

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

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

	Note	As at 31.03.2014	As at 31.12.2013
		<u>RM'000</u>	<u>RM'000</u>
ASSETS			
Cash and short-term funds		2,563,543	3,331,680
Deposits and placements with banks and other financial institutions		844,546	704,325
Financial assets held-for-trading	9	81,883	793,559
Financial investments available-for-sale	10	2,126,045	2,379,701
Financial investments held-to-maturity	11	2,176,643	2,586,660
Financing and advances	12	18,953,874	18,436,792
Other assets	13	27,195	48,131
Derivative assets		23,613	23,457
Statutory deposits with Bank Negara Malaysia		807,000	790,000
Deferred tax assets		12,429	12,146
Property, plant and equipment		13,582	13,923
Intangible assets		7,749	10,715
TOTAL ASSETS		<u>27,638,102</u>	<u>29,131,089</u>
LIABILITIES AND EQUITY			
Deposits from customers	14	20,044,844	21,034,100
Deposits and placements of banks and other financial institutions	15	3,719,755	4,427,634
Bills and acceptances payable		13,433	15,092
Derivative liabilities		6,141	7,240
Recourse obligation on financing sold to Cagamas Berhad ('Cagamas')		1,268,419	1,308,332
Other liabilities	16	495,691	297,760
Provision for tax and zakat		16,441	13,799
TOTAL LIABILITIES		<u>25,564,724</u>	<u>27,103,957</u>
Share capital		1,173,424	1,173,424
Reserves		899,954	853,708
TOTAL EQUITY		<u>2,073,378</u>	<u>2,027,132</u>
TOTAL LIABILITIES AND EQUITY		<u>27,638,102</u>	<u>29,131,089</u>
COMMITMENTS AND CONTINGENCIES	21	<u>9,007,088</u>	<u>8,839,469</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 INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2014

	Note	Current Financial Quarter ended 31.03.2014 RM'000	Preceding Corresponding Financial Quarter ended 31.03.2013 RM'000
Income derived from investment of depositors' funds	17	283,073	263,551
Income derived from investment of shareholders' funds	18	25,032	25,016
Allowance for impairment on financing and advances	19	1,153	(9,102)
Impairment writeback on other assets		623	-
Total distributable income		309,881	279,465
Income attributable to depositors	20	(184,693)	(177,509)
		125,188	101,956
Personnel expenses		(21,096)	(17,997)
Other overheads and expenditures		(38,042)	(30,921)
Profit before taxation		66,050	53,038
Taxation		(15,942)	(13,338)
Net profit for the financial period		50,108	39,700
Basic earnings per share (sen)		4.27	3.97

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

	Current Financial Quarter ended 31.03.2014 RM'000	Preceding Corresponding Financial Quarter ended 31.03.2013 RM'000
Net profit for the financial period	<u>50,108</u>	<u>39,700</u>
Other comprehensive income/(loss):		
Items that will be reclassified subsequently to profit or loss		
Financial investments available-for-sale		
-Unrealised net (loss)/gain on revaluation	(7,506)	1,123
-Net transfer to income statement on disposal or impairment	2,355	(2,332)
Income tax relating to components of other comprehensive loss	<u>1,289</u>	<u>302</u>
Other comprehensive loss, net of tax, for the financial period	<u>(3,862)</u>	<u>(907)</u>
Total comprehensive income for the financial period	<u><u>46,246</u></u>	<u><u>38,793</u></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)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 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 2014	1,173,424	441,609	(29,302)	441,401	2,027,132
Net profit for the financial period	-	-	-	50,108	50,108
Other comprehensive income/(loss):					
Financial investments available-for-sale					
- Unrealised net loss on revaluation	-	-	(7,506)	-	(7,506)
- Net transfer to income statement on disposal or impairment	-	-	2,355	-	2,355
Income tax relating to components of other comprehensive loss	-	-	1,289	-	1,289
Total comprehensive income/(loss) for the financial period	-	-	(3,862)	50,108	46,246
Balance as at 31 March 2014	1,173,424	441,609	(33,164)	491,509	2,073,378

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)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 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 2013	973,424	358,359	3,739	358,151	1,693,673
Issuance of share	200,000	-	-	-	200,000
Net profit for the financial period	-	-	-	39,700	39,700
Other comprehensive income/(loss):					
Financial investments available-for-sale					
- Unrealised net profit on revaluation	-	-	1,123	-	1,123
- Net transfer to income statement on disposal or impairment	-	-	(2,332)	-	(2,332)
Income tax relating to components of other comprehensive loss	-	-	302	-	302
Total comprehensive income/(loss) for the financial period	-	-	(907)	39,700	38,793
Balance as at 31 March 2013	1,173,424	358,359	2,832	397,851	1,932,466

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)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2014

	Three months ended	
	31.03.2014	31.03.2013
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	66,050	53,038
Adjustments for non-cash items:		
Operating profit before changes in working capital	(33,587)	(36,860)
Changes in working capital:		
Net changes in operating assets	(96,130)	(1,100,500)
Net changes in operating liabilities	(1,393,004)	(181,257)
Taxation paid	(12,296)	(11,014)
Net cash used in operating activities	(1,468,967)	(1,276,593)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(725)	(708)
Purchase of intangible assets	(135)	(302)
Proceeds from disposal of property, plant and equipment	-	17
Net disposal/(purchase) of financial investments available-for-sale	252,990	(113,345)
Net redemption of financial investments held-to-maturity	412,344	128,264
Income received from financial investments available-for-sale	13,737	12,917
Income received from financial investments held-to-maturity	22,619	19,181
Net cash generated from investing activities	700,830	46,024
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	200,000
Net cash generated from financing activities	-	200,000
Net decrease in cash and cash equivalents	(768,137)	(1,030,569)
Cash and cash equivalents brought forward	3,331,680	2,881,135
Cash and cash equivalents carried forward	2,563,543	1,850,566
ANALYSIS OF CASH AND CASH EQUIVALENT		
Cash and short-term funds	2,563,543	1,850,566

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)
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NOTES TO THE 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 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	Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 132	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 136	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to MFRS 139	Levies
IC Interpretation 21	Investment Entities

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 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 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 financial period under review.

7 DIVIDENDS PAID

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

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

9 FINANCIAL ASSETS HELD-FOR-TRADING

	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	22,766	23,077
Bank Negara Malaysia ('BNM') Monetary Notes	-	546,351
Negotiable Islamic Debt Certificates	-	198,686
Cagamas bonds	39,996	-
 <u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	19,121	25,445
	81,883	793,559

10 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	526,492	524,168
Negotiable Islamic Debt Certificates	-	99,488
Wakala Global Sukuk	10,607	28,159
Khazanah Bonds	7,991	15,929
Cagamas Bonds	60,474	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	1,316,352	1,450,104
Perpetual sukuk	203,554	200,619
	2,125,470	2,379,126
 At cost		
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Shares in Islamic Bank and Financial Institutions of Malaysia ('IBFIM')	575	575
	2,126,045	2,379,701

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

11 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	<u>As at</u> 31.03.2014	<u>As at</u> 31.12.2013
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	749,283	843,915
Cagamas bonds	206,602	223,901
Khazanah bonds	27,577	8,981
Sukuk Perumahan Kerajaan Bonds	10,026	9,932
Islamic accepted bills	-	33,634
Negotiable Islamic Debts Certificates	249,568	645,860
 <u>Unquoted securities:</u>		
 <u>In Malaysia</u>		
Private debt securities	933,587	820,437
	<u>2,176,643</u>	<u>2,586,660</u>

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

12 FINANCING AND ADVANCES

(i) By type

	As at 31.03.2014	As at 31.12.2013
	RM'000	RM'000
At amortised cost		
Cashline	191,432	173,544
Term financing:		
- housing financing	4,960,568	4,555,440
- syndicated term financing	232,384	439,831
- hire purchase receivables	4,902,345	4,921,395
- other term financing	6,306,533	6,254,242
Bills receivables	598,340	667,633
Trust receipts	28,711	36,094
Staff financing	5,611	5,717
Credit/charge cards receivables	208,894	199,631
Revolving financing	1,789,237	1,467,691
Gross financing and advances	19,224,055	18,721,218
Fair value changes arising from value hedge	(24,428)	(26,954)
Allowance for impaired financing and advances:		
- individual impairment allowance	(105,357)	(111,703)
- collective impairment allowance	(140,396)	(145,769)
Net financing and advances	18,953,874	18,436,792

- (a) Included in financing and advances are Restricted Profit Sharing Investment Accounts (RPSIA), as part of arrangement between RHB Islamic 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 31 March 2014, the gross RPSIA financing are RM1,800 million (31 December 2013: RM1,800 million) and the portfolio impairment allowance relating to this RPSIA amounting to RM12.4 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 receivable and other term financing sold to Cagamas amounting to RM1,262 million (31 December 2013: RM1,301 million).

(ii) By type of customer

	As at 31.03.2014	As at 31.12.2013
	RM'000	RM'000
Domestic non-bank financial institutions:		
- Others	898,595	1,328,956
Domestic business enterprise:		
- Small medium enterprise	787,425	742,141
- Others	2,998,506	2,598,087
Government and statutory bodies	3,343,565	3,316,244
Individuals	10,849,035	10,389,160
Other domestic entities	114,274	114,954
Foreign entities	232,655	231,676
Gross financing and advances	19,224,055	18,721,218

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

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

12 FINANCING AND ADVANCES (CONTINUED)

	As at 31.03.2014	As at 31.12.2013
	RM'000	RM'000
(iii) By type of contract		
Bai' Bithaman Ajil ('BBA')	786,788	827,574
Ijarah	5,700,926	5,818,859
Murabahah	4,541,764	4,654,690
Musarakah	4,201,021	3,761,123
Istisna'	19,950	19,950
Bai'Inah	3,721,165	3,318,452
Others	252,441	320,570
Gross financing and advances	<u>19,224,055</u>	<u>18,721,218</u>
(iv) By profit rate sensitivity		
Fixed rate:		
- Housing financing	755,534	790,063
- Hire-purchase receivables	4,902,346	4,921,395
- Other fixed rate financing	6,457,716	6,325,235
Variable rate:		
- BFR-plus	6,481,408	5,980,798
- Cost-plus	627,051	703,727
Gross financing and advances	<u>19,224,055</u>	<u>18,721,218</u>
(v) By purpose		
Purchase of transport vehicles	4,875,167	4,895,270
Purchase of landed property:		
- Residential	4,757,064	4,369,790
- Non-residential	606,788	557,030
Purchase of property, plant and equipment other than land and building	367,885	378,810
Personal use	1,137,515	1,087,020
Credit card	208,894	199,631
Purchase of consumer durables	-	10
Construction	94,319	166,600
Working capital	2,219,221	2,767,620
Other purposes	4,957,202	4,299,437
Gross financing and advances	<u>19,224,055</u>	<u>18,721,218</u>

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

RHB ISLAMIC BANK BERHAD (680329 – V)
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2014 (CONTINUED)**

12 FINANCING AND ADVANCES (CONTINUED)

	As at	As at
	31.03.2014	31.12.2013
	RM'000	RM'000
(vi) The remaining contractual maturities		
Maturing within one year	2,978,338	2,877,518
One to three years	1,538,724	1,187,452
Three to five years	2,738,185	3,115,704
Over five years	11,968,808	11,540,544
Gross financing and advances	<u>19,224,055</u>	<u>18,721,218</u>
(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	96,177	474,197
Amount recovered	(19,645)	(85,391)
Amount written off	(16,143)	(58,371)
Reclassified as non-impaired	(94,648)	(308,232)
Exchange differences	(38)	-
Balance as at the end of the financial period/year	<u>396,970</u>	<u>431,267</u>

RHB ISLAMIC BANK BERHAD (680329 – V)
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2014 (CONTINUED)**

12 FINANCING AND ADVANCES (CONTINUED)

	As at 31.03.2014	As at 31.12.2013
	RM'000	RM'000
(vii) Impaired financing and advances (continued)		
(b) By purpose		
Purchase of transport vehicles	42,899	44,201
Purchase of landed property:		
- Residential	116,406	124,804
- Non-residential	19,892	27,295
Purchase of property, plant and equipment other than land and building	7,246	8,373
Personal use	2,965	2,843
Credit card	6,146	4,778
Construction	561	963
Working capital	136,699	154,027
Other purposes	64,156	63,983
Gross impaired financing and advances	<u>396,970</u>	<u>431,267</u>
(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	(2,861)	24,677
Amount written off	-	(6,637)
Transfer (to)/from collective impairment allowance	(3,485)	4,650
Balance as at the end of the financial period/year	<u>105,357</u>	<u>111,703</u>
<u>Collective impairment allowance</u>		
Balance as at the beginning of the financial period/year	145,769	177,774
Net allowance (recovered)/made during the financial period/year	(17)	6,522
Amount written off	(8,841)	(33,877)
Transfer from/(to) individual impairment allowance	3,485	(4,650)
Balance as at the end of the financial period/year	<u>140,396</u>	<u>145,769</u>
Collective impairment allowance (inclusive of regulatory reserve) as % of gross financing and advances (excluding RPSIA financing) less individual impairment allowance	<u>0.81%</u>	<u>0.87%</u>

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

13 OTHER ASSETS

	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000
Prepayments	778	1,005
Deposits	1,218	1,213
Other debtors	25,199	45,913
	27,195	48,131

14 DEPOSITS FROM CUSTOMERS

	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000
<u>Non-Mudharabah Funds:</u>		
Demand deposits	2,278,126	2,090,486
Savings deposits	834,078	779,844
Commodity Murabahah	4,067,550	3,835,078
Wakalah Money Market Deposit	3,866	3,867
	7,183,620	6,709,275
<u>Mudharabah Funds:</u>		
Demand deposits	532,281	537,782
Savings deposits	208,431	156,497
General investment accounts	888,347	896,771
Special investment accounts	11,232,165	12,733,775
	20,044,844	21,034,100

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

Due within six months	13,863,913	16,123,680
Six months to one year	2,305,222	1,327,556
One year to three years	15,749	9,328
Three years to five years	6,899	8,927
Over five years	145	-
	16,191,928	17,469,491

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

Government and statutory bodies	5,612,519	5,153,207
Business enterprises	10,847,195	12,930,945
Individuals	3,096,471	2,534,266
Others	488,659	415,682
	20,044,844	21,034,100

RHB ISLAMIC BANK BERHAD (680329 – V)
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2014 (CONTINUED)**

15 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31.03.2014	As at 31.12.2013
	RM'000	RM'000
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	391,582	349,464
Licensed banks	797,681	1,307,594
Bank Negara Malaysia	785	604
	1,190,048	1,657,662
<u>Mudharabah Funds:</u>		
Licensed Islamic banks	-	260,150
Licensed banks	1,915,721	1,895,835
Other financial institutions	613,986	613,987
	3,719,755	4,427,634

16 OTHER LIABILITIES

	As at 31.03.2014	As at 31.12.2013
	RM'000	RM'000
Sundry creditors	10,779	8,665
Amount due to ultimate holding company	99	99
Amount due to immediate holding company	426,297	204,944
Short term employee benefits	4,085	13,090
Accrual for operational expenses	14,146	16,338
Other accruals and payables	40,285	54,624
	495,691	297,760

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

17 INCOME DERIVED FROM INVESTMENTS OF DEPOSITORS' FUNDS

	Current Financial Quarter ended 31.03.2014 RM'000	Preceding Corresponding Financial Quarter ended 31.03.2013 RM'000
Income derived from investment of:		
(i) General investment deposit	10,806	9,714
(ii) Other deposits	<u>272,267</u>	<u>253,837</u>
	<u>283,073</u>	<u>263,551</u>
 (i) Income derived from investment of general investments deposits:		
<u>Finance income and hibah</u>		
Financing and advances	8,373	6,944
Financial assets held-for-trading	22	100
Financial investments available-for-sale	749	536
Financial investments held-to-maturity	908	710
Money at call and deposits with banks and other financial institutions	<u>695</u>	<u>1,132</u>
Total finance income and hibah	<u>10,747</u>	<u>9,422</u>
Other operating income (note a to c)	<u>59</u>	<u>292</u>
	<u>10,806</u>	<u>9,714</u>
 Of which:		
Financing income earned on impaired financing	<u>142</u>	<u>6</u>
 Other operating income comprise of:		
(a) Fee income:		
- Commission	42	55
- Guarantee fees	<u>14</u>	<u>11</u>
	<u>56</u>	<u>66</u>
(b) Net gain on disposal of financial assets held-for-trading	90	144
(c) Net (loss)/gain on disposal of financial investments available-for-sale	<u>(87)</u>	<u>82</u>
	<u>59</u>	<u>292</u>

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

	Current Financial Quarter ended 31.03.2014 RM'000	Preceding Corresponding Financial Quarter ended 31.03.2013 RM'000
<p>(ii) Income derived from investment of other deposits:</p>		
<p><u>Finance income and hibah</u></p>		
Financing and advances	210,974	181,456
Financial assets held-for-trading	558	2,613
Financial investments available-for-sale	18,871	14,004
Financial investments held-to-maturity	22,878	18,565
Money at call and deposits with banks and other financial institutions	17,522	29,571
Total finance income and hibah	<u>270,803</u>	<u>246,209</u>
Other operating income (note a to c)	<u>1,464</u>	<u>7,628</u>
	<u>272,267</u>	<u>253,837</u>
<p>Of which:</p>		
Financing income earned on impaired financing	<u>3,576</u>	<u>159</u>
<p>Other operating income comprise of:</p>		
<p>(a) Fee income:</p>		
- Commission	1,046	1,427
- Guarantee fees	346	299
	<u>1,392</u>	<u>1,726</u>
(b) Net gain on disposal of financial assets held-for-trading	2,265	3,754
(c) Net (loss)/gain on disposal of financial investments available-for-sale	<u>(2,193)</u>	<u>2,148</u>
	<u>1,464</u>	<u>7,628</u>

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18 INCOME DERIVED FROM INVESTMENTS OF SHAREHOLDERS' FUNDS

	Current Financial Quarter ended 31.03.2014 RM'000	Preceding Corresponding Financial Quarter ended 31.03.2013 RM'000
<u>Finance income and hibah</u>		
Financing and advances	10,692	8,580
Financial assets held-for-trading	28	124
Financial investments available-for-sale	956	662
Financial investments held-to-maturity	1,159	878
Money at call and deposits with banks and other financial institutions	888	1,398
Total finance income and hibah	13,723	11,642
Other operating income (note a to f)	11,309	13,374
	25,032	25,016
Of which:		
Financing income earned on impaired financing	181	8
Other operating income comprise of:		
(a) Fee income:		
- Commission	1,828	1,717
- Service charges and fees	8,994	10,774
- Guarantee and underwriting fees	393	338
	11,215	12,829
(b) Net gain on financial assets held-for-trading - net gain on disposal	114	177
(c) Net loss on revaluation of derivatives	(3,906)	(2,513)
(d) Net gain on fair value hedges	1,525	1,583
(e) Net (loss)/gain on disposal of financial investments available-for-sale	(111)	102
(f) Other income -Foreign exchange gain	2,472	1,196
	11,309	13,374

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19 ALLOWANCES FOR IMPAIRMENT ON FINANCING AND ADVANCES

	Current Financial Quarter ended 31.03.2014 RM'000	Preceding Corresponding Financial Quarter ended 31.03.2013 RM'000
Allowance for impairment on financing and advances:		
- Individual assessment allowance	(2,861)	(414)
- Collective assessment allowance	(17)	7,892
- Impaired financing recovered	(5,699)	(1,634)
- Impaired financing written off	7,424	3,258
	<u>(1,153)</u>	<u>9,102</u>

20 INCOME ATTRIBUTABLE TO DEPOSITORS

	Current Financial Quarter ended 31.03.2014 RM'000	Preceding Corresponding Financial Quarter ended 31.03.2013 RM'000
Deposits from customers:		
- Mudharabah funds	101,793	96,615
- Non-mudharabah funds	36,620	28,288
Deposits and placements of banks and financial institutions:		
- Mudharabah funds	20,942	27,006
- Non-mudharabah funds	9,171	7,052
Recourse obligation on financing sold to Cagamas	16,167	18,548
	<u>184,693</u>	<u>177,509</u>

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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. No material losses are anticipated as a result of this transaction, which needs to be adjusted.

Risk weighted exposures of the Bank are as follows:

	As at 31.03.2014			As at 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
Transaction-related contingent items	92,183	46,092	34,260	102,870	51,435	34,486
Short term self-liquidating trade-related contingencies	92,804	18,561	18,333	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	3,034,781	1,391,421	1,092,155	2,784,786	1,271,522	987,619
- maturity less than one year	2,193,879	438,776	414,632	1,685,436	337,087	317,112
Foreign exchange related contracts:						
- less than one year	317,441	4,904	4,204	662,085	3,165	2,041
Profit rate related contracts:						
- less than one year	600,000	600	300	-	-	-
- one year to less than five years	2,600,000	80,207	40,103	3,425,000	105,607	52,803
Total	9,007,088	2,018,561	1,641,987	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.

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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:

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<u>31.03.2014</u>				
<u>Financial assets</u>				
Financial assets held-for-trading	-	81,883	-	81,883
- money market instruments	-	62,762	-	62,762
- unquoted securities	-	19,121	-	19,121
Financial investments available-for-sale	-	1,921,916	204,129	2,126,045
- money market instruments	-	605,564	-	605,564
- unquoted securities	-	1,316,352	204,129	1,520,481
Derivative assets	-	23,613	-	23,613
- money market instruments	-	23,613	-	23,613
	-	2,027,412	204,129	2,231,541
<u>Financial liabilities</u>				
Derivative liabilities	-	6,141	-	6,141
- money market instruments	-	6,141	-	6,141
<u>31.12.2013</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	-	23,457	-	23,457
- money market instruments	-	23,457	-	23,457
	701	2,994,822	201,194	3,196,717
<u>Financial liabilities</u>				
Derivative liabilities	-	7,240	-	7,240
- money market instruments	-	7,240	-	7,240

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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 31 March 2014 and 31 December 2013 for the Bank.

Financial investments available-for-sale

	As at 31.3.2014	As at 31.12.2014
	RM'000	RM'000
Balance as at the beginning of the financial period/year	201,194	575
Purchases	-	200,619
Total gain recognised under other comprehensive income	2,935	-
Balance as at the end of the financial period/year	204,129	201,194

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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 31.03.2014	As at 31.12.2013
	RM'000	RM'000
<u>Common Equity Tier-I Capital ('CET-I')/Tier I Capital</u>		
Paid-up ordinary share capital	1,173,424	1,173,424
Retained profits	441,401	441,401
Statutory reserve	441,609	441,609
Unrealised losses on AFS financial instruments	(33,164)	(29,302)
	2,023,270	2,027,132
Less:		
Deferred tax assets	(17,048)	(17,281)
Other intangibles	(3,129)	(5,580)
Ageing Reserves and Liquidity Reserve	-	(92)
Total Common Equity Tier-I/ Tier I Capital	2,003,093	2,004,179
<u>Tier II Capital</u>		
Collective impairment allowance^	78,994	81,059
Total Tier II capital	78,994	81,059
Total Capital	2,082,087	2,085,238

^ 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".

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23 CAPITAL ADEQUACY (CONTINUED)

	As at	As at
	31.03.2014	31.12.2013
	RM'000	RM'000
<u>Capital Ratios</u>		
CET 1 Capital Ratio	13.567%	13.864%
Tier 1 Capital Ratio	13.567%	13.864%
Total capital ratio (inclusive of market risk)	<u>14.102%</u>	<u>14.425%</u>
Risk-weighted assets by each major risk category are as follows:		
Credit risk-weighted assets	15,161,594	14,818,230
Credit risk-weighted assets absorbed by PSIA	(1,261,326)	(1,307,029)
Market risk-weighted assets	60,787	160,838
Operational risk-weighted assets	803,822	783,884
Total risk-weighted assets	<u>14,764,877</u>	<u>14,455,923</u>

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 31 March 2014, credit risks relating to RPSIA assets excluded from the RWCR calculation amounted to RM1,261 million (31 December 2013:RM1,307 million).

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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 financial statements.

26 CHANGES IN THE COMPOSITION OF THE BANK

There are no significant changes in the composition of the Bank for the three months ended 31 March 2014.

27 CHANGES IN PROFIT FOR THE QUARTER

The Bank reported a pre-tax profit of RM66.1 million for the current quarter, 3.0% lower as compared to the preceding quarter ended 31 December 2013. The lower profit is mainly attributed to lower allowances recovered for impaired financing and advances by RM4.3 million and lower non funding income by RM7.9 million. These are being offset with lower overhead expenses by RM6.3 million and lower net funding income by RM3.1 million.

28 PERFORMANCE REVIEW

For the three months ended 31 March 2014, the Bank recorded a pre-tax profit of RM66.1 million, 24.5% higher than previous year corresponding period of RM53.0 million. The gain was as a result of higher net funding income by RM20.8 million, lower impaired financing and advances by RM10.3 million and recovered impairment losses on other assets by RM0.6 million. These are offset against higher overhead expenses by RM10.2 million and lower non funding income by RM8.5 million.

29 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.

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

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