

Company No.

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

RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED BALANCE SHEET AS AT 30 SEPTEMBER 2008

	Note	As At 30.09.2008 RM'000	As At <u>31.12.2007</u> RM'000
ASSETS			
Cash and short-term funds	2	1,019,448	1,934,461
Deposits and placements with banks and other financial institutions	3	420,191	300,000
Securities held for trading	4	349,263	362,892
Securities available-for-sale	5	516,700	145,167
Securities held-to-maturity	6	1,135,674	848,737
Financing and advances	7	5,535,969	4,514,812
Other assets	8	34,125	55,752
Deferred taxation assets		28,554	22,956
Tax recoverable		13,602	2,096
Statutory deposits	9	214,040	187,929
Property, plant and equipment		30,503	12,371
Intangible assets		17,263	17,263
TOTAL ASSETS		<u>9,315,332</u>	<u>8,404,436</u>
LIABILITIES AND SHAREHOLDER'S EQUITY			
Deposits from customers	10	7,176,233	6,849,686
Deposits and placements of banks and other financial institutions	11	1,080,361	378,041
Bills and acceptances payable		12,317	10,102
Other liabilities		252,291	427,173
		<u>8,521,202</u>	<u>7,665,002</u>
Ordinary share capital		523,424	523,424
Reserves		270,706	216,010
Shareholder's equity		<u>794,130</u>	<u>739,434</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		<u>9,315,332</u>	<u>8,404,436</u>
COMMITMENTS AND CONTINGENCIES	16	<u>1,808,093</u>	<u>2,077,585</u>

The unaudited Interim Financial Statements should be read in conjunction with the audited financial statements for the financial statements for the financial year ended 31 December 2007.

Company No.

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

RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

CONDENSED INCOME STATEMENT FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008

	Note	Current 9 months period ended 30.09.2008 RM'000	Preceding Corresponding 9 months period ended <u>30.09.2007</u> RM'000
Income derived from investment of depositors' funds	12	282,645	267,265
Income derived from investment of shareholder's funds	13	36,934	99,461
Allowance for losses on financing and advances	14	(30,672)	(21,440)
Profit equalisation reserve		5,631	(5,242)
Total distributable income		294,538	340,044
Income attributable to depositors	15	(128,892)	(122,784)
		165,646	217,260
Personnel expenses		(31,570)	(20,563)
Other overheads and expenditures		(56,317)	(55,665)
Profit before taxation		77,759	141,032
Taxation		(20,478)	(38,713)
Net profit for the financial period		57,281	102,319

The unaudited Interim Financial Statements should be read in conjunction with the audited financial statements for the financial statements for the financial year ended 31 December 2007.

Company No.

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

RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008

	← Non-distributable →			Distributable Retained Profits RM'000	Total RM'000
	Share Capital RM'000	Statutory Reserve RM'000	AFS Reserves RM'000		
Balance as at 01.01.2008	523,424	123,062	454	92,494	739,434
Unrealised net loss on revaluation of securities available-for-sale	-	-	(4,682)	-	(4,682)
AFS reserve realised on disposal of AFS securities	-	-	(103)	-	(103)
Deferred taxation	-	-	2,200	-	2,200
Expenses recognised directly in equity	-	-	(2,585)	-	(2,585)
Net profit for the financial period	-	-	-	57,281	57,281
Total recognised income and expenses for the financial period	-	-	(2,585)	57,281	54,696
Balance as at 30.09.2008	<u>523,424</u>	<u>123,062</u>	<u>(2,131)</u>	<u>149,775</u>	<u>794,130</u>
Balance as at 01.01.2007	523,424	63,923	404	63,923	651,674
Unrealised net gain on revaluation of securities available-for-sale	-	-	1,735	-	1,735
AFS reserve realised on disposal of AFS securities	-	-	(1,144)	-	(1,144)
Deferred taxation	-	-	(159)	-	(159)
Income recognised directly in equity	-	-	432	-	432
Net profit for the financial period	-	-	-	102,319	102,319
Total recognised income and expenses for the financial period	-	-	432	102,319	102,751
Transfer to statutory reserves	-	42,460	-	(42,460)	-
Dividends paid during the financial period	-	-	-	(30,568)	(30,568)
Balance as at 30.09.2007	<u>523,424</u>	<u>106,383</u>	<u>836</u>	<u>93,214</u>	<u>723,857</u>

The unaudited Interim Financial Statements should be read in conjunction with the audited financial statements for the financial statements for the financial year ended 31 December 2007.

Company No.

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

RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED CASH FLOW STATEMENT
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008

	Current 9 months period ended <u>30.09.2008</u> RM'000	Preceding Corresponding 9 months period ended <u>30.09.2007</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation for the financial period	77,759	141,032
Adjustments for:		
Depreciation of property, plant and equipment	1,353	709
Income from:		
- Investment on securities available-for-sale	(6,854)	(2,795)
- Investment on securities held-to-maturity	(12,841)	(9,503)
Net gain on sale of securities available-for-sale	(103)	(1,144)
Accretion of discount less amortisation of premium	(15,708)	(16,878)
Unrealised loss / (gain) from securities held for trading	4,624	(2,126)
Allowance for losses on financing and advances	30,672	21,439
Profit equalisation reserve	(5,631)	5,242
Operating profit before working capital changes	<u>73,271</u>	<u>135,976</u>
 (Increase)/Decrease in operating assets:		
Deposits and placements with financial institutions	(120,191)	966,400
Financing and advances	(1,051,829)	(607,678)
Investment on securities held for trading	9,006	(137,924)
Other assets	31,312	19,846
Statutory deposit with Bank Negara Malaysia	(26,111)	(34,200)
	<u>(1,084,542)</u>	<u>342,420</u>
 Increase/(Decrease) in operating liabilities:		
Deposits from customers	333,402	(36,055)
Deposits and placements of banks and other financial institutions	702,320	(396,632)
Bills and acceptances payable	2,215	(7,097)
Other liabilities	(176,105)	26,693
Cash used in operating activities	<u>(222,710)</u>	<u>(70,671)</u>
Taxation paid	(35,384)	(47,237)
Net cash used in operating activities	<u>(258,094)</u>	<u>(117,908)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(19,485)	(20,720)
Income received from disposal of:		
- Investment on securities available-for-sale	2,198	1,431
- Investment on securities held-to-maturity	7,813	7,401
Net proceeds from:		
- Purchase of securities available-for-sale	(376,216)	(137,970)
- Purchase of securities held-to-maturity	(271,229)	(15,616)
Dividends paid	-	(30,568)
Net cash used in investing activities	<u>(656,919)</u>	<u>(196,042)</u>
 ANALYSIS OF CASH AND CASH EQUIVALENT		
Net decrease in cash and cash equivalents	(915,013)	(313,950)
Cash and cash equivalent at beginning of financial period	<u>1,934,461</u>	<u>1,314,283</u>
Cash and cash equivalent at end of financial period	<u><u>1,019,448</u></u>	<u><u>1,000,333</u></u>

The unaudited Interim Financial Statements should be read in conjunction with the audited financial statements for the financial statements for the financial year ended 31 December 2007.

Company No.

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

RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008

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, and is principally engaged in Islamic banking business and the provision of related services.

There have been no significant changes in the nature of these principal activities during the financial year.

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

The address of the Bank's principal place of business is Level 11, Menara Yayasan Tun Razak, 200 Jalan Bukit Bintang, 55100 Kuala Lumpur.

2 CASH AND SHORT-TERM FUNDS

	<u>30.09.2008</u> RM'000	<u>31.12.2007</u> RM'000
Cash and balances with banks and other financial institutions	307,007	1,451
Money at call and deposit placements maturing within one month	<u>712,441</u>	<u>1,933,010</u>
	<u>1,019,448</u>	<u>1,934,461</u>

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>30.09.2008</u> RM'000	<u>31.12.2007</u> RM'000
Licensed banks and other financial institutions	170,191	-
Bank Negara Malaysia	<u>250,000</u>	<u>300,000</u>
	<u>420,191</u>	<u>300,000</u>

Company No.

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

RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008 (CONTINUED)

4 SECURITIES HELD FOR TRADING

<u>At fair value</u>	<u>30.09.2008</u> RM'000	<u>31.12.2007</u> RM'000
<u>Money market instruments:</u>		
<u>Quoted</u>		
Government investment issues	69,649	9,869
<u>Unquoted</u>		
Bank Negara Malaysia negotiable notes	-	53,313
Private debt securities	279,614	299,710
Total securities held for trading	<u>349,263</u>	<u>362,892</u>

5 SECURITIES AVAILABLE-FOR-SALE

<u>At fair value</u>	<u>30.09.2008</u> RM'000	<u>31.12.2007</u> RM'000
<u>Money market instruments:</u>		
<u>Quoted</u>		
Khazanah bonds	-	9,738
Government investment issues	381,808	18,257
<u>Unquoted</u>		
Malaysian government treasury bills	-	38,833
Bank Negara Malaysia negotiable notes	-	57,375
Private debt securities	134,317	20,389
	<u>516,125</u>	<u>144,592</u>
<u>At cost</u>		
<u>Unquoted securities in Malaysia</u>		
Shares	575	575
Total securities available-for-sale	<u>516,700</u>	<u>145,167</u>

Company No.

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

RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008 (CONTINUED)

6 SECURITIES HELD-TO-MATURITY

<u>At amortised cost</u>	<u>30.09.2008</u> RM'000	<u>31.12.2007</u> RM'000
<u>Money market instruments:</u>		
<u>Quoted</u>		
Cagamas mudharabah bonds	215,163	50,284
Khazanah bonds	389,242	516,703
Government Investment Issuance	331,751	82,552
<u>Unquoted</u>		
Private debt securities	199,518	199,198
Total securities held-to-maturity	<u>1,135,674</u>	<u>848,737</u>

7 FINANCING AND ADVANCES

(i) By type	<u>30.09.2008</u> RM'000	<u>31.12.2007</u> RM'000
Cashline	42,010	49,615
Term financing		
- housing financing	1,418,924	1,610,779
- syndicated term financing	267,502	319,793
- hire purchase receivables	869,607	506,009
- other term financing	1,873,883	1,131,094
Bills receivable	816,010	775,920
Trust receipts	33,878	9,625
Staff financing	12,398	8,908
Revolving financing	523,939	363,582
	<u>5,858,151</u>	<u>4,775,325</u>
Less: Unearned income	(127,442)	(84,229)
Gross financing and advances	<u>5,730,709</u>	<u>4,691,096</u>
Less : Allowance for bad and doubtful financing :		
- general	(101,684)	(82,948)
- specific	(93,056)	(93,336)
Net financing and advances	<u>5,535,969</u>	<u>4,514,812</u>

Company No.

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

RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008 (CONTINUED)

7 FINANCING AND ADVANCES (CONTINUED)

(ii) By type of customer

	<u>30.09.2008</u>	<u>31.12.2007</u>
	RM'000	RM'000
Domestic non-bank financial institutions		
- Others	20,834	25,133
Domestic business enterprises		
- Small medium enterprises	668,323	557,394
- Corporate and others	2,436,250	2,038,887
Government and statutory bodies	99,822	101,153
Individuals	2,173,247	1,942,677
Other domestic entities	11,304	14,422
Foreign entities	320,929	11,430
	<u>5,730,709</u>	<u>4,691,096</u>

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

Bai' Bithaman Ajil	2,287,409	2,652,618
Al-Ijarah Muntahia Bittamlik / Al-Ijarah Thumma Al-Bai' ('AITAB')	1,355,195	632,305
Murabahah	1,370,447	1,044,896
Al-Istisna'	560,166	311,258
Others	157,492	50,019
	<u>5,730,709</u>	<u>4,691,096</u>

(iv) By profit rate sensitivity

Fixed rate		
- Housing financing	1,418,924	1,610,779
- Hire purchase receivables	742,165	507,096
- Other fixed rate financing	2,153,783	1,374,724
Variable rate		
- Cost-plus	1,415,837	1,198,497
	<u>5,730,709</u>	<u>4,691,096</u>

(v) By purpose

Purchase of securities	78,751	185,180
Purchase of transport vehicles	610,986	359,898
Purchase of landed property:		
- Residential	1,666,209	1,610,779
- Non-residential	122,772	121,664
Purchase of property, plant and equipment other than land and building	438,852	204,634
Personal use	21,103	23,838
Purchase of consumer durables	168	324
Construction	401,775	125,895
Working capital	2,243,166	1,944,903
Other purposes	146,927	113,981
	<u>5,730,709</u>	<u>4,691,096</u>

Company No.

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

RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008 (CONTINUED)

7 FINANCING AND ADVANCES (CONTINUED)

(vi) Movement in non-performing financing and advances	<u>30.09.2008</u>	<u>31.12.2007</u>
	RM'000	RM'000
At beginning of period/year	282,833	241,786
Classified as non-performing during the period/year	199,323	355,315
Reclassified as performing during the period/year	(182,640)	(272,723)
Amount recovered	(27,065)	(27,898)
Amount written off	(22,835)	(13,647)
At end of period/year	249,616	282,833
Specific allowance	(93,056)	(93,336)
Net non-performing financing and advances	<u>156,560</u>	<u>189,497</u>
Ratio of net non-performing financing and advances to net financing and advances	<u>2.8%</u>	<u>4.1%</u>
(vii) Non-performing financing and advances analysed by purpose:	<u>30.09.2008</u>	<u>31.12.2007</u>
	RM'000	RM'000
Purchase of transport vehicles	871	27
Purchase of landed property:		
- Residential	156,274	170,456
- Non-residential	2,980	3,788
Personal use	4,144	5,299
Purchase of consumer durables	-	2
Construction	1,863	2,170
Working capital	83,484	101,091
	<u>249,616</u>	<u>282,833</u>

Company No.

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

RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008 (CONTINUED)

7 FINANCING AND ADVANCES (CONTINUED)

(viii) Movement in allowance for bad and doubtful financing and advances

General allowance

At beginning of period	82,948	77,059
Net allowance made during the period/year	18,736	5,889
At end of period/year	<u>101,684</u>	<u>82,948</u>
As % of gross financing and advances less specific allowance	<u>1.8%</u>	<u>1.8%</u>

Specific allowance

At beginning of period/year	93,336	48,822
Allowance made during the period/year	23,398	61,089
Amount recovered	(8,639)	(5,682)
Amount written off	(15,039)	(10,893)
At end of period/year	<u>93,056</u>	<u>93,336</u>

8 OTHER ASSETS

	<u>30.09.2008</u> RM'000	<u>31.12.2007</u> RM'000
Other debtors, deposits and prepayments	16,247	50,460
Income receivable	17,878	5,292
	<u>34,125</u>	<u>55,752</u>

9 STATUTORY DEPOSITS

	<u>30.09.2008</u> RM'000	<u>31.12.2007</u> RM'000
Statutory deposits with Bank Negara Malaysia	<u>214,040</u>	<u>187,929</u>

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.

Company No.

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

RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 JUNE 2008 (CONTINUED)

10 DEPOSITS FROM CUSTOMERS

	<u>30.09.2008</u> RM'000	<u>31.12.2007</u> RM'000
<u>Non-Mudharabah Funds:</u>		
Demand deposits	2,136,399	1,901,638
Savings deposits	544,945	520,602
Negotiable certificates of deposit	74,197	91,297
	<u>2,755,541</u>	<u>2,513,537</u>
<u>Mudharabah Funds:</u>		
Demand deposits	351,196	321,276
General investment deposits	1,464,716	1,956,256
Special investment deposits	2,604,780	2,058,617
Total deposits	<u>7,176,233</u>	<u>6,849,686</u>

The deposits are sourced from the following classes of customers:

Government and statutory bodies	2,384,810	1,713,217
Business enterprises	3,381,706	4,222,990
Individuals	815,962	770,047
Others	593,755	143,432
	<u>7,176,233</u>	<u>6,849,686</u>

11 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>30.09.2008</u> RM'000	<u>31.12.2007</u> RM'000
<u>Non-Mudharabah Fund:</u>		
Licensed banks	19,358	18,731
	<u>19,358</u>	<u>18,731</u>
<u>Mudharabah Fund:</u>		
Licensed Islamic banks	807,483	174,000
Licensed merchant banks	43,520	169,710
Other financial institutions	210,000	15,600
	<u>1,080,361</u>	<u>378,041</u>

Company No.

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

RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008 (CONTINUED)

12 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

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

	Current 9 months period ended 30.09.2008 RM'000	Preceding Corresponding 9 months period ended 30.09.2007 RM'000
Income derived from investment of:		
(i) General investment deposit	84,291	68,480
(ii) Other deposits	198,354	198,785
	<u>282,645</u>	<u>267,265</u>
 (i) Income derived from investment of general investment deposits		
<u>Finance income and hibah:</u>		
Financing and advances	58,069	46,299
Securities held for trading	4,440	2,860
Securities available-for-sale	1,904	664
Securities held-to-maturity	3,566	2,256
Money at call and deposit with financial institutions	12,143	10,760
	<u>80,122</u>	<u>62,839</u>
Amortisation of premium less accretion of discount	4,363	4,007
Total finance income and hibah	84,485	66,846
Other operating (loss) / income (note a-c)	(194)	1,634
	<u>84,291</u>	<u>68,480</u>
a) Fee income :		
Commission	904	596
Guarantee fees	99	223
	<u>1,003</u>	<u>819</u>
b) Net gain from sale of :		
- Securities held for trading	58	37
- Securities available-for-sale	29	273
	<u>87</u>	<u>310</u>
c) Net unrealised (loss) / gain on revaluation of securities held for trading	(1,284)	505
	<u>(194)</u>	<u>1,634</u>
Total other operating (loss) / income	<u>(194)</u>	<u>1,634</u>

Company No.

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

RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008 (CONTINUED)

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

	Current 9 months period ended <u>30.09.2008</u> RM'000	Preceding Corresponding 9 months period ended <u>30.09.2007</u> RM'000
(ii) Income derived from investment of other deposits		
<u>Finance income and hibah:</u>		
Financing and advances	136,651	134,401
Securities held for trading	10,447	8,304
Securities available-for-sale	4,479	1,926
Securities held-to-maturity	8,393	6,549
Money at call and deposit with financial institutions	<u>28,575</u>	<u>31,235</u>
	188,545	182,415
Amortisation of premium less accretion of discount	<u>10,267</u>	<u>11,631</u>
Total finance income and hibah	198,812	194,046
Other operating (loss) / income (note a-c)	<u>(458)</u>	<u>4,739</u>
	<u>198,354</u>	<u>198,785</u>
a) Fee income :		
Commission	2,127	1,731
Guarantee fees	<u>233</u>	<u>646</u>
	<u>2,360</u>	<u>2,377</u>
b) Net gain from sale of :		
- Securities held for trading	137	108
- Securities available-for-sale	<u>67</u>	<u>789</u>
	<u>204</u>	<u>897</u>
c) Net unrealised (loss)/gain on revaluation of securities held for trading	<u>(3,022)</u>	1,465
Total other operating (loss) / income	<u>(458)</u>	<u>4,739</u>

Company No.

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

RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008 (CONTINUED)

13 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Current 9 months period ended 30.09.2008 RM'000	Preceding Corresponding 9 months period ended 30.09.2007 RM'000
<u>Finance income and hibah:</u>		
Financing and advances	14,357	14,330
Securities held for trading	1,098	885
Securities available-for-sale	471	205
Securities held-to-maturity	882	698
Money at call and deposit with financial institutions	3,002	3,330
	<u>19,810</u>	<u>19,448</u>
Amortisation of premium less accretion of discount	1,079	1,240
Total finance income and hibah	<u>20,889</u>	<u>20,688</u>
Other operating income (note a-c)	16,045	78,773
	<u>36,934</u>	<u>99,461</u>
a) Fee income :		
Commission	2,384	2,031
Service charges and fees	11,371	7,976
Guarantee and underwriting fees	41	148
Other fee income	-	71
	<u>13,796</u>	<u>10,226</u>
b) Net gain from sale of :		
- Securities held for trading	2,560	68,307
- Securities available-for-sale	7	84
	<u>2,567</u>	<u>68,391</u>
c) Net unrealised (loss)/gain on revaluation of securities held for trading	(318)	156
	<u>(318)</u>	<u>156</u>
Total other operating income	<u>16,045</u>	<u>78,773</u>

Company No.

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

RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008 (CONTINUED)

14 ALLOWANCES FOR LOSSES ON FINANCING AND ADVANCES

	Current 9 months period ended <u>30.09.2008</u> RM'000	Preceding Corresponding 9 months period ended <u>30.09.2007</u> RM'000
Allowance for losses on financing and advances		
Specific allowance		
- Made during the financial period	23,398	20,858
- Written back	(8,639)	(4,848)
General allowance		
- Made during the financial period	18,736	9,470
Bad financing recovered	(2,823)	(4,040)
	<u><u>30,672</u></u>	<u><u>21,440</u></u>

15 INCOME ATTRIBUTABLE TO DEPOSITORS

	Current 9 months period ended <u>30.09.2008</u>	Preceding Corresponding 9 months period ended <u>30.09.2007</u>
Deposits from customers:		
- Mudharabah funds	100,169	100,399
- Non-mudharabah funds	14,959	15,888
Deposits and placements of banks and other financial institutions:		
- Mudharabah funds	13,007	3,663
- Non-mudharabah funds	757	2,834
	<u><u>128,892</u></u>	<u><u>122,784</u></u>

Company No.

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

RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008 (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:

	Principal Amount RM'000	30.09.2008 Credit Equivalent Amount * RM'000	Risk Weighted Amount RM'000
Transaction-related contingent items	133,324	66,662	66,662
Short-term self-liquidating trade-related contingencies	43,689	8,737	8,737
Obligations under underwriting agreements	214,000	107,000	107,000
Irrevocable commitments to extend credit :			
- maturity more than one year	335,230	167,615	167,615
- maturity less than one year	1,063,525	531,763	531,763
Miscellaneous	18,325	3,665	3,665
Total	<u>1,808,093</u>	<u>885,442</u>	<u>885,442</u>
		<u>31.12.2007</u>	
Transaction-related contingent items	101,306	50,653	46,332
Short-term self-liquidating trade-related contingencies	131,568	26,314	26,138
Obligations under underwriting agreements	215,000	107,500	107,500
Irrevocable commitments to extend credit :			
- maturity more than one year	255,926	127,963	112,811
- maturity less than one year	1,355,644	-	-
Miscellaneous	18,141	-	-
Total	<u>2,077,585</u>	<u>312,430</u>	<u>292,781</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 UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008 (CONTINUED)

17 PROFIT RATE RISK

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.

<u>30.09.2008</u>	← 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	712,441	-	-	-	-	307,007	-	1,019,448	3.56
Deposits and placements with financial institutions	-	420,191	-	-	-	-	-	420,191	3.58
Securities held for trading	-	-	-	-	-	-	349,263	349,263	3.95
Securities available-for-sale	-	-	-	254,520	261,605	575	-	516,700	3.98
Securities held-to-maturity	-	133,905	346,264	350,827	304,678	-	-	1,135,674	4.45
Financing and advances									
- performing	382,985	612,580	879,038	476,017	3,130,473	-	-	5,481,093	5.84
- non-performing	-	-	-	-	-	54,876	-	54,876	-
Other assets	-	-	-	-	-	34,125	-	34,125	-
Deferred taxation assets	-	-	-	-	-	28,554	-	28,554	-
Statutory deposits	-	-	-	-	-	214,040	-	214,040	-
Tax recoverable	-	-	-	-	-	13,602	-	13,602	-
Property, plant and equipment	-	-	-	-	-	30,503	-	30,503	-
Intangible assets	-	-	-	-	-	17,263	-	17,263	-
Total assets	1,095,426	1,166,676	1,225,302	1,081,364	3,696,756	700,545	349,263	9,315,332	

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

Company No.

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

RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008 (CONTINUED)

17 PROFIT RATE RISK (CONTINUED)

30.09.2008

	← 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	3,446,438	996,597	1,234,775	55,063	-	1,443,360	-	7,176,233	2.45
Deposits and placements of banks and other financial institutions	407,520	84,408	244,358	-	344,075	-	-	1,080,361	3.61
Bills and acceptances payable	-	-	-	-	-	12,317	-	12,317	3.70
Other liabilities	-	-	-	-	-	252,291	-	252,291	
Total liabilities	3,853,958	1,081,005	1,479,133	55,063	344,075	1,707,968	-	8,521,202	
Total shareholders equity	-	-	-	-	-	794,130	-	794,130	
	3,853,958	1,081,005	1,479,133	55,063	344,075	2,502,098	-	9,315,332	
Total profit-sensitivity gap	(2,758,532)	85,671	(253,831)	1,026,301	3,352,681				

Company No.

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

RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008 (CONTINUED)

17 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.

31.12.2007	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	1,933,010	-	-	-	-	1,451	-	1,934,461	3.57
Deposits and placements with financial institutions	300,000	-	-	-	-	-	-	300,000	3.54
Securities held for trading	-	-	-	-	-	-	362,892	362,892	3.84
Securities available-for-sale	-	-	105,946	23,239	15,407	575	-	145,167	3.57
Securities held-to-maturity	-	-	291,680	438,492	118,565	-	-	848,737	4.25
Financing and advances									
- performing	470,851	465,886	704,696	982,180	1,784,650	-	-	4,408,263	5.78
- non-performing	-	-	-	-	-	106,549 *	-	106,549	-
Other assets	-	-	-	-	-	55,752	-	55,752	-
Deferred taxation assets	-	-	-	-	-	22,956	-	22,956	-
Tax recoverable	-	-	-	-	-	2,096	-	2,096	-
Statutory deposits	-	-	-	-	-	187,929	-	187,929	-
Property, plant and equipment	-	-	-	-	-	12,371	-	12,371	-
Intangible asset	-	-	-	-	-	17,263	-	17,263	-
Total assets	2,703,861	465,886	1,102,322	1,443,911	1,918,622	406,942	362,892	8,404,436	

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

Company No.

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

RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008 (CONTINUED)

17 PROFIT RATE RISK (CONTINUED)

31.12.2007

	← 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	
Liabilities									
Deposits from customers	3,313,239	1,042,045	1,177,908	65,784	-	1,250,710	-	6,849,686	2.38
Deposits and placements of banks and other financial institutions	378,041	-	-	-	-	-	-	378,041	3.84
Bills and acceptances payable	-	-	-	-	-	10,102	-	10,102	3.75
Other liabilities	-	-	-	-	-	427,173	-	427,173	-
Total liabilities	3,691,280	1,042,045	1,177,908	65,784	-	1,687,985	-	7,665,002	
Total shareholders equity	-	-	-	-	-	739,434	-	739,434	
	3,691,280	1,042,045	1,177,908	65,784	-	2,427,419	-	8,404,436	
Total profit-sensitivity gap	(987,419)	(576,159)	(75,586)	1,378,127	1,918,622				

Company No.

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

RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008 (CONTINUED)

18 CAPITAL ADEQUACY

	<u>30.09.2008</u> RM'000	<u>31.12.2007</u> RM'000
<u>Tier I Capital</u>		
Paid-up ordinary share capital	523,424	523,424
Retained profits	133,668	92,494
Statutory reserve	123,062	123,062
	<u>780,154</u>	<u>738,980</u>
Less :		
Deferred tax assets	(24,900)	(22,956)
Total Tier I capital	<u>755,254</u>	<u>716,024</u>
<u>Tier II Capital</u>		
General allowance for bad and doubtful financing	101,684	82,948
Total Tier II capital	<u>101,684</u>	<u>82,948</u>
Total capital base	<u>856,938</u>	<u>798,972</u>
<u>Capital ratios</u>		
Core capital ratio	10.73%	12.79%
Risk-weighted capital ratio	<u>12.17%</u>	<u>14.28%</u>

Company No.

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

RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008 (CONTINUED)

18 CAPITAL ADEQUACY (CONTINUED)

	<u>30.09.2008</u>	
	<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%	2,079,938	-
20%	994,452	198,890
35%	-	-
50%	-	-
75%	2,032,610	1,524,458
100%	4,362,822	4,362,822
150%	206,401	309,602
	<u>9,676,223</u>	<u>6,395,772</u>
(ii) Market Risk Capital Adequacy Framework #	-	150,153
	<u>9,676,223</u>	<u>6,545,925</u>
(iii) Basic Indicator Operational Risk Capital Charge ^	-	493,198
	<u>9,676,223</u>	<u>7,039,123</u>

	<u>31.12.2007</u>	
	<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%	2,650,879	-
20%	703,234	140,647
75%	1,551,864	1,163,898
100%	3,774,935	3,774,935
150%	-	-
	<u>8,680,912</u>	<u>5,079,480</u>
(ii) Market Risk Capital Adequacy Framework #	-	89,414
	<u>8,680,912</u>	<u>5,168,894</u>
(iii) Basic Indicator Operational Risk Capital Charge ^	-	429,444
	<u>8,680,912</u>	<u>5,598,338</u>

The capital adequacy ratios have incorporated market risk pursuant to BNM's guideline on Market Risk Capital Adequacy Framework.

^ The capital adequacy ratios have incorporated operational risk pursuant to BNM's guideline on Capital Adequacy Framework for Islamic Banks ('CAFIB'), which is effective from 31 January 2008.

Company No.

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

RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008 (CONTINUED)

19 DIVIDENDS

The Directors do not propose any interim dividend in respect of the current period ended 30 September 2008 (30.09.2007: 8 sen per share less income tax of 27% amounting to RM30,568,000).

20 CHANGES IN PROFIT FOR THE QUARTER

The Bank recorded 7.6% lower profit before taxation of RM24.3 million for the current quarter as compared to the preceeding quarter ended 30 June 2008 of RM26.3 million. The decrease was mainly due to higher general allowances following higher financing growth in the third quarter.

21 PERFORMANCE REVIEW

For the 9 months to 30 September 2008, the Bank recorded a 44.8% lower profit before taxation of RM77.8 million as compared to the corresponding period of ended 30 September 2007 of RM141.0 million. The decrease was mainly as a result of lower gain from security held for trading investments.

22 COMMENTS ON FUTURE PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The last quarter of the year will be challenging given the deepening financial crisis and weakening global economy. Against this backdrop, the Bank expects the results for 2008 to be lower than 2007.