

Company No.

680329	V
--------	---

**RHB ISLAMIC BANK BERHAD**

(Incorporated in Malaysia)

UNAUDITED BALANCE SHEET AS AT 30 SEPTEMBER 2006

	<u>Note</u>	<u>30.09.2006</u> RM'000	<u>31.12.2005</u> RM'000
<b>ASSETS</b>			
Cash and short-term funds	2	3,026,178	1,939,598
Deposits and placements with banks and other financial institutions	3	745,000	450,000
Securities held for trading	4	520,846	633,284
Securities available-for-sale	5	99,813	147,997
Securities held-to-maturity	6	848,721	811,981
Financing and advances	7	4,079,269	3,400,411
Other assets	8	37,750	28,743
Deferred taxation assets		22,656	22,743
Tax recoverable		3,988	-
Statutory deposits	9	171,329	182,329
Property, plant and equipment		6,777	6,580
<b>TOTAL ASSETS</b>		<u><u>9,562,327</u></u>	<u><u>7,623,666</u></u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Deposits from customers	10	7,420,921	5,511,645
Deposits and placements of banks and other financial institutions	11	1,188,291	1,094,249
Bills and acceptances payable		21,226	34,037
Other liabilities		305,687	415,600
Provision for taxation and zakat		7,167	2,981
		<u><u>8,943,292</u></u>	<u><u>7,058,512</u></u>
Ordinary share capital		523,424	523,424
Reserves		95,611	41,730
Shareholders' equity		<u><u>619,035</u></u>	<u><u>565,154</u></u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u><u>9,562,327</u></u>	<u><u>7,623,666</u></u>
<b>COMMITMENTS AND CONTINGENCIES</b>	16	<u><u>2,314,085</u></u>	<u><u>1,664,446</u></u>
<b>KEY RATIOS</b>			
Core capital ratio		13.98%	16.49%
Risk-weighted capital ratio		15.90%	18.73%

Company No.

680329	V
--------	---

**RHB ISLAMIC BANK BERHAD**

(Incorporated in Malaysia)

UNAUDITED INCOME STATEMENT FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006

		<b>Current 9 months period ended 30.09.2006</b>	<b>Preceding corresponding 6.5 months period ended 30.09.2005</b>
	Note	RM'000	(16.03.05 to 30.09.05) RM'000
Income derived from investment of depositors' funds	12	230,410	137,987
Income derived from investment of shareholders' funds	13	47,137	25,538
Allowance for losses on financing and advances	14	(12,403)	(5,585)
Profit equalisation reserve		1,883	(7,527)
Total distributable income		<u>267,027</u>	<u>150,413</u>
Income attributable to the depositors	15	<u>(128,674)</u>	<u>(74,845)</u>
Total net income		<u>138,353</u>	<u>75,568</u>
Personnel expenses		(16,903)	(8,356)
Other overheads and expenditures		(10,919)	(8,385)
Allocated overheads		<u>(37,896)</u>	<u>(25,491)</u>
Profit before zakat and taxation		72,635	33,336
Zakat		920	-
Taxation		<u>(20,508)</u>	<u>(9,878)</u>
Net profit for the financial period		<u><u>53,047</u></u>	<u><u>23,458</u></u>

Company No.

680329	V
--------	---

**RHB ISLAMIC BANK BERHAD**

(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006.

Current 9 Month Period Ended 30.09.2006

	Note	Share Capital RM'000	Statutory Reserve RM'000	AFS Reserves RM'000	Retained Profits RM'000	Total RM'000
Balance as at 31.12.2005		523,424	20,742	246	20,742	565,154
Unrealised net gain on revaluation of securities available-for-sale		-	-	835	-	835
Deferred taxation		-	-	-	-	-
Net profit for the financial period		-	-	-	53,046	53,046
Transfer to statutory reserves		-	-	-	-	-
Balance as at 30.9.2006		<u>523,424</u>	<u>20,742</u>	<u>1,081</u>	<u>73,788</u>	<u>619,035</u>

Preceding corresponding 6.5 months period ended 30.09.2005  
(16.3.2005 to 30.09.2005)

	Note	Share Capital RM'000	Statutory Reserve RM'000	AFS Reserves RM'000	Retained Profits RM'000	Total RM'000
Issued during the period		523,424	-	-	-	523,424
Unrealised net gain on revaluation of securities available-for-sale		-	-	(16)	-	(16)
Deferred taxation		-	-	-	-	-
Net profit for the financial period		-	-	-	23,458	23,458
Transfer to statutory reserves		-	-	-	-	-
Balance as at 30.9.2005		<u>523,424</u>	<u>-</u>	<u>(16)</u>	<u>23,458</u>	<u>546,866</u>

Company No.

680329	V
--------	---

**RHB ISLAMIC BANK BERHAD**

(Incorporated in Malaysia)

UNAUDITED CASH FLOW STATEMENT  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006

	Current 9 months period ended <u>30.09.2006</u> RM'000	Preceding corresponding 6.5 months period ended <u>30.09.2005</u> (16.03.05 to 30.09.05) RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation and zakat for the financial period	72,635	33,336
Adjustments for:		
Depreciation of property, plant and equipment	593	300
Income from:		
Investment on securities available-for-sale	-	-
Investment on securities held-to-maturity	-	-
Net gain on sale of securities available-for-sale	-	-
Accretion of discount less amortisation of premium	(16,968)	(11,960)
Unrealised gain from securities held for trading	(192)	(1,513)
Allowance for losses on financing and advances	12,403	5,585
Profit equalisation reserve	(1,883)	7,527
Operating profit before working capital changes	<u>66,588</u>	<u>33,275</u>
Decrease/ (increase) in deposits and placements with financial institutions	(295,000)	(286,000)
Decrease/ (increase) in financing and advances	(685,231)	(97,861)
Investment on securities held for trading	112,246	(302,494)
Other assets	(9,007)	(38,852)
Statutory deposit with Bank Negara Malaysia	11,000	(24,755)
Deposits from customers	1,909,276	760,504
Deposits and placements of banks and other financial institutions	94,042	27,985
Bills and acceptances payable	(12,811)	124,160
Other liabilities	(79,740)	82,463
Cash generated from operating activities	<u>1,111,363</u>	<u>278,425</u>
Taxation paid	(19,303)	-
Zakat paid	-	(2)
Net cash generated from operating activities	<u>1,092,060</u>	<u>278,423</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(790)	(5,141)
Income received:		
Investment on securities available-for-sale	-	-
Investment on securities held-to-maturity	-	-
Net purchased of:		
Investment on securities available-for-sale	49,019	(164,882)
Investment on securities held-to-maturity	(53,709)	(11,003)
Net cash used in investing activities	<u>(5,480)</u>	<u>(181,026)</u>
<b>ANALYSIS OF CASH AND CASH EQUIVALENT</b>		
Net increase in cash and cash equivalents	1,086,580	97,397
Cash and cash equivalent as at 31.12.2005	<u>1,939,598</u>	<u>1,273,377</u>
Cash and cash equivalent carried forward	<u>3,026,178</u>	<u>1,370,774</u>

Company No.

680329	V
--------	---

**RHB ISLAMIC BANK BERHAD**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006

1. GENERAL INFORMATION

RHB ISLAMIC Bank Berhad ('the Bank'), is a licensed Islamic Bank under the Islamic Banking Act 1983, a limited liability company domiciled in Malaysia, is principally engaged in Islamic banking business and the provision of related services.

The Bank commenced its business operations on 16 March 2005, upon vesting of the assets and liabilities of Islamic banking business of RHB Bank Berhad existing on 15 March 2005, with a net assets worth RM523.4 million, which constitute the issued and paid up share capital of the Bank at RM1.00 per share.

The address of the registered office of the Bank is Level 10, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur.

The directors regard RHB Bank Berhad ('RHBB') and Rashid Hussain Berhad ('RHB'), both companies incorporated in Malaysia as the holding and ultimate holding company respectively. The registered office of RHBB and RHB is similar to the Bank.

2. CASH AND SHORT-TERM FUNDS

	<u>30.09.2006</u> RM'000	<u>31.12.2005</u> RM'000
Cash and balances with banks and other financial institutions	320,178	69,598
Money at call and deposit placements maturing within one month	<u>2,706,000</u>	<u>1,870,000</u>
	<u>3,026,178</u>	<u>1,939,598</u>

3. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>30.09.2006</u> RM'000	<u>31.12.2005</u> RM'000
Licensed banks and other financial institutions	145,000	50,000
Bank Negara Malaysia	600,000	400,000
	<u>745,000</u>	<u>450,000</u>

Company No.

680329	V
--------	---

**RHB ISLAMIC BANK BERHAD**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006 (CONTINUED)

4. SECURITIES HELD FOR TRADING

<u>At fair value</u>	<u>30.09.2006</u> RM'000	<u>31.12.2005</u> RM'000
<u>Money market instruments:</u>		
<u>Quoted</u>		
Khazanah bonds	-	29,073
Government investment issues		18,577
<u>Unquoted</u>		
Malaysian government treasury bills	-	19,808
Bank Negara Malaysia negotiable notes	158,015	426,837
Islamic accepted bills	213,509	20,437
Private debt securities	149,322	118,552
Total securities held for trading	<u>520,846</u>	<u>633,284</u>

5. SECURITIES AVAILABLE-FOR-SALE

<u>At fair value</u>	<u>30.09.2006</u> RM'000	<u>31.12.2005</u> RM'000
<u>Money market instruments:</u>		
<u>Quoted</u>		
Cagamas mudharabah bonds	44,986	14,990
Government investment issues	9,249	-
<u>Unquoted</u>		
Malaysian government treasury bills	45,003	32,857
Bank Negara Malaysia negotiable notes	-	99,575
	<u>99,238</u>	<u>147,422</u>
<u>At cost</u>		
<u>Unquoted securities in Malaysia</u>		
Shares	575	575
Total securities available-for-sale	<u>99,813</u>	<u>147,997</u>

Company No.

680329	V
--------	---

**RHB ISLAMIC BANK BERHAD**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006 (CONTINUED)

6. SECURITIES HELD-TO-MATURITY

<u>At amortised cost</u>	<u>30.09.2006</u> RM'000	<u>31.12.2005</u> RM'000
<u>Money market instruments:</u>		
<u>Quoted</u>		
Cagamas mudharabah bonds	60,483	80,599
Khazanah bonds	561,493	585,764
Government Investment Issuance	80,521	-
<u>Unquoted</u>		
Private debt securities	146,224	145,618
Total securities held-to-maturity	<u>848,721</u>	<u>811,981</u>

Company No.

680329	V
--------	---

**RHB ISLAMIC BANK BERHAD**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006 (CONTINUED)

7. FINANCING AND ADVANCES

(i) By type

	<u>30.09.2006</u>	<u>31.12.2005</u>
	RM'000	RM'000
Cashline	61,518	58,430
Term financing		
- housing financing	1,390,301	1,199,672
- syndicated term financing	522,863	519,453
- hire purchase receivables	239,884	72,250
- other term financing	992,263	721,521
Bills receivable	521,565	498,346
Trust receipts	12,109	15,237
Staff financing	4,762	1,740
Revolving financing	501,335	445,064
	<u>4,246,600</u>	<u>3,531,713</u>
Less: Unearned income		
- Hire purchase	(37,064)	(7,408)
- Term financing	68	68
Gross financing and advances	<u>4,209,604</u>	<u>3,524,373</u>
Less : Allowance for bad and doubtful financing :		
- general	(74,775)	(73,692)
- specific	(55,560)	(50,270)
Net financing and advances	<u>4,079,269</u>	<u>3,400,411</u>

(ii) By type of customer

	<u>30.09.2006</u>	<u>31.12.2005</u>
	RM'000	RM'000
Domestic non-bank financial institutions		
- Others	31,374	34,826
Domestic business enterprises		
- Small medium enterprises	512,764	208,876
- Others	2,014,472	1,911,225
Government and statutory bodies	99,782	100,971
Individuals	1,532,939	1,251,630
Other domestic entities	15,965	16,124
Foreign entities	2,308	721
	<u>4,209,604</u>	<u>3,524,373</u>

(iii) Financing and advances analysed by contract are as follows:

	<u>30.09.2006</u>	<u>31.12.2005</u>
	RM'000	RM'000
Bai' Bithaman Ajil	2,971,775	2,500,884
Ijarah Muntahia Bittamluk / AITAB	202,820	64,842
Murabahah	1,035,009	958,647
	<u>4,209,604</u>	<u>3,524,373</u>



Company No.

680329	V
--------	---

**RHB ISLAMIC BANK BERHAD**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006 (CONTINUED)

7. FINANCING AND ADVANCES (CONTINUED)

	<u>30.09.2006</u>	<u>31.12.2005</u>
	RM'000	RM'000
(iv) By profit rate sensitivity		
Fixed rate		
- Housing financing	1,385,350	1,199,155
- Hire purchase receivables	202,956	64,842
- Other fixed rate financing	1,521,883	1,243,299
Variance rate		
-Others	<u>1,099,415</u>	<u>1,017,077</u>
	<u>4,209,604</u>	<u>3,524,373</u>
(v) By purpose		
Purchase of securities	360,703	343,173
Purchase of transport vehicles	112,223	23,225
Purchase of landed property:		
- Residential	1,390,679	1,199,980
- Non-residential	76,091	41,323
Purchase of property, plant and equipment other than land and building	119,318	64,789
Personal use	33,471	26,315
Credit card	-	-
Purchase of consumer durables	391	457
Construction	68,824	56,830
Merger and acquisition	-	-
Working capital	1,947,599	1,767,780
Other purposes	<u>100,305</u>	<u>501</u>
	<u>4,209,604</u>	<u>3,524,373</u>
(vi) Movement in non-performing financing		
Balance brought forward	210,657	-
Amount vested over from RHB Bank	-	258,040
Amount vested over from Delta	661	-
Classified as non-performing during the period	232,965	215,710
Reclassified as performing during the period	(165,652)	(219,582)
Amount recovered	(16,985)	(9,955)
Amount written off	<u>(7,643)</u>	<u>(33,556)</u>
Balance carried forward	254,003	210,657
Specific allowance	<u>(55,560)</u>	<u>(50,270)</u>
Net non-performing financing and advances	<u>198,443</u>	<u>160,387</u>
Ratio of net non-performing financing and advances to net financing and advances	<u>4.8%</u>	<u>4.7%</u>

Company No.

680329	V
--------	---

**RHB ISLAMIC BANK BERHAD**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006 (CONTINUED)

7. FINANCING AND ADVANCES (CONTINUED)

	<u>30.9.2006</u> RM'000	<u>31.12.2005</u> RM'000
(vii) Movement in allowance for bad and doubtful financing		
<b><u>General allowance</u></b>		
Balance brought forward	73,692	-
Amount vested over from RHB Bank	-	77,059
Amount vested over from Delta	13	-
Net allowance made/(written back) during the period	<u>1,070</u>	<u>(3,367)</u>
Balance carried forward	<u>74,775</u>	<u>73,692</u>
As % of gross financing and advances less specific allowance	<u>1.80%</u>	<u>2.12%</u>
<b><u>Specific allowance</u></b>		
Balance brought forward	50,270	-
Amount vested over from RHB Bank	-	75,661
Amount vested over from Delta	193	-
Allowance made during the period	13,003	8,724
Amount recovered	(1,637)	(1,706)
Amount written off	<u>(6,269)</u>	<u>(32,409)</u>
Balance carried forward	<u>55,560</u>	<u>50,270</u>
(viii) Non-performing financing and advances analysed by purpose:		
Purchase of securities	52	73
Purchase of transport vehicles	43	37
Purchase of landed property:		
- Residential	186,168	143,266
- Non-residential	3,806	1,171
Purchase of property, plant and equipment other than land and building	26,623	27,343
Personal use	3,693	6,081
Purchase of consumer durables	7	34
Construction	3,046	1,186
Merger and acquisition	-	-
Working capital	<u>30,565</u>	<u>31,466</u>
	<u>254,003</u>	<u>210,657</u>

Company No.

680329	V
--------	---

**RHB ISLAMIC BANK BERHAD**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006 (CONTINUED)

8. OTHER ASSETS

	<u>30.09.2006</u> RM'000	<u>31.12.2005</u> RM'000
Other debtors, deposits and prepayments	28,605	23,370
Income receivable	7,645	5,373
Amount Due to BNM	1,500	-
	<u>37,750</u>	<u>28,743</u>

9. STATUTORY DEPOSIT

	<u>30.09.2006</u> RM'000	<u>31.12.2005</u> RM'000
Statutory Reserve	171,329	182,329

The statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 37(1) (c) of the Central Bank of Malaysia Act, 1958 (revised-1994), the amount which are determined at 4% of total eligible liabilities.

10. DEPOSITS FROM CUSTOMERS

	<u>30.09.2006</u> RM'000	<u>31.12.2005</u> RM'000
<u>Non-Mudharabah Funds:</u>		
Wadiah current account	2,120,088	1,124,827
Wadiah savings account	468,545	466,709
Negotiable certificates of deposit	140,780	141,924
	<u>2,729,413</u>	<u>1,733,460</u>
<u>Mudharabah Funds:</u>		
Mudharabah current account	297,248	302,721
Mudharabah general investment deposits	1,281,970	1,026,773
Mudharabah special investment deposits	3,112,290	2,448,691
Total deposits	<u>7,420,921</u>	<u>5,511,645</u>

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

Government and statutory bodies	1,436,986	945,290
Business enterprises	5,262,807	3,864,254
Individuals	721,128	702,101
	<u>7,420,921</u>	<u>5,511,645</u>

Company No.

680329	V
--------	---

**RHB ISLAMIC BANK BERHAD**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006 (CONTINUED)

11. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>30.09.2006</u>	<u>31.12.2005</u>
	RM'000	RM'000
<u>Non-Mudharabah Fund:</u>		
Licensed Islamic banks	98,551	9,754
Other financial institutions	272,894	789,485
<u>Mudharabah Fund:</u>		
Licensed Islamic banks	484,000	59,000
Other financial institutions	332,846	236,010
	<u>1,188,291</u>	<u>1,094,249</u>

Company No.

680329	V
--------	---

**RHB ISLAMIC BANK BERHAD**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006 (CONTINUED)

12. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

Income derived from investment of depositors' funds are as follows:

	<b>Current 9 months period ended 30.09.2006</b>	<b>Preceding corresponding 6.5 months period ended 30.09.2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of:-		(16.03.05 to 30.09.05)
(i) General investment deposit	<b>114,440</b>	<b>91,586</b>
(ii) Other deposits	<b>115,970</b>	<b>46,401</b>
	<b>230,410</b>	<b>137,987</b>
 (i) Income derived from investment of general investment deposits		
<u>Finance income and hibah:</u>		
Financing and advances	<b>74,788</b>	<b>59,468</b>
Securities held for trading	<b>5,115</b>	<b>2,781</b>
Securities available-for-sale	<b>961</b>	<b>-</b>
Securities held-to-maturity	<b>3,273</b>	<b>3,092</b>
Money at call and deposit with financial institutions	<b>21,440</b>	<b>14,422</b>
	<b>105,577</b>	<b>79,763</b>
Amortisation of premium less accretion of discount	<b>7,891</b>	<b>7,090</b>
Total finance income and hibah	<b>113,468</b>	<b>86,853</b>
Other operating income (note a-c)	<b>972</b>	<b>4,733</b>
	<b>114,440</b>	<b>91,586</b>
a) Fee income :		
Commission	<b>1,716</b>	<b>502</b>
Guarantee fees	<b>58</b>	<b>84</b>
	<b>1,774</b>	<b>586</b>
b) Net gain from sale of :		
- Securities held for trading	<b>(447)</b>	<b>1,581</b>
- Securities available-for-sale	<b>(718)</b>	<b>1,677</b>
	<b>(1,165)</b>	<b>3,258</b>
c) Net unrealised gain on revaluation of securities held for trading	<b>363</b>	<b>889</b>
Total other operating income	<b>972</b>	<b>4,733</b>

Company No.

680329	V
--------	---

**RHB ISLAMIC BANK BERHAD**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006 (CONTINUED)

12. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (CONTINUED)

	Current 9 months period ended <b>30.09.2006</b>	Preceding corresponding 6.5 months period ended <b>30.09.2005</b> <small>(16.03.05 to 30.09.05)</small>
	RM'000	RM'000
(ii) Income derived from investment of other deposits		
<u>Finance income and hibah:</u>		
Financing and advances	71,807	30,135
Securities held for trading	5,650	1,406
Securities available-for-sale	1,352	-
Securities held-to-maturity	3,232	1,566
Money at call and deposit with financial institutions	23,947	7,299
	<u>105,988</u>	<u>40,406</u>
Amortisation of premium less accretion of discount	7,569	3,590
Total finance income and hibah	<u>113,557</u>	<u>43,996</u>
Other operating income (note a-c)	2,413	2,405
	<u>115,970</u>	<u>46,401</u>
a) Fee income :		
Commission	2,885	254
Guarantee fees	33	43
	<u>2,918</u>	<u>297</u>
b) Net gain from sale of :		
- Securities held for trading	(118)	803
- Securities available-for-sale	(201)	851
	<u>(319)</u>	<u>1654</u>
c) Net unrealised gain on revaluation of securities held for trading	(186)	454
Total other operating income	<u>2,413</u>	<u>2,405</u>

Company No.

680329	V
--------	---

**RHB ISLAMIC BANK BERHAD**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006 (CONTINUED)

13. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Current 9 months period ended <u>30.09.2006</u>	Preceding corresponding 6.5 months period ended <u>30.09.2005</u> <small>16.03.05 to 30.09.05</small>
	RM'000	RM'000
<u>Finance income and hibah:</u>		
Financing and advances	14,295	10,780
Securities held for trading	1,049	498
Securities available-for-sale	218	-
Securities held-to-maturity	632	558
Money at call and deposit with financial institutions	4,353	2,595
	<u>20,548</u>	<u>14,431</u>
Amortisation of premium less accretion of discount	1,508	1,279
Total finance income and hibah	<u>22,056</u>	<u>15,710</u>
Other operating income (note a-c)	25,081	9,828
	<u>47,137</u>	<u>25,538</u>
a) Fee income :		
Commission	426	90
Service charges and fees	23,298	7,598
Guarantee and underwriting fees	322	16
Other fee income	1,168	1,359
	<u>25,214</u>	<u>9,063</u>
b) Net gain from sale of :		
- Securities held for trading	(56)	290
- Securities available-for-sale	(93)	305
	<u>(149)</u>	<u>595</u>
c) Net unrealised gain on revaluation of securities held for trading	16	170
Total other operating income	<u>25,081</u>	<u>9,828</u>

Company No.

680329	V
--------	---

**RHB ISLAMIC BANK BERHAD**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006 (CONTINUED)

14. ALLOWANCES FOR LOSSES ON FINANCING AND ADVANCES

	<b>Current 9 months period ended 30.09.2006</b>	<b>Preceding corresponding 6.5 months period ended 30.09.2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Allowance for bad and doubtful financing on financing and advances		
Specific allowance		
- Made during the financial period	13,003	2,496
- Written back	(1,637)	(1,397)
General allowance		
- Made during the financial period	1,070	4,533
Bad debts on financing recovered	(33)	(20)
	<b>12,403</b>	<b>5,585</b>

15. INCOME ATTRIBUTABLE TO DEPOSITORS

Deposits from customers:		
- Mudharabah funds	91,308	44,250
- Non-mudharabah funds	13,498	10,236
Deposits and placements of banks and other financial institutions:		
- Mudharabah funds	8,263	889
- Non-mudharabah funds	15,605	19,470
	<b>128,674</b>	<b>74,845</b>



Company No.

680329	V
--------	---

**RHB ISLAMIC BANK BERHAD**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006 (CONTINUED)

16 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to 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:

	<u>30.09.2006</u>		
	<u>Principal Amount</u> RM'000	<u>Credit Equivalent Amount *</u> RM'000	<u>Risk Weighted Amount</u> RM'000
Transaction-related contingent items	96,056	48,028	47,513
Short-term self-liquidating trade-related contingencies	134,959	26,992	26,976
Obligations under underwriting agreements	50,000	25,000	25,000
Housing financing sold directly and indirectly to Cagamas with recourse	42,224	42,224	21,112
Irrevocable commitments to extend credit :			
- maturity more than one year	319,105	159,552	138,895
- maturity less than one year	1,654,564	-	
Miscellaneous	17,177	-	
Total	<u>2,314,085</u>	<u>301,796</u>	<u>259,496</u>

	<u>31.12.2005</u>		
	<u>Principal Amount</u> RM'000	<u>Credit Equivalent Amount *</u> RM'000	<u>Risk Weighted Amount</u> RM'000
Transaction-related contingent items	50,374	25,187	23,619
Short-term self-liquidating trade-related contingencies	109,130	21,826	21,826
Obligations under underwriting agreements	50,000	25,000	25,000
Housing financing sold directly and indirectly to Cagamas with recourse	44,062	44,062	22,031
Irrevocable commitments to extend credit :			
- maturity more than one year	168,319	84,160	64,231
- maturity less than one year	1,224,395	-	-
Miscellaneous	18,166	-	-
Total	<u>1,664,446</u>	<u>200,235</u>	<u>156,707</u>

\* The credit equivalent amount is arrived at using credit conversion factors as per Bank Negara Malaysia's guidelines.

Company No.

680329	V
--------	---

**RHB ISLAMIC BANK BERHAD**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006 (CONTINUED)

17 CAPITAL ADEQUACY

	<u>30.09.2006</u>	<u>31.12.2005</u>
	RM'000	RM'000
<u>Tier I Capital</u>		
Paid-up ordinary share capital	523,424	523,424
Retained profits	20,742	20,742
Statutory reserve	20,742	20,742
	<u>564,908</u>	<u>564,908</u>
Less :		
Deferred tax assets	(22,743)	(22,743)
Total Tier I capital	<u>542,165</u>	<u>542,165</u>
<u>Tier II Capital</u>		
General allowance for bad and doubtful financing	74,775	73,692
Total Tier II capital	<u>74,775</u>	<u>73,692</u>
Total capital base	<u>616,940</u>	<u>615,857</u>
<u>Capital ratios</u>		
Inclusive of market risk :		
Core capital ratio (inclusive of market risk)	13.98%	16.49%
Risk-weighted capital ratio (inclusive of market risk)	<u>15.90%</u>	<u>18.73%</u>

	30.09.2006	
	<u>Principal</u>	<u>Risk</u>
	RM'000	RM'000
The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:		
(i) Credit Risk		
0%	4,714,622	-
10%	160,483	16,048
20%	158,025	31,605
50%	1,240,036	620,018
100%	3,178,648	3,178,648
	<u>9,451,814</u>	<u>3,846,319</u>
(ii) Market Risk Capital Adequacy Framework #		
		<u>31,806</u>
		<u>3,878,125</u>

Company No.

680329	V
--------	---

**RHB ISLAMIC BANK BERHAD**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006 (CONTINUED)

17. CAPITAL ADEQUACY (CONTINUED)

	31.12.2005	
	<u>Principal</u>	<u>Risk</u>
	<u>RM'000</u>	<u>Weighted</u>
		<u>RM'000</u>
The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:		
(i) Credit Risk		
0%	3,282,205	-
10%	95,589	9,559
20%	109,440	21,888
50%	1,093,138	546,569
100%	2,675,107	2,675,107
	<u>7,255,479</u>	<u>3,253,123</u>
(ii) Market Risk Capital Adequacy Framework #	-	36,007
	<u>7,255,479</u>	<u>3,289,130</u>

# The capital adequacy ratios have incorporated market risk pursuant to BNM's guideline on Market Risk Capital Adequacy Framework, which is effective from 1 April 2005.

**RHB ISLAMIC BANK BERHAD**

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006 (CONTINUED)

## 18. PROFIT RATE RISK

30.09.2006

	← Non-trading book →					Non-profit sensitive	Trading book	Total	Effective Profit rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>Assets</b>									
Cash and short term funds	2,706,000	-	-	-	-	320,178	-	3,026,178	3.26
Deposits and placements with financial institutions	-	745,000	-	-	-	-	-	745,000	3.65
Securities held for trading	-	-	-	-	-	-	520,846	520,846	4.68
Securities available-for-sale	-	21,559	23,444	54,235	-	575	-	99,813	3.13
Securities held-to-maturity	-	44,705	44,725	660,885	98,406	-	-	848,721	3.96
Financing and advances									
- performing*	431,120	370,088	846,140	714,598	1,593,656	-	-	3,955,602	5.73
- non-performing*	-	-	-	-	-	123,667	-	123,667	-
Other assets	-	-	-	-	-	41,738	-	41,738	-
Deferred taxation assets	-	-	-	-	-	22,656	-	22,656	-
Statutory deposits	-	-	-	-	-	171,329	-	171,329	-
Property, plant and equipment	-	-	-	-	-	6,777	-	6,777	-
<b>Total assets</b>	<b>3,137,120</b>	<b>1,181,352</b>	<b>914,309</b>	<b>1,429,718</b>	<b>1,692,062</b>	<b>686,920</b>	<b>520,846</b>	<b>9,562,327</b>	

Company No.

680329	V
--------	---

**RHB ISLAMIC BANK BERHAD**

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006 (CONTINUED)

## 18 PROFIT RATE RISK (CONTINUED)

30.09.2006	← Non-trading book →						Trading book	Total	Effective profit rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Non-profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>Liabilities</b>									
Deposits from customers	3,906,895	1,283,637	932,812	96,144	380	1,201,053	-	7,420,921	2.40
Deposits and placements of banks and other financial institutions	751,579	134,856	255,376	46,480	-	-	-	1,188,291	3.71
Bills and acceptances payable	-	-	-	-	-	21,226	-	21,226	3.85
Taxation and zakat	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	312,854	-	312,854	-
Total liabilities	4,658,474	1,418,493	1,188,188	142,624	380	1,535,133	-	8,943,292	
Total shareholders equity	-	-	-	-	-	619,035	-	619,035	
	4,658,474	1,418,494	1,188,188	142,624	380	2,154,168	-	9,562,327	
<b>Total profit-sensitivity gap</b>	(1,521,354)	(237,141)	(273,879)	1,287,094	1,691,682		520,846		

**RHB ISLAMIC BANK BERHAD**

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006 (CONTINUED)

## 18. PROFIT RATE RISK (CONTINUED)

The table below summarises the Bank's exposure to profit rate risk. The assets and liabilities at carrying amount are categorised by the earlier of contractual repricing or maturity dates.

31.12.2005	← Non-trading book →					Non-profit sensitive	Trading book	Total	Effective Profit rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>Assets</b>									
Cash and short term funds	1,870,000	-	-	-	-	69,598	-	1,939,598	2.90
Deposits and placements with financial institutions	250,000	200,000	-	-	-	-	-	450,000	2.92
Securities held for trading	-	-	-	-	-	-	633,284	633,284	2.98
Securities available-for-sale	-	99,575	47,847	-	-	575	-	147,997	2.93
Securities held-to-maturity	-	59,743	43,700	637,350	71,188	-	-	811,981	3.90
Financing and advances									
- performing*	507,576	361,637	376,035	1,055,805	1,012,663	-	-	3,313,716	5.34
- non-performing*	-	-	-	-	-	86,695	-	86,695	-
Other assets	-	-	-	-	-	28,743	-	28,743	-
Deferred taxation assets	-	-	-	-	-	22,743	-	22,743	-
Statutory deposits	-	-	-	-	-	182,329	-	182,329	-
Property, plant and equipment	-	-	-	-	-	6,580	-	6,580	-
<b>Total assets</b>	<b>2,627,576</b>	<b>720,955</b>	<b>467,582</b>	<b>1,693,155</b>	<b>1,083,851</b>	<b>397,263</b>	<b>633,284</b>	<b>7,623,666</b>	

\* This represents outstanding non-performing financing after deducting specific allowance and general allowance.

**RHB ISLAMIC BANK BERHAD**

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006 (CONTINUED)

## 18. PROFIT RATE RISK (CONTINUED)

31.12.2005	← Non-trading book →						Trading book	Total	Effective profit rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Non-profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>Liabilities</b>									
Deposits from customers	3,543,556	533,524	606,266	146,122	3,865	678,312	-	5,511,645	2.12
Deposits and placements of banks and other financial institutions	427,751	124,566	248,197	293,735	-	-	-	1,094,249	3.77
Bills and acceptances payable	18,614	10,061	5,362	-	-	-	-	34,037	2.76
Taxation and zakat	-	-	-	-	-	2,981	-	2,981	-
Other liabilities	-	-	-	-	-	415,600	-	415,600	-
Total liabilities	3,989,921	668,151	859,825	439,857	3,865	1,096,893	-	7,058,512	
Total shareholders equity	-	-	-	-	-	565,154	-	565,154	
	3,989,921	668,151	859,825	439,857	3,865	1,662,047	-	7,623,666	
<b>Total profit-sensitivity gap</b>	<b>(1,362,345)</b>	<b>52,804</b>	<b>(392,243)</b>	<b>1,253,298</b>	<b>1,079,986</b>				