

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011

	<u>Note</u>	<u>Unaudited</u> <u>As at</u> <u>31.03.2011</u> RM'000	<u>Audited</u> <u>As At</u> <u>31.12.2010</u> RM'000
ASSETS			
Cash and short term funds		1,711,078	1,076,905
Deposits and placements with banks and other financial institutions		204	40,062
Financial assets held-for-trading	8	137,533	218,928
Financial investments available-for-sale	9	1,781,028	1,787,265
Financial investments held-to-maturity	10	1,110,409	1,073,159
Financing and advances	11	9,244,663	8,713,761
Other assets	12	26,821	42,830
Derivative assets		6,932	1,369
Statutory deposits with Bank Negara Malaysia		110,740	105,140
Tax recoverable		2,748	-
Deferred tax assets		33,818	30,854
Property, plant and equipment		20,784	21,547
TOTAL ASSETS		<u>14,186,758</u>	<u>13,111,820</u>
LIABILITIES AND EQUITY			
Deposits from customers	13	10,097,664	9,946,582
Deposits and placements of banks and other financial institutions	14	2,943,712	2,066,993
Bills and acceptance payable		17,975	12,124
Derivatives liabilities		2	-
Other liabilities	15	119,284	101,286
Taxation		-	170
TOTAL LIABILITIES		<u>13,178,637</u>	<u>12,127,155</u>
Ordinary share capital		523,424	523,424
Reserves		484,697	461,241
TOTAL EQUITY		<u>1,008,121</u>	<u>984,665</u>
TOTAL LIABILITIES AND EQUITY		<u>14,186,758</u>	<u>13,111,820</u>
COMMITMENTS AND CONTINGENCIES	20	<u>3,599,195</u>	<u>3,519,220</u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2010.

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2011

	<u>Note</u>	Current Financial Quarter ended <u>31.03.2011</u> RM'000	Preceding Corresponding Financial Quarter ended <u>31.03.2010</u> RM'000
Income derived from investment of depositors' funds	16	145,736	101,455
Income derived from investment of shareholder's funds	17	19,459	13,493
Allowance for impairment on financing and advances	18	(16,110)	(35,676)
Profit equalisation reserve		(4,441)	4,326
Total distributable income		144,644	83,598
Income attributable to depositors	19	(70,351)	(42,559)
		74,293	41,039
Personnel expenses		(15,778)	(15,927)
Other overheads and expenditures		(21,375)	(22,281)
Profit before taxation		37,140	2,831
Taxation		(9,488)	(707)
Net profit for the financial period		27,652	2,124
Basic earnings per share (sen)		5.28	0.41

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2010.

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2011

	Current Financial Quarter ended <u>31.03.2011</u> RM'000	Preceding Corresponding Financial Quarter ended <u>31.03.2010</u> RM'000
Net profit for the financial period	27,652	2,124
Other comprehensive income/(loss):		
Financial investments available-for-sale		
- Unrealised net loss on revaluation	(4,573)	(844)
- Net transfer to income statement on disposal or impairment	(975)	-
Income tax relating to components of other comprehensive income	1,352	207
Other comprehensive loss for the financial period	(4,196)	(637)
Total comprehensive income for the financial period	23,456	1,487

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2010.

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2011

	<u>Share capital</u> RM'000	<u>Non-distributable</u>		<u>Distributable</u>	<u>Total</u> RM'000
		<u>Statutory reserve</u> RM'000	<u>AFS reserve</u> RM'000	<u>Retained profits</u> RM'000	
Balance as at 1 January 2011	523,424	231,484	7,386	222,371	984,665
Net profit for the financial period	-	-	-	27,652	27,652
Other comprehensive income/(loss):					
Financial investments available-for-sale					
- Unrealised net (loss) on revaluation	-	-	(4,573)	-	(4,573)
- Net transfer to income statements on disposal or impairment	-	-	(975)	-	(975)
Income tax relating to components of other comprehensive income	-	-	1,352	-	1,352
Total comprehensive income for the financial period	-	-	(4,196)	27,652	23,456
Balance as at 31 March 2011	523,424	231,484	3,190	250,023	1,008,121

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2011 (CONTINUED)

	<u>Share capital</u> RM'000	<u>Non-distributable</u>		<u>Distributable</u>	<u>Total</u> RM'000
		<u>Statutory reserve</u> RM'000	<u>AFS reserve</u> RM'000	<u>Retained profits</u> RM'000	
Balance as at 1 January 2010	523,424	197,739	7,127	188,627	916,917
Net profit for the financial period	-	-	-	2,124	2,124
Other comprehensive income/(loss):					
Financial investments available-for-sale					
- Unrealised net loss on revaluation	-	-	(844)	-	(844)
Income tax relating to components of other comprehensive loss	-	-	207	-	207
Total comprehensive income for the financial period	-	-	(637)	2,124	1,487
Balance as at 31 March 2010	523,424	197,739	6,490	190,751	918,404

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2010.

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2011

	Current Financial Quarter ended <u>31.03.2011</u> RM'000	Preceding Corresponding Financial Quarter ended <u>31.03.2010</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	37,140	2,831
Adjustment for non-cash items	<u>(10,994)</u>	<u>(63,445)</u>
Operating profit before changes in working capital	26,146	(60,614)
Changes in working capital:		
Net changes in operating assets	(420,288)	(488,251)
Net changes in operating liabilities	<u>1,050,302</u>	<u>(97,560)</u>
	656,160	(646,425)
Taxation paid	<u>(14,018)</u>	<u>(8,631)</u>
Net cash generated from/(used in) operating activities	<u>642,142</u>	<u>(655,056)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,244)	(1,266)
Net disposal/(purchase) of financial investments available-for-sale	4,874	(94,324)
Net purchase of financial investments held-to-maturity	(37,832)	(26,168)
Income received from financial investments available-for-sale	13,970	13,189
Income received from financial investments held-to-maturity	<u>12,263</u>	<u>10,594</u>
Net cash used in investing activities	<u>(7,969)</u>	<u>(97,975)</u>
Net increase/(decrease) in cash and cash equivalents	634,173	(753,031)
Cash and cash equivalents brought forward	<u>1,076,905</u>	<u>2,562,465</u>
Cash and cash equivalents carried forward	<u>1,711,078</u>	<u>1,809,434</u>
ANALYSIS OF CASH AND CASH EQUIVALENT		
Cash and short-term funds	<u>1,711,078</u>	<u>1,809,434</u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Bank for the financial year ended 31 December 2010.

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

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2011**

1 BASIS OF PREPARATION

The interim financial statements are unaudited and has been prepared in compliance with Financial Reporting Standard ('FRS') 134, 'Interim Financial Reporting' issued by the Malaysian Accounting Standards Board ('MASB') and should be read in conjunction with the audited financial statements of the Bank for the last financial year ended 31 December 2010.

The accounting policies and presentation adopted by the Bank for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2010, except for the adoption of the following accounting standards, amendments to published accounting standards and interpretations to existing accounting standards which are effective from 1 January 2011:

- | | |
|--------------------------------------|--|
| - Amendments to FRS 7 | Financial Instruments: Disclosures Improving Disclosures about Financial Instruments |
| - Amendments to FRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| - Amendments to FRS 132 | Financial Instruments: Presentation - Classification of Rights Issues |
| - Amendments to IC Interpretation 9 | Reassessment of Embedded Derivatives |
| - IC Interpretation 4 | Determining Whether an Arrangement contains a Lease |
| - TR i-4 | Shariah Compliant Sale Contracts |
| - Improvements to FRSs (2010): | |
| - FRS 9 | Business Combinations |
| - FRS 127 | Consolidated and Separate Financial Statements |
| - FRS 101 | Presentation of Financial Statements |
| - FRS 138 | Intangible Assets |
| - IC Interpretations 9 | Reassessment of Embedded Derivatives |
| - Amendments of FRS 138 | Intangible Assets |
| - Amendments of IC Interpretations 9 | Reassessment of Embedded Derivatives |

The revised FRS 3 'Business Combinations' (effective prospectively from 1 July 2010) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

The revised FRS 127 'Consolidated and Separate Financial Statements; (applies prospectively to transactions with non-controlling interests from 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. When this standard is effective, all earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

The adoption of the above accounting standards, amendments to published accounting standards and interpretations to existing accounting standards does not give rise to any material financial effects to the Bank.

2 AUDITORS' REPORT

The auditors' report for the financial year ended 31 December 2010 was not subject to any qualification.

RHB ISLAMIC BANK BERHAD (680329-V)
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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2011 (CONTINUED)

3 SEASONAL OR CYCLICAL ITEMS

The business operations of the Bank have not been affected by any material seasonal or cyclical factors.

4 EXCEPTIONAL OR EXTRAORDINARY ITEMS

There were no exceptional or extraordinary items in the three months ended 31 March 2011.

5 CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the three months ended 31 March 2011.

6 CHANGES IN DEBT AND EQUITY SECURITIES

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the period under review.

7 DIVIDENDS PAID

No dividend was paid during the three months ended 31 March 2011.

8 FINANCIAL ASSETS HELD-FOR-TRADING

	<u>Unaudited</u> <u>As at</u> <u>31.03.2011</u> RM'000	<u>Audited</u> <u>As at</u> <u>31.12.2010</u> RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian government investment issues	120,204	10,066
BNM monetary notes	749	173,816
Malaysian government treasury bills	1,407	-
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	15,173	35,046
	137,533	218,928

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2011 (CONTINUED)

9 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	<u>Unaudited</u> <u>As at</u> <u>31.03.2011</u> RM'000	<u>Audited</u> <u>As at</u> <u>31.12.2010</u> RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian government investment issues	1,272,566	1,239,535
Islamic accepted bills	31,777	93,868
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	476,110	453,287
	1,780,453	1,786,690
At cost		
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Shares in Islamic Bank and Financial Institutions of Malaysia (‘IBFIM’)	575	575
	1,781,028	1,787,265

10 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	<u>Unaudited</u> <u>As at</u> <u>31.03.2011</u> RM'000	<u>Audited</u> <u>As at</u> <u>31.12.2010</u> RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian government investment issues	592,450	589,168
Cagamas bonds and Cagamas Mudharabah bonds	181,516	183,895
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	336,443	300,096
	1,110,409	1,073,159

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2011 (CONTINUED)

11 FINANCING AND ADVANCES

(i) By type

	<u>Unaudited</u> <u>As at</u> <u>31.03.2011</u> RM'000	<u>Audited</u> <u>As at</u> <u>31.12.2010</u> RM'000
At amortised cost		
Cashline	109,479	116,123
Term financing		
- housing financing	2,470,956	2,368,625
- syndicated term financing	908,096	898,904
- hire purchase receivables	1,798,646	1,625,598
- other term financing	3,257,572	2,902,392
Bills receivable	832,512	546,820
Trust receipts	21,336	17,994
Staff financing	11,259	11,404
Credit/charge cards receivables	1,416	530
Revolving financing	172,732	547,639
Gross financing and advances	<u>9,584,004</u>	<u>9,036,029</u>
Allowance for bad and doubtful financing:		
- individual impairment allowance	(161,511)	(163,440)
- collective impairment allowance	(177,830)	(158,828)
Net financing and advances	<u><u>9,244,663</u></u>	<u><u>8,713,761</u></u>

(ii) By type of customers

Domestic non-bank financial institutions		
- Others	37,638	36,751
Domestic business enterprises		
- Small medium enterprises	677,952	712,770
- Others	2,957,811	2,667,781
Government and statutory bodies	1,531,586	1,516,587
Individuals	4,097,742	3,814,221
Other domestic entities	352	426
Foreign entities	280,923	287,493
Gross financing and advances	<u><u>9,584,004</u></u>	<u><u>9,036,029</u></u>

(iii) By type of contract

Bai' Bithaman Ajil ('BBA')	3,191,148	3,207,867
Ijarah	2,646,860	2,478,851
Murabahah	1,839,237	1,534,782
Musyarakah	1,297,189	1,172,733
Istisna'	518,058	530,275
Others	91,512	111,521
Gross financing and advances	<u><u>9,584,004</u></u>	<u><u>9,036,029</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2011 (CONTINUED)

11 FINANCING AND ADVANCES (CONTINUED)

(iv) By profit rate sensitivity

	<u>Unaudited</u> <u>As at</u> <u>31.03.2011</u> <u>RM'000</u>	<u>Audited</u> <u>As at</u> <u>31.12.2010</u> <u>RM'000</u>
Fixed rate		
- Housing financing	1,221,907	1,243,164
- Hire-purchase receivables	1,791,947	1,625,598
- Other fixed rate financing	3,111,721	3,015,961
Variable rate		
- BFR-plus	2,607,713	2,586,524
- Cost-plus	850,716	564,782
Gross financing and advances	9,584,004	9,036,029

(v) By purpose

Purchase of securities	12,490	12,270
Purchase of transport vehicles	1,736,323	1,567,375
Purchase of landed property:		
- Residential	2,535,466	2,439,955
- Non-residential	189,470	204,703
Purchase of property, plant and equipment other than land and building	506,790	528,785
Personal use	40,370	14,070
Credit card	1,416	530
Purchase of consumer durables	70	80
Construction	464,620	483,660
Working capital	2,095,230	1,506,160
Other purposes	2,001,759	2,278,441
Gross financing and advances	9,584,004	9,036,029

(vi) The remaining contractual maturities

Maturing within one year	1,765,574	1,685,198
One to three years	615,765	345,809
Three to five years	1,009,039	1,005,422
Over five years	6,193,626	5,999,600
Gross financing and advances	9,584,004	9,036,029

(vii) Impaired financing and advances

(a) Movement in gross impaired financing and advances are as follows:

Balance as at the beginning of the financial period/year	628,251	478,412
Classified as impaired during the financial period/year	75,959	486,779
Amount recovered	(8,439)	(43,269)
Reclassified as non-impaired during the financial period/year	(59,856)	(293,671)
Balance as at the end of the financial period/year	635,915	628,251

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2011 (CONTINUED)

11 FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances (continued)

(b) By purpose

	<u>Unaudited</u> <u>As at</u> <u>31.03.2011</u> <u>RM'000</u>	<u>Audited</u> <u>As at</u> <u>31.12.2010</u> <u>RM'000</u>
Purchase of transport vehicles	19,150	16,270
Purchase of landed property:		
- Residential	204,100	202,090
- Non-residential	28,890	26,820
Purchase of property, plant and equipment other than land and building	70,850	74,010
Personal use	4,430	4,970
Construction	1,490	1,530
Working capital	305,720	299,231
Other purposes	1,285	3,330
Gross impaired financing and advances	635,915	628,251

(c) Movement in allowance for impaired financing and advances

Individual impairment allowance

Balance as at the beginning of the financial period/year	163,440	107,035
Allowance made during the financial period/year	2,736	69,456
Amount recovered	(4,665)	(12,546)
Amount written off	-	(505)
Balance as at end of the financial period/year	161,511	163,440

Collective impairment allowance

Balance as at the beginning of the financial period/year	158,828	140,427
Allowance made during the financial period/year	19,002	18,401
Balance as at end of the financial period/year	177,830	158,828

RHB ISLAMIC BANK BERHAD (680329-V)
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2011 (CONTINUED)

12 OTHER ASSETS

	<u>Unaudited</u> <u>As at</u> <u>31.03.2011</u> RM'000	<u>Audited</u> <u>As at</u> <u>31.12.2010</u> RM'000
Deposits and prepayments	2,187	682
Sundry deposits debtors	1,807	1,251
Other debtors	22,827	40,897
	26,821	42,830

13 DEPOSITS FROM CUSTOMERS

	<u>Unaudited</u> <u>As at</u> <u>31.03.2011</u> RM'000	<u>Audited</u> <u>As at</u> <u>31.12.2010</u> RM'000
<u>Non-Mudharabah Funds:</u>		
Demand deposits	1,501,452	1,376,008
Savings deposits	625,552	569,786
Negotiable Islamic Debt Certificates	-	4,976
Commodity Murabahah	1,258,942	754,650
	3,385,946	2,705,420
<u>Mudharabah Funds:</u>		
Demand deposits	409,224	378,321
Savings deposits	3,672	3,123
General investment accounts	798,540	1,280,190
Special investment accounts	5,500,282	5,579,528
	10,097,664	9,946,582

(a) The maturity structure of investment accounts, commodity murabahah and negotiable Islamic debt certificates are as follows:

Due within six months	6,890,710	6,876,995
Six months to one year	661,639	591,854
One year to three years	4,602	149,746
Three years to five years	812	749
	7,557,763	7,619,344

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

Government and statutory bodies	2,027,689	2,391,923
Business enterprises	5,367,412	4,807,632
Individuals	1,149,422	1,095,704
Others	1,553,141	1,651,323
	10,097,664	9,946,582

RHB ISLAMIC BANK BERHAD (680329-V)
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2011 (CONTINUED)

14 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>Unaudited</u> <u>As at</u> <u>31.03.2011</u> RM'000	<u>Audited</u> <u>As at</u> <u>31.12.2010</u> RM'000
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	861,742	730,726
Licensed banks	322,869	324,013
	<u>1,184,611</u>	<u>1,054,739</u>
<u>Mudharabah Funds:</u>		
Licensed Islamic banks	1,332,286	807,836
Licensed banks	200,058	204,418
Other financial institutions	226,757	-
	<u>2,943,712</u>	<u>2,066,993</u>

15 OTHER LIABILITIES

	<u>Unaudited</u> <u>As at</u> <u>31.03.2011</u> RM'000	<u>Audited</u> <u>As at</u> <u>31.12.2010</u> RM'000
Sundry creditors	14,428	49,990
Profit equalisation reserve	8,968	4,527
Amount due to immediate holding company	2,232	11,355
Other accruals and payables	93,656	35,414
	<u>119,284</u>	<u>101,286</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2011 (CONTINUED)

16 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	Current Financial Quarter ended <u>31.03.2011</u> RM'000	Preceding Corresponding Financial Quarter ended <u>31.03.2010</u> RM'000
Income derived from investment of:		
(i) General investment deposit	15,525	11,107
(ii) Other deposits	130,211	90,348
	<u>145,736</u>	<u>101,455</u>
 (i) Income derived from investment of general investment deposits:		
<u>Finance income and hibah:</u>		
Financing and advances	11,635	7,288
Financial assets held-for-trading	47	44
Financial investments available-for-sale	1,702	1,293
Financial investments held-to-maturity	1,153	1,137
Money at call and deposit with financial institutions	598	1,240
Total finance income and hibah	15,135	11,002
Other operating income (note a to c)	390	105
	<u>15,525</u>	<u>11,107</u>
 Of which:		
Financing income earned on impaired financing	239	48
 Other operating income comprise of:		
a) Fee income		
Commission	134	126
Guarantee fees	30	19
	<u>164</u>	<u>145</u>
b) Net gain/(loss) on financial assets held-for-trading - net gain/(loss) on revaluation and disposal	130	(40)
c) Net gain on disposal of financial investments available-for-sale	96	-
	<u>390</u>	<u>105</u>

RHB ISLAMIC BANK BERHAD (680329-V)
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NOTES TO THE FINANCIAL STATEMENTS
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16 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (CONTINUED)

	Current Financial Quarter ended <u>31.03.2011</u> RM'000	Preceding Corresponding Financial Quarter ended <u>31.03.2010</u> RM'000
(i) Income derived from investment of other deposits:		
<u>Finance income and hibah:</u>		
Financing and advances	97,543	59,289
Financial assets held-for-trading	390	353
Financial investments available-for-sale	14,276	10,501
Financial investments held-to-maturity	9,672	9,253
Money at call and deposit with financial institutions	5,016	10,092
Total finance income and hibah	126,897	89,488
Other operating income (note a to c)	3,314	860
	130,211	90,348
Of which:		
Financing income earned on impaired financing	1,996	390
Other operating income comprise of:		
a) Fee income		
Commission	1,145	1,031
Guarantee fees	256	152
	1,401	1,183
b) Net gain/(loss) on financial assets held-for-trading - net gain/(loss) on revaluation and disposal	1,106	(323)
c) Net gain on disposal of financial investments available-for-sale	807	-
	3,314	860

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NOTES TO THE FINANCIAL STATEMENTS
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17 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	Current Financial Quarter ended <u>31.03.2011</u> RM'000	Preceding Corresponding Financial Quarter ended <u>31.03.2010</u> RM'000
<u>Finance income and hibah:</u>		
Financing and advances	8,620	5,939
Financial assets held-for-trading	35	36
Financial investments available-for-sale	1,262	1,052
Financial investments held-to-maturity	855	927
Money at call and deposit with financial institutions	443	1,011
Total finance income and hibah	11,215	8,965
Other operating income (note a to e)	8,244	4,528
	19,459	13,493
Of which:		
Financing income earned on impaired financing	176	38
Other operating income comprise of:		
a) Fee income		
Commission	571	939
Service charges and fees	3,346	3,722
Guarantee and underwriting fees	332	15
	4,249	4,676
b) Net gain/(loss) on financial assets held-for-trading - net gain/(loss) on revaluation and disposal	99	(32)
c) Net gain on revaluation of derivatives	4,214	-
d) Net gain on disposal of financial investments available-for-sale	71	-
	4,384	(32)
e) Other income		
Foreign exchange gain/(loss)		
- realised	(389)	(262)
- unrealised	(17)	30
Gain on disposal of property, plant and equipment	17	113
Other non-operating income	-	3
	(389)	(116)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2011 (CONTINUED)

18 ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES

	Current Financial Quarter ended <u>31.03.2011</u> RM'000	Preceding Corresponding Financial Quarter ended <u>31.03.2010</u> RM'000
Allowance for impaired financing and advances		
- Individual impairment allowance	(1,929)	32,328
- Collective impairment allowance	19,002	5,139
Impaired financing and advances recovered	(963)	(1,791)
	16,110	35,676

19 INCOME ATTRIBUTABLE TO DEPOSITORS

	Current Financial Quarter ended <u>31.03.2011</u> RM'000	Preceding Corresponding Financial Quarter ended <u>31.03.2010</u> RM'000
Deposits from customers:		
- Mudharabah funds	50,490	34,816
- Non-Mudharabah funds	7,129	2,061
Deposits and placements of banks and other financial institutions:		
- Mudharabah funds	7,682	2,761
- Non-Mudharabah funds	5,050	2,921
	70,351	42,559

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2011 (CONTINUED)

20 COMMITMENTS AND CONTINGENCIES

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

	Principal amount	Credit equivalent amount	Risk weighted amount
	RM'000	RM'000	RM'000
<u>2011</u>			
Transaction-related contingent items	118,881	59,441	59,441
Short-term self-liquidating trade-related contingencies	46,456	9,291	9,291
Obligations under underwriting agreements	29,000	14,500	14,500
Irrevocable commitments to extend credit:			
- maturity more than one year	634,897	126,979	113,862
- maturity less than one year	1,819,961	363,992	338,488
Profit rate related contracts:			
- one year to less than five years	950,000	40,432	8,086
Total	<u>3,599,195</u>	<u>614,635</u>	<u>543,668</u>
<u>2010</u>			
Transaction-related contingent items	146,995	73,498	34,201
Short-term self-liquidating trade-related contingencies	40,948	8,190	8,190
Obligations under underwriting agreements	29,000	14,500	14,500
Irrevocable commitments to extend credit:			
- maturity more than one year	449,091	224,546	191,524
- maturity less than one year	1,104,528	220,905	220,905
Profit rate related contracts:			
- one year to less than five years	650,000	130,000	130,000
Total	<u>2,420,562</u>	<u>671,639</u>	<u>599,320</u>

The credit equivalent and Risk Weighted Assets ('RWA') for the Bank are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks ('CAFIB'): Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk ('Basel II') respectively.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2011 (CONTINUED)

21 CAPITAL ADEQUACY

The capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia Capital Adequacy Framework for Islamic Banks ('CAFIB'): Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk ('Basel II') respectively.

	31.03.2011	31.12.2010
	RM'000	RM'000
<u>Tier I Capital</u>		
Paid-up ordinary share capital	523,424	523,424
Retained profits	222,371	222,371
Statutory reserve	231,484	231,484
	977,279	977,279
Less :		
Deferred tax assets	(33,269)	(33,269)
Total Tier I capital	944,010	944,010
<u>Tier II Capital</u>		
Collective impairment allowance [^]	110,987	103,037
Total Tier II capital	110,987	103,037
Less:		
Other deduction*	(347)	(102)
Eligible Tier II capital	110,640	102,935
Total Capital Base	1,054,650	1,046,945
Core capital ratio	11.37%	12.23%
Risk-weighted capital ratio	12.70%	13.56%
The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:		
Credit risk-weighted assets	7,615,803	7,124,858
Market risk-weighted assets	98,153	30,513
Operational risk-weighted assets	587,779	566,538
Total risk-weighted assets	8,301,735	7,721,909

[^] Excludes collective assessment impairment allowance attributable to financing and advances classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on "Classification and Impairment Provisions for Loans/Financing" issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010.

* Pursuant to the Basel II Market Risk para 5.19 and 5.20 – Valuation Adjustments / Reserves, the RWCR computation shall account for the ageing, liquidity and holding back adjustments / reserves on its trading portfolio.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2011 (CONTINUED)

22 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

23 EVENTS SUBSEQUENT TO BALANCE SHEET DATE

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

24 CHANGES IN THE COMPOSITION OF THE BANK

There are no significant changes in the composition of the Bank for the three months ended 31 March 2011.

25 CHANGES IN PROFIT FOR THE QUARTER

The Bank recorded a pre-tax profit of RM37.1 million for the current quarter, 75% higher as compared to the preceding corresponding quarter ended 31 December 2010 of RM21.2 million. The marginally higher profit was mainly due to higher net funding income, higher other operating income and lower impairment losses on other assets by RM6.3 million, RM1.5 million and RM24.9 million respectively, partly offset by higher other operating expenses, higher allowance for impairment on financing and advances and higher transfer to profit equalisation reserve ('PER') by RM1.5 million, RM9.3 million and RM6.1 million respectively.

26 PERFORMANCE REVIEW

For the three months ended 31 March 2011, the Bank recorded a pre-tax profit of RM37.1 million, more than 100% higher than that of the previous year corresponding period of RM2.8 million. The higher profit was mainly due to higher net funding income, higher other operating income, lower impairment financing and advances and lower operating expenses by RM16.0 million, RM6.4 million, RM19.6 million and RM1.0 million respectively, partly offset by higher transfer to PER by RM8.7 million.

27 PROSPECTS FOR 2011

The Malaysian economy is expected to grow moderately in the first half of 2011, gradually gaining momentum towards the second half of the year with full year growth projected at 5% to 6%. The impact from rising crude oil prices and the nuclear disaster in Japan will affect growth. The outlook of the Malaysian banking sector remains positive, supported by the underlying strengths of the domestic economy and the roll-out of the large-scale infrastructure projects under the Economic Transformation Programme (ETP).

The Bank is optimistic of stronger market demand for banking products and services and a more active capital market. It will remain focused on building its core businesses and will continue to look for opportunities to expand its market share and increase its leadership position in targeted markets and product segments. This is in line with the focus of the new financial sector blueprint to reinforce Malaysia's position as a global financial hub for Islamic finance services. The Bank expects to maintain a satisfactory performance in 2011.