

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013

		Unaudited	Audited
	Note	As at	As at
		31.03.2013	31.12.2012
		RM'000	RM'000
ASSETS			
Cash and short-term funds		1,850,566	2,881,135
Deposits and placements with banks and other financial institutions		1,742,031	1,988,635
Financial assets held-for-trading	10	847,554	439,382
Financial investments available-for-sale	11	1,615,140	1,499,013
Financial investments held-to-maturity	12	1,907,312	2,034,698
Financing and advances	13	16,857,764	16,002,714
Other assets	14	104,801	67,001
Derivative assets		2,555	2,278
Statutory deposits with Bank Negara Malaysia		715,000	672,755
Deferred tax assets		-	927
Property, plant and equipment		14,234	13,201
Intangible assets		6,851	7,923
TOTAL ASSETS		<u>25,663,808</u>	<u>25,609,662</u>
LIABILITIES AND EQUITY			
Deposits from customers	15	18,035,158	17,326,681
Deposits and placements of banks and other financial institutions	16	3,677,326	4,562,492
Bills and acceptances payable		28,787	21,613
Derivative liabilities		16,633	20,112
Recourses obligations on financing sold to Cagamas Berhad ('Cagamas')		1,425,092	1,462,521
Other liabilities	17	523,652	498,970
Provision for tax and zakat		24,136	23,600
Deferred tax liabilities		558	-
TOTAL LIABILITIES		<u>23,731,342</u>	<u>23,915,989</u>
Ordinary share capital		1,173,424	973,424
Reserves		759,042	720,249
TOTAL EQUITY		<u>1,932,466</u>	<u>1,693,673</u>
TOTAL LIABILITIES AND EQUITY		<u>25,663,808</u>	<u>25,609,662</u>
COMMITMENTS AND CONTINGENCIES	22	<u>7,579,721</u>	<u>7,253,024</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 2012.

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2013

	Note	Current Financial Quarter ended 31.03.2013 RM'000	Preceding Corresponding Financial Quarter ended 31.03.2012 RM'000
Income derived from investment of depositors' funds	18	263,551	239,678
Income derived from investment of shareholders' funds	19	25,016	31,263
Allowance for impairment on financing and advances	20	(9,102)	15,142
Profit equalisation reserve		-	7,252
Total distributable income		279,465	293,335
Income attributable to depositors	21	(177,509)	(152,690)
		101,956	140,645
Personnel expenses		(17,997)	(15,890)
Other overheads and expenditures		(30,921)	(24,027)
Profit before taxation		53,038	100,728
Taxation		(13,338)	(25,109)
Net profit for the financial period		39,700	75,619
Basic earnings per share (sen)	8	3.97	9.78

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
STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2013

	Current Financial Quarter ended 31.03.2013 RM'000	Preceding Corresponding Financial Quarter ended 31.03.2012 RM'000
Net profit for the financial period	<u>39,700</u>	<u>75,619</u>
Other comprehensive (loss)/income:		
(i) Items that will not be reclassified to income statements		
- Unrealised net gain on revaluation of financial investments available-for-sale ('AFS')	1,123	6,135
Income tax relating to components of other comprehensive income	<u>(281)</u>	<u>(1,533)</u>
	842	4,602
(ii) Items that will be reclassified to income statements		
- Net transfer to income statements on disposal or impairment on AFS	(2,332)	(4,977)
Income tax relating to components of other comprehensive loss	<u>583</u>	<u>1,244</u>
	<u>(1,749)</u>	<u>(3,733)</u>
Other comprehensive (loss)/income, net of tax, for the financial period	<u>(907)</u>	<u>869</u>
Total comprehensive income for the financial period	<u><u>38,793</u></u>	<u><u>76,488</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 2012.

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2013

	Share capital	Non distributable		Distributable	Total
	RM'000	Statutory reserve	AFS reserves	Retained profits	
Balance as at 1 January 2013	973,424	358,359	3,739	358,151	1,693,673
Issuance of share	200,000	-	-	-	200,000
Net profit for the financial period	-	-	-	39,700	39,700
Other comprehensive income/(loss):					
Financial investments available-for-sale					
- Unrealised net profit on revaluation	-	-	1,123	-	1,123
- Net transfer to income statement on disposal or impairment	-	-	(2,332)	-	(2,332)
Income tax relating to components of other comprehensive loss	-	-	302	-	302
Total comprehensive income for the financial period	-	-	(907)	39,700	38,793
Balance as at 31 March 2013	1,173,424	358,359	2,832	397,851	1,932,466

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

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2013

	Share capital	Non distributable		Distributable	Total
	RM'000	Statutory reserve RM'000	AFS reserves RM'000	Retained profits 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	-	-	-	75,619	75,619
Other comprehensive income/(loss):					
Financial investments available-for-sale					
- Unrealised net profit on revaluation	-	-	6,135	-	6,135
- Net transfer to income statement on disposal or impairment	-	-	(4,977)	-	(4,977)
Income tax relating to components of other comprehensive gain	-	-	(289)	-	(289)
Total comprehensive income for the financial period	-	-	869	75,619	76,488
Balance as at 31 March 2012	773,424	280,411	7,972	355,822	1,417,629

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
STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2013

	Three months ended	
	31.03.2013	31.03.2012
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	53,038	100,728
Adjustment for non-cash items:		
Operating profit before changes in working capital	(36,860)	(42,377)
Changes in working capital:		
Net changes in operating assets	(1,100,500)	(181,191)
Net changes in operating liabilities	(181,257)	299,314
Taxation paid	(1,265,579)	176,474
Net cash (used in)/generated from operating activities	(1,276,593)	175,112
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(708)	(435)
Purchase of intangible assets	(302)	-
Proceeds from disposal of property, plant and equipment	17	-
Net purchase of financial investments available-for-sale	(113,345)	(454,672)
Net redemption of financial investments held-to-maturity	128,264	20,487
Income received from financial investments available-for-sale	12,917	10,876
Income received from financial investments held-to-maturity	19,181	15,833
Net cash generated from/(used in) investing activities	46,024	(407,911)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	200,000	-
	200,000	-
Net decrease in cash and cash equivalents	(1,030,569)	(232,799)
Cash and cash equivalents brought forward	2,881,135	5,614,932
Cash and cash equivalents carried forward	1,850,566	5,382,133
ANALYSIS OF CASH AND CASH EQUIVALENT		
Cash and short-term funds	1,850,566	5,382,133

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 THREE MONTHS ENDED 31 MARCH 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 three months ended 31 March 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 three months ended 31 March 2013.

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.

RHB ISLAMIC BANK BERHAD (680329 – V)
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2013 (CONTINUED)

7 DIVIDENDS PAID

No dividend has been paid during the three months ended 31 March 2013.

8 SHARE CAPITAL

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.

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 mudharib and losses borne by depositors.

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2013 (CONTINUED)**

10 FINANCIAL ASSETS HELD-FOR-TRADING

	Unaudited As at 31.03.2013 RM'000	Audited As at 31.12.2012 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian government investment issues	131,137	151,583
BNM monetary notes	498,570	-
Wakala Global Sukuk	10,327	7,144
Negotiable instrument of deposits	99,309	-
Banker's Acceptances	9,472	-
Malaysian Government Housing Sukuk	60,964	-
Cagamas bonds	-	250,324
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	37,775	30,331
	847,554	439,382

11 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Unaudited As at 31.03.2013 RM'000	Audited As at 31.12.2012 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian government investment issues	557,436	486,371
Wakala Global Sukuk	16,869	16,870
Khazanah Bonds	47,561	36,017
Cagamas Bonds	81,322	50,332
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	911,377	908,848
	1,614,565	1,498,438
At cost		
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Shares in Islamic Bank and Financial Institutions of Malaysia ('IBFIM')	575	575
	1,615,140	1,499,013

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2013 (CONTINUED)

12 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Unaudited As at 31.03.2013 RM'000	Audited As at 31.12.2012 RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian government investment issues	733,380	743,403
Cagamas bonds	272,177	275,084
Khazanah bonds	8,737	8,658
Negotiable Islamic Debts Certificates	223,699	422,086
 <u>Unquoted securities:</u>		
 <u>In Malaysia</u>		
Private debt securities	669,319	585,467
	1,907,312	2,034,698

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2013 (CONTINUED)**

13 FINANCING AND ADVANCES

(i) By type

	Unaudited	Audited
	As at	As at
	31.03.2013	31.12.2012
	RM'000	RM'000
At amortised cost		
Cashline	146,805	151,526
Term financing:		
- housing financing	3,681,496	3,471,369
- syndicated term financing	379,525	384,584
- hire purchase receivables	4,696,226	4,416,398
- other term financing	5,996,336	5,833,269
Bills receivables	901,199	852,323
Trust receipts	24,075	21,299
Staff financing	7,942	8,125
Credit/charge cards receivables	132,912	120,899
Revolving financing	<u>1,158,758</u>	<u>1,006,569</u>
Gross financing and advances	<u>17,125,274</u>	<u>16,266,361</u>
Fair value changes arising from value hedge	1,723	3,140
Allowances for bad and doubtful financing:		
- individual impairment allowance	(88,599)	(89,013)
- collective impairment allowance	<u>(180,634)</u>	<u>(177,774)</u>
Net financing and advances	<u><u>16,857,764</u></u>	<u><u>16,002,714</u></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 31 March 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 8.6 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 RM1,388 million (2012: RM 1,435 million).

(ii) By type of customer

Domestic non-bank financial institutions:		
- Others	756,745	570,347
Domestic business enterprise:		
- Small medium enterprise	623,371	639,086
- Others	3,337,508	3,291,401
Government and statutory bodies	3,343,421	3,314,272
Individuals	8,864,716	8,255,302
Other domestic entities	277	292
Foreign entities	<u>199,236</u>	<u>195,661</u>
Gross financing and advances	<u><u>17,125,274</u></u>	<u><u>16,266,361</u></u>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2013 (CONTINUED)**

13 FINANCING AND ADVANCES (CONTINUED)

	Unaudited	Audited
	As at	As at
	31.03.2013	31.12.2012
	RM'000	RM'000
(iii) By type of contract		
Bai' Bithaman Ajil ('BBA')	1,041,454	1,079,691
Ijarah	5,348,042	5,027,745
Murabahah	4,213,878	3,919,949
Musyarakah	2,773,710	2,526,493
Istisna'	138,023	133,283
Bai'Inah	3,348,023	3,469,626
Others	262,144	109,574
Gross financing and advances	<u>17,125,274</u>	<u>16,266,361</u>
(iv) By profit rate sensitivity		
Fixed rate:		
- Housing financing	896,332	933,103
- Hire-purchase receivables	4,696,226	4,416,398
- Other fixed rate financing	6,059,098	5,830,328
Variable rate:		
- BFR-plus	4,548,345	4,212,910
- Cost-plus	925,273	873,622
Gross financing and advances	<u>17,125,274</u>	<u>16,266,361</u>
(v) By purpose		
Purchase of transport vehicles	4,674,990	4,383,378
Purchase of landed property:		
- Residential	3,540,040	3,342,435
- Non-residential	374,700	241,249
Purchase of property, plant and equipment other than land and building	305,140	318,654
Personal use	763,680	647,841
Credit card	132,912	120,899
Purchase of consumer durables	10	17
Construction	791,660	791,046
Working capital	2,327,030	2,195,832
Other purposes	4,215,112	4,225,010
Gross financing and advances	<u>17,125,274</u>	<u>16,266,361</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)
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2013 (CONTINUED)**

13 FINANCING AND ADVANCES (CONTINUED)

	Unaudited As at 31.03.2013 RM'000	Audited As at 31.12.2012 RM'000
(vi) The remaining contractual maturities		
Maturing within one year	2,583,776	2,377,613
One to three years	952,747	934,479
Three to five years	2,302,525	2,315,176
Over five years	11,286,226	10,639,093
Gross financing and advances	<u>17,125,274</u>	<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		
- As previously stated	409,064	543,076
- Classified as impaired due to adoption of MFRS 139	-	17,541
- As restated	<u>409,064</u>	560,617
Classified as impaired during the financial period/year	84,965	377,761
Amount recovered	(20,246)	(114,629)
Amount written off	(8,347)	(137,476)
Reclassified as non-impaired	<u>(59,817)</u>	(277,209)
Balance as at the end of the financial period/year	<u>405,619</u>	<u>409,064</u>

RHB ISLAMIC BANK BERHAD (680329 – V)
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2013 (CONTINUED)**

13 FINANCING AND ADVANCES (CONTINUED)

	Unaudited	Audited
	As at	As at
	31.03.2013	31.12.2012
	RM'000	RM'000
(vii) Impaired financing and advances (continued)		
(b) By purpose		
Purchase of transport vehicles	51,650	48,580
Purchase of landed property:		
- Residential	130,340	129,841
- Non-residential	15,480	15,058
Purchase of property, plant and equipment other than land and building	11,340	12,741
Personal use	4,260	3,697
Credit card	3,210	3,452
Construction	1,160	1,289
Working capital	159,340	165,106
Other purposes	28,839	29,300
Gross impaired financing and advances	405,619	409,064
(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 (recovered)/made during the financial period/year	(414)	67,920
Amount written off	-	(108,708)
Transfer to collective impairment allowance	-	(923)
Balance as at the end of the financial period/year	88,599	89,013
<u>Collective impairment allowance</u>		
Balance as at the beginning of the financial period/year		
- As previously stated	177,774	190,768
- Effect of adoption of MFRS 139	-	5,668
- As restated	177,774	196,436
Net allowance made/(recovered) during the financial period/year	7,893	(487)
Amount written off	(5,033)	(19,098)
Transfer from individual impairment allowance	-	923
Balance as at the end of the financial period/year	180,634	177,774
Collective impairment allowance (inclusive of regulatory reserve) as % of gross financing and advances (excluding RPSIA financing) less individual impairment allowance	1.19%	1.24%

RHB ISLAMIC BANK BERHAD (680329 – V)
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2013 (CONTINUED)**

14 OTHER ASSETS

	Unaudited	Audited
	As at	As at
	31.03.2013	31.12.2012
	RM'000	RM'000
Deposits and prepayments	567	249
Sundry deposits debtors	1,253	1,243
Other debtors	102,981	65,509
	104,801	67,001

15 DEPOSITS FROM CUSTOMERS

	Unaudited	Audited
	As at	As at
	31.03.2013	31.12.2012
	RM'000	RM'000
<u>Non-Mudharabah Funds:</u>		
Demand deposits	2,134,650	1,830,203
Savings deposits	735,206	716,821
Commodity Murabahah	3,245,227	2,631,890
Wakalah Money Market Deposit	132,377	28,264
	6,247,460	5,207,178
<u>Mudharabah Funds:</u>		
Demand deposits	527,184	480,301
Savings deposits	75,016	54,425
General investment accounts	827,406	802,880
Special investment accounts	10,358,092	10,781,897
	18,035,158	17,326,681

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

Due within six months	12,293,491	12,583,414
Six months to one year	2,215,392	1,517,286
One year to three years	40,984	131,734
Three years to five years	13,235	12,497
	14,563,102	14,244,931

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

Government and statutory bodies	5,957,736	5,875,912
Business enterprises	9,112,116	8,374,096
Individuals	1,864,853	1,490,441
Others	1,100,453	1,586,232
	18,035,158	17,326,681

RHB ISLAMIC BANK BERHAD (680329 – V)
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2013 (CONTINUED)

16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Unaudited As at 31.03.2013 RM'000	Audited As at 31.12.2012 RM'000
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	248,291	691,262
Licensed banks	832,214	928,320
Bank Negara Malaysia	326	625
	1,080,831	1,620,207
<u>Mudharabah Funds:</u>		
Licensed Islamic banks	50,123	392,273
Licensed banks	1,835,073	1,815,187
Other financial institutions	711,299	734,825
	3,677,326	4,562,492

17 OTHER LIABILITIES

	Unaudited As at 31.03.2013 RM'000	Audited As at 31.12.2012 RM'000
Sundry creditors	19,385	9,821
Amount due to ultimate holding company	-	99
Amount due to immediate holding company	307,549	382,495
Short term employee benefits	3,702	11,259
Other accruals and payables	193,016	95,296
	523,652	498,970

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2013 (CONTINUED)

18 INCOME DERIVED FROM INVESTMENTS OF DEPOSITORS' FUNDS

	Current Financial Quarter ended 31.03.2013 RM'000	Preceding Corresponding Financial Quarter ended 31.03.2012 RM'000
Income derived from investment of:		
(i) General investment deposit	9,714	7,972
(ii) Other deposits	<u>253,837</u>	<u>231,706</u>
	<u>263,551</u>	<u>239,678</u>
 (i) Income derived from investment of general investments deposits:		
<u>Finance income and hibah</u>		
Financing and advances	6,944	5,212
Financial assets held-for-trading	100	82
Financial investments available-for-sale	536	542
Financial investments held-to-maturity	710	460
Money at call and deposit with financial institutions	<u>1,132</u>	<u>1,294</u>
Total finance income and hibah	<u>9,422</u>	<u>7,590</u>
Other operating income (note a to c)	<u>292</u>	<u>382</u>
	<u>9,714</u>	<u>7,972</u>
 Of which:		
Financing income earned on impaired financing	<u>6</u>	<u>355</u>
 Other operating income comprise of:		
(a) Fee income:		
- Commission	55	41
- Guarantee fees	<u>11</u>	<u>7</u>
	<u>66</u>	<u>48</u>
 (b) Net gain on disposal of financial assets held-for-trading	144	127
 (c) Net gain on disposal of financial investments available-for-sale	<u>82</u>	<u>207</u>
	<u>292</u>	<u>382</u>

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2013 (CONTINUED)

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

	Current Financial Quarter ended 31.03.2013 RM'000	Preceding Corresponding Financial Quarter ended 31.03.2012 RM'000
 (ii) Income derived from investment of other deposits:		
<u>Finance income and hibah</u>		
Financing and advances	181,456	151,458
Financial assets held-for-trading	2,613	2,357
Financial investments available-for-sale	14,004	15,761
Financial investments held-to-maturity	18,565	13,363
Money at call and deposit with financial institutions	29,571	37,629
Total finance income and hibah	<u>246,209</u>	<u>220,568</u>
Other operating income (note a to c)	<u>7,628</u>	<u>11,138</u>
	<u>253,837</u>	<u>231,706</u>
 Of which:		
Financing income earned on impaired financing	<u>159</u>	<u>8,435</u>
 Other operating income comprise of:		
(a) Fee income:		
- Commission	1,427	1,183
- Guarantee fees	299	242
	<u>1,726</u>	<u>1,425</u>
 (b) Net gain on disposal of financial assets held-for-trading		
	3,754	3,686
 (c) Net gain on disposal of financial investment available-for-sale		
	<u>2,148</u>	<u>6,027</u>
	<u>7,628</u>	<u>11,138</u>

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2013 (CONTINUED)

19 INCOME DERIVED FROM INVESTMENTS OF SHAREHOLDERS' FUNDS

	Current Financial Quarter ended 31.03.2013 RM'000	Preceding Corresponding Financial Quarter ended 31.03.2012 RM'000
<u>Finance income and hibah</u>		
Financing and advances	8,580	5,733
Financial assets held-for-trading	124	89
Financial investments available-for-sale	662	597
Financial investments held-to-maturity	878	506
Money at call and deposit with financial institutions	1,398	1,424
Total finance income and hibah	11,642	8,349
Other operating income (note a to f)	13,374	22,914
	25,016	31,263
Of which:		
Financing income earned on impaired financing	8	259
Other operating income comprise of:		
(a) Fee income:		
- Commission	1,717	1,136
- Service charges and fees	10,774	8,222
- Guarantee and underwriting fees	338	325
	12,829	9,683
(b) Net gain on financial assets held-for-trading - net gain on disposal	177	141
(c) Net (loss)/gain on revaluation of derivatives	(2,513)	11,960
(d) Net gain on fair value hedges	1,583	-
(e) Net gain on disposal of financial investment available-for-sale	102	227
(f) Other income		
-Foreign exchange gain	1,196	852
-Gain on disposal of property, plant and equipment	-	40
-Other non-operating income	-	11
	1,196	903
	13,374	22,914

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2013 (CONTINUED)

20 ALLOWANCES FOR IMPAIRMENT ON FINANCING AND ADVANCES

	Current Financial Quarter ended 31.03.2013	Preceding Corresponding Financial Quarter ended 31.03.2012
	RM'000	RM'000
Allowance for impairment on financing and advances:		
- Individual assessment allowance	(414)	(2,867)
- Collective assessment allowance	7,892	(12,117)
- Impaired financing recovered	(1,634)	(1,471)
- Impaired financing written off	3,258	1,313
	9,102	(15,142)

21 INCOME ATTRIBUTABLE TO DEPOSITORS

	Current Financial Quarter ended 31.03.2013	Preceding Corresponding Financial Quarter ended 31.03.2012
	RM'000	RM'000
Deposits from customers:		
- Mudharabah funds	96,615	96,667
- Non-mudharabah funds	28,288	32,211
Deposits and placements of banks and financial institutions:		
- Mudharabah funds	27,006	12,469
- Non-mudharabah funds	7,052	11,237
Recourse obligations on financing sold to Cagamas	18,548	107
	177,509	152,690

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2013 (CONTINUED)

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 31.03.2013			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	105,786	52,893	43,406	106,104	53,052	37,170
Short term self-liquidating trade-related contingencies	157,336	31,467	3,692	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	1,845,826	825,766	686,871	1,701,762	755,707	628,050
- maturity less than one year	1,594,914	318,983	294,740	1,561,193	312,239	293,408
Foreign exchange related contracts:						
- less than one year	649,859	3,329	2,307	438,362	4,809	3,539
Profit rate related contracts:						
- less than one year	1,650,000	7,050	3,525	-	-	-
- one year to less than five years	1,500,000	39,555	19,777	3,300,000	48,833	24,417
Total	<u>7,579,721</u>	<u>1,317,043</u>	<u>1,092,318</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.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2013 (CONTINUED)

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:

	Unaudited	Restated
	As at	As at
	31.03.2013	31.12.2012
	RM'000	RM'000
<u>Tier I Capital</u>		
Paid-up ordinary share capital	1,173,424	973,424
Retained profits	358,151	358,151
Statutory reserve	358,359	358,359
Unrealised gains and losses on AFS financial instruments	2,832	3,740
	1,892,766	1,693,674
Less:		
Deferred tax assets	(3,767)	(5,265)
Other intangibles	(2,525)	(3,585)
55% of cumulative gains of AFS financial instruments	(1,558)	(2,057)
Ageing Reserves and Liquidity Reserve	(13)	(5,091)
Total Common Equity / Tier I Capital	1,884,903	1,677,676
<u>Tier II Capital</u>		
Collective impairment / allowance for bad and doubtful financing [^]	89,046	87,435
Total Eligible Tier II capital	89,046	87,435
Total Capital Base	1,973,949	1,765,111

[^] 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.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2013 (CONTINUED)

23 CAPITAL ADEQUACY (CONTINUED)

	Unaudited	Restated
	As at	As at
	31.03.2013	31.12.2012
	RM'000	RM'000
<u>Capital Ratios before the effects of PSIA</u>		
CET 1 Capital Ratio	12.99%	12.45%
Tier 1 Capital Ratio	12.99%	12.45%
Risk-weighted capital ratio (inclusive of market risk)	<u>13.57%</u>	<u>13.00%</u>
<u>Capital Ratios after the effects of PSIA</u>		
CET 1 Capital Ratio	14.49%	13.97%
Tier 1 Capital Ratio	14.49%	13.97%
Risk-weighted capital ratio (inclusive of market risk)	<u>15.17%</u>	<u>14.70%</u>
Risk-weighted assets by each major risk category are as follows:		
Credit risk-weighted assets	13,637,667	12,622,768
Credit risk-weighted assets absorbed by PSIA	(1,540,004)	(1,569,046)
Market risk-weighted assets	200,629	265,386
Operational risk-weighted assets	710,763	689,105
Total risk-weighted assets	<u>13,009,055</u>	<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 31 March 2013, credit risks relating to RPSIA assets excluded from the RWCR calculation amounted to RM1,540 million (2012:RM1,569 million).

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2013 (CONTINUED)

24 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

25 EVENTS SUBSEQUENT TO BALANCE SHEET DATE

There are no material events subsequent to the balance sheet date that have not been reflected in financial statements.

26 CHANGES IN THE COMPOSITION OF THE BANK

There are no significant changes in the composition of the Bank for the three months ended 31 March 2013.

27 CHANGES IN PROFIT FOR THE QUARTER

The Bank reported a pre-tax profit of RM53.0 million for the current quarter, more than 1.6% higher as compared to the preceding corresponding quarter ended 31 December 2012. The gain are mainly attributed to lower allowances made for impaired financing and advances by RM8.0 million and lower overhead expenses by RM4.2 million. These are being offset with lower net funding income by RM7.6 million and lower non funding income by RM3.8 million.

28 PERFORMANCE REVIEW

For the three months ended 31 March 2013, the Bank recorded a pre-tax profit of RM53.0 million, 47% lower than previous year corresponding period of RM100.7 million. The lower profit was as a result of higher impaired financing and advances by RM24.2 million, lower non funding income by RM13.1 million and higher overhead expenses by RM9.1 million. These are offset against higher net funding income by RM6.0 million.

29 PROSPECTS FOR 2013

The Malaysian economy is expected to perform well in 2013 with Gross Domestic Product (GDP) projected to grow over 5.0%. This is premised on an improving exports outlook on the back of a stronger global growth and a strong domestic demand brought about by the Economic Transformation Programme (ETP).

The Malaysian banking sector will remain resilient in line with the country's economic growth.

We remained focus to drive our targeted business segments and regions to becoming a leading multinational financial services group. Barring any unforeseen circumstances, the Bank expects satisfactory results for the financial year 2013.