

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

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

		<b>Unaudited</b>	<b>Audited</b>
	Note	<b>As at</b>	<b>As at</b>
		<b>30.09.2013</b>	<b>31.12.2012</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>			
Cash and short-term funds		2,444,426	2,881,135
Deposits and placements with banks and other financial institutions		1,412,567	1,988,635
Financial assets held-for-trading	9	624,006	439,382
Financial investments available-for-sale	10	2,567,941	1,499,013
Financial investments held-to-maturity	11	2,198,642	2,034,698
Financing and advances	12	18,425,103	16,002,714
Other assets	13	36,542	67,001
Derivative assets		8,618	2,278
Statutory deposits with Bank Negara Malaysia		785,000	672,755
Deferred tax assets		9,123	927
Property, plant and equipment		14,827	13,201
Intangible assets		8,776	7,923
<b>TOTAL ASSETS</b>		<b><u>28,535,571</u></b>	<b><u>25,609,662</u></b>
<b>LIABILITIES AND EQUITY</b>			
Deposits from customers	14	19,417,911	17,326,681
Deposits and placements of banks and other financial institutions	15	5,247,307	4,562,492
Bills and acceptances payable		28,489	21,613
Derivative liabilities		11,044	20,112
Recourse obligations on financing sold to Cagamas Berhad ('Cagamas')		1,348,482	1,462,521
Other liabilities	16	485,780	498,970
Provision for tax and zakat		17,546	23,600
<b>TOTAL LIABILITIES</b>		<b><u>26,556,559</u></b>	<b><u>23,915,989</u></b>
Ordinary share capital		1,173,424	973,424
Reserves		805,588	720,249
<b>TOTAL EQUITY</b>		<b><u>1,979,012</u></b>	<b><u>1,693,673</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>28,535,571</u></b>	<b><u>25,609,662</u></b>
<b>COMMITMENTS AND CONTINGENCIES</b>	21	<b><u>7,792,693</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 NINE MONTHS ENDED 30 SEPTEMBER 2013**

	Note	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
		<b>Current Financial Quarter ended 30.09.2013</b>	Preceding Corresponding Financial Quarter ended 30.09.2012	<b>Current Financial Nine Months Ended 30.09.2013</b>	Preceding Corresponding Nine Months Ended 30.09.2012
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Income derived from investment of depositors' funds	17	<b>277,965</b>	273,634	<b>812,588</b>	765,288
Income derived from investment of shareholders' funds	18	<b>27,214</b>	21,071	<b>78,508</b>	65,733
Allowance for impairment on financing and advances	19	<b>(6,709)</b>	(5,690)	<b>(37,509)</b>	(53,352)
Impairment losses on other assets		-	-	<b>(701)</b>	-
Profit equalisation reserve		-	-	-	7,252
Total distributable income		<b>298,470</b>	289,015	<b>852,886</b>	784,921
Income attributable to depositors	20	<b>(187,065)</b>	(176,627)	<b>(539,936)</b>	(491,351)
		<b>111,405</b>	112,388	<b>312,950</b>	293,570
Personnel expenses		<b>(19,764)</b>	(19,102)	<b>(58,048)</b>	(53,046)
Other overheads and expenditures		<b>(35,299)</b>	(31,031)	<b>(104,732)</b>	(84,109)
Profit before zakat and taxation		<b>56,342</b>	62,255	<b>150,170</b>	156,415
Zakat		<b>(1,641)</b>	-	<b>(1,641)</b>	-
Profit after zakat before taxation		<b>54,701</b>	62,255	<b>148,529</b>	156,415
Taxation		<b>(13,475)</b>	(14,928)	<b>(37,054)</b>	(38,508)
Net profit for the financial period		<b>41,226</b>	47,327	<b>111,475</b>	117,907
Basic earnings per share (sen)	6	<b>3.51</b>	6.10	<b>9.98</b>	15.20

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 COMPREHENSIVE INCOME**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013**

	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	<b>Current Financial Quarter ended 30.09.2013 RM'000</b>	Preceding Corresponding Financial Quarter ended 30.09.2012 RM'000	<b>Current Financial Nine Months Ended 30.09.2013 RM'000</b>	Preceding Corresponding Financial Nine Months ended 30.09.2012 RM'000
Net profit for the financial period	<b>41,226</b>	47,327	<b>111,475</b>	117,907
Other comprehensive (loss)/income:				
Items that will be reclassified subsequently to profit or loss				
- Unrealised net (loss)/gain on revaluation of financial investments available-for-sale ('AFS')	<b>(18,829)</b>	(1,506)	<b>(31,052)</b>	15,320
- Net transfer to income statements on disposal or impairment on AFS	<b>3,637</b>	(6,763)	<b>(3,796)</b>	(14,114)
Income tax relating to components of other comprehensive loss/(income)	<b>3,798</b>	2,067	<b>8,712</b>	(302)
Other comprehensive (loss)/income, net of tax, for the financial period	<b>(11,394)</b>	(6,202)	<b>(26,136)</b>	904
Total comprehensive income for the financial period	<b>29,832</b>	41,125	<b>85,339</b>	118,811

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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 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	200,000	-	-	-	200,000
Net profit for the financial period	-	-	-	111,475	111,475
Other comprehensive income/(loss):					
Financial investments available-for-sale					
- Unrealised net loss on revaluation	-	-	(31,052)	-	(31,052)
- Net transfer to income statement on disposal or impairment	-	-	(3,796)	-	(3,796)
Income tax relating to components of other comprehensive loss	-	-	8,712	-	8,712
Total comprehensive (loss)/income for the financial period	-	-	(26,136)	111,475	85,339
Transfer to statutory reserves	-	55,737	-	(55,737)	-
<b>Balance as at 30 September 2013</b>	<b>1,173,424</b>	<b>414,096</b>	<b>(22,397)</b>	<b>413,889</b>	<b>1,979,012</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**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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
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 gain	-	-	(302)	-	(302)
Total comprehensive income for the financial period	-	-	904	117,907	118,811
Transfer to statutory reserves	-	35,289	-	(35,289)	-
<b>Balance as at 30 September 2012</b>	<b>973,424</b>	<b>315,700</b>	<b>8,007</b>	<b>362,821</b>	<b>1,659,952</b>

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**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 2013**

	<b>Nine months ended</b>	
	<b>30.09.2013</b>	30.09.2012
	<b>RM'000</b>	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before zakat and taxation	150,170	156,415
Adjustment for non-cash items	<b>(80,548)</b>	(64,416)
Operating profit before changes in working capital	<b>69,622</b>	91,999
Changes in working capital:		
Net changes in operating assets	(2,146,214)	(3,528,140)
Net changes in operating liabilities	<b>2,633,469</b>	3,665,997
	<b>556,877</b>	229,856
Taxation and zakat paid	<b>(44,232)</b>	(5,609)
Net cash generated from operating activities	<b>512,645</b>	224,247
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(3,159)	(1,859)
Purchase of intangible assets	(2,488)	-
Proceeds from disposal of property, plant and equipment	16	-
Net purchase of financial investments available-for-sale	(1,090,148)	(183,178)
Net redemption of financial investments held-to-maturity	(158,288)	(796,111)
Income received from financial investments available-for-sale	45,830	50,027
Income received from financial investments held-to-maturity	<b>58,883</b>	45,314
Net cash used in investing activities	<b>(1,149,354)</b>	(885,807)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of ordinary shares	<b>200,000</b>	200,000
Net cash generated from financing activities	<b>200,000</b>	200,000
Net decrease in cash and cash equivalents	(436,709)	(461,560)
Cash and cash equivalents brought forward	<b>2,881,135</b>	5,614,932
Cash and cash equivalents carried forward	<b>2,444,426</b>	5,153,372
<b>ANALYSIS OF CASH AND CASH EQUIVALENT</b>		
Cash and short-term funds	<b>2,444,426</b>	5,153,372

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 NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 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 nine months ended 30 September 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 NINE MONTHS ENDED 30 SEPTEMBER 2013 (CONTINUED)**

**7 DIVIDENDS PAID**

No dividend has been paid during the nine months ended 30 September 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 NINE MONTHS ENDED 30 SEPTEMBER 2013 (CONTINUED)**

9 FINANCIAL ASSETS HELD-FOR-TRADING

	<b>Unaudited As at 30.09.2013 RM'000</b>	<b>Audited As at 31.12.2012 RM'000</b>
<b>At fair value</b>		
<u>Money market instruments:</u>		
Malaysian government investment issues	29,663	151,583
BNM monetary notes	445,744	-
Wakala Global Sukuk	-	7,144
Negotiable instrument of deposits	98,613	-
Cagamas bonds	49,986	250,324
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	-	30,331
	<b>624,006</b>	<b>439,382</b>

10 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	<b>Unaudited As at 30.09.2013 RM'000</b>	<b>Audited As at 31.12.2012 RM'000</b>
<b>At fair value</b>		
<u>Money market instruments:</u>		
Malaysian government investment issues	570,379	486,371
Wakala Global Sukuk	45,309	16,870
Khazanah bonds	15,962	36,017
Cagamas bonds	60,622	50,332
Islamic accepted bills	36,562	-
Negotiable instrument of deposits	427,217	-
Sukuk Perumahan Kerajaan bonds	9,839	-
<u>Quoted securities:</u>		
<u>In Malaysia</u>		
Shares	701	-
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	1,400,775	908,848
	<b>2,567,366</b>	<b>1,498,438</b>
<b>At cost</b>		
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Shares	575	575
	<b>2,567,941</b>	<b>1,499,013</b>

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

11 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	<b>Unaudited</b> As at <b>30.09.2013</b>	Audited As at 31.12.2012
	<b>RM'000</b>	RM'000
<b>At amortised cost</b>		
<u>Money market instruments:</u>		
Malaysian government investment issues	844,636	743,403
Cagamas bonds	221,761	275,084
Khazanah bonds	8,899	8,658
Negotiable Islamic Debts Certificates	298,592	422,086
Sukuk Perumahan Kerajaan Bonds	10,020	-
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	814,734	585,467
	<b>2,198,642</b>	<b>2,034,698</b>

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

12 FINANCING AND ADVANCES

(i) By type

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30.09.2013</b>	<b>31.12.2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>		
Cashline	<b>169,604</b>	151,526
Term financing:		
- housing financing	<b>4,210,502</b>	3,471,369
- syndicated term financing	<b>446,203</b>	384,584
- hire purchase receivables	<b>5,001,196</b>	4,416,398
- other term financing	<b>6,126,334</b>	5,833,269
Bills receivables	<b>714,395</b>	852,323
Trust receipts	<b>40,282</b>	21,299
Staff financing	<b>7,491</b>	8,125
Credit/charge cards receivables	<b>174,690</b>	120,899
Revolving financing	<b>1,788,868</b>	1,006,569
Gross financing and advances	<b>18,679,565</b>	16,266,361
Fair value changes arising from value hedge	<b>(9,015)</b>	3,140
Allowances for bad and doubtful financing:		
- individual impairment allowance	<b>(85,686)</b>	(89,013)
- collective impairment allowance	<b>(159,761)</b>	(177,774)
Net financing and advances	<b>18,425,103</b>	16,002,714

- (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 September 2013, the gross exposures to RPSIA financing are RM 1,800 million (2012: RM 1,800 million) and the portfolio impairment allowance relating to this RPSIA amounting to RM 9.3 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 RM 1,296 million (2012: RM 1,435 million).

(ii) By type of customer

Domestic non-bank financial institutions:		
- Others	<b>1,019,015</b>	570,347
Domestic business enterprise:		
- Small medium enterprise	<b>736,955</b>	639,086
- Others	<b>3,342,589</b>	3,291,401
Government and statutory bodies	<b>3,344,169</b>	3,314,272
Individuals	<b>10,011,740</b>	8,255,302
Other domestic entities	<b>16,133</b>	292
Foreign entities	<b>208,964</b>	195,661
Gross financing and advances	<b>18,679,565</b>	16,266,361

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

12 FINANCING AND ADVANCES (CONTINUED)

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30.09.2013</b>	<b>31.12.2012</b>
	<b>RM'000</b>	<b>RM'000</b>
(iii) By type of contract		
Bai' Bithaman Ajil ('BBA')	<b>863,199</b>	1,079,691
Ijarah	<b>5,851,606</b>	5,027,745
Murabahah	<b>4,695,670</b>	3,919,949
Musyarakah	<b>3,384,125</b>	2,526,493
Istisna'	<b>20,168</b>	133,283
Bai'Inah	<b>3,573,445</b>	3,469,626
Others	<b>291,352</b>	109,574
Gross financing and advances	<b><u>18,679,565</u></b>	<b><u>16,266,361</u></b>
(iv) By profit rate sensitivity		
Fixed rate:		
- Housing financing	<b>820,262</b>	933,103
- Hire-purchase receivables	<b>5,001,196</b>	4,416,398
- Other fixed rate financing	<b>6,678,318</b>	5,830,328
Variable rate:		
- BFR-plus	<b>5,425,113</b>	4,212,910
- Cost-plus	<b>754,676</b>	873,622
Gross financing and advances	<b><u>18,679,565</u></b>	<b><u>16,266,361</u></b>
(v) By purpose		
Purchase of transport vehicles	<b>4,983,970</b>	4,383,378
Purchase of landed property:		
- Residential	<b>4,037,370</b>	3,342,435
- Non-residential	<b>445,970</b>	241,249
Purchase of property, plant and equipment other than land and building	<b>392,890</b>	318,654
Personal use	<b>1,017,340</b>	647,841
Credit card	<b>174,690</b>	120,899
Purchase of consumer durables	<b>10</b>	17
Construction	<b>190,350</b>	791,046
Working capital	<b>2,583,990</b>	2,195,832
Other purposes	<b>4,852,985</b>	4,225,010
Gross financing and advances	<b><u>18,679,565</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 NINE MONTHS ENDED 30 SEPTEMBER 2013 (CONTINUED)**

12 FINANCING AND ADVANCES (CONTINUED)

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30.09.2013</b>	<b>31.12.2012</b>
	<b>RM'000</b>	<b>RM'000</b>
(vi) The remaining contractual maturities		
Maturing within one year	<b>3,194,093</b>	2,377,613
One to three years	<b>833,760</b>	934,479
Three to five years	<b>3,436,266</b>	2,315,176
Over five years	<b>11,215,446</b>	10,639,093
Gross financing and advances	<b><u>18,679,565</u></b>	<b><u>16,266,361</u></b>
(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>315,481</b>	377,761
Amount recovered	<b>(53,492)</b>	(114,629)
Amount written off	<b>(49,218)</b>	(137,476)
Reclassified as non-impaired	<b>(226,040)</b>	(277,209)
Balance as at the end of the financial period/year	<b><u>395,795</u></b>	<b><u>409,064</u></b>

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

12 FINANCING AND ADVANCES (CONTINUED)

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30.09.2013</b>	31.12.2012
	<b>RM'000</b>	RM'000
(vii) Impaired financing and advances (continued)		
(b) By purpose		
Purchase of transport vehicles	42,540	48,580
Purchase of landed property:		
- Residential	124,460	129,841
- Non-residential	19,010	15,058
Purchase of property, plant and equipment other than land and building	9,510	12,741
Personal use	4,620	3,697
Credit card	4,950	3,452
Construction	1,200	1,289
Working capital	162,350	165,106
Other purposes	27,155	29,300
Gross impaired financing and advances	<u>395,795</u>	<u>409,064</u>
(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	(39)	67,920
Amount written off	(6,637)	(108,708)
Transfer from/(to) collective impairment allowance	3,349	(923)
Balance as at the end of the financial period/year	<u>85,686</u>	<u>89,013</u>
<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	13,735	(487)
Amount written off	(28,399)	(19,098)
Transfer (to)/from individual impairment allowance	(3,349)	923
Balance as at the end of the financial period/year	<u>159,761</u>	<u>177,774</u>
Collective impairment allowance (inclusive of regulatory reserve) as % of gross financing and advances (excluding RPSIA financing) less individual impairment allowance	<u>0.95%</u>	<u>1.24%</u>

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13 OTHER ASSETS

	<b>Unaudited</b> <b>As at</b> <b>30.09.2013</b> <b>RM'000</b>	<b>Audited</b> <b>As at</b> <b>31.12.2012</b> <b>RM'000</b>
Deposits and prepayments	1,084	249
Sundry deposits debtors	1,213	1,243
Other debtors	34,245	65,509
	<b>36,542</b>	<b>67,001</b>

14 DEPOSITS FROM CUSTOMERS

	<b>Unaudited</b> <b>As at</b> <b>30.09.2013</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	1,952,528	1,830,203
Savings deposits	741,582	716,821
Commodity Murabahah	3,731,374	2,631,890
Wakalah Money Market Deposit	3,830	28,264
	<b>6,429,314</b>	<b>5,207,178</b>
<u>Mudharabah Funds:</u>		
Demand deposits	484,256	480,301
Savings deposits	120,361	54,425
General investment accounts	905,266	802,880
Special investment accounts	11,478,714	10,781,897
	<b>19,417,911</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	14,550,819	12,583,414
Six months to one year	1,550,145	1,517,286
One year to three years	8,827	131,734
Three years to five years	9,393	12,497
	<b>16,119,184</b>	<b>14,244,931</b>

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

Government and statutory bodies	4,454,741	5,875,912
Business enterprises	12,091,142	8,374,096
Individuals	2,457,454	1,490,441
Others	414,574	1,586,232
	<b>19,417,911</b>	<b>17,326,681</b>

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15 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30.09.2013</b>	31.12.2012
	<b>RM'000</b>	RM'000
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	<b>482,797</b>	691,262
Licensed banks	<b>1,556,556</b>	928,320
Bank Negara Malaysia	<b>395</b>	625
	<b>2,039,748</b>	1,620,207
<u>Mudharabah Funds:</u>		
Licensed Islamic banks	<b>691,499</b>	392,273
Licensed banks	<b>1,875,507</b>	1,815,187
Other financial institutions	<b>640,553</b>	734,825
	<b>5,247,307</b>	4,562,492

16 OTHER LIABILITIES

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30.09.2013</b>	31.12.2012
	<b>RM'000</b>	RM'000
Sundry creditors	<b>18,513</b>	9,821
Amount due to ultimate holding company	-	99
Amount due to immediate holding company	<b>321,018</b>	382,495
Short term employee benefits	<b>10,283</b>	11,259
Other accruals and payables	<b>135,966</b>	95,296
	<b>485,780</b>	498,970



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17 INCOME DERIVED FROM INVESTMENTS OF DEPOSITORS' FUNDS

	<b>Current Financial Quarter ended 30.09.2013 RM'000</b>	Preceding Corresponding Financial Quarter ended 30.09.2012 RM'000	<b>Current Financial Nine Months Ended 30.09.2013 RM'000</b>	Preceding Corresponding Nine Months Ended 30.09.2012 RM'000
Income derived from investment of:				
(i) General investment deposit	<b>10,626</b>	9,083	<b>31,615</b>	25,589
(ii) Other deposits	<b>267,339</b>	264,551	<b>780,973</b>	739,699
	<b>277,965</b>	273,634	<b>812,588</b>	765,288
(i) Income derived from investment of general investments deposits:				
<u>Finance income and hibah</u>				
Financing and advances	<b>8,183</b>	6,252	<b>23,790</b>	17,153
Financial assets held-for-trading	<b>5</b>	33	<b>239</b>	160
Financial investments available-for-sale	<b>864</b>	499	<b>2,094</b>	1,675
Financial investments held-to-maturity	<b>849</b>	650	<b>2,400</b>	1,621
Money at call and deposit with financial institutions	<b>754</b>	1,317	<b>2,572</b>	4,038
Total finance income and hibah	<b>10,655</b>	8,751	<b>31,095</b>	24,647
Other operating (loss)/income (note a to c)	<b>(29)</b>	332	<b>520</b>	942
	<b>10,626</b>	9,083	<b>31,615</b>	25,589
Of which:				
Financing income earned on impaired financing	<b>127</b>	131	<b>489</b>	636
Other operating income comprise of:				
(a) Fee income:				
- Commission	<b>46</b>	43	<b>143</b>	122
- Guarantee fees	<b>12</b>	14	<b>40</b>	30
	<b>58</b>	57	<b>183</b>	152
(b) Net gain on disposal of financial assets held-for-trading	<b>45</b>	58	<b>186</b>	288
(c) Net (loss)/gain on disposal of financial investments available-for-sale	<b>(132)</b>	217	<b>151</b>	502
	<b>(29)</b>	332	<b>520</b>	942

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

	<b>Current Financial Quarter ended 30.09.2013 RM'000</b>	Preceding Corresponding Financial Quarter ended 30.09.2012 RM'000	<b>Current Financial Nine Months Ended 30.09.2013 RM'000</b>	Preceding Corresponding Nine Months Ended 30.09.2012 RM'000
<b>(ii) Income derived from investment of other deposits:</b>				
<u>Finance income and hibah</u>				
Financing and advances	205,888	182,081	586,946	495,878
Financial assets held-for-trading	128	950	5,832	4,552
Financial investments available-for-sale	21,735	14,541	51,727	48,376
Financial investments held-to-maturity	21,351	18,941	59,302	46,871
Money at call and deposit with financial institutions	18,975	38,355	64,348	116,699
Total finance income and hibah	<b>268,077</b>	254,868	<b>768,155</b>	712,376
Other operating (loss)/income (note a to c)	<b>(738)</b>	9,683	<b>12,818</b>	27,323
	<b>267,339</b>	264,551	<b>780,973</b>	739,699
Of which:				
Financing income earned on impaired financing	<b>3,183</b>	3,809	<b>11,543</b>	16,536
Other operating income comprise of:				
(a) Fee income:				
- Commission	1,157	1,259	3,554	3,529
- Guarantee fees	297	401	985	897
	<b>1,454</b>	1,660	<b>4,539</b>	4,426
(b) Net gain on disposal of financial assets held-for-trading	<b>1,141</b>	1,695	<b>4,826</b>	8,326
(c) Net (loss)/gain on disposal of financial investment available-for-sale	<b>(3,333)</b>	6,328	<b>3,453</b>	14,571
	<b>(738)</b>	9,683	<b>12,818</b>	27,323

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18 INCOME DERIVED FROM INVESTMENTS OF SHAREHOLDERS' FUNDS

	<b>Current Financial Quarter ended 30.09.2013 RM'000</b>	Preceding Corresponding Financial Quarter ended 30.09.2012 RM'000	<b>Current Financial Nine Months Ended 30.09.2013 RM'000</b>	Preceding Corresponding Nine Months Ended 30.09.2012 RM'000
<u>Finance income and hibah</u>				
Financing and advances	10,635	6,260	30,475	17,853
Financial assets held-for-trading	7	33	305	167
Financial investments available-for-sale	1,123	500	2,687	1,750
Financial investments held-to-maturity	1,103	652	3,075	1,684
Money at call and deposit with financial institutions	980	1,319	3,269	4,213
Total finance income and hibah	<u>13,848</u>	<u>8,764</u>	<u>39,811</u>	<u>25,667</u>
Other operating income (note a to f)	<u>13,366</u>	<u>12,307</u>	<u>38,697</u>	<u>40,066</u>
	<u><b>27,214</b></u>	<u><b>21,071</b></u>	<u><b>78,508</b></u>	<u><b>65,733</b></u>
Of which:				
Financing income earned on impaired financing	<u>164</u>	<u>131</u>	<u>635</u>	<u>544</u>
Other operating income comprise of:				
(a) Fee income:				
- Commission	2,186	1,603	6,316	4,729
- Service charges and fees	11,889	7,972	32,759	21,321
- Guarantee and underwriting fees	339	443	1,234	1,152
	<u>14,414</u>	<u>10,018</u>	<u>40,309</u>	<u>27,202</u>
(b) Net gain on disposal of financial assets held-for-trading	58	58	231	305
(c) Net (loss)/gain on revaluation of derivatives	(2,203)	(3,382)	(6,818)	5,268
(d) Net (loss)/gain on fair value hedges	(1,099)	4,327	965	4,670
(e) Net (loss)/gain on disposal of financial investment available-for-sale	(172)	218	192	526
(f) Other income				
-Foreign exchange gain	2,368	1,065	3,816	2,042
-Gain on disposal of property, plant and equipment	-	2	2	42
-Other non-operating income	-	1	-	11
	<u>2,368</u>	<u>1,068</u>	<u>3,818</u>	<u>2,095</u>
	<u><b>13,366</b></u>	<u><b>12,307</b></u>	<u><b>38,697</b></u>	<u><b>40,066</b></u>

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19 ALLOWANCES FOR IMPAIRMENT ON FINANCING AND ADVANCES

	<b>Current Financial Quarter ended 30.09.2013 RM'000</b>	Preceding Corresponding Financial Quarter ended 30.09.2012 RM'000	<b>Current Financial Nine Months Ended 30.09.2013 RM'000</b>	Preceding Corresponding Nine Months Ended 30.09.2012 RM'000
Allowance for impairment on financing and advances:				
- Individual assessment allowance	(837)	2,073	(39)	47,272
- Collective assessment allowance	3,598	1,745	13,736	3,837
- Impaired financing recovered	(3,817)	(2,290)	(7,592)	(5,709)
- Impaired financing written off	7,765	4,162	31,404	7,952
	<b>6,709</b>	<b>5,690</b>	<b>37,509</b>	<b>53,352</b>

20 INCOME ATTRIBUTABLE TO DEPOSITORS

	<b>Current Financial Quarter ended 30.09.2013 RM'000</b>	Preceding Corresponding Financial Quarter ended 30.09.2012 RM'000	<b>Current Financial Nine Months Ended 30.09.2013 RM'000</b>	Preceding Corresponding Nine Months Ended 30.09.2012 RM'000
Deposits from customers:				
- Mudharabah funds	99,984	98,436	287,830	294,081
- Non-mudharabah funds	30,373	47,442	88,532	114,166
Deposits and placements of banks and financial institutions:				
- Mudharabah funds	21,324	13,808	75,806	40,762
- Non-mudharabah funds	17,856	12,988	33,677	30,168
Recourse obligations on financing sold to Cagamas	17,528	3,953	54,091	12,174
	<b>187,065</b>	<b>176,627</b>	<b>539,936</b>	<b>491,351</b>

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21 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to 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 30.09.2013			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	99,220	49,610	32,540	106,104	53,052	37,170
Short term self-liquidating trade-related contingencies	107,649	21,530	3,376	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	2,471,081	1,118,702	916,927	1,701,762	755,707	628,050
- maturity less than one year	1,632,792	326,558	308,827	1,561,193	312,239	293,408
Foreign exchange related contracts:						
- less than one year	515,951	5,341	3,837	438,362	4,809	3,539
Profit rate related contracts:						
- less than one year	-	-	-	-	-	-
- one year to less than five years	2,890,000	72,138	36,069	3,300,000	48,833	24,417
Total	<u><u>7,792,693</u></u>	<u><u>1,631,879</u></u>	<u><u>1,339,576</u></u>	<u><u>7,253,024</u></u>	<u><u>1,230,761</u></u>	<u><u>1,032,882</u></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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22 FAIR VALUE OF FINANCIAL INSTRUMENT

The Bank analyses its financial instruments measured at fair value into three categories as described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
Recurring fair value measurements				
<b><u>30.09.2013</u></b>				
<b><u>Financial assets</u></b>				
Financial assets held-for-trading	-	624,006	-	624,006
- money market instruments	-	624,006	-	624,006
Financial investments available-for-sale	701	2,566,665	575	2,567,941
- money market instruments	-	1,165,890	-	1,165,890
- quoted securities	701	-	-	701
- unquoted securities	-	1,400,775	575	1,401,350
Derivative assets				
- money market instruments	-	8,618	-	8,618
	<u>701</u>	<u>3,199,289</u>	<u>575</u>	<u>3,200,565</u>
<b><u>Financial liabilities</u></b>				
Derivative liabilities				
- money market instruments	-	11,044	-	11,044
<b><u>31.12.2012</u></b>				
<b><u>Financial assets</u></b>				
Financial assets held-for-trading	-	439,382	-	439,382
- money market instruments	-	409,051	-	409,051
- unquoted securities	-	30,331	-	30,331
Financial investments available-for-sale	-	1,498,438	575	1,499,013
- money market instruments	-	589,590	-	589,590
- unquoted securities	-	908,848	575	909,423
Derivative assets				
- money market instruments	-	2,278	-	2,278
	-	1,940,098	575	1,940,673
<b><u>Financial liabilities</u></b>				
Derivative liabilities				
- money market instruments	-	20,112	-	20,112

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22 FAIR VALUE OF FINANCIAL INSTRUMENT (CONTINUED)

Valuation techniques and sensitivity analysis

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. This would include quoted securities.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data. These would include certain bonds, government bonds, corporate debt securities and derivatives.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for socio economic reasons and unquoted corporate loan stocks. Fair values for shares held for socio economic reasons are based on the net tangible assets of the companies in mention. For unquoted corporate loan stocks, discounted cash flow analysis have been performed to determine the recoverability of the instruments, in accordance with the Group's impairment losses policy.

Sensitivity analysis is not performed on these level 3 instruments and fair values of such instruments are obtained from the techniques mentioned above.

Current year valuation methodologies were consistent with those disclosed in the audited financial statements for the financial year ended 31 December 2012.

Non-recurring fair value changes

Certain assets and liabilities are measured at fair value on a non-recurring basis; that is, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances. There were no non-recurring fair value changes for the period/year ended 30 September 2013 and 31 December 2012.

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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>30.09.2013</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	413,889	358,151
Statutory reserve	414,096	358,359
Unrealised (losses)/gains on AFS financial instruments	<u>(22,397)</u>	<u>3,740</u>
	<b>1,979,012</b>	<b>1,693,674</b>
Less:		
Deferred tax assets	(13,784)	(5,265)
Other intangibles	(4,115)	(3,585)
55% of cumulative gains of AFS financial instruments	-	(2,057)
Ageing Reserves and Liquidity Reserve	(252)	(5,091)
Total Common Equity / Tier I Capital	<u><b>1,960,861</b></u>	<u><b>1,677,676</b></u>
<b><u>Tier II Capital</u></b>		
Collective impairment / allowance for bad and doubtful financing <sup>^</sup>	<b>85,186</b>	87,435
Total Eligible Tier II capital	<u><b>85,186</b></u>	<u><b>87,435</b></u>
Total Capital Base	<u><b>2,046,047</b></u>	<u><b>1,765,111</b></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>30.09.2013</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>12.921%</b>	12.454%
Tier 1 Capital Ratio	<b>12.921%</b>	12.454%
Risk-weighted capital ratio (inclusive of market risk)	<b><u>13.358%</u></b>	<u>13.000%</u>
<b><u>Capital Ratios after the effects of PSIA</u></b>		
CET 1 Capital Ratio	<b>13.960%</b>	13.971%
Tier 1 Capital Ratio	<b>13.960%</b>	13.971%
Risk-weighted capital ratio (inclusive of market risk)	<b><u>14.566%</u></b>	<u>14.699%</u>
Risk-weighted assets by each major risk category are as follows:		
Credit risk-weighted assets	<b>14,479,728</b>	12,622,768
Credit risk-weighted assets absorbed by PSIA	<b>(1,270,108)</b>	(1,569,046)
Market risk-weighted assets	<b>83,315</b>	265,386
Operational risk-weighted assets	<b><u>753,737</u></b>	<u>689,105</u>
Total risk-weighted assets	<b><u>14,046,672</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 September 2013, credit risks relating to RPSIA assets excluded from the RWCR calculation amounted to RM1,270 million (2012:RM1,569 million).

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 2013.

**27 CHANGES IN PROFIT FOR THE QUARTER**

The Bank reported a pre-tax profit of RM56.3 million for the current quarter, 38.1% higher as compared to the preceding corresponding quarter ended 30 June 2013. The higher profit was attributed from lower impairment allowance by RM15.0 million and higher funding income by RM13.4 million. These are being offset with higher funding expenses by RM11.7 million and lower non funding income by RM5.5 million.

**28 PERFORMANCE REVIEW**

For the nine months ended 30 September 2013, the Bank recorded a pre-tax profit of RM150.1 million, 4% lower than previous year corresponding period of RM156.4 million. Despite the higher funding income of RM76.3 million and lower allowance for impaired financing by RM15.9 million, the results are hit by the higher funding expenses by RM48.5 million, higher overhead expenses by RM25.6 million and lower non funding income by RM16.4 million.

**29 PROSPECTS FOR 2013**

The global backdrop is turning more positive, with the US and Japan on a recovery path while Europe is stabilising, and China's slowdown is bottoming out. This will likely improve the country's exports for the rest of the year 2013.

The Malaysian Banking sector outlook is expected to continue its moderate growth in line with a stable domestic operating environment, with system wide sound asset quality, strong capitalisation and funding profiles.

Following the above, the Bank's business performance is expected to improve further given our enhanced geographical footprint. Our continued effort in strengthening our human capital bench strength has begun to yield good results.

We are determined to build on this momentum and barring unforeseen circumstances, the Bank expects performance for the remainder of the financial year to be satisfactory.