

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2015

	Note	As at 31 March 2015 RM'000	As at 31 December 2014 RM'000
ASSETS			
Cash and short-term funds		4,599,210	4,025,661
Deposits and placements with banks and other financial institutions		702,700	893,146
Financial assets held-for-trading	9	81,649	351,888
Financial investments available-for-sale	10	2,976,346	2,389,447
Financial investments held-to-maturity	11	2,120,543	1,965,362
Financing and advances	12	26,589,525	25,265,443
Other assets	13	106,678	82,195
Derivative assets		52,013	47,990
Statutory deposits with Bank Negara Malaysia		1,041,950	1,063,700
Deferred tax assets		4,034	9,942
Property, plant and equipment		10,885	12,339
Intangible assets		6,362	6,673
TOTAL ASSETS		38,291,895	36,113,786
LIABILITIES AND EQUITY			
Deposits from customers	14	24,793,891	24,370,954
Deposits and placements of banks and other financial institutions	15	8,894,704	7,399,591
Bills and acceptances payable		7,523	8,836
Derivative liabilities		41,991	24,901
Recourse obligation on financing sold to Cagamas Berhad ('Cagamas')		1,106,646	1,147,677
Subordinated obligations		509,154	503,051
Other liabilities	16	617,020	395,965
Provision for tax and zakat		2,738	10,414
TOTAL LIABILITIES		35,973,667	33,861,389
Share capital		1,173,424	1,173,424
Reserves		1,144,804	1,078,973
TOTAL EQUITY		2,318,228	2,252,397
TOTAL LIABILITIES AND EQUITY		38,291,895	36,113,786
COMMITMENTS AND CONTINGENCIES	21	10,435,264	9,420,224

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2014.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2015

	Note	Quarter ended 31 March 2015	Quarter ended 31 March 2014
		RM'000	RM'000
Income derived from investment of depositors' funds	17	395,833	283,073
Income derived from investment of shareholders' funds	18	31,677	25,032
Allowance for impairment on financing and advances	19	(18,728)	1,153
Impairment written back on other assets		-	623
Total distributable income		408,782	309,881
Income attributable to depositors	20	(285,826)	(184,693)
		122,956	125,188
Personnel expenses		(11,018)	(21,096)
Other overheads and expenditures		(40,403)	(38,042)
Profit before taxation		71,535	66,050
Taxation		(17,885)	(15,942)
Net profit for the financial period		53,650	50,108
Basic earnings per share (sen)		4.57	4.27

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2014.

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 2015

	Quarter ended 31 March 2015	Quarter ended 31 March 2014
	RM'000	RM'000
Net profit for the financial period	53,650	50,108
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	18,128	(7,506)
-Net transfer to income statement on disposal or impairment	(1,886)	2,355
Income tax relating to components of other comprehensive (income)/loss	(4,061)	1,289
Other comprehensive income (loss), net of tax, for the financial period	12,181	(3,862)
Total comprehensive income for the financial period	65,831	46,246

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2014.

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 2015

	Share capital	Non distributable		Distributable	Total
	RM'000	Statutory reserve	AFS reserves	Retained profits	
Balance as at 1 January 2015	1,173,424	553,765	(28,352)	553,560	2,252,397
Net profit for the financial period	-	-	-	53,650	53,650
Other comprehensive income/(loss):					
Financial investments available-for-sale					
- Unrealised net gain on revaluation	-	-	18,128	-	18,128
- Net transfer to income statement on disposal or impairment	-	-	(1,886)	-	(1,886)
Income tax relating to components of other comprehensive income	-	-	(4,061)	-	(4,061)
Other comprehensive income for the financial period	-	-	12,181	-	12,181
Total comprehensive income for the financial period	-	-	12,181	53,650	65,831
Balance as at 31 March 2015	1,173,424	553,765	(16,171)	607,210	2,318,228

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2014.

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 2015

	<u>Share capital</u>	<u>Non distributable</u>		<u>Distributable</u>	<u>Total</u>
	<u>RM'000</u>	<u>Statutory reserve</u>	<u>AFS reserves</u>	<u>Retained profits</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
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
Other comprehensive loss for the financial period	-	-	(3,862)	-	(3,862)
Total comprehensive income/(loss) for the financial period	-	-	(3,862)	50,108	46,246
Balance as at 31 March 2014	<u>1,173,424</u>	<u>441,609</u>	<u>(33,164)</u>	<u>491,509</u>	<u>2,073,378</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 2014.

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 2015

	Three months ended	
	31 March 2015	31 March 2014
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	71,535	66,050
Adjustments for non-cash items	<u>(25,965)</u>	<u>(33,587)</u>
Operating profit before changes in working capital	45,570	32,463
Changes in working capital:		
Net changes in operating assets	(889,473)	(96,130)
Net changes in operating liabilities	<u>2,115,146</u>	<u>(1,393,004)</u>
Taxation paid	<u>(23,713)</u>	<u>(12,296)</u>
Net cash generated from/(used in) operating activities	<u>1,247,530</u>	<u>(1,468,967)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal/(purchase) of property, plant and equipment	872	(725)
Purchase of intangible assets	(147)	(135)
Net (purchase)/disposal of financial investments available-for-sale	(559,436)	252,990
Net (purchase)/redemption of financial investments held-to-maturity	(156,616)	412,344
Income received from financial investments available-for-sale	17,999	13,737
Income received from financial investments held-to-maturity	<u>23,347</u>	<u>22,619</u>
Net cash (used in)/generated from investing activities	<u>(673,981)</u>	<u>700,830</u>
Net increase/(decrease) in cash and cash equivalents	573,549	(768,137)
Cash and cash equivalents at the beginning of the financial period	<u>4,025,661</u>	<u>3,331,680</u>
Cash and cash equivalents at the end of the financial period	<u>4,599,210</u>	<u>2,563,543</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds	<u>4,599,210</u>	<u>2,563,543</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 2014.

RHB ISLAMIC BANK BERHAD (680329 – V)
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2015

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 2014.

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 2014, except for the adoption of the following relevant accounting standards, amendments to published standards and interpretations to existing accounting standards which are effective for annual periods beginning on or after 1 July 2014:

- Annual Improvements to MFRS 2010 - 2012 Cycle
- Annual Improvements to MFRS 2011 - 2013 Cycle

The adoption of the above accounting standards, amendments to published 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 2014 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 2015.

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 2015.

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 2015.

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 2015**

9 FINANCIAL ASSETS HELD-FOR-TRADING

	<u>As at 31 March 2015</u>	<u>As at 31 December 2014</u>
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	<u>81,649</u>	<u>351,888</u>

10 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	<u>As at 31 March 2015</u>	<u>As at 31 December 2014</u>
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	728,835	584,009
BNM Monetary Notes	179,862	-
Wakala Global Sukuk	12,375	11,853
Khazanah Bonds	8,409	8,285
Cagamas Bonds	60,527	59,914
Malaysia Islamic Treasury Bills	19,996	-
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	1,762,279	1,524,257
Perpetual sukuk	<u>203,488</u>	<u>200,554</u>
	<u>2,975,771</u>	<u>2,388,872</u>
At cost		
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Shares in Islamic Bank and Financial Institutions of Malaysia ('IBFIM')	<u>575</u>	<u>575</u>
	<u>2,976,346</u>	<u>2,389,447</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2015

11 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	<u>As at</u>	<u>As at</u>
	<u>31 March 2015</u>	<u>31 December 2014</u>
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	626,801	625,481
Cagamas bonds	196,411	198,376
Khazanah bonds	28,738	28,447
Sukuk Perumahan Kerajaan Bonds	10,039	9,944
Negotiable Islamic debts certificates	149,661	-
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	1,108,893	1,103,114
	<u>2,120,543</u>	<u>1,965,362</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2015**

12 FINANCING AND ADVANCES

31 March 2015	Bai'						
	Bithaman						
	Ajil ('BBA')	Ijarah	Murabahah	Musyarakah	Bai'Inah	Others	Total
At amortised cost	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cashline	-	-	249,927	-	3,891	7,035	260,853
Term financing:							
- housing financing	643,720	-	-	5,964,339	-	2,228	6,610,287
- syndicated term financing	-	89,707	599,962	-	-	19,522	709,191
- hire purchase receivables	-	5,811,040	-	-	-	41,479	5,852,519
- other term financing	15,686	618,425	6,967,328	-	3,341,299	21,203	10,963,941
Bills receivables	-	-	459,403	-	-	2,708	462,111
Trust receipts	-	-	18,671	-	-	152	18,823
Staff financing	5,064	-	-	-	-	-	5,064
Credit/charge card receivables	-	-	-	-	-	227,806	227,806
Revolving financing	-	-	1,716,586	-	-	-	1,716,586
Gross financing and advances	664,470	6,519,172	10,011,877	5,964,339	3,345,190	322,133	26,827,181
Fair value changes arising from fair value hedge							(12,467)
							26,814,714
Allowance for impaired financing and advances:							
- individual impairment allowance							(22,651)
- collective impairment allowance							(202,538)
Net financing and advances							26,589,525

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2015**

12 FINANCING AND ADVANCES (CONTINUED)

31 December 2014	Bai' Bithaman Ajil ('BBA')	Ijarah	Murabahah	Musarakah	Bai'Inah	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At amortised cost							
Cashline	-	-	249,395	-	3,904	1,816	255,115
Term financing:							
- housing financing	669,941	-	-	5,581,220	-	1,979	6,253,140
- syndicated term financing	-	86,230	-	-	-	19,522	105,752
- hire purchase receivables	-	5,835,603	-	-	-	47,424	5,883,027
- other term financing	18,527	637,714	6,366,471	-	3,313,854	3,830	10,340,396
Bills receivables	-	-	467,238	-	-	2,358	469,596
Trust receipts	-	-	20,411	-	-	448	20,859
Staff financing	5,279	-	-	-	-	-	5,279
Credit/charge card receivables	-	-	-	-	-	223,916	223,916
Revolving financing	-	-	1,946,151	-	-	-	1,946,151
Gross financing and advances	<u>693,747</u>	<u>6,559,547</u>	<u>9,049,666</u>	<u>5,581,220</u>	<u>3,317,758</u>	<u>301,293</u>	<u>25,503,231</u>
Fair value changes arising from fair value hedge							(25,192)
							<u>25,478,039</u>
Allowance for impaired financing and advances:							
- individual impairment allowance							(25,289)
- collective impairment allowance							(187,307)
Net financing and advances							<u><u>25,265,443</u></u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2015

12 FINANCING AND ADVANCES (CONTINUED)

- (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 2015, the gross exposure to RPSIA financing are RM4,894 million (31 December 2014: RM4,750 million) and the portfolio impairment allowance relating to this RPSIA amounting to RM39.0 million (31 December 2014: RM36.6 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 RM1,101 million (31 December 2014: RM1,141 million).

(i) By type of customer	As at	As at
	31 March 2015	31 December 2014
	RM'000	RM'000
Domestic non-bank financial institutions:		
- Others	1,086,153	1,018,648
Domestic business enterprises:		
- Small medium enterprises	1,484,177	1,198,829
- Others	6,870,039	6,373,182
Government and statutory bodies	3,361,643	3,316,207
Individuals	13,757,587	13,335,086
Other domestic entities	110,339	111,414
Foreign entities	157,243	149,865
	<u>26,827,181</u>	<u>25,503,231</u>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2015**

12 FINANCING AND ADVANCES (CONTINUED)

	As at <u>31 March 2015</u> RM'000	As at <u>31 December 2014</u> RM'000
(ii) By profit rate sensitivity		
Fixed rate:		
- Housing financing	645,203	670,868
- Hire-purchase receivables	5,852,519	5,883,027
- Other fixed rate financing	7,750,392	7,345,106
Variable rate:		
- BFR-plus	12,098,133	11,113,775
- Cost-plus	480,934	490,455
	<u>26,827,181</u>	<u>25,503,231</u>
(iii) By purpose		
Purchase of transport vehicles	5,825,022	5,854,963
Purchase of landed property:		
- Residential	6,332,228	5,989,031
- Non-residential	1,297,695	1,233,755
Purchase of property, plant and equipment other than land and building	694,970	683,524
Personal use	1,453,277	1,378,997
Credit card	227,806	223,915
Purchase of consumer durables	5	6
Construction	36,239	27,415
Working capital	6,524,311	5,758,155
Other purposes	4,435,628	4,353,470
	<u>26,827,181</u>	<u>25,503,231</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 2015

12 FINANCING AND ADVANCES (CONTINUED)

	As at <u>31 March 2015</u> RM'000	As at 31 December 2014 RM'000
(iv) By geographical distribution		
In Malaysia	<u>26,827,181</u>	<u>25,503,231</u>
(v) By remaining contractual maturities		
Maturing within one year	2,991,715	3,246,425
One to three years	2,018,768	1,736,497
Three to five years	3,263,223	3,190,928
Over five years	<u>18,553,475</u>	<u>17,329,381</u>
	<u>26,827,181</u>	<u>25,503,231</u>
(vi) Impaired financing and advances		
(a) Movement in impaired financing and advances		
Balance as at the beginning of the financial period/year	330,701	431,267
Classified as impaired during the financial period/year	133,454	480,870
Amount recovered	(17,673)	(360,795)
Amount written off	(12,449)	(111,964)
Reclassified as non-impaired	(101,680)	(109,706)
Exchange differences	-	1,029
Balance as at the end of the financial period/year	<u>332,353</u>	<u>330,701</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2015**

12 FINANCING AND ADVANCES (CONTINUED)

	As at 31 March 2015 RM'000	As at 31 December 2014 RM'000
(vi) Impaired financing and advances (continued)		
(b) By purpose		
Purchase of transport vehicles	60,037	60,397
Purchase of landed property:		
- Residential	128,935	131,979
- Non-residential	20,686	17,573
Purchase of property, plant and equipment other than land and building	10,117	9,124
Personal use	2,877	3,275
Credit card	4,257	5,208
Working capital	78,923	76,539
Other purposes	26,521	26,606
	332,353	330,701
(c) By geographical distribution		
In Malaysia	332,353	330,701
(d) Movement in allowance for impaired financing and advances		
<u>Individual impairment allowance</u>		
Balance as at the beginning of the financial period/year	25,289	111,703
Net allowance recovered during the financial period/year	(2,638)	(21,538)
Amount written off	-	(63,135)
Transfer to collective impairment allowance	-	(1,741)
Balance as at the end of the financial period/year	22,651	25,289
<u>Collective impairment allowance</u>		
Balance as at the beginning of the financial period/year	187,307	145,769
Net allowance made during the financial period/year	26,500	69,650
Amount written off	(11,269)	(29,853)
Transfer from individual impairment allowance	-	1,741
Balance as at the end of the financial period/year	202,538	187,307
Collective impairment allowance as % of gross financing and advances (excluding RPSIA financing) less individual impairment allowance	0.92%	0.90%

RHB ISLAMIC BANK BERHAD (680329 – V)
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2015

13 OTHER ASSETS

	As at 31 March 2015 RM'000	As at 31 December 2014 RM'000
Prepayments	4,066	3,349
Deposits	1,263	1,221
Other debtors	101,349	77,625
	106,678	82,195

14 DEPOSITS FROM CUSTOMERS

<u>Savings Deposit</u>		
Wadiah	1,133,306	1,054,313
<u>Demand Deposit</u>		
Wadiah	2,977,717	2,813,680
<u>Term Deposits</u>		
Commodity Murabahah	6,190,856	5,421,399
Wadiah Corporate Deposit	9,877,975	11,573,684
<u>Specific Investment Account</u>		
Murabahah	4,348,881	3,149,148
Mudharabah	-	51,577
<u>General Investment Account</u>		
Mudharabah	265,156	307,153
	24,793,891	24,370,954

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

Due within six months	17,705,219	17,767,829
Six months to one year	2,962,024	2,418,870
One year to three years	14,653	315,505
Three years to five years	972	757
Over five years	-	-
	20,682,868	20,502,961

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

Government and statutory bodies	4,394,296	3,647,864
Business enterprises	17,190,011	16,929,349
Individuals	2,585,645	3,092,089
Others	623,939	701,652
	24,793,891	24,370,954

RHB ISLAMIC BANK BERHAD (680329 – V)
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2015

15 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at	As at
	31 March 2015	31 December 2014
	RM'000	RM'000
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	950,303	221,130
Licensed banks	1,253,831	720,751
Licensed investment banks	929,785	744,472
Bank Negara Malaysia	822	775
	3,134,741	1,687,128
<u>Mudharabah Funds:</u>		
Licensed banks	5,257,429	4,957,940
Other financial institutions	502,534	754,523
	8,894,704	7,399,591

16 OTHER LIABILITIES

Sundry creditors	12,856	17,585
Amount due to ultimate holding company	45	126
Amount due to immediate holding company	555,709	198,971
Short term employee benefits	3,259	10,850
Accrual for operational expenses	14,250	14,460
Other accruals and payables	30,901	153,973
	617,020	395,965

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17 INCOME DERIVED FROM INVESTMENTS OF DEPOSITORS' FUNDS

	Quarter ended 31 March 2015	Quarter ended 31 March 2014
	RM'000	RM'000
Income derived from investment of:		
(i) General investment deposit	3,567	10,806
(ii) Other deposits	392,266	272,267
	395,833	283,073
 (i) Income derived from investment of general investment deposits:		
<u>Finance income and hibah</u>		
Financing and advances	2,793	8,373
Financial assets held-for-trading	12	22
Financial investments available-for-sale	236	749
Financial investments held-to-maturity	190	908
Money at call and deposits with banks and other financial institutions	298	695
Total finance income and hibah	3,529	10,747
Other operating income (note a to c)	38	59
	3,567	10,806
 Of which:		
Financing income earned on impaired financing	35	142
 Other operating income comprise of:		
(a) Fee income:		
- Commission	10	42
- Guarantee fees	9	14
	19	56
 (b) Net gain on disposal of financial assets held-for-trading	3	90
 (c) Net gain/(loss) on disposal of financial investments available-for-sale	16	(87)
	38	59

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

	Quarter ended	Quarter ended
	31 March 2015	31 March 2014
	RM'000	RM'000
 (ii) Income derived from investment of other deposits:		
 <u>Finance income and hibah</u>		
Financing and advances	307,160	210,974
Financial assets held-for-trading	1,295	558
Financial investments available-for-sale	25,929	18,871
Financial investments held-to-maturity	20,944	22,878
Money at call and deposits with banks and other financial institutions	32,767	17,522
Total finance income and hibah	388,095	270,803
Other operating income (note a to c)	4,171	1,464
	392,266	272,267
 Of which:		
Financing income earned on impaired financing	3,820	3,576
 Other operating income comprise of:		
(a) Fee income:		
- Commission	1,057	1,046
- Guarantee fees	999	346
	2,056	1,392
 (b) Net gain on disposal of financial assets held-for-trading		
	312	2,265
 (c) Net gain/(loss) on disposal of financial investments available-for-sale		
	1,803	(2,193)
	4,171	1,464

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18 INCOME DERIVED FROM INVESTMENTS OF SHAREHOLDERS' FUNDS

	Quarter ended	Quarter ended
	31 March 2015	31 March 2014
	RM'000	RM'000
<u>Finance income and hibah</u>		
Financing and advances	11,416	10,692
Financial assets held-for-trading	48	28
Financial investments available-for-sale	964	956
Financial investments held-to-maturity	778	1,159
Money at call and deposits with banks and other financial institutions	1,218	888
Total finance income and hibah	<u>14,424</u>	<u>13,723</u>
Other operating income (note a to f)	<u>17,253</u>	<u>11,309</u>
	<u>31,677</u>	<u>25,032</u>
Of which:		
Financing income earned on impaired financing	<u>142</u>	<u>181</u>
Other operating income comprise of:		
(a) Fee income:		
- Commission	766	1,828
- Service charges and fees	9,410	8,994
- Guarantee and underwriting fees	1,082	393
	<u>11,258</u>	<u>11,215</u>
(b) Net gain on financial assets held-for-trading		
- net gain on disposal	12	114
(c) Net loss on revaluation of derivatives	(785)	(3,906)
(d) Net gain on fair value hedges	203	1,525
(e) Net gain/(loss) on disposal of financial investments available-for-sale	67	(111)
(f) Other income		
-Foreign exchange gain	6,498	2,472
	<u>17,253</u>	<u>11,309</u>

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19 ALLOWANCES FOR IMPAIRMENT ON FINANCING AND ADVANCES

	Quarter ended 31 March 2015	Quarter ended 31 March 2014
	RM'000	RM'000
Allowance for impairment on financing and advances:		
- Individual assessment allowance	(2,638)	(2,861)
- Collective assessment allowance	26,500	(17)
- Impaired financing recovered	(6,297)	(5,699)
- Impaired financing written off	1,163	7,424
	18,728	(1,153)

20 INCOME ATTRIBUTABLE TO DEPOSITORS

Deposits from customers:		
- Mudharabah funds	2,364	101,793
- Non-mudharabah funds	188,912	36,620
Deposits and placements of banks and financial institutions:		
- Mudharabah funds	55,796	20,942
- Non-mudharabah funds	18,798	9,171
Subordinated obligations	6,103	-
Recourse obligation on financing sold to Cagamas	13,853	16,167
	285,826	184,693

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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 customers.

	As at 31 March 2015			As at 31 December 2014		
	Principal amount	Credit equivalent amount	Risk weighted amount	Principal amount	Credit equivalent amount	Risk weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Transaction-related contingent items	230,068	115,034	87,937	188,764	94,382	67,238
Short term self-liquidating trade-related contingencies	32,408	6,482	2,737	55,547	11,109	2,264
Irrevocable commitments to extend credit						
- maturity more than one year	3,980,676	1,990,338	1,573,080	3,545,835	1,772,918	1,407,888
Foreign exchange related contracts:						
- less than one year	1,255,424	56,278	51,971	775,709	39,216	35,496
- one year to less than five years	137,029	14,917	12,918	88,270	80,021	50,180
Profit rate related contracts:						
- less than one year	800,000	2,091	1,045	650,000	2,307	1,154
- one year to less than five years	2,085,000	55,044	27,522	2,235,000	71,770	35,885
- more than five years	90,000	4,500	2,250	90,000	4,951	2,475
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,824,659	91,418	68,563	1,791,099	90,410	67,807
Total	10,435,264	2,336,102	1,828,023	9,420,224	2,167,084	1,670,387

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:

	<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>31 March 2015</u>				
<u>Financial assets</u>				
Financial assets held-for-trading				
- money market instruments	-	81,649	-	81,649
Financial investments available-for-sale	-	2,772,283	204,063	2,976,346
- money market instruments	-	1,010,004	-	1,010,004
- unquoted securities	-	1,762,279	204,063	1,966,342
Derivative assets				
- money market instruments	-	52,013	-	52,013
	-	2,905,945	204,063	3,110,008
<u>Financial liabilities</u>				
Derivative liabilities				
- money market instruments	-	41,991	-	41,991
<u>31 December 2014</u>				
<u>Financial assets</u>				
Financial assets held-for-trading				
- money market instruments	-	351,888	-	351,888
Financial investments available-for-sale	-	2,188,318	201,129	2,389,447
- money market instruments	-	664,061	-	664,061
- unquoted securities	-	1,524,257	201,129	1,725,386
Derivative assets				
- money market instruments	-	47,990	-	47,990
	-	2,588,196	201,129	2,789,325
<u>Financial liabilities</u>				
Derivative liabilities				
- money market instruments	-	24,901	-	24,901

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

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for 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 Bank:

Financial investments available-for-sale

	As at	As at
	31 March 2015	31 December 2014
	RM'000	RM'000
Balance as at the beginning of the financial period/year	201,129	201,194
Net profit/(loss) recognised	2,934	(65)
Balance as at the end of the financial period/year	<u>204,063</u>	<u>201,129</u>

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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 March 2015	As at 31 December 2014
	RM'000	RM'000
<u>Common Equity Tier-I ('CET-I') Capital /Tier I Capital</u>		
Paid-up ordinary share capital	1,173,424	1,173,424
Retained profits	553,560	553,560
Statutory reserve	553,765	553,765
AFS reserves	<u>(16,171)</u>	<u>(28,352)</u>
	2,264,578	2,252,397
Less:		
Deferred tax assets	(9,485)	(15,497)
Other intangible assets	(910)	(1,119)
Ageing Reserves and Liquidity Reserve	<u>(312)</u>	<u>(551)</u>
Total CET-I Capital/Tier I Capital	<u>2,253,871</u>	<u>2,235,230</u>
<u>Tier II Capital</u>		
Subordinated obligations	500,000	500,000
Collective impairment allowance [^]	114,402	100,832
Total Tier II capital	<u>614,402</u>	<u>600,832</u>
Total Capital	<u>2,868,273</u>	<u>2,836,062</u>

[^] 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 31 March 2015	As at 31 December 2014
	RM'000	RM'000
<u>Capital Ratios</u>		
CET-1 Capital Ratio	12.315%	12.875%
Tier-1 Capital Ratio	12.315%	12.875%
Total capital ratio (inclusive of market risk)	<u>15.672%</u>	<u>16.336%</u>
Risk-weighted assets by each major risk category are as follows:		
Credit risk-weighted assets	21,435,464	20,158,062
Credit risk-weighted assets absorbed by RPSIA	(4,254,648)	(3,841,305)
Market risk-weighted assets	184,480	124,357
Operational risk-weighted assets	<u>936,391</u>	<u>918,886</u>
Total risk-weighted assets	<u>18,301,687</u>	<u>17,360,000</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 2015, credit risks relating to RPSIA assets excluded from the RWCR calculation amounted to RM4,255 million (31 December 2014: RM3,841 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 2015.

27 CHANGES IN PROFIT FOR THE QUARTER

The Bank reported a pre-tax profit of RM71.5 million for the current quarter, 15.0% lower as compared to the preceding quarter ended 31 December 2014. The lower profit was mainly attributed to higher allowances charged for impaired financing and advances by RM16.6 million, lower non funding income by RM1.7 million and lower net funding income by RM0.9 million. These were offset with lower overhead expenses by RM6.1 million and lower impairment loss on other assets by RM0.4 million.

28 PERFORMANCE REVIEW

For the three months ended 31 March 2015, the Bank recorded a pre-tax profit of RM71.5 million, 8.2% higher than previous year corresponding period of RM66.1 million. The higher profit was mainly due to higher net funding income by RM9.6 million, higher non funding income by RM8.6 million and lower overhead expenses by RM7.7 million. These were offset against higher allowances charged for impaired financing and advances by RM19.9 million and lower impairment losses written back on other assets by RM0.6 million.

29 PROSPECTS FOR 2015

2015 will prove to be challenging due to uncertainty in the global economic environment. On the local front, growth in domestic demand is expected to weaken by the slowdown in oil and gas investment and Government spending, and the effect of earlier tightening of fiscal policies. As a result, the Malaysian real GDP growth is expected to moderate at 5.0% in 2015 from 6.0% in 2014.

This will impact the growth of the Malaysian Banking sector. Household loan growth is expected to slow down as sentiment turns more cautious from the implementation of GST and high household leverage. The business segment would likely support growth albeit at a moderating pace. Capital markets will remain volatile as there is lack of clarity on the movements of global rates but activity would likely pick-up in the later part of the year.

Given the subdued growth outlook of the sector, the Bank is focused on asset quality, return on risk and capital, operational efficiency and cost control. These objectives will be achieved from our IGNITE 2017 Transformation Programme which is successfully being implemented to schedule.

Barring unforeseen circumstances, the Bank's 2015 performance will be better than 2014.