

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

**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2013**

		<b>Unaudited</b>	<b>Audited</b>
	Note	<b>As at</b>	<b>As at</b>
		<b>30.06.2013</b>	<b>31.12.2012</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>			
Cash and short-term funds		1,512,573	2,881,135
Deposits and placements with banks and other financial institutions		1,437,956	1,988,635
Financial assets held-for-trading	9	515,473	439,382
Financial investments available-for-sale	10	2,646,954	1,499,013
Financial investments held-to-maturity	11	2,401,964	2,034,698
Financing and advances	12	17,663,410	16,002,714
Other assets	13	68,049	67,001
Derivative assets		6,755	2,278
Statutory deposits with Bank Negara Malaysia		738,000	672,755
Deferred tax assets		4,682	927
Property, plant and equipment		13,741	13,201
Intangible assets		7,755	7,923
<b>TOTAL ASSETS</b>		<b><u>27,017,312</u></b>	<b><u>25,609,662</u></b>
<b>LIABILITIES AND EQUITY</b>			
Deposits from customers	14	18,673,012	17,326,681
Deposits and placements of banks and other financial institutions	15	4,541,087	4,562,492
Bills and acceptances payable		20,538	21,613
Derivative liabilities		13,387	20,112
Recourse obligations on financing sold to Cagamas Berhad ('Cagamas')		1,387,073	1,462,521
Other liabilities	16	407,765	498,970
Provision for tax and zakat		25,271	23,600
<b>TOTAL LIABILITIES</b>		<b><u>25,068,133</u></b>	<b><u>23,915,989</u></b>
Ordinary share capital		1,173,424	973,424
Reserves		775,755	720,249
<b>TOTAL EQUITY</b>		<b><u>1,949,179</u></b>	<b><u>1,693,673</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>27,017,312</u></b>	<b><u>25,609,662</u></b>
<b>COMMITMENTS AND CONTINGENCIES</b>	21	<b><u>7,413,165</u></b>	<b><u>7,253,024</u></b>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2012.

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

**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2013**

	Note	<u>Individual Quarter</u>		<u>Cumulative Six Months</u>	
		<b>Current Financial Quarter ended</b>	Preceding Corresponding Financial Quarter ended	<b>Current Financial Six Months Ended</b>	Preceding Corresponding Six Months Ended
		<b>30.06.2013</b>	30.06.2012	<b>30.06.2013</b>	30.06.2012
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Income derived from investment of depositors' funds	17	<b>271,072</b>	251,976	<b>534,623</b>	491,654
Income derived from investment of shareholders' funds	18	<b>26,278</b>	13,400	<b>51,293</b>	44,663
Allowance for impairment on financing and advances	19	<b>(21,698)</b>	(62,804)	<b>(30,800)</b>	(47,662)
Impairment losses on other assets		<b>(701)</b>	-	<b>(701)</b>	-
Profit equalisation reserve		-	-	-	7,252
Total distributable income		<b>274,951</b>	202,572	<b>554,415</b>	495,907
Income attributable to depositors	20	<b>(175,363)</b>	(162,035)	<b>(352,871)</b>	(314,725)
		<b>99,588</b>	40,537	<b>201,544</b>	181,182
Personnel expenses		<b>(20,287)</b>	(18,054)	<b>(38,284)</b>	(33,944)
Other overheads and expenditures		<b>(38,511)</b>	(29,052)	<b>(69,432)</b>	(53,079)
Profit/(loss) before taxation		<b>40,790</b>	(6,569)	<b>93,828</b>	94,159
Taxation		<b>(10,240)</b>	1,528	<b>(23,579)</b>	(23,580)
Net profit/(loss) for the financial period		<b>30,550</b>	(5,041)	<b>70,249</b>	70,579
Basic earnings per share (sen)	6	<b>2.60</b>	(0.65)	<b>6.46</b>	9.13

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

**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2013**

	<u>Individual Quarter</u>		<u>Cumulative Six Months</u>	
	<b>Current Financial Quarter ended 30.06.2013 RM'000</b>	Preceding Corresponding Financial Quarter ended 30.06.2012 RM'000	<b>Current Financial Six Months Ended 30.06.2013 RM'000</b>	Preceding Corresponding Financial Six Months ended 30.06.2012 RM'000
Net profit/(loss) for the financial period	<b>30,550</b>	(5,041)	<b>70,249</b>	70,579
Other comprehensive (loss)/income:				
Items that will be reclassified to income statements				
- Unrealised net (loss)/gain on revaluation of financial investments available-for-sale ('AFS')	<b>(13,347)</b>	10,691	<b>(12,224)</b>	16,826
- Net transfer to income statements on disposal or impairment on AFS	<b>(5,101)</b>	(2,374)	<b>(7,433)</b>	(7,351)
Income tax relating to components of other comprehensive loss	<b>4,612</b>	(2,079)	<b>4,914</b>	(2,369)
Other comprehensive (loss)/income, net of tax, for the financial period	<b>(13,836)</b>	6,238	<b>(14,743)</b>	7,106
Total comprehensive income for the financial period	<b>16,714</b>	1,197	<b>55,506</b>	77,685

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2012.

**RHB ISLAMIC BANK BERHAD (680329 – V)**  
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**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2013**

	Share capital	Non distributable		Distributable	Total
		Statutory reserve	AFS reserves	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Balance as at 1 January 2013</b>	<b>973,424</b>	<b>358,359</b>	<b>3,739</b>	<b>358,151</b>	<b>1,693,673</b>
Issuance of share	<b>200,000</b>	-	-	-	<b>200,000</b>
Net profit for the financial period	-	-	-	<b>70,249</b>	<b>70,249</b>
Other comprehensive income/(loss):					
Financial investments available-for-sale					
- Unrealised net loss on revaluation	-	-	<b>(12,224)</b>	-	<b>(12,224)</b>
- Net transfer to income statement on disposal or impairment	-	-	<b>(7,433)</b>	-	<b>(7,433)</b>
Income tax relating to components of other comprehensive loss	-	-	<b>4,914</b>	-	<b>4,914</b>
Total comprehensive (loss)/income for the financial period	-	-	<b>(14,743)</b>	<b>70,249</b>	<b>55,506</b>
<b>Balance as at 30 June 2013</b>	<b>1,173,424</b>	<b>358,359</b>	<b>(11,004)</b>	<b>428,400</b>	<b>1,949,179</b>

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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 2013**

	Share capital RM'000	Non distributable		Distributable	Total RM'000
		Statutory reserve RM'000	AFS reserves RM'000	Retained profits RM'000	
<b>Balance as at 1 January 2012</b>	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 gain	-	-	(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)	-
<b>Balance as at 30 June 2012</b>	<u>773,424</u>	<u>280,411</u>	<u>14,209</u>	<u>350,782</u>	<u>1,418,826</u>

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**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 2013**

	<b>Six months ended</b>	
	<b>30.06.2013</b>	30.06.2012
	<b>RM'000</b>	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	93,828	94,159
Adjustment for non-cash items	<b>(52,761)</b>	(22,146)
Operating profit before changes in working capital	<b>41,067</b>	72,013
Changes in working capital:		
Net changes in operating assets	(1,276,741)	(1,772,908)
Net changes in operating liabilities	<b>1,148,658</b>	1,932,083
	<b>(87,016)</b>	231,188
Taxation paid	<b>(20,748)</b>	(1,362)
Net cash (used in)/generated from operating activities	<b>(107,764)</b>	229,826
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,136)	(1,163)
Purchase of intangible assets	<b>(1,308)</b>	-
Proceeds from disposal of property, plant and equipment	16	-
Net purchase of financial investments available-for-sale	(1,156,238)	(392,629)
Net redemption of financial investments held-to-maturity	<b>(364,237)</b>	(331,778)
Income received from financial investments available-for-sale	27,347	38,989
Income received from financial investments held-to-maturity	<b>34,758</b>	29,269
Net cash used in investing activities	<b>(1,460,798)</b>	(657,312)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of ordinary shares	<b>200,000</b>	-
Net cash generated from financing activities	<b>200,000</b>	-
Net decrease in cash and cash equivalents	(1,368,562)	(427,486)
Cash and cash equivalents brought forward	<b>2,881,135</b>	5,614,932
Cash and cash equivalents carried forward	<b>1,512,573</b>	5,187,446
<b>ANALYSIS OF CASH AND CASH EQUIVALENT</b>		
Cash and short-term funds	<b>1,512,573</b>	5,187,446

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

**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 the MASB and should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2012.

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 2012, 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 2013:

MFRS 13	Fair Value Measurements
Amendment to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendment to MFRS 101	Presentation of Items of Other Comprehensive Income
Annual Improvements to MFRS 2009-2011 Cycle	

The adoption of the above accounting standards, amendments to published accounting standards and interpretations to existing accounting standards does not give rise to any material financial impact to the Bank.

**2 AUDITORS' REPORT**

The auditors' report for the financial year ended 31 December 2012 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 2013.

**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 2013.

**6 CHANGES IN DEBT AND EQUITY SECURITIES**

There were no issuances and repayments of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the financial period under review.

During the financial period, the Bank increased its issued and paid up capital share from RM973,424,000 to RM1,173,424,000 via the issuance of 200,000,000 new ordinary shares of RM1.00 each to RHB Bank Berhad, its immediate holding company.

The Bank has also increased its authorised share capital from RM1,000,000,000 to RM3,000,000,000 to facilitate the issuance of new shares, as well as to cater for any future issuance of new Bank shares.

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

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2013 (CONTINUED)**

7 DIVIDENDS PAID

No dividend has been paid during the six months ended 30 June 2013.

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 SIX MONTHS ENDED 30 JUNE 2013 (CONTINUED)**

9 FINANCIAL ASSETS HELD-FOR-TRADING

	<b>Unaudited</b>	Audited
	As at	As at
	<b>30.06.2013</b>	31.12.2012
	<b>RM'000</b>	RM'000
<b>At fair value</b>		
<u>Money market instruments:</u>		
Malaysian government investment issues	-	151,583
BNM monetary notes	<b>399,107</b>	-
Wakala Global Sukuk	-	7,144
Negotiable instrument of deposits	<b>99,326</b>	-
Cagamas bonds	-	250,324
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	<b>17,040</b>	30,331
	<b>515,473</b>	439,382

10 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	<b>Unaudited</b>	Audited
	As at	As at
	<b>30.06.2013</b>	31.12.2012
	<b>RM'000</b>	RM'000
<b>At fair value</b>		
<u>Money market instruments:</u>		
Malaysian government investment issues	<b>629,234</b>	486,371
Wakala Global Sukuk	<b>44,594</b>	16,870
Khazanah Bonds	<b>15,856</b>	36,017
Cagamas Bonds	<b>95,244</b>	50,332
Islamic accepted bills	<b>50,285</b>	-
Negotiable instrument of deposits	<b>325,885</b>	-
Sukuk Perumahan Kerajaan Bonds	<b>9,895</b>	-
<u>Quoted securities:</u>		
<u>In Malaysia</u>		
Shares	<b>657</b>	-
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	<b>1,474,729</b>	908,848
	<b>2,646,379</b>	1,498,438
<b>At cost</b>		
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Shares	<b>575</b>	575
	<b>2,646,954</b>	1,499,013

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2013 (CONTINUED)**

11 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30.06.2013</b>	<b>31.12.2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>		
<u>Money market instruments:</u>		
Malaysian government investment issues	<b>844,559</b>	743,403
Cagamas bonds	<b>274,917</b>	275,084
Khazanah bonds	<b>8,817</b>	8,658
Negotiable Islamic Debts Certificates	<b>405,623</b>	422,086
Sukuk Perumahan Kerajaan Bonds	<b>9,924</b>	-
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	<b>858,124</b>	585,467
	<b>2,401,964</b>	2,034,698

**RHB ISLAMIC BANK BERHAD (680329 – V)**  
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2013 (CONTINUED)**

12 FINANCING AND ADVANCES

(i) By type

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30.06.2013</b>	<b>31.12.2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>		
Cashline	153,224	151,526
Term financing:		
- housing financing	3,926,230	3,471,369
- syndicated term financing	444,340	384,584
- hire purchase receivables	4,934,196	4,416,398
- other term financing	6,226,095	5,833,269
Bills receivables	837,238	852,323
Trust receipts	37,482	21,299
Staff financing	7,816	8,125
Credit/charge cards receivables	153,584	120,899
Revolving financing	1,200,787	1,006,569
Gross financing and advances	17,920,992	16,266,361
Fair value changes arising from value hedge	(4,155)	3,140
Allowances for bad and doubtful financing:		
- individual impairment allowance	(84,274)	(89,013)
- collective impairment allowance	(169,153)	(177,774)
Net financing and advances	<u>17,663,410</u>	<u>16,002,714</u>

- (a) 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 June 2013, the gross exposures to RPSIA financing are RM1,800 million (2012: RM 1,800 million) and the portfolio impairment allowance relating to this RPSIA amounting to RM 8.9 million (2012: RM 7.7 million) is recognised in the financial statements of RHB Bank. There was no individual impairment provided in this RPSIA financing.

- (b) Included in term financing are hire purchase receivable and other term financing sold to Cagamas amounting to RM1,343 million (2012: RM 1,435 million).

(ii) By type of customer

Domestic non-bank financial institutions:		
- Others	873,637	570,347
Domestic business enterprise:		
- Small medium enterprise	706,947	639,086
- Others	3,297,780	3,291,401
Government and statutory bodies	3,316,126	3,314,272
Individuals	9,506,006	8,255,302
Other domestic entities	16,521	292
Foreign entities	203,975	195,661
Gross financing and advances	<u>17,920,992</u>	<u>16,266,361</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 2013 (CONTINUED)**

12 FINANCING AND ADVANCES (CONTINUED)

	<b>Unaudited</b> <b>As at</b> <b>30.06.2013</b> <b>RM'000</b>	<b>Audited</b> <b>As at</b> <b>31.12.2012</b> <b>RM'000</b>
(iii) By type of contract		
Bai' Bithaman Ajil ('BBA')	<b>903,906</b>	1,079,691
Ijarah	<b>5,890,862</b>	5,027,745
Murabahah	<b>4,462,160</b>	3,919,949
Musyarakah	<b>3,053,157</b>	2,526,493
Istisna'	<b>21,403</b>	133,283
Bai'Inah	<b>3,319,918</b>	3,469,626
Others	<b>269,586</b>	109,574
Gross financing and advances	<b><u>17,920,992</u></b>	<b><u>16,266,361</u></b>
(iv) By profit rate sensitivity		
Fixed rate:		
- Housing financing	<b>862,406</b>	933,103
- Hire-purchase receivables	<b>4,934,196</b>	4,416,398
- Other fixed rate financing	<b>6,150,570</b>	5,830,328
Variable rate:		
- BFR-plus	<b>5,099,100</b>	4,212,910
- Cost-plus	<b>874,720</b>	873,622
Gross financing and advances	<b><u>17,920,992</u></b>	<b><u>16,266,361</u></b>
(v) By purpose		
Purchase of transport vehicles	<b>4,916,690</b>	4,383,378
Purchase of landed property:		
- Residential	<b>3,771,248</b>	3,342,435
- Non-residential	<b>423,860</b>	241,249
Purchase of property, plant and equipment other than land and building	<b>400,037</b>	318,654
Personal use	<b>894,830</b>	647,841
Credit card	<b>153,584</b>	120,899
Purchase of consumer durables	<b>10</b>	17
Construction	<b>455,200</b>	791,046
Working capital	<b>2,308,605</b>	2,195,832
Other purposes	<b>4,596,928</b>	4,225,010
Gross financing and advances	<b><u>17,920,992</u></b>	<b><u>16,266,361</u></b>

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 SIX MONTHS ENDED 30 JUNE 2013 (CONTINUED)**

12 FINANCING AND ADVANCES (CONTINUED)

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30.06.2013</b>	<b>31.12.2012</b>
	<b>RM'000</b>	<b>RM'000</b>
(vi) The remaining contractual maturities		
Maturing within one year	<b>2,676,928</b>	2,377,613
One to three years	<b>965,420</b>	934,479
Three to five years	<b>2,310,133</b>	2,315,176
Over five years	<b>11,968,511</b>	10,639,093
Gross financing and advances	<b><u>17,920,992</u></b>	<u>16,266,361</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	<b>409,064</b>	560,617
Classified as impaired during the financial period/year	<b>207,336</b>	377,761
Amount recovered	<b>(34,896)</b>	(114,629)
Amount written off	<b>(30,574)</b>	(137,476)
Reclassified as non-impaired	<b>(116,266)</b>	(277,209)
Balance as at the end of the financial period/year	<b><u>434,664</u></b>	<u>409,064</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2013 (CONTINUED)**

12 FINANCING AND ADVANCES (CONTINUED)

	<b>Unaudited</b> <b>As at</b> <b>30.06.2013</b> <b>RM'000</b>	<b>Audited</b> <b>As at</b> <b>31.12.2012</b> <b>RM'000</b>
(vii) Impaired financing and advances (continued)		
(b) By purpose		
Purchase of transport vehicles	41,633	48,580
Purchase of landed property:		
- Residential	137,370	129,841
- Non-residential	50,542	15,058
Purchase of property, plant and equipment other than land and building	11,712	12,741
Personal use	4,114	3,697
Credit card	4,740	3,452
Construction	1,179	1,289
Working capital	156,092	165,106
Other purposes	27,282	29,300
Gross impaired financing and advances	<b>434,664</b>	<b>409,064</b>
(c) Movement in allowance for impaired financing and advances		
<u>Individual impairment allowance</u>		
Balance as at the beginning of the financial period/year	89,013	130,724
Net allowance made during the financial period/year	798	67,920
Amount written off	(6,638)	(108,708)
Transfer from/(to) collective impairment allowance	1,101	(923)
Balance as at the end of the financial period/year	<b>84,274</b>	<b>89,013</b>
<u>Collective impairment allowance</u>		
Balance as at the beginning of the financial period/year	177,774	196,436
Net allowance made/(recovered) during the financial period/year	10,138	(487)
Amount written off	(17,658)	(19,098)
Transfer (to)/from individual impairment allowance	(1,101)	923
Balance as at the end of the financial period/year	<b>169,153</b>	<b>177,774</b>
Collective impairment allowance (inclusive of regulatory reserve) as % of gross financing and advances (excluding RPSIA financing) less individual impairment allowance	<b>1.05%</b>	<b>1.24%</b>

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13 OTHER ASSETS

	<b>Unaudited</b> <b>As at</b> <b>30.06.2013</b> <b>RM'000</b>	<b>Audited</b> <b>As at</b> <b>31.12.2012</b> <b>RM'000</b>
Deposits and prepayments	1,203	249
Sundry deposits debtors	1,253	1,243
Other debtors	65,593	65,509
	<b>68,049</b>	<b>67,001</b>

14 DEPOSITS FROM CUSTOMERS

	<b>Unaudited</b> <b>As at</b> <b>30.06.2013</b> <b>RM'000</b>	<b>Audited</b> <b>As at</b> <b>31.12.2012</b> <b>RM'000</b>
<u>Non-Mudharabah Funds:</u>		
Demand deposits	1,778,138	1,830,203
Savings deposits	743,573	716,821
Commodity Murabahah	2,961,137	2,631,890
Wakalah Money Market Deposit	29,755	28,264
	<b>5,512,603</b>	<b>5,207,178</b>
<u>Mudharabah Funds:</u>		
Demand deposits	469,266	480,301
Savings deposits	105,912	54,425
General investment accounts	844,860	802,880
Special investment accounts	11,740,371	10,781,897
	<b>18,673,012</b>	<b>17,326,681</b>

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

Due within six months	13,296,290	12,583,414
Six months to one year	2,241,689	1,517,286
One year to three years	26,729	131,734
Three years to five years	11,415	12,497
	<b>15,576,123</b>	<b>14,244,931</b>

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

Government and statutory bodies	4,296,878	5,875,912
Business enterprises	10,155,345	8,374,096
Individuals	1,921,659	1,490,441
Others	2,299,130	1,586,232
	<b>18,673,012</b>	<b>17,326,681</b>

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15 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<b>Unaudited</b> <b>As at</b> <b>30.06.2013</b> <b>RM'000</b>	<b>Audited</b> <b>As at</b> <b>31.12.2012</b> <b>RM'000</b>
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	548,903	691,262
Licensed banks	1,249,636	928,320
Bank Negara Malaysia	333	625
Other financial institutions	99,640	-
	<b>1,898,512</b>	1,620,207
<u>Mudharabah Funds:</u>		
Licensed Islamic banks	50,021	392,273
Licensed banks	1,855,180	1,815,187
Other financial institutions	737,374	734,825
	<b>4,541,087</b>	4,562,492

16 OTHER LIABILITIES

	<b>Unaudited</b> <b>As at</b> <b>30.06.2013</b> <b>RM'000</b>	<b>Audited</b> <b>As at</b> <b>31.12.2012</b> <b>RM'000</b>
Sundry creditors	22,690	9,821
Amount due to ultimate holding company	-	99
Amount due to immediate holding company	276,396	382,495
Short term employee benefits	6,971	11,259
Other accruals and payables	101,708	95,296
	<b>407,765</b>	498,970



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17 INCOME DERIVED FROM INVESTMENTS OF DEPOSITORS' FUNDS

	<b>Current Financial Quarter ended 30.06.2013 RM'000</b>	Preceding Corresponding Financial Quarter ended 30.06.2012 RM'000	<b>Current Financial Half Year ended 30.06.2013 RM'000</b>	Preceding Corresponding Financial Half Year ended 30.06.2012 RM'000
Income derived from investment of:				
(i) General investment deposit	<b>11,275</b>	8,534	<b>20,989</b>	16,506
(ii) Other deposits	<b>259,797</b>	243,442	<b>513,634</b>	475,148
	<b>271,072</b>	251,976	<b>534,623</b>	491,654
(i) Income derived from investment of general investments deposits:				
<u>Finance income and hibah</u>				
Financing and advances	<b>8,663</b>	5,689	<b>15,607</b>	10,901
Financial assets held-for-trading	<b>134</b>	45	<b>234</b>	127
Financial investments available-for-sale	<b>694</b>	634	<b>1,230</b>	1,176
Financial investments held-to-maturity	<b>841</b>	511	<b>1,551</b>	971
Money at call and deposit with financial institutions	<b>686</b>	1,427	<b>1,818</b>	2,721
Total finance income and hibah	<b>11,018</b>	8,306	<b>20,440</b>	15,896
Other operating income (note a to c)	<b>257</b>	228	<b>549</b>	610
	<b>11,275</b>	8,534	<b>20,989</b>	16,506
Of which:				
Financing income earned on impaired financing	<b>356</b>	150	<b>362</b>	506
Other operating income comprise of:				
(a) Fee income:				
- Commission	<b>42</b>	38	<b>97</b>	79
- Guarantee fees	<b>17</b>	9	<b>28</b>	16
	<b>59</b>	47	<b>125</b>	95
(b) Net (loss)/gain on disposal of financial assets held-for-trading	<b>(3)</b>	103	<b>141</b>	230
(c) Net gain on disposal of financial investments available-for-sale	<b>201</b>	78	<b>283</b>	285
	<b>257</b>	228	<b>549</b>	610

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

	<b>Current Financial Quarter ended 30.06.2013 RM'000</b>	Preceding Corresponding Financial Quarter ended 30.06.2012 RM'000	<b>Current Financial Half Year ended 30.06.2013 RM'000</b>	Preceding Corresponding Financial Half Year ended 30.06.2012 RM'000
<b>(ii) Income derived from investment of other deposits:</b>				
<u>Finance income and hibah</u>				
Financing and advances	199,602	162,339	381,058	313,797
Financial assets held-for-trading	3,091	1,245	5,704	3,602
Financial investments available-for-sale	15,988	18,074	29,992	33,835
Financial investments held-to-maturity	19,386	14,567	37,951	27,930
Money at call and deposit with financial institutions	15,802	40,715	45,373	78,344
Total finance income and hibah	<u>253,869</u>	236,940	<u>500,078</u>	457,508
Other operating income (note a to c)	5,928	6,502	13,556	17,640
	<u>259,797</u>	243,442	<u>513,634</u>	475,148
Of which:				
Financing income earned on impaired financing	<u>8,201</u>	4,291	<u>8,360</u>	12,726
Other operating income comprise of:				
(a) Fee income:				
- Commission	970	1,087	2,397	2,270
- Guarantee fees	389	254	688	496
	<u>1,359</u>	1,341	<u>3,085</u>	2,766
(b) Net (loss)/gain on disposal of financial assets held-for-trading	(69)	2,945	3,685	6,631
(c) Net gain on disposal of financial investment available-for-sale	4,638	2,216	6,786	8,243
	<u>5,928</u>	6,502	<u>13,556</u>	17,640

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18 INCOME DERIVED FROM INVESTMENTS OF SHAREHOLDERS' FUNDS

	<b>Current Financial Quarter ended 30.06.2013</b>	Preceding Corresponding Financial Quarter ended 30.06.2012	<b>Current Financial Half Year ended 30.06.2013</b>	Preceding Corresponding Financial Half Year ended 30.06.2012
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<u>Finance income and hibah</u>				
Financing and advances	11,260	5,860	19,840	11,593
Financial assets held-for-trading	174	45	298	134
Financial investments available-for-sale	902	653	1,564	1,250
Financial investments held-to-maturity	1,094	526	1,972	1,032
Money at call and deposit with financial institutions	891	1,470	2,289	2,894
Total finance income and hibah	<u>14,321</u>	<u>8,554</u>	<u>25,963</u>	<u>16,903</u>
Other operating income (note a to f)	<u>11,957</u>	<u>4,846</u>	<u>25,330</u>	<u>27,760</u>
	<u><b>26,278</b></u>	<u><b>13,400</b></u>	<u><b>51,293</b></u>	<u><b>44,663</b></u>
Of which:				
Financing income earned on impaired financing	<u>463</u>	<u>155</u>	<u>470</u>	<u>414</u>
Other operating income comprise of:				
(a) Fee income:				
- Commission	2,413	1,990	4,130	3,126
- Service charges and fees	10,096	5,127	20,870	13,349
- Guarantee and underwriting fees	557	384	895	709
	<u>13,066</u>	<u>7,501</u>	<u>25,895</u>	<u>17,184</u>
(b) Net (loss)/gain on disposal of financial assets held-for-trading	(4)	106	173	247
(c) Net (loss)/gain on revaluation of derivatives	(2,101)	(3,310)	(4,615)	8,650
(d) Net gain on fair value hedges	480	343	2,063	343
(e) Net gain on disposal of financial investment available-for-sale	262	81	364	308
(f) Other income				
-Foreign exchange gain	252	125	1,448	977
-Gain on disposal of property, plant and equipment	2	-	2	40
-Other non-operating income	-	-	-	11
	<u>254</u>	<u>125</u>	<u>1,450</u>	<u>1,028</u>
	<u><b>11,957</b></u>	<u><b>4,846</b></u>	<u><b>25,330</b></u>	<u><b>27,760</b></u>

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19 ALLOWANCES FOR IMPAIRMENT ON FINANCING AND ADVANCES

	<b>Current Financial Quarter ended 30.06.2013 RM'000</b>	Preceding Corresponding Financial Quarter ended 30.06.2012 RM'000	<b>Current Financial Half Year ended 30.06.2013 RM'000</b>	Preceding Corresponding Financial Half Year ended 30.06.2012 RM'000
Allowance for impairment on financing and advances:				
- Individual assessment allowance	1,212	48,066	798	45,200
- Collective assessment allowance	4,246	14,209	10,137	2,092
- Impaired financing recovered	(2,141)	(1,947)	(3,775)	(3,419)
- Impaired financing written off	18,381	2,476	23,640	3,789
	<b>21,698</b>	<b>62,804</b>	<b>30,800</b>	<b>47,662</b>

20 INCOME ATTRIBUTABLE TO DEPOSITORS

	<b>Current Financial Quarter ended 30.06.2013 RM'000</b>	Preceding Corresponding Financial Quarter ended 30.06.2012 RM'000	<b>Current Financial Half Year ended 30.06.2013 RM'000</b>	Preceding Corresponding Financial Half Year ended 30.06.2012 RM'000
Deposits from customers:				
- Mudharabah funds	91,230	98,978	187,846	195,645
- Non-mudharabah funds	30,351	41,567	58,159	71,666
Deposits and placements of banks and financial institutions:				
- Mudharabah funds	27,476	14,486	54,482	26,954
- Non-mudharabah funds	8,292	5,943	15,822	17,180
Recourse obligations on financing sold to Cagamas	18,014	1,061	36,562	3,280
	<b>175,363</b>	<b>162,035</b>	<b>352,871</b>	<b>314,725</b>

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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 As at 30.06.2013			Audited As at 31.12.2012		
	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	115,289	57,645	40,489	106,104	53,052	37,170
Short term self-liquidating trade-related contingencies	155,740	31,148	3,230	55,603	11,121	1,298
Obligations under underwriting agreements	76,000	38,000	38,000	90,000	45,000	45,000
Irrevocable commitments to extend credit						
- maturity more than one year	2,298,057	1,042,236	858,158	1,701,762	755,707	628,050
- maturity less than one year	1,609,727	321,945	298,015	1,561,193	312,239	293,408
Foreign exchange related contracts:						
- less than one year	258,352	4,120	3,405	438,362	4,809	3,539
Profit rate related contracts:						
- less than one year	100,000	-	-	-	-	-
- one year to less than five years	2,800,000	49,755	24,878	3,300,000	48,833	24,417
Total	<u>7,413,165</u>	<u>1,544,849</u>	<u>1,266,175</u>	<u>7,253,024</u>	<u>1,230,761</u>	<u>1,032,882</u>

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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23 CAPITAL ADEQUACY

BNM guidelines on capital adequacy requires RHB Islamic Bank Berhad ('RHB Islamic 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.

Effective 1 January 2013, the capital ratios of RHB Islamic Bank have been computed based on BNM's Capital Adequacy Framework for Islamic Banks (Capital Components). Correspondingly, the comparative disclosures for the year ended 31 December 2012 have been restated accordingly.

The capital adequacy ratios of RHB Islamic Bank are as follows:

	<b>Unaudited</b>	<b>Restated</b>
	<b>As at</b>	<b>As at</b>
	<b>30.06.2013</b>	<b>31.12.2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Tier I Capital</u></b>		
Paid-up ordinary share capital	1,173,424	973,424
Retained profits	358,151	358,151
Statutory reserve	358,359	358,359
Unrealised (losses)/gains on AFS financial instruments	<u>(11,004)</u>	<u>3,740</u>
	<b>1,878,930</b>	1,693,674
Less:		
Deferred tax assets	(9,108)	(5,265)
Other intangibles	(3,330)	(3,585)
55% of cumulative gains of AFS financial instruments	-	(2,057)
Ageing Reserves and Liquidity Reserve	(50)	(5,091)
Total Common Equity / Tier I Capital	<u><b>1,866,442</b></u>	<u>1,677,676</u>
<b><u>Tier II Capital</u></b>		
Collective impairment / allowance for bad and doubtful financing <sup>^</sup>	<b>85,129</b>	87,435
Total Eligible Tier II capital	<u><b>85,129</b></u>	<u>87,435</u>
Total Capital Base	<u><b>1,951,571</b></u>	<u>1,765,111</u>

<sup>^</sup> 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" issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010.

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23 CAPITAL ADEQUACY (CONTINUED)

	<b>Unaudited</b>	Restated
	<b>As at</b>	As at
	<b>30.06.2013</b>	31.12.2012
	<b>RM'000</b>	RM'000
<b><u>Capital Ratios before the effects of PSIA</u></b>		
CET 1 Capital Ratio	<b>12.192%</b>	12.454%
Tier 1 Capital Ratio	<b>12.192%</b>	12.454%
Risk-weighted capital ratio (inclusive of market risk)	<b><u>12.684%</u></b>	<u>13.000%</u>
<b><u>Capital Ratios after the effects of PSIA</u></b>		
CET 1 Capital Ratio	<b>13.445%</b>	13.971%
Tier 1 Capital Ratio	<b>13.445%</b>	13.971%
Risk-weighted capital ratio (inclusive of market risk)	<b><u>14.058%</u></b>	<u>14.699%</u>
Risk-weighted assets by each major risk category are as follows:		
Credit risk-weighted assets	<b>14,613,568</b>	12,622,768
Credit risk-weighted assets absorbed by PSIA	<b>(1,503,824)</b>	(1,569,046)
Market risk-weighted assets	<b>42,031</b>	265,386
Operational risk-weighted assets	<b>730,149</b>	689,105
Total risk-weighted assets	<b><u>13,881,924</u></b>	<u>12,008,213</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 30 June 2013, credit risks relating to RPSIA assets excluded from the RWCR calculation amounted to RM1,504 million (2012:RM1,569 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 six months ended 30 June 2013.

**27 CHANGES IN PROFIT FOR THE QUARTER**

The Bank reported a pre-tax profit of RM40.8 million for the current quarter, 23.0% lower as compared to the preceding corresponding quarter ended 31 March 2013. The lower profit was attributed from higher overhead expenses by RM9.8 million, higher allowances made for impaired financing and advances by RM12.6 million and lower non funding income by RM3.2 million. These are being offset with higher net funding income by RM12.0 million.

**28 PERFORMANCE REVIEW**

For the six months ended 30 June 2013, the Bank recorded a pre-tax profit of RM93.8 million, 0.4% lower than previous year corresponding period of RM94.2 million. The lower profit was as a result of higher overhead expenses by RM20.7 million and lower non funding income by RM6.5 million. These are offset against higher net funding income by RM10.1 million and lower allowance for impaired financing by RM16.9 million.

**29 PROSPECTS FOR 2013**

Whilst the US economy is improving and the risk of an Eurozone meltdown is reducing, there are some concerns over China's growth level. The Malaysian economy is expected to remain resilient underpinned by domestic demand and investment growth, with Gross Domestic Product forecasted to increase by 5.1% for 2013 and 5.4% for 2014.

Bank Negara Malaysia's new measures effective July 2013 are expected to moderate growth in household lending. The improving external and domestic demand, and a stronger capital market post-election will be the key drivers of a healthy banking market.

We are determined to grow our business and profitability while maintaining a strict discipline on credit and risk management. Barring unforeseen circumstances, the Bank expects to deliver a stronger financial performance for the second half of the year.