

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

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

	Note	Unaudited As at 30.09.2012 RM'000	Restated As at 31.12.2011 RM'000	As at 01.01.2011 RM'000
ASSETS				
Cash and short-term funds		5,153,372	5,614,932	1,076,905
Deposits and placements with banks and other financial institutions		840,177	70,077	40,062
Financial assets held-for-trading	10	249,771	433,531	218,928
Financial investments available-for-sale	11	1,873,954	1,673,683	1,787,265
Financial investments held-to-maturity	12	2,199,110	1,398,138	1,073,159
Financing and advances	13	15,610,379	12,732,595	8,652,397
Other assets	14	16,856	87,194	42,830
Derivative assets		277	-	1,369
Statutory deposits with Bank Negara Malaysia		701,255	606,455	105,140
Tax recoverable		-	8,702	-
Deferred tax assets		-	3,769	46,195
Property, plant and equipment		18,419	21,241	21,547
TOTAL ASSETS		26,663,570	22,650,317	13,065,797
LIABILITIES AND EQUITY				
Deposits from customers	15	18,671,527	17,050,096	9,946,582
Deposits and placements of banks and other financial institutions	16	4,682,771	3,761,867	2,066,993
Bills and acceptances payable		27,742	13,773	12,124
Derivative liabilities		25,425	36,659	-
Recourses obligations financing sold to Cagamas		1,238,784	-	-
Other liabilities	17	336,639	446,781	101,286
Taxation		19,391	-	170
Deferred tax liabilities		1,339	-	-
TOTAL LIABILITIES		25,003,618	21,309,176	12,127,155
Ordinary share capital		973,424	773,424	523,424
Reserves		686,528	567,717	415,218
TOTAL EQUITY		1,659,952	1,341,141	938,642
TOTAL LIABILITIES AND EQUITY		26,663,570	22,650,317	13,065,797
COMMITMENTS AND CONTINGENCIES	22	9,167,996	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 NINE MONTHS ENDED 30 SEPTEMBER 2012

	Note	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
		Current Financial Quarter ended 30.09.2012 RM'000	Restated Preceding Corresponding Financial Quarter ended 30.09.2011 RM'000	Current Financial Nine Months Ended 30.09.2012 RM'000	Restated Preceding Corresponding Nine Months Ended 30.09.2011 RM'000
Income derived from investment of depositors' funds	18	273,634	215,195	765,288	520,810
Income/(loss) derived from investment of shareholders' funds	19	21,071	(18,861)	65,733	6,264
Allowance for impairment on financing and advances	20	(5,690)	18,519	(53,352)	18,932
Profit equalisation reserve		-	2,615	7,252	(12,773)
Total distributable income		289,015	217,468	784,921	533,233
Income attributable to depositors	21	(176,627)	(125,142)	(491,351)	(275,422)
		112,388	92,326	293,570	257,811
Personnel expenses		(19,102)	(15,818)	(53,046)	(47,380)
Other overheads and expenditures		(31,031)	(25,505)	(84,109)	(67,763)
Profit before taxation		62,255	51,003	156,415	142,668
Taxation		(14,928)	(10,996)	(38,508)	(34,704)
Net profit for the financial period		47,327	40,007	117,907	107,964
Basic earnings per share (sen)		6.10	7.64	15.20	20.63

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 COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	Current Financial Quarter ended 30.09.2012 RM'000	Restated Preceding Corresponding Financial Quarter ended 30.09.2011 RM'000	Current Financial Nine Months ended 30.09.2012 RM'000	Restated Preceding Corresponding Financial Nine Months ended 30.09.2011 RM'000
Net profit for the financial period	<u>47,327</u>	<u>40,007</u>	<u>117,907</u>	<u>107,964</u>
Other comprehensive (loss)/income:				
Financial investments available-for-sale				
- Unrealised net (loss)/gain on revaluation	(1,506)	13,503	15,320	15,313
- Net transfer to income statement on disposal or impairment	(6,763)	(2,324)	(14,114)	(6,162)
Income tax relating to components of other comprehensive income/(loss)	2,067	(2,795)	(302)	(2,323)
Other comprehensive (loss)/income for the financial period	<u>(6,202)</u>	<u>8,384</u>	<u>904</u>	<u>6,828</u>
Total comprehensive income for the financial period	<u><u>41,125</u></u>	<u><u>48,391</u></u>	<u><u>118,811</u></u>	<u><u>114,792</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 2011.

RHB ISLAMIC BANK BERHAD (680329 – V)
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UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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
Issuance of share	200,000	-	-	-	200,000
Net profit for the financial period	-	-	-	117,907	117,907
Other comprehensive income/(loss):					
Financial investments available-for-sale					
- Unrealised net profit on revaluation	-	-	15,320	-	15,320
- Net transfer to income statement on disposal or impairment	-	-	(14,114)	-	(14,114)
Income tax relating to components of other comprehensive loss	-	-	(302)	-	(302)
Total comprehensive income for the financial period	-	-	904	117,907	118,811
Transfer to statutory reserves	-	35,289	-	(35,289)	-
Balance as at 30 September 2012	973,424	315,700	8,007	362,821	1,659,952

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RHB ISLAMIC BANK BERHAD (680329 – V)
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UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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	-	-	-	107,964	107,964
Other comprehensive income/(loss):					
Financial investments available-for-sale					
- Unrealised net profit on revaluation	-	-	15,313	-	15,313
- Net transfer to income statement on disposal or impairment	-	-	(6,162)	-	(6,162)
Income tax relating to components of other comprehensive gain	-	-	(2,323)	-	(2,323)
Total comprehensive income for the financial period	-	-	6,828	107,964	114,792
Balance as at 30 September 2011	523,424	231,484	14,214	284,312	1,053,434

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 NINE MONTHS ENDED 30 SEPTEMBER 2012

	Nine months ended	
	30.09.2012	Restated 30.09.2011
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	156,415	142,668
Adjustment for non-cash items:		
Operating profit before changes in working capital	(64,416)	(44,890)
Changes in working capital:		
Net changes in operating assets	(3,528,140)	(4,499,675)
Net changes in operating liabilities	3,665,997	10,340,813
Taxation paid	229,856	5,938,916
Net cash generated from operating activities	(5,609)	(24,643)
	224,247	5,914,273
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,859)	(2,868)
Net purchase of financial investments available-for-sale	(183,178)	(268,869)
Net purchase of financial investments held-to-maturity	(796,111)	(257,124)
Income received from financial investments available-for-sale	50,027	51,324
Income received from financial investments held-to-maturity	45,314	32,360
Net cash used in investing activities	(885,807)	(445,177)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	200,000	-
	200,000	-
Net (decrease)/increase in cash and cash equivalents	(461,560)	5,469,096
Cash and cash equivalents brought forward	5,614,932	1,076,905
Cash and cash equivalents carried forward	5,153,372	6,546,001
ANALYSIS OF CASH AND CASH EQUIVALENT		
Cash and short-term funds	5,153,372	6,546,001

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 NINE MONTHS ENDED 30 SEPTEMBER 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 30.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2012.

8 SHARE CAPITAL

During the financial period, the Bank increased its issued and paid up capital share from RM773,424,000 to RM973,424,000 via the issuance of 200,000,000 new ordinary shares of RM1.00 each to RHB Bank Berhad, its immediate holding company.

The new ordinary shares issued during the financial period ranked *pari passu* in all respects with the existing ordinary share of the Bank.

9 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 mudarib and losses borne by depositors.

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

10 FINANCIAL ASSETS HELD-FOR-TRADING

	Unaudited	Audited
	As at	As at
	30.09.2012	31.12.2011
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian government investment issues	71,015	51,312
BNM monetary notes	148,623	306,912
Wakala Global Sukuk	-	16,495
Khazanah bonds	-	53,768
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	30,133	5,044
	249,771	433,531

11 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Unaudited	Audited
	As at	As at
	30.09.2012	31.12.2011
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian government investment issues	860,472	869,507
Wakala Global Sukuk	16,798	23,510
Khazanah Bonds	59,614	-
Islamic accepted bills	58,604	-
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	877,891	780,091
	1,873,379	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
	1,873,954	1,673,683

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (CONTINUED)

12 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Unaudited	Audited
	As at	As at
	30.09.2012	31.12.2011
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian government investment issues	734,259	795,980
Cagamas bonds	272,312	193,776
Khazanah bonds	8,578	8,346
Negotiable Islamic Debts Certificates	646,723	-
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	537,238	400,036
	2,199,110	1,398,138

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

13 FINANCING AND ADVANCES

(i) By type

	Unaudited As at 30.09.2012	Restated As at 31.12.2011
	<u>RM'000</u>	<u>RM'000</u>
At amortised cost		
Cashline	140,972	120,228
Term financing:		
- housing financing	3,282,633	2,752,867
- syndicated term financing	462,438	337,578
- hire purchase receivables	4,256,586	3,548,299
- other term financing	5,799,088	5,347,288
Bills receivables	903,582	524,048
Trust receipts	20,036	19,708
Staff financing	8,361	10,067
Credit/charge cards receivables	106,136	47,904
Revolving financing	977,099	351,768
Gross financing and advances	<u>15,956,931</u>	<u>13,059,755</u>
Fair value changes arising from value hedge	8,086	-
Allowances for bad and doubtful financing:		
- individual impairment allowance	(163,312)	(130,724)
- collective impairment allowance	(191,326)	(196,436)
Net financing and advances	<u><u>15,610,379</u></u>	<u><u>12,732,595</u></u>

(ii) By type of customer

Domestic non-bank financial institutions:		
- Others	568,099	57,783
Domestic business enterprise:		
- Small medium enterprise	691,288	828,759
- Others	3,327,235	2,298,860
Government and statutory bodies	3,341,496	3,463,352
Individuals	7,765,095	6,142,984
Other domestic entities	302	273
Foreign entities	263,416	267,744
Gross financing and advances	<u><u>15,956,931</u></u>	<u><u>13,059,755</u></u>

Included in financing and advances are exposures to Restricted Profit Sharing Investment Accounts (RPSIA), as part of arrangement between RHB Islamic and RHB Bank. RHB Bank is exposed to risks and rewards on RPSIA financing and will account for all the allowances for impairment losses for bad and doubtful debts arising thereon.

As at 30 September 2012, the gross exposure to RPSIA financing is RM505.3 million (2011: RM Nil) and the portfolio impairment allowance relating to this RPSIA amounting to RM2.6 million (2011: RM Nil) is recognised in the Financial Statements of RHB Bank. There was no individual impairment provided on this RPSIA reporting.

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

13 FINANCING AND ADVANCES (CONTINUED)

	Unaudited As at 30.09.2012 RM'000	Restated As at 31.12.2011 RM'000
(iii) By type of contract		
Bai' Bithaman Ajil ('BBA')	1,128,485	1,409,405
Ijarah	4,877,053	4,352,460
Murabahah	3,832,116	1,657,958
Musyarakah	2,305,750	1,658,224
Istisna'	215,772	340,447
Bai'Inah	3,490,490	3,550,837
Others	107,265	90,424
Gross financing and advances	<u>15,956,931</u>	<u>13,059,755</u>
(iv) By profit rate sensitivity		
Fixed rate:		
- Housing financing	965,128	1,083,846
- Hire-purchase receivables	4,256,586	3,548,299
- Other fixed rate financing	5,815,529	4,142,517
Variable rate:		
- BFR-plus	3,996,070	3,741,336
- Cost-plus	923,618	543,757
Gross financing and advances	<u>15,956,931</u>	<u>13,059,755</u>
(v) By purpose		
Purchase of securities	-	8,610
Purchase of transport vehicles	4,220,730	3,481,840
Purchase of landed property:		
- Residential	3,162,800	2,788,300
- Non-residential	224,950	199,920
Purchase of property, plant and equipment other than land and building	335,410	469,090
Personal use	544,800	234,650
Credit card	106,136	47,904
Purchase of consumer durables	30	50
Construction	895,120	478,800
Merger and acquisition	32,710	-
Working capital	2,227,630	1,517,800
Other purposes	4,206,615	3,832,791
Gross financing and advances	<u>15,956,931</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.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (CONTINUED)

13 FINANCING AND ADVANCES (CONTINUED)

	Unaudited As at 30.09.2012 RM'000	Restated As at 31.12.2011 RM'000
(vi) The remaining contractual maturities		
Maturing within one year	2,421,555	1,452,637
One to three years	615,707	439,081
Three to five years	2,593,247	1,625,194
Over five years	10,326,422	9,542,843
Gross financing and advances	<u>15,956,931</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	295,086	280,102
Amount recovered	(103,362)	(81,975)
Amount written off	(28,522)	(57,649)
Reclassified as non-impaired during the financial period/year	(217,218)	(238,614)
Balance as at the end of the financial period/year	<u>506,601</u>	<u>560,617</u>

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

13 FINANCING AND ADVANCES (CONTINUED)

	Unaudited As at 30.09.2012 RM'000	Restated As at 31.12.2011 RM'000
(vii) Impaired financing and advances (continued)		
(b) By purpose		
Purchase of transport vehicles	54,150	21,890
Purchase of landed property:		
- Residential	134,820	171,805
- Non-residential	15,030	13,879
Purchase of property, plant and equipment other than land and building	13,700	68,610
Personal use	4,140	5,389
Credit card	3,750	157
Construction	1,960	1,409
Working capital	250,190	275,676
Other purposes	28,861	1,802
Gross impaired financing and advances	506,601	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	47,273	10,226
Amount written off	(13,580)	(42,942)
Transfer to collective impairment allowance	(1,105)	-
Balance as at the end of the financial period/year	163,312	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	3,837	(26,472)
Amount written off	(10,052)	(27,784)
Transfer from individual impairment allowance	1,105	-
Balance as at the end of the financial period/year	191,326	196,436
Collective impairment allowance (inclusive of regulatory reserve) as % of gross financing and advances (excluding RPSIA financing) less individual impairment allowance	1.25%	1.52%

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

14 OTHER ASSETS

	Unaudited	Audited
	As at	As at
	30.09.2012	31.12.2011
	RM'000	RM'000
Deposits and prepayments	1,302	945
Sundry deposits debtors	1,240	1,240
Other debtors	14,314	85,009
	16,856	87,194

15 DEPOSITS FROM CUSTOMERS

	Unaudited	Audited
	As at	As at
	30.09.2012	31.12.2011
	RM'000	RM'000
<u>Non-Mudharabah Funds:</u>		
Demand deposits	3,066,266	1,635,227
Savings deposits	720,310	638,101
Commodity Murabahah	3,456,395	3,117,224
Wakalah Money Market Deposit	105,442	-
	7,348,413	5,390,552
<u>Mudharabah Funds:</u>		
Demand deposits	458,086	405,040
Savings deposits	44,398	12,712
General investment accounts	815,273	682,066
Special investment accounts	10,005,357	10,559,726
	18,671,527	17,050,096

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

Due within six months	12,872,988	13,446,439
Six months to one year	1,351,977	874,109
One year to three years	140,563	34,707
Three years to five years	16,939	3,761
	14,382,467	14,359,016

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

Government and statutory bodies	6,392,819	5,332,891
Business enterprises	8,777,532	7,094,590
Individuals	1,446,300	1,171,292
Others	2,054,876	3,451,323
	18,671,527	17,050,096

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16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Unaudited As at 30.09.2012 RM'000	Audited As at 31.12.2011 RM'000
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	1,217,217	1,076,703
Licensed banks	1,685,698	721,154
Licensed investment banks	-	100,035
Bank Negara Malaysia	<u>302</u>	<u>35,263</u>
	2,903,217	1,933,155
<u>Mudharabah Funds:</u>		
Licensed Islamic banks	340,615	1,003,049
Licensed banks	728,546	725,572
Other financial institutions	<u>710,393</u>	<u>100,091</u>
	4,682,771	3,761,867

17 OTHER LIABILITIES

	Unaudited As at 30.09.2012 RM'000	Audited As at 31.12.2011 RM'000
Sundry creditors	7,240	11,511
Profit equalisation reserve	-	7,252
Amount due to holding company	263,521	386,227
Other accruals and payables	<u>65,878</u>	<u>41,791</u>
	336,639	446,781

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18 INCOME DERIVED FROM INVESTMENTS OF DEPOSITORS' FUNDS

	Current Financial Quarter ended 30.09.2012 RM'000	Restated Preceding Corresponding Financial Quarter ended 30.09.2011 RM'000	Current Financial Nine Months ended 30.09.2012 RM'000	Restated Preceding Corresponding Financial Nine Months ended 30.09.2011 RM'000
Income derived from investment of:				
(i) General investment deposit	9,083	8,687	25,589	33,429
(ii) Other deposits	264,551	206,508	739,699	487,381
	273,634	215,195	765,288	520,810
(i) Income derived from investment of general investments deposits:				
<u>Finance income and hibah</u>				
Financing and advances	6,252	6,277	17,153	24,697
Financial assets held-for-trading	33	77	160	184
Financial investments available-for-sale	499	742	1,675	3,489
Financial investments held-to-maturity	650	509	1,621	2,340
Money at call and deposit with financial institutions	1,317	822	4,038	1,787
Total finance income and hibah	8,751	8,427	24,647	32,497
Other operating income (note a to c)	332	260	942	932
	9,083	8,687	25,589	33,429
Of which:				
Financing income earned on impaired financing	131	287	636	1,146
Other operating income comprise of:				
(a) Fee income:				
- Commission	43	-	122	135
- Guarantee fees	14	4	30	57
	57	4	152	192
(b) Net gain on disposal of financial assets held-for-trading	58	165	288	392
(c) Net gain on disposal of financial investments available-for-sale	217	91	502	348
	275	256	790	740
	332	260	942	932

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

	Current Financial Quarter ended 30.09.2012 RM'000	Restated Preceding Corresponding Financial Quarter ended 30.09.2011 RM'000	Current Financial Nine Months ended 30.09.2012 RM'000	Restated Preceding Corresponding Financial Nine Months ended 30.09.2011 RM'000
(ii) Income derived from investment of other deposits:				
<u>Finance income and hibah</u>				
Financing and advances	182,081	149,205	495,878	358,109
Financial assets held-for-trading	950	1,810	4,552	3,153
Financial investments available-for-sale	14,541	17,640	48,376	48,833
Financial investments held-to-maturity	18,941	12,104	46,871	32,756
Money at call and deposit with financial institutions	38,355	19,547	116,699	30,507
Total finance income and hibah	<u>254,868</u>	<u>200,306</u>	<u>712,376</u>	<u>473,358</u>
Other operating income (note a to c)	9,683	6,202	27,323	14,023
	<u>264,551</u>	<u>206,508</u>	<u>739,699</u>	<u>487,381</u>
Of which:				
Financing income earned on impaired financing	<u>3,809</u>	<u>6,824</u>	<u>16,536</u>	<u>15,886</u>
Other operating income comprise of:				
(a) Fee income:				
- Commission	1,259	-	3,529	1,144
- Guarantee fees	401	113	897	759
	<u>1,660</u>	<u>113</u>	<u>4,426</u>	<u>1,903</u>
(b) Net gain on disposal of financial assets held-for-trading	1,695	3,922	8,326	6,555
(c) Net gain on disposal of financial investment available-for-sale	6,328	2,167	14,571	5,565
	<u>8,023</u>	<u>6,089</u>	<u>22,897</u>	<u>12,120</u>
	<u>9,683</u>	<u>6,202</u>	<u>27,323</u>	<u>14,023</u>

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19 INCOME DERIVED FROM INVESTMENTS OF SHAREHOLDERS' FUNDS

	Current Financial Quarter ended 30.09.2012 RM'000	Restated Preceding Corresponding Financial Quarter ended 30.09.2011 RM'000	Current Financial Nine Months ended 30.09.2012 RM'000	Restated Preceding Corresponding Financial Nine Months ended 30.09.2011 RM'000
<u>Finance income and hibah</u>				
Financing and advances	6,260	4,573	17,853	17,937
Financial assets held-for-trading	33	56	167	132
Financial investments available-for-sale	500	541	1,750	2,535
Financial investments held-to-maturity	652	371	1,684	1,701
Money at call and deposit with financial institutions	1,319	599	4,213	1,299
Total finance income and hibah	<u>8,764</u>	6,140	<u>25,667</u>	23,604
Other operating income/(loss) (note a to f)	<u>12,307</u>	(25,001)	<u>40,066</u>	(17,340)
	<u>21,071</u>	<u>(18,861)</u>	<u>65,733</u>	<u>6,264</u>
Of which:				
Financing income earned on impaired financing	<u>131</u>	<u>209</u>	<u>544</u>	<u>953</u>
Other operating income comprise of:				
(a) Fee income:				
- Commission	1,603	2,213	4,729	4,622
- Service charges and fees	7,972	4,648	21,321	11,755
- Guarantee and underwriting fees	443	124	1,152	1,004
	<u>10,018</u>	<u>6,985</u>	<u>27,202</u>	<u>17,381</u>
(b) Net gain on financial assets held-for-trading				
- net gain on disposal	58	121	305	287
(c) Net (loss)/gain on revaluation of derivatives	(3,382)	(32,788)	5,268	(35,654)
(d) Net gain on fair value hedges	4,327	-	4,670	-
(e) Net gain on disposal of financial investment available-for-sale	218	66	526	249
(f) Other income				
Foreign exchange gain/(loss)				
- realised	508	417	2,046	198
- unrealised	557	196	(4)	166
Gain on disposal of property, plant and equipment	2	2	42	33
Other non-operating income	1	-	11	-
	<u>2,289</u>	<u>(31,986)</u>	<u>12,864</u>	<u>(34,721)</u>
	<u>12,307</u>	<u>(25,001)</u>	<u>40,066</u>	<u>(17,340)</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
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20 ALLOWANCES FOR IMPAIRMENT ON FINANCING AND ADVANCES

	Current Financial Quarter ended 30.09.2012 RM'000	Restated Preceding Corresponding Financial Quarter ended 30.09.2011 RM'000	Current Financial Nine Months ended 30.09.2012 RM'000	Restated Preceding Corresponding Financial Nine Months ended 30.09.2011 RM'000
Allowance for impairment on financing and advances:				
- Individual assessment allowance	2,073	(1,083)	47,272	(2,638)
- Collective assessment allowance	1,745	(20,263)	3,837	(21,268)
- Impaired financing recovered	(2,290)	(2,204)	(5,709)	(4,922)
- Impaired financing written off	4,162	5,031	7,952	9,896
	5,690	(18,519)	53,352	(18,932)

21 INCOME ATTRIBUTABLE TO DEPOSITORS

	Current Financial Quarter ended 30.09.2012 RM'000	Restated Preceding Corresponding Financial Quarter ended 30.09.2011 RM'000	Current Financial Nine Months ended 30.09.2012 RM'000	Restated Preceding Corresponding Financial Nine Months ended 30.09.2011 RM'000
Deposits from customers:				
- Mudharabah funds	98,436	73,423	294,081	174,719
- Non-mudharabah funds	51,395	16,445	126,340	33,970
Deposits and placements of banks and financial institutions:				
- Mudharabah funds	13,808	24,130	40,762	42,705
- Non-mudharabah funds	12,988	11,144	30,168	24,028
	176,627	125,142	491,351	275,422

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
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22 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 30.09.2012			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	94,617	47,309	33,644	94,558	47,279	35,465
Short term self-liquidating trade-related contingencies	50,213	10,043	1,922	42,424	8,485	967
Obligations under underwriting agreements	179,000	89,500	89,500	208,500	104,250	104,250
Assets sold with recourse	720,609	720,609	545,516	-	-	-
Irrevocable commitments to extend credit						
- maturity more than one year	2,189,446	967,762	761,409	2,280,366	456,073	394,697
- maturity less than one year	1,971,060	394,212	377,908	1,686,599	337,320	337,320
Foreign exchange related contracts:						
- less than one year	663,051	3,982	2,400	371,106	4,948	1,762
Profit rate related contracts:						
- one year to less than five years	3,300,000	53,775	26,888	2,600,000	49,500	24,750
Total	9,167,996	2,287,192	1,839,187	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.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
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23 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
	30.09.2012	31.12.2011
	RM'000	RM'000
<u>Tier I Capital</u>		
Paid-up ordinary share capital	973,424	773,424
Retained profits	315,493	271,298
Statutory reserve	315,700	280,411
	<u>1,604,617</u>	<u>1,325,133</u>
Less:		
Deferred tax assets	(511)	(9,105)
Total Tier I Capital	<u>1,604,106</u>	<u>1,316,028</u>
<u>Tier II Capital</u>		
Collective impairment / allowance for bad and doubtful financing [^]	99,172	135,113
Total Tier II Capital	<u>99,172</u>	<u>135,113</u>
Less:		
Other deduction*	-	(24)
Eligible Tier II capital	<u>99,172</u>	<u>135,089</u>
Total Capital Base	<u>1,703,278</u>	<u>1,451,117</u>
<u>Capital Ratios</u>		
Core capital ratio (inclusive of market risk)	12.63%	12.65%
Risk-weighted capital ratio (inclusive of market risk)	<u>13.41%</u>	<u>13.95%</u>
Risk-weighted assets by each major risk category are as follows:		
Credit risk-weighted assets	11,933,757	9,226,699
Market risk-weighted assets	96,576	565,103
Operational risk-weighted assets	670,556	608,028
Total risk-weighted assets	<u>12,700,889</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.

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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 nine months ended 30 September 2012.

27 CHANGES IN PROFIT FOR THE QUARTER

The Bank reported a pre-tax profit of RM62.3 million for the current quarter, more than 100% higher as compared to the preceding corresponding quarter ended 30 June 2012. The gain are mainly attributed to lower allowances made for impaired financing and advances by RM57.2 million, higher non funding income by RM10.7 million, and higher net funding income by RM4.1 million. These are being offset with higher overhead expenses by RM3.1 million.

28 PERFORMANCE REVIEW

For the nine months ended 30 September 2012, the Bank recorded a pre-tax profit of RM156.4 million, 9.7% higher than previous year corresponding period of RM142.7 million. The higher profit was as a result of higher non funding income by RM70.8 million, impact on PER writeback by RM20.1 million and higher net funding income by RM17.2 million. These are offset with higher impaired financing and advances by RM72.3 million and higher overhead expenses by RM22.0 million.

29 PROSPECTS FOR 2012

The Malaysian economy is expected to grow at 4% to 5% in 2012 although the outlook of the global economy remains challenging until the end of the year. In addition to the Economic Transformation Programme, which is envisaged to further strengthen and support the economy, consumer demand and confidence remains resilient.

The Bank continues to strengthen its leadership position in targeted markets and product segments, building strong customer relationships as well as leveraging on the Group's infrastructure and multiple distribution networks.

The Bank foresees a continued and competitive operating environment for the rest of the financial year. Barring any unforeseen circumstances, the Bank expects satisfactory results for the remainder of the financial year.

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30 CHANGES IN ACCOUNTING POLICIES

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

As at 1 January 2011	As previously reported	Effect on full adoption of MFRS 139	As restated
	RM'000	RM'000	RM'000
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

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
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30 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

	<u>As previously reported</u> RM'000	<u>Effect on full adoption of MFRS 139</u> RM'000	<u>As restated</u> RM'000
For the nine months period ended 30 September 2011			
Income derived from investment of depositors' funds	518,728	2,082	520,810
Income derived from investment of shareholder's funds	12,159	(5,895)	6,264
Allowance for impairment on financing and advances and other losses	(36,216)	55,148	18,932
Transfer to profit equalisation reserves	(12,773)	-	(12,773)
Total distributable income	<u>481,898</u>	<u>51,335</u>	<u>533,233</u>
Income attributable to depositors	(275,422)	-	(275,422)
Total net income	<u>206,476</u>	<u>51,335</u>	<u>257,811</u>
Personnel expenses	(47,380)	-	(47,380)
Other operating expenses	(67,763)	-	(67,763)
Profit before taxation	<u>91,333</u>	<u>51,335</u>	<u>142,668</u>
Taxation	(21,870)	(12,834)	(34,704)
Net profit for the financial period	<u><u>69,463</u></u>	<u><u>38,501</u></u>	<u><u>107,964</u></u>
Basic earnings per share (sen)	<u>13.27</u>		<u>20.63</u>