		-	(1,641)	-	(1,641)
Profit after zakat before taxation		93,005	54,701	219,521	148,529
Taxation		(27,438)	(13,475)	(58,795)	(37,054)
Net profit for the financial period		65,567	41,226	160,726	111,475
Basic earnings per share (sen)		5.59	3.51	13.70	9.98

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September</u> <u>2014</u> <u>RM'000</u>	30 September 2013 RM'000	<u>30 September</u> <u>2014</u> <u>RM'000</u>	30 September 2013 RM'000
Net profit for the financial period	<u>65,567</u>	41,226	<u>160,726</u>	111,475
Other comprehensive income/(loss):				
Items that will be reclassified subsequently to profit or loss				
Financial investments available-for-sale				
- Unrealised net gain/(loss) on revaluation	16,417	(18,829)	9,900	(31,052)
- Net transfer to income statement on disposal or impairment	(3,235)	3,637	(734)	(3,796)
Income tax relating to components of other comprehensive (income)/loss	<u>(3,295)</u>	3,798	<u>(2,291)</u>	8,712
Other comprehensive income/(loss) income, net of tax, for the financial period	9,887	(11,394)	6,875	(26,136)
Total comprehensive income for the financial period	<u><u>75,454</u></u>	<u>29,832</u>	<u><u>167,601</u></u>	<u>85,339</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 2013.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

	Share capital RM'000	Non distributable		Distributable	Total RM'000
		Statutory reserve RM'000	AFS reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2014	1,173,424	441,609	(29,302)	441,401	2,027,132
Net profit for the financial period	-	-	-	160,726	160,726
Financial investments available-for-sale					
- Unrealised net gain on revaluation	-	-	9,900	-	9,900
- Net transfer to income statement on disposal or impairment	-	-	(734)	-	(734)
Income tax relating to components of other comprehensive income	-	-	(2,291)	-	(2,291)
Other comprehensive income for the financial period	-	-	6,875	-	6,875
Total comprehensive income for the financial period	-	-	6,875	160,726	167,601
Transfer to statutory reserves	-	47,579	-	(47,579)	-
Balance as at 30 September 2014	1,173,424	489,188	(22,427)	554,548	2,194,733

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

	Share capital	Non distributable		Distributable	Total
		Statutory reserve	AFS reserves	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2013	973,424	358,359	3,739	358,151	1,693,673
Issuance of shares	200,000	-	-	-	200,000
Net profit for the financial period	-	-	-	111,475	111,475
Financial investments available-for-sale					
- Unrealised net loss on revaluation	-	-	(31,052)	-	(31,052)
- Net transfer to income statement on disposal or impairment	-	-	(3,796)	-	(3,796)
Income tax relating to components of other comprehensive loss	-	-	8,712	-	8,712
Other comprehensive loss for the financial period	-	-	(26,136)	-	(26,136)
Total comprehensive income/(loss) for the financial period	-	-	(26,136)	111,475	85,339
Transfer to statutory reserves	-	55,737	-	(55,737)	-
Balance as at 30 September 2013	1,173,424	414,096	(22,397)	413,889	1,979,012

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

	Nine months ended	
	30 September 2014	30 September 2013
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before zakat and taxation	219,521	150,170
Adjustments for non-cash items:		
Operating profit before changes in working capital	<u>(108,440)</u>	<u>(80,548)</u>
Changes in working capital:		
Net changes in operating assets	(4,825,087)	(2,146,214)
Net changes in operating liabilities	<u>2,899,718</u>	<u>2,633,469</u>
	(1,814,288)	556,877
Zakat paid	(1,600)	(320)
Taxation paid	<u>(40,820)</u>	<u>(43,912)</u>
Net cash used in operating activities	<u>(1,856,708)</u>	<u>512,645</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,970)	(3,159)
Purchase of intangible assets	(1,023)	(2,488)
Proceeds from disposal of property, plant and equipment	-	16
Net proceeds from disposal/(purchase) of financial investments available-for-sale	7,419	(1,090,148)
Net redemption/(purchase) of financial investments held-to-maturity	88,721	(158,288)
Income received from financial investments available-for-sale	60,348	45,830
Income received from financial investments held-to-maturity	<u>64,969</u>	<u>58,883</u>
Net cash generated from/(used in) investing activities	<u>218,464</u>	<u>(1,149,354)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	200,000
Proceeds from issuance of subordinated sukuk	<u>500,000</u>	<u>-</u>
Net cash generated from financing activities	<u>500,000</u>	<u>200,000</u>
Net decrease in cash and cash equivalents	(1,138,244)	(436,709)
Cash and cash equivalents:		
- at the beginning of the financial period	<u>3,331,680</u>	<u>2,881,135</u>
- at the end of the financial period	<u>2,193,436</u>	<u>2,444,426</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds	<u>2,193,436</u>	<u>2,444,426</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 2013.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 Bank for the financial year ended 31 December 2013.

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 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 10,12, and 127	Investment Entities
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 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 Bank.

2 AUDITORS' REPORT

The auditors' report for the financial year ended 31 December 2013 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 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 nine months ended 30 September 2014.

6 CHANGES IN DEBT AND EQUITY SECURITIES

On 15 May 2014, the Bank issued RM500 million nominal value of Subordinated Sukuk Murabahah under a RM1.0 billion Subordinated Sukuk Programme. The Subordinated Sukuk Murabahah, rated AA3 by RAM Rating Services Berhad, are issued for a tenure of 10 non-callable 5 years with a fixed profit rate of 4.95% per annum, payable semi-annually in arrears throughout the entire tenure. The Subordinated Sukuk Murabahah will qualify as Tier 2 capital of the Bank subject to compliance with the requirements as specified in the Capital Adequacy Framework for Islamic Banks (Capital Components) issued by Bank Negara Malaysia ('BNM') on 28 November 2012.

Other than the above, there were no other issuances and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the period under review.

7 DIVIDENDS PAID

No dividend has been paid during the nine months ended 30 September 2014.

8 RESTRICTED PROFIT SHARING INVESTMENT ACCOUNTS (RPSIA)

These deposits are used to fund specific financing and follow the principle of Mudharabah which state that profits will be shared with the Bank as mudharib and losses borne by depositors.

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014**

9 FINANCIAL ASSETS HELD-FOR-TRADING

	<u>As at 30 September 2014</u>	<u>As at 31 December 2013</u>
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	221,323	23,077
BNM Monetary Notes	-	546,351
Negotiable Islamic Debt Certificates	-	198,686
 <u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	-	25,445
	221,323	793,559

10 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	<u>As at 30 September 2014</u>	<u>As at 31 December 2013</u>
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	489,815	524,168
Negotiable Islamic Debt Certificates	-	99,488
Wakala Global Sukuk	11,030	28,159
Khazanah Bonds	8,215	15,929
Cagamas Bonds	60,503	59,958
 <u>Quoted securities:</u>		
<u>In Malaysia</u>		
Shares and warrants	-	701
 <u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	1,617,607	1,450,104
Perpetual sukuk	203,586	200,619
 At cost		
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Shares in Islamic Bank and Financial Institutions of Malaysia ('IBFIM')	575	575
	2,391,331	2,379,701

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

11 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	<u>As at</u> <u>30 September 2014</u>	<u>As at</u> <u>31 December 2013</u>
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	647,621	843,915
Cagamas bonds	196,512	223,901
Khazanah bonds	28,153	8,981
Sukuk Perumahan Kerajaan	10,033	9,932
Islamic accepted bills	-	33,634
Negotiable Islamic Debts Certificates	558,349	645,860
 <u>Unquoted securities:</u>		
 <u>In Malaysia</u>		
Private debt securities	1,071,397	820,437
	<u>2,512,065</u>	<u>2,586,660</u>

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

12 FINANCING AND ADVANCES

(i) By type

	As at 30 September 2014	As at 31 December 2013
	RM'000	RM'000
At amortised cost		
Cashline	219,584	173,544
Term financing:		
- housing financing	5,828,052	4,555,440
- syndicated term financing	279,080	439,831
- hire purchase receivables	5,906,575	4,921,395
- other term financing	9,207,182	6,254,242
Bills receivables	620,987	667,633
Trust receipts	23,932	36,094
Staff financing	5,359	5,717
Credit/charge cards receivables	215,642	199,631
Revolving financing	1,159,587	1,467,691
Gross financing and advances	23,465,980	18,721,218
Fair value changes arising from fair value hedge	(21,294)	(26,954)
	23,444,686	18,694,264
Allowance for impaired financing and advances:		
- individual impairment allowance	(84,828)	(111,703)
- collective impairment allowance	(166,159)	(145,769)
Net financing and advances	23,193,699	18,436,792

- (a) Included in financing and advances are Restricted Profit Sharing Investment Accounts ('RPSIA'), as part of arrangement between the Bank and RHB Bank Berhad ('RHB Bank'). RHB Bank is exposed to risks and rewards on RPSIA financing and will account for all the allowances for impairment losses for impaired financing and advances arising thereon.

As at 30 September 2014, the gross RPSIA financing are RM4,250 million (31 December 2013: RM1,800 million) and the portfolio impairment allowance relating to this RPSIA amounting to RM34.0 million (31 December 2013: RM11.7 million) is recognised in the financial statements of RHB Bank. There was no individual impairment provided in this RPSIA financing.

- (b) Included in term financing are hire purchase receivables and other term financing sold to Cagamas amounting to RM1,182 million (31 December 2013: RM1,301 million).

(ii) By type of customer

	As at 30 September 2014	As at 31 December 2013
	RM'000	RM'000
Domestic non-bank financial institutions:		
- Others	1,088,199	1,328,956
Domestic business enterprises:		
- Small medium enterprises	949,982	742,141
- Others	4,888,572	2,598,087
Government and statutory bodies	3,344,202	3,316,244
Individuals	12,839,990	10,389,160
Other domestic entities	112,655	114,954
Foreign entities	242,380	231,676
Gross financing and advances	23,465,980	18,721,218

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014**

12 FINANCING AND ADVANCES (CONTINUED)

	As at 30 September 2014 RM'000	As at 31 December 2013 RM'000
(iii) By type of contract		
Bai' Bithaman Ajil ('BBA')	721,911	827,574
Ijarah	6,608,265	5,818,859
Murabahah	7,374,638	4,654,690
Musyarakah	5,128,070	3,761,123
Istisna'	22,500	19,950
Bai'Inah	3,346,027	3,318,452
Others	264,569	320,570
Gross financing and advances	<u>23,465,980</u>	<u>18,721,218</u>
(iv) By profit rate sensitivity		
Fixed rate:		
- Housing financing	697,267	790,063
- Hire-purchase receivables	5,906,575	4,921,395
- Other fixed rate financing	6,060,429	6,325,235
Variable rate:		
- BFR-plus	10,156,789	5,980,798
- Cost-plus	644,920	703,727
Gross financing and advances	<u>23,465,980</u>	<u>18,721,218</u>
(v) By purpose		
Purchase of transport vehicles	5,879,642	4,895,270
Purchase of landed property:		
- Residential	5,586,472	4,369,790
- Non-residential	973,338	557,030
Purchase of property, plant and equipment other than land and building	644,543	378,810
Personal use	1,296,509	1,087,020
Credit card	215,642	199,631
Purchase of consumer durables	7	10
Construction	62,112	166,600
Working capital	4,529,296	2,767,620
Other purposes	4,278,419	4,299,437
Gross financing and advances	<u>23,465,980</u>	<u>18,721,218</u>

Included in other purposes are financing to the Government of Malaysia and its related agency for the purpose of education and government's staff housing financing.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

12 FINANCING AND ADVANCES (CONTINUED)

	As at 30 September 2014	As at 31 December 2013
	RM'000	RM'000
(vi) The remaining contractual maturities		
Maturing within one year	2,463,325	2,877,518
One to three years	2,010,014	1,187,452
Three to five years	2,457,643	3,115,704
Over five years	16,534,998	11,540,544
Gross financing and advances	23,465,980	18,721,218
(vii) Impaired financing and advances		
(a) Movement in gross impaired financing and advances are as follows:		
Balance as at the beginning of the financial period/year	431,267	409,064
Classified as impaired during the financial period/year	332,893	474,197
Amount recovered	(49,383)	(85,391)
Amount written off	(43,966)	(58,371)
Reclassified as non-impaired	(272,360)	(308,232)
Exchange differences	1,029	-
Balance as at the end of the financial period/year	399,480	431,267

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014**

12 FINANCING AND ADVANCES (CONTINUED)

	As at 30 September 2014	As at 31 December 2013
	RM'000	RM'000
(vii) Impaired financing and advances (continued)		
(b) By purpose		
Purchase of transport vehicles	56,499	44,201
Purchase of landed property:		
- Residential	114,723	124,804
- Non-residential	18,569	27,295
Purchase of property, plant and equipment other than land and building	8,693	8,373
Personal use	3,911	2,843
Credit card	5,718	4,778
Construction	561	963
Working capital	125,627	154,027
Other purposes	65,179	63,983
Gross impaired financing and advances	399,480	431,267
(c) Movement in allowance for impaired financing and advances		
<u>Individual impairment allowance</u>		
Balance as at the beginning of the financial period/year	111,703	89,013
Net allowance (recovered)/made during the financial period/year	(19,347)	24,677
Amount written off	(3,591)	(6,637)
Transfer (to)/from collective impairment allowance	(3,937)	4,650
Balance as at the end of the financial period/year	84,828	111,703
<u>Collective impairment allowance</u>		
Balance as at the beginning of the financial period/year	145,769	177,774
Net allowance made during the financial period/year	41,167	6,522
Amount written off	(24,714)	(33,877)
Transfer from/(to) individual impairment allowance	3,937	(4,650)
Balance as at the end of the financial period/year	166,159	145,769
Collective impairment allowance (inclusive of regulatory reserve) as % of gross financing and advances (excluding RPSIA financing) less individual impairment allowance	0.87%	0.87%

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014**

13 OTHER ASSETS

	As at 30 September 2014 RM'000	As at 31 December 2013 RM'000
Prepayments	2,898	1,005
Deposits	1,221	1,213
Other debtors	72,075	45,913
	76,194	48,131

14 DEPOSITS FROM CUSTOMERS

	As at 30 September 2014 RM'000	As at 31 December 2013 RM'000
<u>Non-Mudharabah Funds:</u>		
Demand deposits	3,030,095	2,090,486
Savings deposits	1,105,459	779,844
Commodity Murabahah	5,313,032	3,835,078
Wakalah Money Market Deposits	-	3,867
Wadiah Corporate Deposits	7,883,225	-
	17,331,811	6,709,275
<u>Mudharabah Funds:</u>		
Demand deposits	27,719	537,782
Savings deposits	-	156,497
General investment accounts	407,258	896,771
Special investment accounts	3,597,255	12,733,775
	21,364,043	21,034,100

- (a) The maturity structure of investment accounts, Commodity Murabahah, Wadiah Corporate Deposits and Wakalah Money Market Deposits are as follows:

Due within six months	15,828,972	16,123,680
Six months to one year	1,353,489	1,327,556
One year to three years	17,886	9,328
Three years to five years	423	8,927
	17,200,770	17,469,491

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

Government and statutory bodies	4,618,671	5,153,207
Business enterprises	13,076,926	12,930,945
Individuals	2,949,621	2,534,266
Others	718,825	415,682
	21,364,043	21,034,100

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

15 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 September 2014	As at 31 December 2013
	RM'000	RM'000
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	453,854	349,464
Licensed banks	847,541	1,307,594
Licensed investment banks	344,721	-
Bank Negara Malaysia	726	604
	1,646,842	1,657,662
<u>Mudharabah Funds:</u>		
Licensed Islamic banks	-	260,150
Licensed banks	4,600,538	1,895,835
Other financial institutions	770,948	613,987
	7,018,328	4,427,634

16 OTHER LIABILITIES

	As at 30 September 2014	As at 31 December 2013
	RM'000	RM'000
Sundry creditors	15,611	8,665
Amount due to ultimate holding company	208	99
Amount due to immediate holding company	219,850	204,944
Short term employee benefits	9,227	13,090
Accrual for operational expenses	13,338	16,338
Other accruals and payables	74,502	54,624
	332,736	297,760

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014**

17 INCOME DERIVED FROM INVESTMENTS OF DEPOSITORS' FUNDS

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September 2014</u>	30 September 2013	<u>30 September 2014</u>	30 September 2013
	<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Income derived from investment of:				
(i) General investment deposits	5,917	10,626	29,061	31,615
(ii) Other deposits	349,235	267,339	918,178	780,973
	<u>355,152</u>	<u>277,965</u>	<u>947,239</u>	<u>812,588</u>
 (i) Income derived from investment of general investment deposits:				
<u>Finance income and hibah</u>				
Financing and advances	4,399	8,183	22,102	23,790
Financial assets held-for-trading	45	5	143	239
Financial investments available-for-sale	460	864	2,039	2,094
Financial investments held-to-maturity	411	849	2,295	2,400
Money at call and deposits with banks and other financial institutions	449	754	2,166	2,572
Total finance income and hibah	<u>5,764</u>	10,655	<u>28,745</u>	31,095
Other operating income (note a to c)	153	(29)	316	520
	<u>5,917</u>	<u>10,626</u>	<u>29,061</u>	<u>31,615</u>
 Of which:				
Financing income earned on impaired financing	<u>18</u>	127	<u>304</u>	489
 Other operating income comprise of:				
(a) Fee income:				
- Commission	18	46	100	143
- Guarantee fees	1	12	40	40
	<u>19</u>	<u>58</u>	<u>140</u>	<u>183</u>
(b) Net gain/(loss) on disposal of financial assets held-for-trading				
	(6)	45	130	186
(c) Net gain/(loss) on disposal of financial investments available-for-sale				
	140	(132)	46	151
	<u>153</u>	<u>(29)</u>	<u>316</u>	<u>520</u>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014**

17 INCOME DERIVED FROM INVESTMENTS OF DEPOSITORS' FUNDS (CONTINUED)

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September 2014</u>	30 September 2013	<u>30 September 2014</u>	30 September 2013
	<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
(ii) Income derived from investment of other deposits:				
<u>Finance income and hibah</u>				
Financing and advances	263,122	205,888	698,317	586,946
Financial assets held-for-trading	2,109	128	4,513	5,832
Financial investments available-for-sale	25,622	21,735	64,428	51,727
Financial investments held-to-maturity	26,208	21,351	72,528	59,302
Money at call and deposits with banks and other financial institutions	26,252	18,975	68,451	64,348
Total finance income and hibah	<u>343,313</u>	268,077	<u>908,237</u>	768,155
Other operating income (note a to c)	5,922	(738)	9,941	12,818
	<u>349,235</u>	<u>267,339</u>	<u>918,178</u>	<u>780,973</u>
Of which:				
Financing income earned on impaired financing	<u>2,611</u>	3,183	<u>9,635</u>	11,543
Other operating income comprise of:				
(a) Fee income:				
- Commission	1,118	1,157	3,145	3,554
- Guarantee fees	291	297	1,249	985
	<u>1,409</u>	1,454	<u>4,394</u>	4,539
(b) Net gain on disposal of financial assets held-for-trading				
	746	1,141	4,098	4,826
(c) Net gain/(loss) on disposal of financial investments available-for-sale				
	3,767	(3,333)	1,449	3,453
	<u>5,922</u>	<u>(738)</u>	<u>9,941</u>	<u>12,818</u>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014**

18 INCOME DERIVED FROM INVESTMENTS OF SHAREHOLDERS' FUNDS

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
<u>Finance income and hibah</u>				
Financing and advances	9,895	10,635	32,839	30,475
Financial assets held-for-trading	85	7	212	305
Financial investments available-for-sale	984	1,123	3,030	2,687
Financial investments held-to-maturity	969	1,103	3,411	3,075
Money at call and deposits with banks and other financial institutions	994	980	3,219	3,269
Total finance income and hibah	<u>12,927</u>	<u>13,848</u>	<u>42,711</u>	<u>39,811</u>
Other operating income (note a to f)	<u>19,673</u>	<u>13,366</u>	<u>50,850</u>	<u>38,697</u>
	<u>32,600</u>	<u>27,214</u>	<u>93,561</u>	<u>78,508</u>
Of which:				
Financing income earned on impaired financing	<u>83</u>	<u>164</u>	<u>453</u>	<u>635</u>
Other operating income comprise of:				
(a) Fee income:				
- Commission	1,719	2,186	5,303	6,316
- Service charges and fees	10,836	11,889	34,910	32,759
- Guarantee and underwriting fees	311	339	1,407	1,234
	<u>12,866</u>	<u>14,414</u>	<u>41,620</u>	<u>40,309</u>
(b) Net gain on financial assets held-for-trading	15	58	191	231
(c) Net loss on revaluation of derivatives	(7)	(2,203)	(5,176)	(6,818)
(d) Net gain/(loss) on fair value hedges	3,665	(1,099)	5,831	965
(e) Net gain/(loss) on disposal of financial investments available-for-sale	190	(172)	68	192
(f) Other income				
- Net foreign exchange gain	2,944	2,368	8,233	3,816
- Net gain on disposal of property, plant and equipment	-	-	83	2
	<u>19,673</u>	<u>13,366</u>	<u>50,850</u>	<u>38,697</u>

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

19 ALLOWANCES FOR IMPAIRMENT ON FINANCING AND ADVANCES

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
	RM'000	RM'000	RM'000	RM'000
Individual impairment allowance	(4,257)	(837)	(19,347)	(39)
Collective impairment allowance	11,232	3,598	41,167	13,736
Impaired financing and advances recovered	(5,488)	(3,817)	(17,272)	(7,592)
Impaired financing and advances written off	6,335	7,765	15,677	31,404
	<u>7,822</u>	<u>6,709</u>	<u>20,225</u>	<u>37,509</u>

20 INCOME ATTRIBUTABLE TO DEPOSITORS

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
	RM'000	RM'000	RM'000	RM'000
Deposits from customers:				
- Mudharabah funds	4,062	99,984	173,095	287,830
- Non-mudharabah funds	155,608	30,373	264,793	88,532
Deposits and placements of banks and financial institutions:				
- Mudharabah funds	45,064	21,324	108,815	75,806
- Non-mudharabah funds	11,002	17,856	27,956	33,677
Subordinated obligations	6,238	-	9,425	-
Recourse obligation on financing sold to Cagamas	15,201	17,528	47,063	54,091
	<u>237,176</u>	<u>187,065</u>	<u>631,147</u>	<u>539,936</u>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014**

21 COMMITMENTS AND CONTINGENCIES

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

	<u>As at 30 September 2014</u>			<u>As at 31 December 2013</u>		
	<u>Principal</u>	<u>Credit</u>	<u>Risk</u>	<u>Principal</u>	<u>Credit</u>	<u>Risk</u>
	<u>amount</u>	<u>equivalent</u>	<u>weighted</u>	<u>amount</u>	<u>equivalent</u>	<u>weighted</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Transaction-related contingent items	98,018	49,009	36,145	102,870	51,435	34,486
Short term self-liquidating trade-related contingencies	91,747	18,349	18,303	103,292	20,658	20,472
Obligations under underwriting agreements	76,000	38,000	38,000	76,000	38,000	38,000
Irrevocable commitments to extend credit						
- maturity more than one year	3,828,277	1,776,534	1,432,629	2,784,786	1,271,522	987,619
- maturity less than one year	1,989,593	397,919	371,596	1,685,436	337,087	317,112
Foreign exchange related contracts:						
- less than one year	750,176	24,812	15,387	662,085	3,165	2,041
- one year to less than five years	42,659	3,072	1,536	-	-	-
Profit rate related contracts:						
- less than one year	-	-	-	-	-	-
- one year to less than five years	3,125,000	90,785	40,481	3,425,000	105,607	52,803
- more than five years	300,000	17,386	8,693	-	-	-
Total	10,301,470	2,415,866	1,962,770	8,839,469	1,827,474	1,452,533

The credit equivalent and risk weighted assets ('RWA') for the Bank are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks ('CAFIB'): Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk ('Basel II') respectively.

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014**

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>30 September 2014</u>				
<u>Financial assets</u>				
Financial assets held-for-trading	-	221,323	-	221,323
- money market instruments	-	221,323	-	221,323
- unquoted securities	-	-	-	-
Financial investments available-for-sale	-	2,187,170	204,161	2,391,331
- money market instruments	-	569,563	-	569,563
- unquoted securities	-	1,617,607	204,161	1,821,768
Derivative assets				
- money market instruments	-	25,464	-	25,464
	-	2,433,957	204,161	2,638,118
<u>Financial liabilities</u>				
Derivative liabilities				
- money market instruments	-	5,396	-	5,396
<u>31 December 2013</u>				
<u>Financial assets</u>				
Financial assets held-for-trading	-	793,559	-	793,559
- money market instruments	-	768,114	-	768,114
- unquoted securities	-	25,445	-	25,445
Financial investments available-for-sale	701	2,177,806	201,194	2,379,701
- money market instruments	-	727,702	-	727,702
- quoted securities	701	-	-	701
- unquoted securities	-	1,450,104	201,194	1,651,298
Derivative assets				
- money market instruments	-	23,457	-	23,457
	701	2,994,822	201,194	3,196,717
<u>Financial liabilities</u>				
Derivative liabilities				
- money market instruments	-	7,240	-	7,240

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

22 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 Group then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. 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, 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 financial period/year ended 30 September 2014 and 31 December 2013 for the Bank.

Financial investments available-for-sale

	As at 30 September 2014	As at 31 December 2013
	RM'000	RM'000
Balance as at the beginning of the financial period/year	201,194	575
Purchases	8,901	200,619
Settlements	(5,934)	-
Balance as at the end of the financial period/year	204,161	201,194

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

23 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 2014 RM'000	As at 31 December 2013 RM'000
<u>Common Equity Tier-1 Capital ('CET-1')/Tier 1 Capital</u>		
Paid-up ordinary share capital	1,173,424	1,173,424
Retained profits	488,981	441,401
Statutory reserve	489,188	441,609
Unrealised losses on AFS financial instruments	(22,427)	(29,302)
	2,129,166	2,027,132
Less:		
Deferred tax assets	(13,257)	(17,281)
Other intangibles	(2,221)	(5,580)
Ageing Reserve and Liquidity Reserve	(18)	(92)
Total CET-1/ Tier 1 Capital	2,113,670	2,004,179
<u>Tier II Capital</u>		
Subordinated obligations*	500,000	-
Collective impairment allowance [^]	89,455	81,059
Total Tier II Capital	589,455	81,059
Total Capital	2,703,125	2,085,238

* Qualify as Tier II capital as specified in the BNM's Capital Adequacy Framework for Islamic Banks (Capital Components).

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

23 CAPITAL ADEQUACY (CONTINUED)

	As at 30 September 2014 RM'000	As at 31 December 2013 RM'000
<u>Capital Ratios</u>		
CET-1 Capital Ratio	12.236%	13.864%
Tier 1 Capital Ratio	12.236%	13.864%
Total capital ratio (inclusive of market risk)	15.648%	14.425%
Risk-weighted assets by each major risk category are as follows:		
Credit risk-weighted assets	19,960,712	14,818,230
Credit risk-weighted assets absorbed by PSIA	(3,718,620)	(1,307,029)
Market risk-weighted assets	151,549	160,838
Operational risk-weighted assets	880,750	783,884
Total risk-weighted assets	17,274,391	14,455,923

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 Accounts ('RPSIA') which qualifies as risk absorbent are excluded from the risk weighted capital ratio ('RWCR') calculation. As at 30 September 2014, credit risks relating to RPSIA assets excluded from the RWCR calculation amounted to RM3,719 million (31 December 2013:RM1,307 million).

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

24 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

25 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.

26 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 2014.

27 CHANGES IN PROFIT FOR THE QUARTER

The Bank reported a pre-tax profit of RM93.0 million for the current quarter, 53.9% higher as compared to the preceding quarter ended 30 June 2014. The higher profit is mainly attributed to higher net funding income by RM11.7 million, lower overhead expenses by RM11.8 million, lower allowances provided for impaired financing and advances by RM5.7 million, higher non funding income by RM3.2 million and lower impairment losses on other assets by RM0.1 million.

28 PERFORMANCE REVIEW

For the nine months ended 30 September 2014, the Bank recorded a profit before tax and zakat of RM219.5 million, 46.2% higher than previous year corresponding period of RM150.2 million. This was mainly due to higher net funding income by RM49.4 million, lower allowances provided for impaired financing and advances by RM17.3 million, higher non funding income by RM9.1 million and lower impairment losses on other assets by RM0.5 million. These are offset against higher overhead expenses by RM7.0 million.

29 PROSPECTS FOR 2014

Economic growth for the remainder of 2014 is expected to be at a slower pace compared to the 6.3% recorded in 1H 2014. The increase in exports will be lower and domestic demand will be moderated given the effect of the earlier macro prudential measures to rein in household debt as well as the 25 basis point OPR hike in July 2014. GDP for the full year is expected to grow by 5.8%, stronger than 2013. This higher growth is due to increased exports and domestic demand, particularly in private investment and consumer spending.

The Malaysian Banking Sector will continue its growth trend for the rest of the year. This is supported by broadly resilient private investments and the various economic programmes driving SME business growth, although this may be partially offset by some moderation in the household segment.

Our IGNITE 2017 transformation programme initiatives have yielded good results and is continuing to show strong momentum. Barring unforeseen circumstances, the Bank's 2014 performance will be better than 2013.