

Company No.

680329	V
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RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

UNAUDITED BALANCE SHEET AS AT 30 JUNE 2006

	<u>Note</u>	<u>30.06.2006</u> RM'000	<u>31.12.2005</u> RM'000
ASSETS			
Cash and short-term funds	2	3,000,203	1,939,598
Deposits and placements with banks and other financial institutions	3	100,000	450,000
Securities held for trading	4	522,726	633,284
Securities available-for-sale	5	162,893	147,997
Securities held-to-maturity	6	842,863	811,981
Financing and advances	7	3,857,677	3,400,411
Other assets	8	45,469	28,743
Deferred taxation assets		23,049	22,743
Tax recoverable		3,988	-
Statutory deposits	9	188,629	182,329
Property, plant and equipment		6,755	6,580
TOTAL ASSETS		<u><u>8,754,252</u></u>	<u><u>7,623,666</u></u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits from customers	10	6,723,299	5,511,645
Deposits and placements of banks and other financial institutions	11	1,260,869	1,094,249
Bills and acceptances payable		42,997	34,037
Other liabilities		120,673	415,600
Provision for taxation and zakat		3,612	2,981
		<u><u>8,151,450</u></u>	<u><u>7,058,512</u></u>
Ordinary share capital		523,424	523,424
Reserves		79,378	41,730
Shareholders' equity		<u><u>602,802</u></u>	<u><u>565,154</u></u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u><u>8,754,252</u></u>	<u><u>7,623,666</u></u>
COMMITMENTS AND CONTINGENCIES	16	<u><u>1,928,374</u></u>	<u><u>1,664,446</u></u>
KEY RATIOS			
Risk-weighted capital ratio		16.84%	16.49%
Core capital ratio		14.82%	18.73%

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RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

UNAUDITED INCOME STATEMENT FOR THE HALF YEAR ENDED 30 JUNE 2006

		Current Half year ended <u>30.06.2006</u>	Preceding corresponding Half year ended <u>30.06.2005</u>
	Note	RM'000	(16.03.05 to 30.06.05) RM'000
Income derived from investment of depositors' funds	12	144,621	74,211
Income derived from investment of shareholders' funds	13	28,474	14,996
Allowance for losses on financing and advances	14	(3,634)	(4,252)
Profit equalisation reserve		(617)	(7,734)
Total distributable income		168,844	77,221
Income attributable to the depositors	15	(79,280)	(40,570)
Total net income		89,564	36,651
Personnel expenses		(10,870)	(4,385)
Other overheads and expenditures		(28,404)	(19,800)
Profit before zakat and taxation		50,290	12,466
Zakat		920	-
Taxation		(14,310)	(3,944)
Net profit for the financial period		36,900	8,522

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RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2006.

Current Half Year Ended 30.06.2006

	Note	Share Capital	Statutory Reserve	AFS Reserve s	Retained Profits	Total
		RM'000	RM'000	RM'000	RM'000	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		-	-	748	-	748
Deferred taxation		-	-	-	-	-
Net profit for the financial period		-	-	-	36,900	36,900
Transfer to statutory reserves		-	-	-	-	-
Balance as at 30.6.2006		<u>523,424</u>	<u>20,742</u>	<u>994</u>	<u>57,642</u>	<u>602,802</u>

Preceding corresponding Half Year ended 30.06.2005
(16.3.2005 to 30.06.2005)

	Note	Share Capital	Statutory Reserve	AFS Reserve s	Retained Profits	Total
		RM'000	RM'000	RM'000	RM'000	RM'000
Issued during the period		523,424	-	-	-	523,424
Unrealised net gain on revaluation of securities available-for-sale		-	-	1,050	-	1,050
Deferred taxation		-	-	-	-	-
Net profit for the financial period		-	-	-	8,522	8,522
Transfer to statutory reserves		-	-	-	-	-
Balance as at 30.6.2005		<u>523,424</u>	<u>-</u>	<u>1,050</u>	<u>8,522</u>	<u>532,996</u>

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RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

UNAUDITED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2006

	Current Half Year ended 30.06.2006	Preceding corresponding Half Year ended 30.06.2005
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat for the financial period	50,290	12,466
Adjustments for:		
Depreciation of property, plant and equipment	398	-
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	(11,110)	(6,357)
Unrealised gain from securities held for trading	-	-
Allowance for losses on financing and advances	3,634	4,252
Profit equalisation reserve	617	7,734
Operating profit before working capital changes	<u>43,829</u>	<u>18,095</u>
Decrease/ (increase) in deposits and placements with financial institutions	350,000	(56,000)
Decrease/ (increase) in financing and advances	(460,900)	130,133
Investment on securities held for trading	110,558	244,273
Other assets	(63,189)	(18,300)
Statutory deposit with Bank Negara Malaysia	(6,300)	(14,415)
Deposits from customers	1,211,654	(533,422)
Deposits and placements of banks and other financial institutions	166,620	199,491
Bills and acceptances payable	8,960	(229,952)
Other liabilities	(249,081)	(2,480)
Cash generated from operating activities	<u>1,112,151</u>	<u>(262,577)</u>
Taxation paid	(17,000)	-
Zakat paid	(53)	-
Net cash generated from operating activities	<u>1,095,098</u>	<u>(262,577)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(573)	(2,289)
Income received:		
Investment on securities available-for-sale	-	-
Investment on securities held-to-maturity	-	-
Net purchased of:		
Investment on securities available-for-sale	(14,148)	(49,033)
Investment on securities held-to-maturity	(19,772)	(11,003)
Net cash used in investing activities	<u>(34,493)</u>	<u>(62,325)</u>
ANALYSIS OF CASH AND CASH EQUIVALENT		
Net increase in cash and cash equivalents	1,060,605	(324,902)
Cash and cash equivalent vested over from RHB Bank	-	1,273,377
Cash and cash equivalent as at 31.12.2005	<u>1,939,598</u>	-
Cash and cash equivalent carried forward	<u>3,000,203</u>	<u>948,475</u>

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RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 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>30.06.2006</u> RM'000	<u>31.12.2005</u> RM'000
Cash and balances with banks and other financial institutions	59,029	69,598
Money at call and deposit placements maturing within one month	<u>2,941,174</u>	<u>1,870,000</u>
	<u>3,000,203</u>	<u>1,939,598</u>

3. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>30.06.2006</u> RM'000	<u>31.12.2005</u> RM'000
Licensed banks	-	50,000
Bank Negara Malaysia	100,000	400,000
	<u>100,000</u>	<u>450,000</u>

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RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2006 (CONTINUED)

4. SECURITIES HELD FOR TRADING

<u>At fair value</u>	<u>30.06.2006</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	153,798	426,837
Islamic accepted bills	306,459	20,437
Private debt securities	62,469	118,552
Total securities held for trading	<u>522,726</u>	<u>633,284</u>

5. SECURITIES AVAILABLE-FOR-SALE

<u>At fair value</u>	<u>30.06.2006</u> RM'000	<u>31.12.2005</u> RM'000
<u>Money market instruments:</u>		
<u>Quoted</u>		
Cagamas mudharabah bonds	-	14,990
Khazanah bonds	9,079	-
Government investment issues	9,889	-
Malaysian government treasury bills	-	-
<u>Unquoted</u>		
Malaysian government treasury bills	118,079	32,857
Bank Negara Malaysia negotiable notes	25,271	99,575
	<u>162,318</u>	<u>147,422</u>
<u>At cost</u>		
<u>Unquoted securities in Malaysia</u>		
Shares	575	575
Total securities available-for-sale	<u>162,893</u>	<u>147,997</u>

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RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2006 (CONTINUED)

6. SECURITIES HELD-TO-MATURITY

<u>At amortised cost</u>	<u>30.06.2006</u> RM'000	<u>31.12.2005</u> RM'000
<u>Money market instruments:</u>		
<u>Quoted</u>		
Cagamas mudharabah bonds	60,522	80,599
Khazanah bonds	556,231	585,764
Government Investments Issuance	80,083	-
<u>Unquoted</u>		
Private debt securities	146,027	145,618
Total securities held-to-maturity	<u>842,863</u>	<u>811,981</u>

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RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2006 (CONTINUED)

7. FINANCING AND ADVANCES

(i) By type

	<u>30.06.2006</u>	<u>31.12.2005</u>
	RM'000	RM'000
Cashline	61,274	58,430
Term financing		
- housing financing	1,310,056	1,199,672
- syndicated term financing	526,043	519,453
- hire purchase receivables	171,550	72,250
- other term financing	771,878	721,521
Bills receivable	684,495	498,346
Trust receipts	8,734	15,237
Staff financing	3,405	1,740
Revolving financing	474,336	445,064
	<u>4,011,771</u>	<u>3,531,713</u>
Less: Unearned income	(26,690)	(7,340)
Gross financing and advances	<u>3,985,081</u>	<u>3,524,373</u>
Less : Allowance for bad and doubtful financing :		
- general	(74,182)	(73,692)
- specific	(53,222)	(50,270)
Net financing and advances	<u>3,857,677</u>	<u>3,400,411</u>

(ii) By type of customer

	<u>30.06.2006</u>	<u>31.12.2005</u>
	RM'000	RM'000
Domestic non-bank financial institutions		
- Others	36,266	34,826
Domestic business enterprises		
- Small medium enterprises	455,178	208,876
- Others	1,967,898	1,911,225
Government and statutory bodies	101,006	100,971
Individuals	1,407,495	1,251,630
Other domestic entities	16,015	16,124
Foreign entities	1,223	721
	<u>3,985,081</u>	<u>3,524,373</u>

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

Bai' Bithaman Ajil	2,671,834	2,500,884
Ijarah Muntahia Bittamlik / AITAB	145,682	64,842
Murabahah	1,167,565	958,647
	<u>3,985,081</u>	<u>3,524,373</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2006 (CONTINUED)

7. FINANCING AND ADVANCES (CONTINUED)

	<u>30.06.2006</u>	<u>31.12.2005</u>
	RM'000	RM'000
(iv) By profit rate sensitivity		
Fixed rate		
- Housing financing	1,310,056	1,199,155
- Hire purchase receivables	145,682	64,842
- Other fixed rate financing	1,301,326	1,243,299
Variance rate		
-Others	<u>1,228,017</u>	<u>1,017,077</u>
	<u>3,985,081</u>	<u>3,524,373</u>
(v) By sector		
Agriculture, hunting, forestry and fishing	332,128	274,188
Mining and quarrying	1,988	2,222
Manufacturing	622,286	588,990
Electricity, gas and water	224,645	183,898
Construction	95,205	70,005
Real estate	191,539	204,621
Purchase of landed property:		
- Residential	1,310,056	1,229,250
- Non-residential	56,984	41,813
Wholesale & retail trade and restaurant & hotels	276,101	224,058
Transport, storage and communication	165,394	53,872
Finance, insurance and business services	173,394	214,831
Purchase of securities	354,314	343,174
Purchase of transport vehicles	73,435	5
Others	<u>107,612</u>	<u>93,446</u>
	<u>3,985,081</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	157,885	215,710
Reclassified as performing during the period	(96,316)	(219,582)
Amount recovered	(8,664)	(9,955)
Amount written off	(40)	(33,556)
Balance carried forward	<u>264,183</u>	<u>210,657</u>
Specific allowance	<u>(53,222)</u>	<u>(50,270)</u>
Net non-performing financing and advances	<u>210,961</u>	<u>160,387</u>
Ratio of net non-performing financing and advances to net financing and advances	<u>5.4%</u>	<u>4.7%</u>

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RHB ISLAMIC BANK BERHAD

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2006 (CONTINUED)

7. FINANCING AND ADVANCES (CONTINUED)

(vii) Movement in allowance for bad and doubtful financing

	<u>30.6.2006</u> RM'000	<u>31.12.2005</u> RM'000
<u>General allowance</u>		
Balance brought forward	73,692	-
Amount vested over from RHB Bank	-	77,059
Amount vested over from Delta	14	-
Net allowance written back during the period	<u>476</u>	<u>(3,367)</u>
Balance carried forward	<u><u>74,182</u></u>	<u><u>73,692</u></u>
As % of gross financing and advances less specific allowance	<u><u>1.89%</u></u>	<u><u>2.12%</u></u>
<u>Specific allowance</u>		
Balance brought forward	50,270	-
Amount vested over from RHB Bank	-	75,661
Amount vested over from Delta	194	-
Allowance made during the period	4,245	8,724
Amount recovered	(1,055)	(1,706)
Amount written off	<u>(432)</u>	<u>(32,409)</u>
Balance carried forward	<u><u>53,222</u></u>	<u><u>50,270</u></u>
(viii) Non-performing financing and advances analysed by sector:		
Agriculture, hunting, forestry and fishing	99	97
Manufacturing	23,509	5,870
Electricity, gas and water	11	10
Construction	3,334	712
Real estate	1,133	2,370
Purchased of landed property:		
- Residential	198,057	154,561
- Non-residential	2,081	1,429
Wholesale & retail trade and restaurant & hotels	2,829	4,099
Transport, storage and communication	28,872	29,076
Finance, insurance and business services	575	10,344
Purchase of securities	55	74
Purchase of transport vehicles	2,263	3
Others	<u>1,365</u>	<u>2,012</u>
	<u><u>264,183</u></u>	<u><u>210,657</u></u>

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RHB ISLAMIC BANK BERHAD

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2006 (CONTINUED)

8. OTHER ASSETS

	<u>30.06.2006</u> RM'000	<u>31.12.2005</u> RM'000
Other debtors, deposits and prepayments	40,275	23,370
Income receivable	3,632	5,373
Amount recoverable from BNM	(1)	-
Amount Due to BNM	1,563	-
	<u>45,469</u>	<u>28,743</u>

9. STATUTORY DEPOSIT

	<u>30.06.2006</u> RM'000	<u>31.12.2005</u> RM'000
Statutory Reserve	188,629	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>30.06.2006</u> RM'000	<u>31.12.2005</u> RM'000
<u>Non-Mudharabah Funds:</u>		
Demand deposits	1,446,072	1,124,827
Savings deposits	467,470	466,709
Negotiable certificates of deposit	143,520	141,924
	<u>2,057,062</u>	<u>1,733,460</u>
<u>Mudharabah Funds:</u>		
Demand deposits	306,421	302,721
General investment deposits	1,194,678	1,026,773
Special investment deposits	3,165,138	2,448,691
Total deposits	<u>6,723,299</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	4,565,185	3,864,254
Individuals	721,128	702,101
	<u>6,723,299</u>	<u>5,511,645</u>

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RHB ISLAMIC BANK BERHAD

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2006 (CONTINUED)

11. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>30.06.2006</u> RM'000	<u>31.12.2005</u> RM'000
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	-	9,754
Other financial institutions	537,165	789,485
<u>Mudharabah Fund:</u>		
Licensed Islamic banks	350,000	59,000
Other financial institutions	373,704	236,010
	<u>1,260,869</u>	<u>1,094,249</u>

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RHB ISLAMIC BANK BERHAD

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2006 (CONTINUED)

12. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

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

	Current Half Year ended 30.06.2006	Preceding corresponding Half Year ended 30.06.2005
	(RM'000)	(16.03.05 to 30.06.05) RM'000
Income derived from investment of:-		
(i) General investment deposit	26,458	24,082
(ii) Other deposits	<u>118,163</u>	<u>50,129</u>
	<u><u>144,621</u></u>	<u><u>74,211</u></u>
 (i) Income derived from investment of general investment deposits		
<u>Finance income and hibah:</u>		
Financing and advances	17,556	15,932
Securities held for trading	1,140	600
Securities available-for-sale	197	-
Securities held-to-maturity	763	778
Money at call and deposit with financial institutions	<u>4,819</u>	<u>3,439</u>
	24,475	20,749
Amortisation of premium less accretion of discount	<u>1,852</u>	<u>1,769</u>
Total finance income and hibah	26,327	22,518
Other operating income (note a-c)	<u>131</u>	<u>1,564</u>
	<u><u>26,458</u></u>	<u><u>24,082</u></u>
 a) Fee income :		
Commission	321	113
Guarantee fees	<u>15</u>	<u>39</u>
	<u>336</u>	<u>152</u>
 b) Net gain from sale of :		
- Securities held for trading	(130)	512
- Securities available-for-sale	<u>(206)</u>	<u>466</u>
	<u><u>(336)</u></u>	<u><u>978</u></u>
 c) Net unrealised gain on revaluation of securities held for trading		
	<u>131</u>	<u>434</u>
Total other operating income	<u><u>131</u></u>	<u><u>1,564</u></u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2006 (CONTINUED)

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

	Current Half Year ended 30.06.2006	Preceding corresponding Half Year ended 30.06.2005
	RM'000	RM'000
(ii) Income derived from investment of other deposits		
<u>Finance income and hibah:</u>		
Financing and advances	78,474	33,162
Securities held for trading	5,230	1,249
Securities available-for-sale	878	-
Securities held-to-maturity	3,407	1,619
Money at call and deposit with financial institutions	<u>21,351</u>	<u>7,159</u>
	109,340	43,189
Amortisation of premium less accretion of discount	<u>8,287</u>	<u>3,683</u>
Total finance income and hibah	117,627	46,872
Other operating income (note a-c)	<u>536</u>	<u>3,257</u>
	<u>118,163</u>	<u>50,129</u>
a) Fee income :		
Commission	1,405	236
Guarantee fees	<u>66</u>	<u>81</u>
	1,471	317
b) Net gain from sale of :		
- Securities held for trading	(532)	1,066
- Securities available-for-sale	<u>(868)</u>	<u>970</u>
	(1,400)	2,036
c) Net unrealised gain on revaluation of securities held for trading	<u>465</u>	<u>904</u>
Total other operating income	<u>536</u>	<u>3,257</u>

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RHB ISLAMIC BANK BERHAD

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2006 (CONTINUED)

13. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Current Half Year ended 30.06.2006	Preceding corresponding Half Year ended 30.06.2005
	RM'000	RM'000
<u>Finance income and hibah:</u>		
Financing and advances	9,202	8,136
Securities held for trading	600	306
Securities available-for-sale	103	-
Securities held-to-maturity	399	397
Money at call and deposit with financial institutions	<u>2,522</u>	<u>1,756</u>
	12,826	10,595
Amortisation of premium less accretion of discount	<u>971</u>	<u>904</u>
Total finance income and hibah	13,797	11,499
Other operating income (note a-c)	<u>14,677</u>	<u>3,497</u>
	<u><u>28,474</u></u>	<u><u>14,996</u></u>
a) Fee income :		
Commission	1,451	58
Service charges and fees	13,039	1,959
Guarantee and underwriting fees	495	20
Other fee income	<u>(200)</u>	<u>739</u>
	<u>14,785</u>	<u>2,776</u>
b) Net gain from sale of :		
- Securities held for trading	(68)	261
- Securities available-for-sale	<u>(107)</u>	<u>238</u>
	<u>(175)</u>	<u>499</u>
c) Net unrealised gain on revaluation of securities held for trading	<u>67</u>	<u>222</u>
Total other operating income	<u><u>14,677</u></u>	<u><u>3,497</u></u>

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FOR THE HALF YEAR ENDED 30 JUNE 2006 (CONTINUED)

14. ALLOWANCES FOR LOSSES ON FINANCING AND ADVANCES

	Current Half Year ended 30.06.2006	Preceding corresponding Half Year ended 30.06.2005
	RM'000	RM'000
Allowance for bad and doubtful financing on financing and advances		
Specific allowance		
- Made during the financial period	4,245	1,166
- Written back	(1,055)	(368)
General allowance		
- Made during the financial period	476	3,468
Bad debts on financing recovered	(32)	(14)
	<u>3,634</u>	<u>4,252</u>

15. INCOME ATTRIBUTABLE TO DEPOSITORS

Deposits from customers:		
- Mudharabah funds	55,393	23,667
- Non-mudharabah funds	8,752	5,873
Deposits and placements of banks and other financial institutions:		
- Mudharabah funds	4,104	638
- Non-mudharabah funds	11,031	10,392
	<u>79,280</u>	<u>40,570</u>

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FOR THE HALF YEAR ENDED 30 JUNE 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>30.06.2006</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	74,149	37,074	35,506
Short-term self-liquidating trade-related contingencies	170,878	34,176	33,879
Obligations under underwriting agreements	50,000	25,000	25,000
Housing financing sold directly and indirectly to Cagamas with recourse	42,837	42,837	21,419
Irrevocable commitments to extend credit :			
- maturity more than one year	263,489	131,745	109,764
- maturity less than one year	1,309,904	-	-
Miscellaneous	17,117	-	-
Total	<u>1,928,374</u>	<u>270,832</u>	<u>225,568</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.

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FOR THE HALF YEAR ENDED 30 JUNE 2006 (CONTINUED)

17 CAPITAL ADEQUACY

	<u>30.06.2006</u> RM'000	<u>31.12.2005</u> 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	74,182	73,692
Total Tier II capital	<u>74,182</u>	<u>73,692</u>
Total capital base	<u>616,347</u>	<u>615,857</u>
<u>Capital ratios</u>		
Inclusive of market risk :		
Core capital ratio (inclusive of market risk)	14.82%	16.49%
Risk-weighted capital ratio (inclusive of market risk)	<u>16.84%</u>	<u>18.73%</u>

	30.06.2006	
	<u>Principal</u> RM'000	<u>Risk</u> <u>Weighted</u> RM'000
The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:		
(i) Credit Risk		
0%	4,064,527	-
10%	160,522	16,052
20%	211,164	42,233
50%	1,179,175	589,588
100%	2,983,859	2,983,859
	<u>8,599,247</u>	<u>3,631,732</u>
(ii) Market Risk Capital Adequacy Framework #	-	27,436
	<u>8,599,247</u>	<u>3,659,168</u>

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FOR THE HALF YEAR ENDED 30 JUNE 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%	<u>2,675,107</u>	<u>2,675,107</u>
	7,255,479	3,253,123
(ii) Market Risk Capital Adequacy Framework #	<u>-</u>	<u>36,007</u>
	<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.

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FOR THE HALF YEAR ENDED 30 JUNE 2006 (CONTINUED)

18. PROFIT RATE RISK

30.06.2006	← 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	%
Assets									
Cash and short term funds	2,941,174	-	-	-	-	59,029	-	3,000,203	3.40
Deposits and placements with financial institutions	100,000	-	-	-	-	-	-	100,000	3.46
Securities held for trading	-	-	-	-	-	-	522,726	522,726	4.15
Securities available-for-sale	599	-	142,751	18,968	-	575	-	162,893	0.04
Securities held-to-maturity	-	-	78,929	666,428	97,506	-	-	842,863	3.97
Financing and advances									
- performing*	525,251	492,241	480,411	672,330	1,550,665	-	-	3,720,898	5.85
- non-performing*	-	-	-	-	-	136,779	-	136,779	-
Other assets	-	-	-	-	-	49,457	-	49,457	-
Deferred taxation assets	-	-	-	-	-	23,049	-	23,049	-
Statutory deposits	-	-	-	-	-	188,629	-	188,629	-
Property, plant and equipment	-	-	-	-	-	6,755	-	6,755	-
Total assets	3,567,024	492,241	702,091	1,357,726	1,648,171	464,273	522,726	8,754,252	

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FOR THE HALF YEAR ENDED 30 JUNE 2006 (CONTINUED)

18 PROFIT RATE RISK (CONTINUED)

30.06.2006	← 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	%
Liabilities									
Deposits from customers	3,622,055	985,708	946,490	122,617	174	1,046,255	-	6,723,299	2.41
Deposits and placements of banks and other financial institutions	563,700	329,163	269,155	98,851	-	-	-	1,260,869	3.59
Bills and acceptances payable	-	-	-	-	-	42,997	-	42,997	-
Taxation and zakat	-	-	-	-	-	3,612	-	3,612	-
Other liabilities	-	-	-	-	-	120,673	-	120,673	-
Total liabilities	4,185,755	1,314,871	1,215,645	221,468	174	1,213,537	-	8,151,450	
Total shareholders equity	-	-	-	-	-	602,802	-	602,802	
	4,185,755	1,314,871	1,215,645	221,468	174	1,816,339	-	8,754,252	
Total profit-sensitivity gap	(618,731)	(822,630)	(513,554)	1,136,258	1,647,997				

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FOR THE HALF YEAR ENDED 30 JUNE 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				
Assets	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
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	-
Total assets	2,627,576	720,955	467,582	1,693,155	1,083,851	397,263	633,284	7,623,666	

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

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FOR THE HALF YEAR ENDED 30 JUNE 2006 (CONTINUED)

18. PROFIT RATE RISK (CONTINUED)

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	%
Liabilities									
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	
Total profit-sensitivity gap	(1,362,345)	52,804	(392,243)	1,253,298	1,079,986				

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