

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	Unaudited As at 30.06.2012 RM'000	Restated As at 31.12.2011 RM'000	As at 01.01.2011 RM'000
ASSETS				
Cash and short-term funds		5,187,446	5,614,932	1,076,905
Deposits and placements with banks and other financial institutions		260,722	70,077	40,062
Financial assets held-for-trading	8	319,138	433,531	218,928
Financial investments available-for-sale	9	2,080,410	1,673,683	1,787,265
Financial investments held-to-maturity	10	1,730,581	1,398,138	1,073,159
Financing and advances	11	14,385,662	12,732,595	8,652,397
Other assets	12	57,161	87,194	42,830
Derivative assets		-	-	1,369
Statutory deposits with Bank Negara Malaysia		643,755	606,455	105,140
Tax recoverable		-	8,702	-
Deferred tax assets		-	3,769	46,195
Property, plant and equipment		19,045	21,241	21,547
TOTAL ASSETS		24,683,920	22,650,317	13,065,797
LIABILITIES AND EQUITY				
Deposits from customers	13	19,237,426	17,050,096	9,946,582
Deposits and placements of banks and other financial institutions	14	3,091,046	3,761,867	2,066,993
Bills and acceptances payable		23,545	13,773	12,124
Derivative liabilities		31,084	36,659	-
Recourses obligations financing sold to Cagamas		241,585	-	-
Other liabilities	15	628,292	446,781	101,286
Taxation		7,891	-	170
Deferred tax liabilities		4,225	-	-
TOTAL LIABILITIES		23,265,094	21,309,176	12,127,155
Ordinary share capital		773,424	773,424	523,424
Reserves		645,402	567,717	415,218
TOTAL EQUITY		1,418,826	1,341,141	938,642
TOTAL LIABILITIES AND EQUITY		24,683,920	22,650,317	13,065,797
COMMITMENTS AND CONTINGENCIES	20	7,818,475	7,283,588	3,519,220

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2011.

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Note	<u>Individual Quarter</u>		<u>Cumulative Six Months</u>	
		Current Financial Quarter ended 30.06.2012 RM'000	Restated Preceding Corresponding Financial Quarter ended 30.06.2011 RM'000	Current Financial Six Months Ended 30.06.2012 RM'000	Restated Preceding Corresponding Six Months Ended 30.06.2011 RM'000
Income derived from investment of depositors' funds	16	251,976	161,670	491,654	305,616
Income derived from investment of shareholders' funds	17	13,400	5,808	44,663	25,126
Allowance for impairment on financing and advances	18	(62,804)	16,743	(47,662)	413
Profit equalisation reserve		-	(10,947)	7,252	(15,387)
Total distributable income		202,572	173,274	495,907	315,768
Income attributable to depositors	19	(162,035)	(79,929)	(314,725)	(150,281)
		40,537	93,345	181,182	165,487
Personnel expenses		(18,054)	(15,784)	(33,944)	(31,563)
Other overheads and expenditures		(29,052)	(20,884)	(53,079)	(42,258)
Profit before taxation		(6,569)	56,677	94,159	91,666
Taxation		1,528	(14,757)	(23,580)	(23,708)
Net (loss)/profit for the financial period		(5,041)	41,920	70,579	67,958
Basic earnings per share (sen)		(0.65)	8.01	9.13	12.98

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2011.

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	<u>Individual Quarter</u>		<u>Cumulative Six Months</u>	
	Current Financial Quarter ended 30.06.2012 RM'000	Restated Preceding Corresponding Financial Quarter ended 30.06.2011 RM'000	Current Financial Half Year ended 30.06.2012 RM'000	Restated Preceding Corresponding Financial Half Year ended 30.06.2011 RM'000
Net (loss)/profit for the financial period	<u>(5,041)</u>	<u>41,920</u>	<u>70,579</u>	<u>67,958</u>
Other comprehensive income/(loss):				
Financial investments available-for-sale				
- Unrealised net gain on revaluation	10,691	6,383	16,826	1,810
- Net transfer to income statement on disposal or impairment	(2,374)	(2,863)	(7,351)	(3,838)
Income tax relating to components of other comprehensive (loss)/income	(2,079)	(880)	(2,369)	472
Other comprehensive income/(loss) for the financial period	<u>6,238</u>	<u>2,640</u>	<u>7,106</u>	<u>(1,556)</u>
Total comprehensive income for the financial period	<u>1,197</u>	<u>44,560</u>	<u>77,685</u>	<u>66,402</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 2011.

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	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 2012					
- As previously stated	773,424	280,411	7,103	271,298	1,332,236
- Effect of adoption of MFRS 139	-	-	-	8,905	8,905
- As restated	773,424	280,411	7,103	280,203	1,341,141
Net profit for the financial period	-	-	-	70,579	70,579
Other comprehensive income/(loss):					
Financial investments available-for-sale					
- Unrealised net profit on revaluation	-	-	16,826	-	16,826
- Net transfer to income statement on disposal or impairment	-	-	(7,351)	-	(7,351)
Income tax relating to components of other comprehensive loss	-	-	(2,369)	-	(2,369)
Total comprehensive income for the financial period	-	-	7,106	70,579	77,685
Transfer to statutory reserves	-	35,289	-	(35,289)	-
Balance as at 30 June 2012	773,424	315,700	14,209	315,493	1,418,826

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	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 2011					
- As previously stated	523,424	231,484	7,386	222,371	984,665
- Effect of adoption of MFRS 139	-	-	-	(46,023)	(46,023)
- As restated	523,424	231,484	7,386	176,348	938,642
Net profit for the financial period	-	-	-	67,958	67,958
Other comprehensive income/(loss):					
Financial investments available-for-sale					
- Unrealised net profit on revaluation	-	-	1,810	-	1,810
- Net transfer to income statement on disposal or impairment	-	-	(3,838)	-	(3,838)
Income tax relating to components of other comprehensive gain	-	-	472	-	472
Total comprehensive (loss)/income for the financial period	-	-	(1,556)	67,958	66,402
Balance as at 30 June 2011	523,424	231,484	5,830	244,306	1,005,044

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2011.

RHB ISLAMIC BANK BERHAD (680329 – V)
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UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended	
	30.06.2012	Restated 30.06.2011
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	94,159	91,666
Adjustment for non-cash items	(22,146)	(54,275)
Operating profit before changes in working capital	72,013	37,391
Changes in working capital:		
Net changes in operating assets	(1,772,908)	(3,075,027)
Net changes in operating liabilities	1,932,083	3,643,187
	231,188	605,551
Taxation paid	(1,362)	(20,393)
Net cash generated from operating activities	229,826	585,158
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,163)	(2,244)
Net purchase of financial investments available-for-sale	(392,629)	(132,627)
Net purchase of financial investments held-to-maturity	(331,778)	(10,156)
Income received from financial investments available-for-sale	38,989	36,401
Income received from financial investments held-to-maturity	29,269	21,513
Net cash used in investing activities	(657,312)	(87,113)
Net (decrease)/increase in cash and cash equivalents	(427,486)	498,045
Cash and cash equivalents brought forward	5,614,932	1,076,905
Cash and cash equivalents carried forward	5,187,446	1,574,950
ANALYSIS OF CASH AND CASH EQUIVALENT		
Cash and short-term funds	5,187,446	1,574,950

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2011.

RHB ISLAMIC BANK BERHAD (680329 – V)
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

1 BASIS OF PREPARATION

The Malaysian Accounting Standard Board ('MASB') has announced on 19 November 2011 that Malaysian reporting entities are required to comply with the new International Financial Reporting Standards ('IFRS') compliant framework, Malaysia Financial Reporting Standards ('MFRS') for financial year commencing on or after 1 January 2012.

The Bank revised its accounting policies on 1 January 2012 to enable the preparation of financial statements that comply with MFRS. This condensed financial statements is the Bank's first financial report prepared in accordance with MFRS and MFRS 1: 'First Time Adoption of MFRS', and has been applied retrospectively as if the requirements of MFRSs have always been applied by the Bank from transition date of 1 January 2011. The Bank does not take advantage on certain mandatory exceptions and optional exceptions provided in MFRS 1 for first time adoption of MFRS.

The interim financial statements are unaudited and has been prepared in compliance with Malaysian Financial Reporting Standard ('MFRS') 134, 'Interim Financial Reporting' issued by the MASB and should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2011.

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 2011, 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 2012:

- MFRS 1	First-Time Adoption of MFRS
- MFRS 139	Financial Instruments: Recognition and Measurement
- The revised MFRS 124	Related Party Disclosures
- Amendment to MFRS 112	Income Taxes
- Amendment to MFRS 1	First Time Adoption on Fixed Dates and Hyperinflation
- Amendment to MFRS 7	Financial Instruments: Disclosures on Transfers of Financial Assets
- Amendment to MFRS 101	Presentation of Items of Other Comprehensive Income
- IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

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 effects to the Bank, except for the adoption of MFRS 139.

Previously, the Bank applied the Amendment to FRS 139, which included an additional transitional arrangement for financial sectors, whereby the BNM may prescribed the use of an alternative basis for collective assessment of impairments in financing and advances. This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010, whereby banking institutions are required to maintain collective allowances of at least 1.5% of total outstanding financing and advances, net of individual impairment allowances under the transitional provisions in the guidelines.

With effective from 1 January 2012, BNM has removed the transitional provision for banking institution on collective evaluation of financing impairment assessment and financing loss provisioning to comply with MFRS 139 requirements. Exposures not individually known to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not identified yet. The required financing loss allowance is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

Previously, when a collectively assessed financing and receivable is deemed impaired, the Bank reversed out the profit income previously recognised in income statements and set off against the profit income receivable in the statements of financial position.

Upon the adoption of MFRS 139, with effect from 1 January 2012, once a collectively assessed financing and advances and receivables has been written down as a result of an impairment loss, profit income is thereafter recognised using the original effective profit rate in the income statements.

The change in accounting policies mentioned above have been accounted for retrospectively by re-measuring the relevant financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to the Bank's opening retained profits. As such, comparatives have been restated to conform with current year's presentation. The principal effects of the changes in accounting policies arising from the adoption of MFRS 139 are disclosed in Note 28.

RHB ISLAMIC BANK BERHAD (680329 – V)
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012 (CONTINUED)

2 AUDITORS' REPORT

The auditors' report for the financial year ended 31 December 2011 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 six months ended 30 June 2012.

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 six months ended 30 June 2012.

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 six months ended 30 June 2012.

RHB ISLAMIC BANK BERHAD (680329 – V)
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012 (CONTINUED)**

8 FINANCIAL ASSETS HELD-FOR-TRADING

	Unaudited	Audited
	As at	As at
	30.06.2012	31.12.2011
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian government investment issues	152,505	51,312
BNM monetary notes	147,983	306,912
Wakala Global Sukuk	3,592	16,495
Khazanah bonds	-	53,768
 <u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	15,058	5,044
	319,138	433,531

9 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Unaudited	Audited
	As at	As at
	30.06.2012	31.12.2011
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian government investment issues	888,174	869,507
Cagamas Bonds and Cagamas Mudharabah Bonds	187,007	-
Wakala Global Sukuk	17,187	23,510
Khazanah Bonds	55,302	-
Islamic accepted bills	75,685	-
 <u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	856,480	780,091
	2,079,835	1,673,108
 At cost		
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Shares in Islamic Bank and Financial Institutions of Malaysia ('IBFIM')	575	575
	2,080,410	1,673,683

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012 (CONTINUED)

10 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Unaudited	Audited
	As at	As at
	30.06.2012	31.12.2011
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian government investment issues	801,753	795,980
Cagamas bonds and Cagamas Mudharabah bonds	275,095	193,776
Khazanah bonds	8,500	8,346
Negotiable Islamic Debts Certificates	296,229	-
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	349,004	400,036
	1,730,581	1,398,138

RHB ISLAMIC BANK BERHAD (680329 – V)
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012 (CONTINUED)

11 FINANCING AND ADVANCES

(i) By type

	Unaudited	Restated
	As at	As at
	30.06.2012	31.12.2011
	RM'000	RM'000
At amortised cost		
Cashline	133,319	120,228
Term financing		
- housing financing	3,097,231	2,752,867
- syndicated term financing	533,659	337,578
- hire purchase receivables	3,921,458	3,548,299
- other term financing	5,127,935	5,347,288
Bills receivables	760,284	524,048
Trust receipts	20,149	19,708
Staff financing	9,208	10,067
Credit/charge cards receivables	91,295	47,904
Revolving financing	1,050,957	351,768
Gross financing and advances	<u>14,745,495</u>	<u>13,059,755</u>
Fair Value changes arising from value hedge	9,705	-
Allowances for bad and doubtful financing:		
- individual impairment allowance	(173,065)	(130,724)
- collective impairment allowance	(196,473)	(196,436)
Net financing and advances	<u><u>14,385,662</u></u>	<u><u>12,732,595</u></u>

(ii) By type of customer

Domestic non-bank financial institutions		
- Others	38,037	57,783
Domestic business enterprise		
- Small medium enterprise	796,452	828,759
- Others	3,225,875	2,298,860
Government and statutory bodies	3,313,426	3,463,352
Individuals	7,101,824	6,142,984
Other domestic entities	332	273
Foreign entities	269,549	267,744
Gross financing and advances	<u><u>14,745,495</u></u>	<u><u>13,059,755</u></u>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012 (CONTINUED)**

11 FINANCING AND ADVANCES (CONTINUED)

	Unaudited As at 30.06.2012 RM'000	Restated As at 31.12.2011 RM'000
(iii) By type of contract		
Bai' Bithaman Ajil ('BBA')	1,217,405	1,409,405
Ijarah	4,249,999	4,352,460
Murabahah	3,205,345	1,657,958
Musyarakah	2,084,855	1,658,224
Istisna'	202,493	340,447
Bai'Inah	3,436,259	3,550,837
Others	349,139	90,424
Gross financing and advances	<u>14,745,495</u>	<u>13,059,755</u>
(iv) By profit rate sensitivity		
Fixed rate		
- Housing financing	1,000,107	1,083,846
- Hire-purchase receivables	3,921,458	3,548,299
- Other fixed rate financing	5,404,102	4,142,517
Variable rate		
- BFR-plus	3,639,395	3,741,336
- Cost-plus	780,433	543,757
Gross financing and advances	<u>14,745,495</u>	<u>13,059,755</u>
(v) By purpose		
Purchase of securities	8,610	8,610
Purchase of transport vehicles	3,867,460	3,481,840
Purchase of landed property:		
- Residential	2,966,150	2,788,300
- Non-residential	221,700	199,920
Purchase of property, plant and equipment other than land and building	357,750	469,090
Personal use	421,590	234,650
Credit card	91,295	47,904
Purchase of consumer durables	30	50
Construction	529,730	478,800
Working capital	2,075,720	1,517,800
Other purposes	4,205,460	3,832,791
Gross financing and advances	<u>14,745,495</u>	<u>13,059,755</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 SIX MONTHS ENDED 30 JUNE 2012 (CONTINUED)

11 FINANCING AND ADVANCES (CONTINUED)

	Unaudited	Restated
	As at	As at
	30.06.2012	31.12.2011
	RM'000	RM'000
(vi) The remaining contractual maturities		
Maturing within one year	2,310,468	1,452,637
One to three years	292,908	439,081
Three to five years	1,523,728	1,625,194
Over five years	10,618,391	9,542,843
Gross financing and advances	<u>14,745,495</u>	<u>13,059,755</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		
- As previously stated	543,076	628,251
- Effect of full adoption of MFRS 139	17,541	30,502
- As restated	<u>560,617</u>	658,753
Classified as impaired during the financial period/year	207,083	280,102
Amount recovered	(84,612)	(81,975)
Amount written off	(7,717)	(57,649)
Reclassified as non-impaired during the financial period/year	<u>(148,564)</u>	(238,614)
Balance as at the end of the financial period/year	<u>526,807</u>	<u>560,617</u>

RHB ISLAMIC BANK BERHAD (680329 – V)
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012 (CONTINUED)**

11 FINANCING AND ADVANCES (CONTINUED)

	Unaudited As at 30.06.2012 RM'000	Restated As at 31.12.2011 RM'000
(vii) Impaired financing and advances (continued)		
(b) By purpose		
Purchase of transport vehicles	51,710	21,890
Purchase of landed property:		
- Residential	144,790	171,805
- Non-residential	16,170	13,879
Purchase of property, plant and equipment other than land and building	13,390	68,610
Personal use	4,270	5,389
Credit card	2,960	157
Construction	1,410	1,409
Working capital	263,540	275,676
Other purposes	28,567	1,802
Gross impaired financing and advances	526,807	560,617
(c) Movement in allowance for impaired financing and advances		
<u>Individual impairment allowance</u>		
Balance as at the beginning of the financial period/year		
- As previously stated	130,724	163,440
- Effect of full adoption of MFRS 139	-	-
- As restated	130,724	163,440
Net allowance made during the financial period/year	45,200	10,226
Amount written off	-	(42,942)
Transfer to collective impairment allowance	(2,859)	-
Balance as at the end of the financial period/year	173,065	130,724
<u>Collective impairment allowance</u>		
Balance as at the beginning of the financial period/year		
- As previously stated	190,768	158,828
- Effect of full adoption of MFRS 139	5,668	91,864
- As restated	196,436	250,692
Net allowance made/(recovered) during the financial period/year	2,092	(26,472)
Amount written off	(4,914)	(27,784)
Transfer from individual impairment allowance	2,859	-
Balance as at the end of the financial period/year	196,473	196,436

RHB ISLAMIC BANK BERHAD (680329 – V)
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012 (CONTINUED)

12 OTHER ASSETS

	Unaudited	Audited
	As at	As at
	30.06.2012	31.12.2011
	RM'000	RM'000
Deposits and prepayments	1,444	945
Sundry deposits debtors	1,240	1,240
Other debtors	54,477	85,009
	57,161	87,194

13 DEPOSITS FROM CUSTOMERS

	Unaudited	Audited
	As at	As at
	30.06.2012	31.12.2011
	RM'000	RM'000
<u>Non-Mudharabah Funds</u>		
Demand deposits	1,704,846	1,635,227
Savings deposits	728,208	638,101
Commodity Murabahah	3,684,200	3,117,224
Wakalah Money Market Deposit	166,092	-
Negotiable Islamic Debts Certificates	148,879	-
	6,432,225	5,390,552
<u>Mudharabah Funds:</u>		
Demand deposits	424,071	405,040
Savings deposits	28,538	12,712
General investment accounts	740,563	682,066
Special investment accounts	11,612,029	10,559,726
	19,237,426	17,050,096

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

Due within six months	15,178,913	13,446,439
Six months to one year	1,120,595	874,109
One year to three years	42,033	34,707
Three years to five years	10,222	3,761
	16,351,763	14,359,016

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

Government and statutory bodies	6,173,882	5,332,891
Business enterprises	8,750,077	7,094,590
Individuals	1,379,775	1,171,292
Others	2,933,692	3,451,323
	19,237,426	17,050,096

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012 (CONTINUED)

14 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Unaudited	Audited
	As at	As at
	30.06.2012	31.12.2011
	RM'000	RM'000
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	594,156	1,076,703
Licensed banks	1,002,730	721,154
Licensed investment banks	-	100,035
Bank Negara Malaysia	880	35,263
	1,597,766	1,933,155
<u>Mudharabah Funds:</u>		
Licensed Islamic banks	722,148	1,003,049
Licensed banks	650,892	725,572
Other financial institutions	120,240	100,091
	3,091,046	3,761,867

15 OTHER LIABILITIES

	Unaudited	Audited
	As at	As at
	30.06.2012	31.12.2011
	RM'000	RM'000
Sundry creditors	23,832	11,511
Profit equalisation reserve	-	7,252
Amount due to holding company	565,590	386,227
Other accruals and payables	38,870	41,791
	628,292	446,781

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

16 INCOME DERIVED FROM INVESTMENTS OF DEPOSITORS' FUNDS

	Current Financial Quarter ended 30.06.2012 RM'000	Restated Preceding Corresponding Financial Quarter ended 30.06.2011 RM'000	Current Financial Half Year ended 30.06.2012 RM'000	Restated Preceding Corresponding Financial Half Year ended 30.06.2011 RM'000
Income derived from investment of:				
(i) General investment deposit	8,534	9,406	16,506	24,740
(ii) Other deposits	243,442	152,264	475,148	280,876
	251,976	161,670	491,654	305,616
(i) Income derived from investment of general investments deposits				
<u>Finance income and hibah</u>				
Financing and advances	5,689	6,977	10,901	18,421
Financial assets held-for-trading	45	60	127	107
Financial investments available-for-sale	634	1,045	1,176	2,747
Financial investments held-to-maturity	511	678	971	1,831
Money at call and deposit with financial institutions	1,427	367	2,721	965
Total finance income and hibah	8,306	9,127	15,896	24,071
Other operating income (note a to c)	228	279	610	669
	8,534	9,406	16,506	24,740
Of which:				
Financing income earned on impaired financing	150	237	506	859
Other operating income comprise of:				
(a) Fee income:				
Commission	38	-	79	134
Guarantee fees	9	23	16	53
	47	23	95	187
(b) Net gain on disposal of financial assets held-for-trading	103	96	230	226
(c) Net gain on disposal of financial investments available-for-sale	78	160	285	256
	181	256	515	482
	228	279	610	669

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

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

	Current Financial Quarter ended 30.06.2012 RM'000	Restated Preceding Corresponding Financial Quarter ended 30.06.2011 RM'000	Current Financial Half Year ended 30.06.2012 RM'000	Restated Preceding Corresponding Financial Half Year ended 30.06.2011 RM'000
(ii) Income derived from investment of other deposits:				
<u>Finance income and hibah</u>				
Financing and advances	162,339	112,961	313,797	208,905
Financial assets held-for-trading	1,245	953	3,602	1,343
Financial investments available-for-sale	18,074	16,917	33,835	31,193
Financial investments held-to-maturity	14,567	10,980	27,930	20,652
Money at call and deposit with financial institutions	40,715	5,944	78,344	10,960
Total finance income and hibah	<u>236,940</u>	<u>147,755</u>	<u>457,508</u>	<u>273,053</u>
Other operating income (note a to c)	6,502	4,509	17,640	7,823
	<u>243,442</u>	<u>152,264</u>	<u>475,148</u>	<u>280,876</u>
Of which:				
Financing income earned on impaired financing	<u>4,291</u>	<u>3,861</u>	<u>12,726</u>	<u>9,063</u>
Other operating income comprise of:				
(a) Fee income:				
Commission	1,087	-	2,270	1,145
Guarantee fees	254	390	496	646
	<u>1,341</u>	<u>390</u>	<u>2,766</u>	<u>1,791</u>
(b) Net gain on disposal of financial assets held-for-trading	2,945	1,528	6,631	2,634
(c) Net gain on disposal of financial investment available-for-sale	2,216	2,591	8,243	3,398
	<u>5,161</u>	<u>4,119</u>	<u>14,874</u>	<u>6,032</u>
	<u>6,502</u>	<u>4,509</u>	<u>17,640</u>	<u>7,823</u>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

17 INCOME DERIVED FROM INVESTMENTS OF SHAREHOLDERS' FUNDS

	Current Financial Quarter ended 30.06.2012 RM'000	Restated Preceding Corresponding Financial Quarter ended 30.06.2011 RM'000	Current Financial Half Year ended 30.06.2012 RM'000	Restated Preceding Corresponding Financial Half Year ended 30.06.2011 RM'000
<u>Finance income and hibah</u>				
Financing and advances	5,860	4,886	11,593	13,365
Financial assets held-for-trading	45	41	134	76
Financial investments available-for-sale	653	732	1,250	1,994
Financial investments held-to-maturity	526	475	1,032	1,330
Money at call and deposit with financial institutions	1,470	257	2,894	700
Total finance income and hibah	<u>8,554</u>	<u>6,391</u>	<u>16,903</u>	<u>17,465</u>
Other operating income (note a to f)	4,846	(583)	27,760	7,661
	<u><u>13,400</u></u>	<u><u>5,808</u></u>	<u><u>44,663</u></u>	<u><u>25,126</u></u>
Of which:				
Financing income earned on impaired financing	<u><u>155</u></u>	<u><u>285</u></u>	<u><u>414</u></u>	<u><u>743</u></u>
Other operating income comprise of:				
(a) Fee income:				
Commission	1,990	1,838	3,126	2,409
Service charges and fees	5,127	3,761	13,349	7,107
Guarantee and underwriting fees	384	548	709	880
	<u>7,501</u>	<u>6,147</u>	<u>17,184</u>	<u>10,396</u>
(b) Net gain on financial assets held-for-trading - net gain on disposal	106	67	247	166
(c) Net (loss)/gain on revaluation of derivatives	(3,310)	(7,080)	8,650	(2,866)
(d) Net gain on fair value hedges	343	-	343	-
(e) Net gain on disposal of financial investment available-for-sale	81	112	308	183
(f) Other income				
Foreign exchange gain/(loss)				
- realised	667	170	1,538	(219)
- unrealised	(542)	(13)	(561)	(30)
Gain on disposal of property, plant and equipment	-	14	40	31
Other non-operating income	-	-	11	-
	<u>(2,655)</u>	<u>(6,730)</u>	<u>10,576</u>	<u>(2,735)</u>
	<u><u>4,846</u></u>	<u><u>(583)</u></u>	<u><u>27,760</u></u>	<u><u>7,661</u></u>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

18 ALLOWANCES FOR IMPAIRMENT ON FINANCING AND ADVANCES

	Current Financial Quarter ended 30.06.2012 RM'000	Restated Preceding Corresponding Financial Quarter ended 30.06.2011 RM'000	Current Financial Half Year ended 30.06.2012 RM'000	Restated Preceding Corresponding Financial Half Year ended 30.06.2011 RM'000
Allowance for impairment on financing and advances:				
- Individual assessment allowance	48,066	374	45,200	(1,555)
- Collective assessment allowance	14,209	(20,227)	2,092	(1,005)
- Impaired financing recovered	(1,947)	(1,755)	(3,419)	(2,718)
- Impaired financing written off	2,476	4,865	3,789	4,865
	62,804	(16,743)	47,662	(413)

19 INCOME ATTRIBUTABLE TO DEPOSITORS

	Current Financial Quarter ended 30.06.2012 RM'000	Preceding Corresponding Financial Quarter ended 30.06.2011 RM'000	Current Financial Half Year ended 30.06.2012 RM'000	Preceding Corresponding Financial Half Year ended 30.06.2011 RM'000
Deposits from customers:				
- Mudharabah funds	98,978	50,806	195,645	101,296
- Non-mudharabah funds	42,628	10,398	74,946	17,526
Deposits and placements of banks and financial institutions				
- Mudharabah funds	14,486	10,892	26,954	18,575
- Non-mudharabah funds	5,943	7,833	17,180	12,884
	162,035	79,929	314,725	150,281

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012 (CONTINUED)

20 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:

	Unaudited			Audited		
	As at 30.06.2012			As at 31.12.2011		
	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
Direct credit substitutes	-	-	-	35	35	35
Transaction-related contingent items	84,632	42,316	29,590	94,558	47,279	35,465
Short term self-liquidating trade-related contingencies	48,644	9,729	1,332	42,424	8,485	967
Obligations under underwriting agreements	169,000	84,500	84,500	208,500	104,250	104,250
Assets sold with recourse	235,705	235,705	179,975	-	-	-
Irrevocable commitments to extend credit						
- maturity more than one year	2,432,775	1,014,000	806,091	2,280,366	456,073	394,697
- maturity less than one year	1,460,140	292,028	276,461	1,686,599	337,320	337,320
Foreign exchange related contracts:						
- less than one year	787,579	12,955	9,883	371,106	4,948	1,762
Profit rate related contracts:						
- one year to less than five years	2,600,000	39,750	19,875	2,600,000	49,500	24,750
Total	7,818,475	1,730,983	1,407,707	7,283,588	1,007,890	899,246

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 SIX MONTHS ENDED 30 JUNE 2012 (CONTINUED)

21 CAPITAL ADEQUACY

With effect from 1 January 2008, the capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia Capital Adequacy Framework for Islamic Banks ('CAFIB'): Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

	Unaudited	Audited**
	As at	As at
	30.06.2012	31.12.2011
	<u>RM'000</u>	<u>RM'000</u>
<u>Tier I Capital</u>		
Paid-up ordinary share capital	773,424	773,424
Retained profits	315,493	271,298
Statutory reserve	315,700	280,411
	<u>1,404,617</u>	<u>1,325,133</u>
Less:		
Deferred tax assets	(511)	(9,105)
	<u>1,404,106</u>	<u>1,316,028</u>
<u>Tier II Capital</u>		
Collective impairment / allowance for bad and doubtful financing [^]	<u>105,365</u>	<u>135,113</u>
Total Tier II Capital	<u>105,365</u>	<u>135,113</u>
Less:		
Other deduction*	(45)	(24)
	<u>105,320</u>	<u>135,089</u>
Eligible Tier II capital	<u>105,320</u>	<u>135,089</u>
Total Capital Base	<u>1,509,426</u>	<u>1,451,117</u>
<u>Capital Ratios</u>		
Core capital ratio (inclusive of market risk)	12.26%	12.65%
Risk-weighted capital ratio (inclusive of market risk)	<u>13.18%</u>	<u>13.95%</u>
Risk-weighted assets by each major risk category are as follows:		
Credit risk-weighted assets	10,674,644	9,226,699
Market risk-weighted assets	124,472	565,103
Operational risk-weighted assets	651,718	608,028
Total risk-weighted assets	<u>11,450,834</u>	<u>10,399,830</u>

[^] Excludes collective assessment 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" issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010.

* Pursuant to the Basel II Market Risk para 5.19 and 5.20 - Valuation Adjustments / Reserves, the RWCR computation shall account for the ageing, liquidity and holding back adjustments / reserves on its trading portfolio.

** The above capital adequacy ratios has not been adjusted for the effect of the adoption of MFRS 139.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012 (CONTINUED)

22 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

23 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.

24 CHANGES IN THE COMPOSITION OF THE BANK

There are no significant changes in the composition of the Bank for the six months ended 30 June 2012.

25 CHANGES IN PROFIT FOR THE QUARTER

The Bank reported a pre-tax loss of RM6.6 million for the current quarter, more than 100% lower as compared to the preceding corresponding quarter ended 31 March 2012. The losses sustained was mainly due to higher allowances made for impaired financing and advances by RM78.0 million, lower non funding income by RM22.7 million, and higher overhead expenses by RM7.1 million. This is being offset with higher net funding income by RM7.9 million.

26 PERFORMANCE REVIEW

For the six months ended 30 June 2012, the Bank recorded a pre-tax profit of RM94.2 million, 2.8% higher than previous year corresponding period of RM91.7 million. The higher profit was mainly due to higher net funding income by RM11.3 million, impact on PER writeback by RM22.7 million and higher non funding income by RM29.7 million. These are offset with higher impaired financing and advances by RM48.1 million and higher overhead expenses by RM13.0 million.

27 PROSPECTS FOR 2012

The Malaysian economy continued to perform although the external economic environment remains challenging. The Economic Transformation Programme is envisaged to further strengthen and support this positive outlook. The Bank envisages that the Malaysian economy will grow at 4% to 5% in 2012.

The Bank will continue to strengthen leadership position in targeted markets and product segments, building strong customer relationships as well as leveraging on the Bank's infrastructure and distribution network. This is line with the focus of the new financial sector blueprint to reinforce Malaysia's position as a global financial hub for Islamic finance services.

In the second half of the year, the Bank foresees a challenging operating environment and pressure on margins apart from the demanding global economic scenario. However, the Bank expects to continue the growth momentum in 2012.

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012 (CONTINUED)**

28 CHANGES IN ACCOUNTING POLICIES

(a) Impacts on the Bank's Statements of Financial Position

	<u>As previously reported</u> RM'000	<u>Effect on full adoption of MFRS 139</u> RM'000	<u>As restated</u> RM'000
As at 1 January 2011			
Assets			
Financing and advances			
- Gross financing and advances	9,036,029	30,502	9,066,531
- Collective impairment allowances	(158,828)	(91,864)	(250,692)
Deferred tax assets	30,854	15,341	46,195
Liabilities			
Shareholder's fund	984,665	(46,023)	938,642
Retained profits	222,371	(46,023)	176,348
Financing and advances of which:			
- Impaired financing and advances	628,251	30,502	658,753
As at 31 December 2011			
Assets			
Financing and advances			
- Gross financing and advances	13,042,214	17,541	13,059,755
- Collective impairment allowances	(190,768)	(5,668)	(196,436)
Deferred tax assets	6,737	(2,968)	3,769
Tax recoverable	8,702	-	8,702
Liabilities			
Shareholder's fund	1,332,236	8,905	1,341,141
Retained profits	271,298	8,905	280,203
Financing and advances of which:			
- Impaired financing and advances	543,076	17,541	560,617

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012 (CONTINUED)

28 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Impacts on the Bank's Income Statements/ Statements of Comprehensive Income

	As previously reported	Effect on full adoption of MFRS 139	As restated
	RM'000	RM'000	RM'000
For the six months period ended 30 June 2011			
Income derived from investment of depositors' funds	301,076	4,540	305,616
Income derived from investment of shareholder's funds	30,948	(5,822)	25,126
Allowance for impairment on financing and advances and other losses	(24,071)	24,483	413
Transfer to profit equalisation reserves	(15,387)	-	(15,387)
Total distributable income	<u>292,566</u>	<u>23,201</u>	<u>315,768</u>
Income attributable to depositors	(150,281)	-	(150,281)
Total net income	<u>142,285</u>	<u>23,201</u>	<u>165,487</u>
Personnel expenses	(31,562)	-	(31,563)
Other operating expenses	(42,258)	-	(42,258)
Profit before taxation	<u>68,465</u>	<u>23,201</u>	<u>91,666</u>
Taxation	(17,908)	(5,800)	(23,708)
Net profit for the financial period	<u><u>50,557</u></u>	<u><u>17,401</u></u>	<u><u>67,958</u></u>
Earnings per share (sen) - basic	<u>9.66</u>		<u>12.98</u>