

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2011

	Note	Unaudited As at 30.09.2011 RM'000	Audited As at 31.12.2010 RM'000
ASSETS			
Cash and short-term funds		6,546,001	1,076,905
Deposits and placements with banks and other financial institutions		90,208	40,062
Financial assets held-for-trading	8	215,552	218,928
Financial investments available-for-sale	9	2,074,639	1,787,265
Financial investments held-to-maturity	10	1,334,337	1,073,159
Financing and advances	11	12,556,139	8,713,761
Other assets	12	62,316	42,830
Derivative assets		-	1,369
Statutory deposits with Bank Negara Malaysia		598,940	105,140
Tax recoverable		28,614	-
Deferred tax assets		2,522	30,854
Property, plant and equipment		18,119	21,547
TOTAL ASSETS		23,527,387	13,111,820
LIABILITIES AND EQUITY			
Deposits from customers	13	16,083,427	9,946,582
Deposits and placements of banks and other financial institutions	14	5,926,214	2,066,993
Bills and acceptances payable		16,634	12,124
Derivative liabilities		28,781	-
Other liabilities	15	411,375	101,286
Provision for taxation		-	170
TOTAL LIABILITIES		22,466,431	12,127,155
Ordinary share capital		523,424	523,424
Reserves		537,532	461,241
TOTAL EQUITY		1,060,956	984,665
TOTAL LIABILITIES AND EQUITY		23,527,387	13,111,820
COMMITMENTS AND CONTINGENCIES	20	4,924,010	3,519,220

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 NINE MONTHS ENDED 30 SEPTEMBER 2011

	Note	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
		Current Financial Quarter Ended 30.09.2011 RM'000	Preceding Corresponding Quarter Ended 30.09.2010 RM'000	Current Financial Nine Months Ended 30.09.2011 RM'000	Preceding Corresponding Nine Months Ended 30.09.2010 RM'000
Income derived from investment of depositors' funds	16	217,652	124,503	518,728	342,683
(Loss)/income derived from investment of shareholder's funds	17	(18,789)	19,368	12,159	48,794
Allowances for impairment on financing and advances	18	(12,146)	(10,354)	(36,216)	(60,513)
Profit equalisation reserve		2,616	(947)	(12,773)	(1,919)
Total distributable income		189,333	132,570	481,898	329,045
Income attributable to depositors	19	(125,142)	(60,643)	(275,422)	(149,930)
		64,191	71,927	206,476	179,115
Personnel expenses		(15,818)	(13,909)	(47,380)	(44,324)
Other overheads and expenditures		(25,504)	(21,207)	(67,763)	(65,414)
Profit before taxation		22,869	36,811	91,333	69,377
Taxation		(3,963)	(9,226)	(21,870)	(17,367)
Net profit for the financial period		18,906	27,585	69,463	52,010
Basic earnings per share (sen)		3.61	5.27	13.27	9.94

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 NINE MONTHS ENDED 30 SEPTEMBER 2011

	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	Current Financial Quarter Ended 30.09.2011 <u>RM'000</u>	Preceding Corresponding Quarter Ended 30.09.2010 <u>RM'000</u>	Current Financial Nine Months Ended 30.09.2011 <u>RM'000</u>	Preceding Corresponding Nine Months Ended 30.09.2010 <u>RM'000</u>
Net profit for the financial period	18,906	27,585	69,463	52,010
Other comprehensive income/(loss):				
Financial investments available-for-sale				
- Unrealised net gain on revaluation	13,503	13,492	15,313	14,684
- Net transfer to income statement on disposal or impairment	(2,324)	(1,031)	(6,162)	(2,793)
Income tax relating to components of other comprehensive loss	(2,795)	(3,119)	(2,323)	(2,984)
Other comprehensive income for the financial period	8,384	9,342	6,828	8,907
Total comprehensive income for the financial period	27,290	36,927	76,291	60,917

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)
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UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

	<u>Share capital</u>	<u>Non-distributable</u>		<u>Distributable</u>	<u>Total</u>
		<u>Statutory reserve</u>	<u>AFS reserves</u>	<u>Retained profits</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Balance as at 1 January 2011	523,424	231,484	7,386	222,371	984,665
Net profit for the financial period	-	-	-	69,463	69,463
Other comprehensive income/(loss):					
Financial investments available-for-sale					
- Unrealised net gain on revaluation	-	-	15,313	-	15,313
- Net transfer to income statement on disposal or impairment	-	-	(6,162)	-	(6,162)
Income tax relating to components of other comprehensive loss	-	-	(2,323)	-	(2,323)
Total comprehensive income for the financial period	-	-	6,828	-	6,828
Balance as at 30 September 2011	<u>523,424</u>	<u>231,484</u>	<u>14,214</u>	<u>291,834</u>	<u>1,060,956</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)
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UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

	Share capital	Non-distributable		Distributable	Total
		Statutory reserve	AFS reserves	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2010	523,424	197,739	7,127	167,172	895,462
- Effect of adoption of FRS 139	-	-	-	21,455	21,455
- As restated	523,424	197,739	7,127	188,627	916,917
Net profit for the financial period	-	-	-	52,010	52,010
Other comprehensive income/(loss):					
Financial investments available-for-sale					
- Unrealised net gain on revaluation	-	-	14,684	-	14,684
- Net transfer to income statement on disposal or impairment	-	-	(2,793)	-	(2,793)
Income tax relating to components of other comprehensive loss	-	-	(2,984)	-	(2,984)
Total comprehensive income for the financial period	-	-	8,907	-	8,907
Balance as at 30 September 2010	<u>523,424</u>	<u>197,739</u>	<u>16,034</u>	<u>240,637</u>	<u>977,834</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
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

	Nine months ended	
	30.09.2011	30.09.2010
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	91,333	69,377
Adjustment for non-cash items	(44,890)	(5,771)
Operating profit before changes in working capital	46,443	63,606
Changes in working capital:		
Net changes in operating assets	(4,448,340)	(1,202,022)
Net changes in operating liabilities	10,340,813	1,093,139
	5,938,916	(45,277)
Taxation paid	(24,643)	(23,201)
Net cash generated from/(used in) operating activities	5,914,273	(68,478)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,868)	(3,527)
Net purchase of financial investments available-for-sale	(268,869)	(383,983)
Net purchase of financial investments held-to-maturity	(257,124)	(62,960)
Income received from financial investments available-for-sale	51,324	40,223
Income received from financial investments held-to-maturity	32,360	34,834
Net cash used in investing activities	(445,177)	(375,413)
Net increase/(decrease) in cash and cash equivalents	5,469,096	(443,891)
Cash and cash equivalents brought forward	1,076,905	2,562,465
Cash and cash equivalents carried forward	6,546,001	2,118,574
ANALYSIS OF CASH AND CASH EQUIVALENT		
Cash and short-term funds	6,546,001	2,118,574

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)
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 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 | |
| - Amendments to IC Interpretation 9 | Financial Instruments: Presentation - Classification of Rights Issues |
| - IC Interpretation 4 | Reassessment of Embedded Derivatives |
| - TR i-4 | Determining Whether an Arrangement contains a Lease |
| | Shariah Compliant Sale Contracts |
| - Improvements to FRSs (2010) | |
| - FRS 3 | Business Combination |
| - 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.

RHB ISLAMIC BANK BERHAD (680329 – V)
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011 (CONTINUED)

2 AUDITORS' REPORT

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

3 SEASONAL OR CYCLICAL ITEMS

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

4 EXCEPTIONAL OR EXTRAORDINARY ITEMS

There were no exceptional or unusual items for the nine months ended 30 September 2011.

5 CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in prior financial years that have a material effect for the nine months ended 30 September 2011.

6 CHANGES IN DEBT AND EQUITY SECURITIES

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

7 DIVIDENDS PAID

No dividend has been paid during the nine months ended 30 September 2011.

RHB ISLAMIC BANK BERHAD (680329 – V)
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011 (CONTINUED)**

8 FINANCIAL ASSETS HELD-FOR-TRADING

	Unaudited As at 30.09.2011	Audited As at 31.12.2010
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	93,155	10,066
BNM Monetary Notes	99,080	173,816
Wakala Global Sukuk	23,317	-
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private Debt Securities	-	35,046
	215,552	218,928

9 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Unaudited As at 30.09.2011	Audited As at 31.12.2010
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	1,158,414	1,239,535
Islamic Accepted Bills	154,158	93,868
Wakala Global Sukuk	23,317	-
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private Debt Securities	738,175	453,287
	2,074,064	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
	2,074,639	1,787,265

The carrying value of financial investments available-for-sale as at 30 September 2011, which was transferred from financial assets held-for-trading in previous year, for the Bank is RM20.2 million (2010 : RM20.3 million)

RHB ISLAMIC BANK BERHAD (680329 – V)
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011 (CONTINUED)**

10 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Unaudited As at 30.09.2011	Audited As at 31.12.2010
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	770,235	589,168
Cagamas Bonds and Cagamas Mudharabah Bonds	191,445	183,895
Khazanah Bonds	8,270	-
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private Debt Securities	364,387	300,096
	1,334,337	1,073,159

11 FINANCING AND ADVANCES

(i) By type

	Unaudited As at 30.09.2011	Audited As at 31.12.2010
	RM'000	RM'000
At amortised cost		
Cashline	116,300	116,123
Term financing		
- housing financing	2,627,577	2,368,625
- syndicated term financing	668,104	898,904
- hire purchase receivables	2,944,619	1,625,598
- other term financing	5,362,386	2,902,392
Bills receivables	921,309	546,820
Trust receipts	19,312	17,994
Staff financing	10,390	11,404
Credit/charge cards receivables	11,177	530
Revolving financing	223,589	547,639
Gross financing and advances	12,904,763	9,036,029
Allowances for bad and doubtful financing:		
- individual impairment allowance	(160,802)	(163,440)
- collective impairment allowance	(187,822)	(158,828)
Net financing and advances	12,556,139	8,713,761

RHB ISLAMIC BANK BERHAD (680329 – V)
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011 (CONTINUED)**

11 FINANCING AND ADVANCES (CONTINUED)

	Unaudited	Audited
	As at	As at
	30.09.2011	31.12.2010
	RM'000	RM'000
(ii) By type of customer		
Domestic non-bank financial institutions		
- Others	58,578	36,751
Domestic business enterprise		
- Small medium enterprise	794,965	712,770
- Others	2,732,813	2,667,781
Government and statutory bodies	3,652,475	1,516,587
Individuals	5,413,605	3,814,221
Other domestic entities	350	426
Foreign entities	251,977	287,493
Gross financing and advances	<u>12,904,763</u>	<u>9,036,029</u>
(iii) By type of contract		
Bai' Bithaman Ajil ('BBA')	1,507,992	1,697,874
Ijarah	3,762,547	2,478,851
Murabahah	1,954,272	1,534,782
Musyarakah	1,505,803	1,172,733
Istisna'	391,155	530,275
Bai'Inah	3,659,916	1,524,431
Others	123,078	97,083
Gross financing and advances	<u>12,904,763</u>	<u>9,036,029</u>
(iv) By profit rate sensitivity		
Fixed rate		
- Housing financing	1,127,731	1,243,164
- Hire-purchase receivables	2,944,619	1,625,598
- Other fixed rate financing	4,943,882	3,015,961
Variable rate		
- BFR-plus	2,948,070	2,586,524
- Cost-plus	940,461	564,782
Gross financing and advances	<u>12,904,763</u>	<u>9,036,029</u>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011 (CONTINUED)**

11 FINANCING AND ADVANCES (CONTINUED)

	Unaudited	Audited
	As at	As at
	30.09.2011	31.12.2010
	RM'000	RM'000
(v) By purpose		
Purchase of securities	8,590	12,270
Purchase of transport vehicles	2,856,870	1,567,375
Purchase of landed property:		
- Residential	2,697,466	2,439,955
- Non-residential	203,880	204,703
Purchase of property, plant and equipment other than land and building	503,950	528,785
Personal use	174,730	14,070
Credit card	11,177	530
Purchase of consumer durables	60	80
Construction	470,010	483,660
Working capital	1,964,860	1,506,160
Other purposes	4,013,170	2,278,441
Gross financing and advances	<u>12,904,763</u>	<u>9,036,029</u>

Note:

Included in other purposes are financing to the Government of Malaysia ('GoM') and it's related agency for the purpose of education and government's staff housing financing.

(vi) The remaining contractual maturities

Maturing within one year	1,884,575	1,685,198
One to three years	426,807	345,809
Three to five years	1,156,540	1,005,422
Over five years	9,436,841	5,999,600
Gross financing and advances	<u>12,904,763</u>	<u>9,036,029</u>

(viii) 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	188,376	486,779
Amount recovered	(31,628)	(43,269)
Amount written off	(11,110)	-
Reclassified as non-impaired during the financial period/year	(163,651)	(293,671)
Balance as at the end of the financial period/year	<u>610,238</u>	<u>628,251</u>

RHB ISLAMIC BANK BERHAD (680329 – V)
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011 (CONTINUED)**

11 FINANCING AND ADVANCES (CONTINUED)

	Unaudited As at 30.09.2011	Audited As at 31.12.2010
	RM'000	RM'000
(viii) Impaired financing and advances (continued)		
(b) By purpose		
Purchase of transport vehicles	20,560	16,270
Purchase of landed property:		
- Residential	168,910	202,090
- Non-residential	28,070	26,820
Purchase of property, plant and equipment other than land and building	73,560	74,010
Personal use	5,198	4,970
Credit card	40	-
Construction	1,160	1,530
Working capital	311,440	299,231
Other purposes	1,300	3,330
Gross impaired financing and advances	610,238	628,251
(c) Movement in allowance for impaired financing and advances		
<u>Individual impairment allowance</u>		
Balance as at the beginning of the financial period/year	163,440	107,035
Allowance made during the financial period/year	4,347	69,456
Amount recovered	(6,985)	(12,546)
Amount written off	-	(505)
Balance as at the end of the financial period/year	160,802	163,440
<u>Collective impairment allowance</u>		
Balance as at the beginning of the financial period/year	158,828	140,427
Allowance made during the financial period/year	43,776	18,401
Amount written off	(14,782)	-
Balance as at the end of the financial period/year	187,822	158,828

RHB ISLAMIC BANK BERHAD (680329 – V)
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011 (CONTINUED)

12 OTHER ASSETS

	Unaudited	Audited
	As at	As at
	30.09.2011	31.12.2010
	RM'000	RM'000
Deposits and prepayments	865	682
Sundry deposits debtors	1,240	1,251
Other debtors	60,211	40,897
	62,316	42,830

13 DEPOSITS FROM CUSTOMERS

	Unaudited	Audited
	As at	As at
	30.09.2011	31.12.2010
	RM'000	RM'000
<u>Non-Mudharabah Funds</u>		
Demand deposits	1,858,630	1,376,008
Savings deposits	624,767	569,786
Negotiable Islamic Debt Certificates	-	4,976
Commodity Murabahah	2,455,421	754,650
	4,938,818	2,705,420
<u>Mudharabah Funds:</u>		
Demand deposits	417,166	378,321
Savings deposits	9,331	3,123
General investment accounts	774,597	1,280,190
Special investment accounts	9,943,515	5,579,528
	16,083,427	9,946,582

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

Due within six months	12,453,527	6,876,995
Six months to one year	697,562	591,854
One year to three years	21,629	149,746
Three years to five years	815	749
	13,173,533	7,619,344

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

Government and statutory bodies	5,200,271	2,391,923
Business enterprises	7,392,187	4,807,632
Individuals	1,203,453	1,095,704
Others	2,287,516	1,651,323
	16,083,427	9,946,582

RHB ISLAMIC BANK BERHAD (680329 – V)
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011 (CONTINUED)

14 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Unaudited	Audited
	As at	As at
	30.09.2011	31.12.2010
	RM'000	RM'000
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	1,011,160	730,726
Licensed banks	1,303,295	324,013
Other financial institutions	35,490	-
	2,349,945	1,054,739
<u>Mudharabah Funds:</u>		
Licensed Islamic banks	1,700,717	807,836
Licensed banks	1,023,900	204,418
Other financial institutions	851,652	-
	5,926,214	2,066,993

15 OTHER LIABILITIES

	Unaudited	Audited
	As at	As at
	30.09.2011	31.12.2010
	RM'000	RM'000
Sundry creditors	14,200	49,990
Profit equalisation reserve	17,300	4,527
Amount due to holding company	338,864	11,355
Other accruals and payables	41,011	35,414
	411,375	101,286

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011 (CONTINUED)**

16 INCOME DERIVED FROM INVESTMENTS OF DEPOSITORS' FUNDS

	Current Financial Quarter ended 30.09.2011 RM'000	Preceding Corresponding Financial Quarter ended 30.9.2010 RM'000	Current Financial Nine Months ended 30.09.2011 RM'000	Preceding Corresponding Financial Nine Months ended 30.9.2010 RM'000
Income derived from investment of:				
(i) General investment deposit	8,785	14,935	40,861	38,819
(ii) Other deposits	208,867	109,568	477,867	303,864
	217,652	124,503	518,728	342,683
 (i) Income derived from investment of general investments deposits				
<u>Finance income and hibah</u>				
Financing and advances	6,375	9,850	30,273	25,803
Financial assets held-for-trading	77	250	229	380
Financial investments available-for-sale	742	1,709	4,290	4,439
Financial investments held-to-maturity	509	1,282	2,860	3,544
Money at call and deposit with financial institutions	822	1,629	2,068	3,889
Total finance income and hibah	8,525	14,720	39,720	38,055
Other operating income (note a to c)	260	215	1,141	764
	8,785	14,935	40,861	38,819
 Of which:				
Financing income earned on impaired financing	169	270	457	578
 Other operating income comprise of:				
(a) Fee income:				
Commission	-	-	134	126
Guarantee fees	4	6	76	69
	4	6	210	195
(b) Net gain on disposal of financial assets held-for-trading	165	95	462	278
(c) Net gain on disposal of financial investments AFS	91	114	469	291
	260	215	1,141	764

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

	Current Financial Quarter ended 30.09.2011 RM'000	Preceding Corresponding Financial Quarter ended 30.9.2010 RM'000	Current Financial Nine Months ended 30.09.2011 RM'000	Preceding Corresponding Financial Nine Months ended 30.9.2010 RM'000
(ii) Income derived from investment of other deposits				
<u>Finance income and hibah</u>				
Financing and advances	151,564	72,269	351,932	202,049
Financial assets held-for-trading	1,810	1,834	3,072	2,889
Financial investments available-for-sale	17,640	12,531	47,396	34,711
Financial investments held-to-maturity	12,104	9,401	31,823	27,806
Money at call and deposit with financial institutions	19,547	11,945	30,002	30,334
Total finance income and hibah	202,665	107,980	464,225	297,789
Other operating income (note a to c)	6,202	1,588	13,642	6,075
	208,867	109,568	477,867	303,864
Of which:				
Financing income earned on impaired financing	4,021	2,123	6,813	4,420
Other operating income comprise of:				
(a) Fee income:				
Commission	-	-	1,145	1,031
Guarantee fees	113	42	726	555
	113	42	1,871	1,586
(b) Net gain on disposal of financial assets held-for-trading				
	3,922	712	6,426	2,214
(c) Net gain on disposal of financial investments AFS				
	2,167	834	5,345	2,275
	6,202	1,588	13,642	6,075

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17 INCOME DERIVED FROM INVESTMENTS OF SHAREHOLDERS' FUNDS

	Current Financial Quarter ended 30.09.2011 RM'000	Preceding Corresponding Financial Quarter ended 30.9.2010 RM'000	Current Financial Nine Months ended 30.09.2011 RM'000	Preceding Corresponding Financial Nine Months ended 30.9.2010 RM'000
<u>Finance income and hibah</u>				
Financing and advances	4,645	7,239	22,352	20,239
Financial assets held-for-trading	56	184	168	290
Financial investments available-for-sale	541	1,255	3,171	3,477
Financial investments held-to-maturity	371	942	2,114	2,786
Money at call and deposit with financial institutions	599	1,196	1,523	3,038
Total finance income and hibah	<u>6,212</u>	<u>10,816</u>	<u>29,328</u>	<u>29,830</u>
Other operating (loss)/income (note a to e)	<u>(25,001)</u>	<u>8,552</u>	<u>(17,169)</u>	<u>18,964</u>
	<u>(18,789)</u>	<u>19,368</u>	<u>12,159</u>	<u>48,794</u>
Of which:				
Financing income earned on impaired financing	<u>123</u>	<u>116</u>	<u>358</u>	<u>361</u>
Other operating (loss)/income comprise of:				
(a) Fee income:				
Commission	2,213	1,745	4,622	4,179
Service charges and fees	4,648	6,682	11,755	13,702
Guarantee and underwriting fees	124	56	1,019	648
	<u>6,985</u>	<u>8,483</u>	<u>17,396</u>	<u>18,529</u>
(b) Net gain on financial assets held-for-trading - net gain on disposal	121	72	345	74
(c) Net loss on revaluation of derivatives	(32,788)	-	(35,654)	-
(d) Net gain on disposal of financial investments AFS	66	84	347	378
(e) Other income				
Foreign exchange gain/(loss)				
- realised	417	(754)	198	(1,609)
- unrealised	196	652	166	1,451
Gain on disposal of property, plant and equipment	2	15	33	138
Other non-operating income	-	-	-	3
	<u>(31,986)</u>	<u>69</u>	<u>(34,565)</u>	<u>435</u>
	<u>(25,001)</u>	<u>8,552</u>	<u>(17,169)</u>	<u>18,964</u>

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18 ALLOWANCES FOR IMPAIRMENT ON FINANCING AND ADVANCES

	Current Financial Quarter ended 30.09.2011 RM'000	Preceding Corresponding Financial Quarter ended 30.9.2010 RM'000	Current Financial Nine Months ended 30.09.2011 RM'000	Preceding Corresponding Financial Nine Months ended 30.9.2010 RM'000
Allowances for impairment on financing and advances:				
- Individual assessment allowance	(1,083)	8,315	(2,638)	46,604
- Collective assessment allowance	15,433	4,443	43,776	18,975
- Impaired financing recovered	(2,204)	(2,404)	(4,922)	(5,066)
	<u>12,146</u>	<u>10,354</u>	<u>36,216</u>	<u>60,513</u>

19 INCOME ATTRIBUTABLE TO DEPOSITORS

Deposits from customers:				
- Mudharabah funds	73,423	48,308	174,719	120,801
- Non-mudharabah funds	16,445	1,986	33,970	6,022
Deposits and placements of banks and financial institutions:				
- Mudharabah funds	24,130	4,348	42,705	10,816
- Non-mudharabah funds	11,144	6,001	24,028	12,291
	<u>125,142</u>	<u>60,643</u>	<u>275,422</u>	<u>149,930</u>

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20 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of this transaction, which needs to be adjusted.

Risk weighted exposures of the Bank are as follows:

	Unaudited As at 30.09.2011			Audited As at 31.12.2010		
	Principal amount	Credit equivalent amount	Risk weighted amount	Principal amount	Credit equivalent amount	Risk weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	35	35	35	-	-	-
Transaction-related contingent items	108,206	54,103	54,103	146,995	73,498	34,201
Short term self-liquidating trade-related contingencies	52,215	10,443	10,443	40,948	8,190	8,190
Obligations under underwriting agreements	223,000	111,500	111,500	29,000	14,500	14,500
Irrevocable commitments to extend credit						
- maturity more than one year	696,095	139,219	73,069	552,580	224,546	191,524
- maturity less than one year	1,244,459	248,892	272,273	2,099,697	220,905	220,905
Profit rate related contracts:						
- one year to less than five years	2,600,000	56,000	28,000	650,000	130,000	130,000
Total	4,924,010	620,192	549,423	3,519,220	671,639	599,320

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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21 CAPITAL ADEQUACY

With effect from 1 January 2008, 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.

	Unaudited As at 30.09.2011 RM'000	Audited As at 31.12.2010 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 for bad and doubtful financing [^]	135,360	103,037
Total Tier II Capital	135,360	103,037
Less:		
Other deduction*	-	(102)
Eligible Tier II capital	135,360	102,935
Total Capital Base	1,079,370	1,046,945
<u>Capital Ratios</u>		
Core capital ratio (inclusive of market risk)	9.41%	12.23%
Risk-weighted capital ratio (inclusive of market risk)	10.76%	13.56%
Risk-weighted assets by each major risk category are as follows:		
Credit risk-weighted assets	8,819,980	7,124,858
Market risk-weighted assets	604,102	30,513
Operational risk-weighted assets	603,378	566,538
Total risk-weighted assets	10,027,460	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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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 nine months ended 30 September 2011.

25 CHANGES IN PROFIT FOR THE QUARTER

The Bank has recorded profit before taxation of RM22.9 million, for the current quarter, lower by RM13.9 million as compared with the preceding corresponding period ended 30 September 2010 of RM36.8 million. The lower profit was mainly due to lower other operating income by RM29.0 million, higher overheads by RM6.2 million and higher impaired financing and advances by RM1.8 million offset with higher net funding income by RM19.4 million and lower transfer to PER by RM3.6 million.

26 PERFORMANCE REVIEW

For the nine months ended 30 September 2011, the Bank recorded a pre-tax profit of RM91.3 million, 31.6% higher than that of the previous year corresponding period of RM69.4 million. The higher profit was mainly due to higher net funding income and lower impairment financing and advances by RM42.1 million and RM24.3 million, respectively, partly offset by lower other operating income, higher transfer to PER and higher operating expenses by RM28.2 million, RM10.9 million and RM5.3 million respectively.

27 PROSPECTS FOR 2011

The Malaysian economy is expected to grow at 5% to 5.5% in spite of a challenging external environment due to continued weakness in the US and on-going debt crisis in the European economies. The outlook for the Malaysian banking sector remains positive, supported by the underlying strengths of the domestic economy and the progressive roll-out of projects under the Economic Transformation Programme.

We expect that the Malaysian economy will continue to be supportive of business growth. We will focus on building our core businesses and continue to look for opportunities to expand our market share and increase our 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 financial services.

Strengthening of credit policies and risk management practices and sound assets and liability management will continue to be high on our execution agenda. The Bank is well positioned to assist our customers and clients in navigating the challenges going forward. The Bank expects to maintain a satisfactory performance in 2011.