

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

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

	Note	Unaudited As at 30.06.2011 RM'000	Audited As at 31.12.2010 RM'000
ASSETS			
Cash and short-term funds		1,574,950	1,076,905
Deposits and placements with banks and other financial institutions		40,140	40,062
Financial assets held-for-trading	8	395,588	218,928
Financial investments available-for-sale	9	1,921,267	1,787,265
Financial investments held-to-maturity	10	1,085,612	1,073,159
Financing and advances	11	11,352,817	8,713,761
Other assets	12	32,252	42,830
Derivative assets		2,289	1,369
Statutory deposits with Bank Negara Malaysia		349,440	105,140
Deferred tax assets		39,810	30,854
Property, plant and equipment		19,628	21,547
TOTAL ASSETS		16,813,793	13,111,820
LIABILITIES AND EQUITY			
Deposits from customers	13	11,384,102	9,946,582
Deposits and placements of banks and other financial institutions	14	4,213,348	2,066,993
Bills and acceptances payable		27,488	12,124
Derivative liabilities		626	-
Other liabilities	15	148,394	101,286
Taxation		6,169	170
TOTAL LIABILITIES		15,780,127	12,127,155
Ordinary share capital		523,424	523,424
Reserves		510,242	461,241
TOTAL EQUITY		1,033,666	984,665
TOTAL LIABILITIES AND EQUITY		16,813,793	13,111,820
COMMITMENTS AND CONTINGENCIES		4,444,866	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 SIX MONTHS ENDED 30 JUNE 2011

	Note	<u>Individual Quarter</u>		<u>Cumulative Six Months</u>	
		Current Financial Quarter Ended 30.06.2011 RM'000	Preceding Corresponding Quarter Ended 30.06.2010 RM'000	Current Financial Half Year Ended 30.06.2011 RM'000	Preceding Corresponding Half Year Ended 30.06.2010 RM'000
Income derived from investment of depositors' funds	16	155,340	116,725	301,076	218,180
Income derived from investment of shareholder's funds	17	11,489	15,933	30,948	29,426
Allowance for impairment on financing and advances	18	(7,960)	(14,483)	(24,071)	(50,159)
Profit equalisation reserve		(10,947)	(5,298)	(15,387)	(972)
Total distributable income		147,922	112,877	292,566	196,475
Income attributable to depositors	19	(79,929)	(46,728)	(150,281)	(89,287)
		67,993	66,149	142,285	107,188
Personnel expenses		(15,784)	(14,487)	(31,562)	(30,415)
Other overheads and expenditures		(20,884)	(21,928)	(42,258)	(44,208)
Profit before taxation		31,325	29,734	68,465	32,565
Taxation		(8,419)	(7,434)	(17,908)	(8,141)
Net profit for the financial period		22,906	22,300	50,557	24,424
Basic earnings per share (sen)		4.38	4.26	9.66	4.67

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 SIX MONTHS ENDED 30 JUNE 2011

	<u>Individual Quarter</u>		<u>Cumulative Six Months</u>	
	Current Financial Quarter Ended 30.06.2011	Preceding Corresponding Quarter Ended 30.06.2010	Current Financial Half Year Ended 30.06.2011	Preceding Corresponding Half Year Ended 30.06.2010
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Net profit for the financial period	22,906	22,300	50,557	24,424
Other comprehensive income/(loss):				
Financial investments available-for-sale				
- Unrealised net gain on revaluation	6,383	2,036	1,810	1,192
- Net transfer to income statement on disposal or impairment	(2,863)	(1,762)	(3,838)	(1,762)
Income tax relating to components of other comprehensive (loss)/income	(880)	(72)	472	135
Other comprehensive income/(loss) for the financial period	2,640	202	(1,556)	(435)
Total comprehensive income for the financial period	25,546	22,502	49,001	23,989

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 SIX MONTHS ENDED 30 JUNE 2011

	<u>Share capital</u>	<u>Non distributable</u>		<u>Distributable</u>	
	<u>RM'000</u>	<u>Statutory reserve</u>	<u>AFS reserves</u>	<u>Retained profits</u>	<u>Total</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	-	-	-	50,557	50,557
Other comprehensive income/(loss):					
Financial investments available-for-sale					
- Unrealised net profit /(loss) on revaluation	-	-	1,810	-	1,810
- Net transfer to income statement on disposal or impairment	-	-	(3,838)	-	(3,838)
Income tax relating to components of other comprehensive loss	-	-	472	-	472
Total comprehensive loss for the financial period	-	-	(1,556)	-	(1,556)
Balance as at 30 June 2011	<u>523,424</u>	<u>231,484</u>	<u>5,830</u>	<u>272,928</u>	<u>1,033,666</u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for 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 SIX MONTHS ENDED 30 JUNE 2011

structure projects under the Economic

In spite of what is expected to be a more challenging second half 2011, the Bank remain cautiously

	<u>Non distributable</u>		<u>Distributable</u>		<u>Total</u>
	<u>Share capital</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>
B financial hub for Islamic finance services. The Bank expects to maintain a satisf	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	-	-	-	24,424	24,424
Other comprehensive income/(loss):					
Financial investments available-for-sale					
- Unrealised net profit /(loss) on revaluation	-	-	1,192	-	1,192
- Net transfer to income statement on disposal or impairment	-	-	(1,762)	-	(1,762)
Income tax relating to components of other comprehensive loss	-	-	135	-	135
Total comprehensive loss for the financial period	-	-	(435)	-	(435)
Balance as at 30 June 2010	<u>523,424</u>	<u>197,739</u>	<u>6,692</u>	<u>213,051</u>	<u>940,906</u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for 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 SIX MONTHS ENDED 30 JUNE 2011

	Six months ended	
	30.06.2011	30.06.2010
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	68,465	32,565
Adjustment for non-cash items	(26,935)	(100,570)
Operating profit before changes in working capital	41,530	(68,005)
Changes in working capital:		
Net changes in operating assets	(3,057,253)	(828,863)
Net changes in operating liabilities	3,621,274	337,340
	605,551	(559,528)
Taxation paid	(20,393)	(15,916)
Net cash generated from/(used in) operating activities	585,158	(575,444)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,244)	(2,704)
Net disposal/(purchase) of financial investments available-for-sale	(132,627)	(208,170)
Net purchase of financial investments held-to-maturity	(10,156)	(32,001)
Income received from financial investments available-for-sale	36,401	27,423
Income received from financial investments held-to-maturity	21,513	21,093
Net cash used in investing activities	(87,113)	(194,359)
Net increase/(decrease) in cash and cash equivalents	498,045	(769,803)
Cash and cash equivalents brought forward	1,076,905	2,562,465
Cash and cash equivalents carried forward	1,574,950	1,792,662
ANALYSIS OF CASH AND CASH EQUIVALENT		
Cash and short-term funds	1,574,950	1,792,662

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 SIX MONTHS ENDED 30 JUNE 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 | 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 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 SIX MONTHS ENDED 30 JUNE 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 six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 2011.

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

8 FINANCIAL ASSETS HELD-FOR-TRADING

	Unaudited	Audited
	As at	As at
	30.06.2011	31.12.2010
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian government investment issues	132,139	10,066
BNM monetary notes	262,031	173,816
Malaysian government treasury bills	1,418	-
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	-	35,046
	395,588	218,928

9 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Unaudited	Audited
	As at	As at
	30.06.2011	31.12.2010
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian government investment issues	1,163,052	1,239,535
Islamic accepted bills	78,140	93,868
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	679,500	453,287
	1,920,692	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
	1,921,267	1,787,265

The carrying value of financial investments available-for-sale as at 30 June 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 SIX MONTHS ENDED 30 JUNE 2011 (CONTINUED)

10 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Unaudited As at 30.06.2011 RM'000	Audited As at 31.12.2010 RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian government investment issues	545,874	589,168
Cagamas bonds and Cagamas Mudharabah bonds	193,722	183,895
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	346,016	300,096
	1,085,612	1,073,159

11 FINANCING AND ADVANCES

(i) By type

	Unaudited As at 30.06.2011 RM'000	Audited As at 31.12.2010 RM'000
At amortised cost		
Cashline	114,612	116,123
Term financing		
- housing financing	2,553,838	2,368,625
- syndicated term financing	662,963	898,904
- hire purchase receivables	1,960,927	1,625,598
- other term financing	5,337,571	2,902,392
Bills receivables	826,738	546,820
Trust receipts	20,842	17,994
Staff financing	10,909	11,404
Credit/charge cards receivables	3,798	530
Revolving financing	202,564	547,639
Gross financing and advances	11,694,762	9,036,029
Allowances for bad and doubtful financing:		
- individual impairment allowance	(161,885)	(163,440)
- collective impairment allowance	(180,060)	(158,828)
Net financing and advances	11,352,817	8,713,761

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2011 (CONTINUED)

11 FINANCING AND ADVANCES (CONTINUED)

	Unaudited	Audited
	As at	As at
	30.06.2011	31.12.2010
	RM'000	RM'000
(ii) By type of customer		
Domestic non-bank financial institutions		
- Others	47,398	36,751
Domestic business enterprise		
- Small medium enterprise	711,604	712,770
- Others	2,682,255	2,667,781
Government and statutory bodies	3,614,819	1,516,587
Individuals	4,386,374	3,814,221
Other domestic entities	335	426
Foreign entities	251,977	287,493
Gross financing and advances	<u>11,694,762</u>	<u>9,036,029</u>
(iii) By type of contract		
Bai' Bithaman Ajil ('BBA')	1,564,873	1,697,874
Ijarah	2,789,034	2,478,851
Murabahah	1,732,261	1,534,782
Musyarakah	1,382,081	1,172,733
Istisna'	497,768	530,275
Bai'Inah	3,622,259	1,524,431
Others	106,486	97,083
Gross financing and advances	<u>11,694,762</u>	<u>9,036,029</u>
(iv) By profit rate sensitivity		
Fixed rate		
- Housing financing	1,173,026	1,243,164
- Hire-purchase receivables	1,960,927	1,625,598
- Other fixed rate financing	4,902,481	3,015,961
Variable rate		
- BFR-plus	2,813,880	2,586,524
- Cost-plus	844,448	564,782
Gross financing and advances	<u>11,694,762</u>	<u>9,036,029</u>

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2011 (CONTINUED)

11 FINANCING AND ADVANCES (CONTINUED)

	Unaudited As at 30.06.2011 RM'000	Audited As at 31.12.2010 RM'000
(v) By purpose		
Purchase of securities	8,590	12,270
Purchase of transport vehicles	1,883,040	1,567,375
Purchase of landed property:		
- Residential	2,595,177	2,439,955
- Non-residential	190,220	204,703
Purchase of property, plant and equipment other than land and building	510,430	528,785
Personal use	106,580	14,070
Credit card	3,799	530
Purchase of consumer durables	60	80
Construction	489,380	483,660
Working capital	1,845,680	1,506,160
Other purposes	4,061,806	2,278,441
Gross financing and advances	<u>11,694,762</u>	<u>9,036,029</u>
(vi) The remaining contractual maturities		
Maturing within one year	1,733,670	1,685,198
One to three years	356,173	345,809
Three to five years	972,417	1,005,422
Over five years	8,632,502	5,999,600
Gross financing and advances	<u>11,694,762</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	130,594	486,779
Amount recovered	(15,987)	(43,269)
Amount written off	(3,890)	-
Reclassified as non-impaired during the financial period/year	(118,543)	(293,671)
Balance as at the end of the financial period/year	<u>620,425</u>	<u>628,251</u>

RHB ISLAMIC BANK BERHAD (680329 – V)
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NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2011 (CONTINUED)

11 FINANCING AND ADVANCES (CONTINUED)

	Unaudited	Audited
	As at	As at
	30.06.2011	31.12.2010
	RM'000	RM'000
(viii) Impaired financing and advances (continued)		
(b) By purpose		
Purchase of transport vehicles	19,820	16,270
Purchase of landed property:		
- Residential	184,710	202,090
- Non-residential	28,290	26,820
Purchase of property, plant and equipment other than land and building	71,670	74,010
Personal use	4,240	4,970
Construction	1,420	1,530
Working capital	308,990	299,231
Other purposes	1,285	3,330
Gross impaired financing and advances	620,425	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	2,233	69,456
Amount recovered	(3,788)	(12,546)
Amount written off	-	(505)
Balance as at the end of the financial period/year	161,885	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	28,344	18,401
Amount written off	(7,112)	-
Balance as at the end of the financial period/year	180,060	158,828

RHB ISLAMIC BANK BERHAD (680329 – V)
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NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2011 (CONTINUED)

12 OTHER ASSETS

	Unaudited	Audited
	As at	As at
	30.06.2011	31.12.2010
	RM'000	RM'000
Deposits and prepayments	958	682
Sundry deposits debtors	1,251	1,251
Other debtors	30,043	40,897
	32,252	42,830

13 DEPOSITS FROM CUSTOMERS

	Unaudited	Audited
	As at	As at
	30.06.2011	31.12.2010
	RM'000	RM'000
<u>Non-Mudharabah Funds</u>		
Demand deposits	1,433,502	1,376,008
Savings deposits	616,586	569,786
Negotiable Islamic Debt Certificates	-	4,976
Commodity Murabahah	1,642,279	754,650
	3,692,367	2,705,420
<u>Mudharabah Funds:</u>		
Demand deposits	391,262	378,321
Savings deposits	4,634	3,123
General investment accounts	694,483	1,280,190
Special investment accounts	6,601,356	5,579,528
	11,384,102	9,946,582

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

Due within six months	8,127,475	6,876,995
Six months to one year	802,624	591,854
One year to three years	6,481	149,746
Three years to five years	1,538	749
	8,938,118	7,619,344

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

Government and statutory bodies	3,061,772	2,391,923
Business enterprises	5,986,213	4,807,632
Individuals	1,119,248	1,095,704
Others	1,216,869	1,651,323
	11,384,102	9,946,582

RHB ISLAMIC BANK BERHAD (680329 – V)
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NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2011 (CONTINUED)

14 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Unaudited	Audited
	As at	As at
	30.06.2011	31.12.2010
	RM'000	RM'000
<u>Non-Mudharabah Funds:</u>		
Licensed Islamic banks	812,303	730,726
Licensed banks	1,006,157	324,013
	1,818,460	1,054,739
<u>Mudharabah Funds:</u>		
Licensed Islamic banks	1,102,613	807,836
Licensed banks	702,123	204,418
Other financial institutions	590,152	-
	4,213,348	2,066,993

15 OTHER LIABILITIES

	Unaudited	Audited
	As at	As at
	30.06.2011	31.12.2010
	RM'000	RM'000
Sundry creditors	11,670	49,990
Profit equalisation reserve	19,915	4,527
Amount due to holding company	72,589	11,355
Other accruals and payables	44,220	35,414
	148,394	101,286

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2011 (CONTINUED)

16 INCOME DERIVED FROM INVESTMENTS OF DEPOSITORS' FUNDS

	Current Financial Quarter ended 30.06.2011 RM'000	Preceding Corresponding Financial Quarter ended 30.6.2010 RM'000	Current Financial Half Year ended 30.06.2011 RM'000	Preceding Corresponding Financial Half Year ended 30.6.2010 RM'000
Income derived from investment of:				
(i) General investment deposit	16,551	12,777	32,076	23,884
(ii) Other deposits	138,789	103,948	269,000	194,296
	155,340	116,725	301,076	218,180
(i) Income derived from investment of general investments deposits				
<u>Finance income and hibah</u>				
Financing and advances	12,263	8,665	23,898	15,953
Financial assets held-for-trading	105	86	152	130
Financial investments available-for-sale	1,846	1,437	3,548	2,730
Financial investments held-to-maturity	1,198	1,125	2,351	2,262
Money at call and deposit with financial institutions	648	1,020	1,246	2,260
Total finance income and hibah	16,060	12,333	31,195	23,335
Other operating income (note a to c)	491	444	881	549
	16,551	12,777	32,076	23,884
Of which:				
Financing income earned on impaired financing	49	308	288	356
Other operating income comprise of:				
(a) Fee income:				
Commission	-	-	134	126
Guarantee fees	42	44	72	63
	42	44	206	189
(b) Net gain on disposal of financial assets held-for-trading	167	223	297	183
(c) Net gain on disposal of financial investments AFS	282	177	378	177
	491	444	881	549

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

	Current Financial Quarter ended 30.06.2011 RM'000	Preceding Corresponding Financial Quarter ended 30.6.2010 RM'000	Current Financial Half Year ended 30.06.2011 RM'000	Preceding Corresponding Financial Half Year ended 30.6.2010 RM'000
(ii) Income derived from investment of other deposits				
<u>Finance income and hibah</u>				
Financing and advances	102,825	70,491	200,368	129,780
Financial assets held-for-trading	872	702	1,262	1,055
Financial investments available-for-sale	15,480	11,679	29,756	22,180
Financial investments held-to-maturity	10,047	9,152	19,719	18,405
Money at call and deposit with financial institutions	<u>5,439</u>	<u>8,297</u>	<u>10,455</u>	<u>18,389</u>
Total finance income and hibah	<u>134,663</u>	100,321	<u>261,560</u>	189,809
Other operating income (note a to c)	<u>4,126</u>	<u>3,627</u>	<u>7,440</u>	<u>4,487</u>
	<u>138,789</u>	<u>103,948</u>	<u>269,000</u>	<u>194,296</u>
Of which:				
Financing income earned on impaired financing	<u>796</u>	<u>2,297</u>	<u>2,792</u>	<u>2,687</u>
Other operating income comprise of:				
(a) Fee income:				
Commission	-	-	1,145	1,031
Guarantee fees	357	361	613	513
	<u>357</u>	<u>361</u>	<u>1,758</u>	<u>1,544</u>
(b) Net gain on disposal of financial assets held-for-trading				
	1,398	1,825	2,504	1,502
(c) Net gain on disposal of financial investments AFS				
	<u>2,371</u>	<u>1,441</u>	<u>3,178</u>	<u>1,441</u>
	<u>4,126</u>	<u>3,627</u>	<u>7,440</u>	<u>4,487</u>

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS
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17 INCOME DERIVED FROM INVESTMENTS OF SHAREHOLDERS' FUNDS

	Current Financial Quarter ended 30.06.2011 RM'000	Preceding Corresponding Financial Quarter ended 30.6.2010 RM'000	Current Financial Half Year ended 30.06.2011 RM'000	Preceding Corresponding Financial Half Year ended 30.6.2010 RM'000
<u>Finance income and hibah</u>				
Financing and advances	9,087	7,061	17,707	13,000
Financial assets held-for-trading	77	70	112	106
Financial investments available-for-sale	1,368	1,170	2,630	2,222
Financial investments held-to-maturity	888	917	1,743	1,844
Money at call and deposit with financial institutions	<u>481</u>	<u>831</u>	<u>924</u>	<u>1,842</u>
Total finance income and hibah	<u>11,901</u>	<u>10,049</u>	<u>23,116</u>	<u>19,014</u>
Other operating income (note a to e)	<u>(412)</u>	<u>5,884</u>	<u>7,832</u>	<u>10,412</u>
	<u>11,489</u>	<u>15,933</u>	<u>30,948</u>	<u>29,426</u>
Of which:				
Financing income earned on impaired financing	<u>59</u>	<u>245</u>	<u>235</u>	<u>283</u>
Other operating income comprise of:				
(a) Fee income:				
Commission	1,838	1,495	2,409	2,434
Service charges and fees	3,761	3,298	7,107	7,020
Guarantee and underwriting fees	<u>563</u>	<u>577</u>	<u>895</u>	<u>592</u>
	<u>6,162</u>	<u>5,370</u>	<u>10,411</u>	<u>10,046</u>
(b) Net gain on financial assets held-for-trading - net gain on disposal	125	34	224	2
(c) Net loss on revaluation of derivatives	(7,080)	-	(2,866)	-
(d) Net gain on disposal of financial investments AFS	210	294	281	294
(e) Other income				
Foreign exchange gain/(loss)				
- realised	170	(593)	(219)	(855)
- unrealised	(13)	769	(30)	799
Gain on disposal of property, plant and equipment	14	10	31	123
Other non-operating income	-	-	-	3
	<u>171</u>	<u>186</u>	<u>(218)</u>	<u>70</u>
	<u>(412)</u>	<u>5,884</u>	<u>7,832</u>	<u>10,412</u>

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18 ALLOWANCES FOR IMPAIRMENT ON FINANCING AND ADVANCES

	Current Financial Quarter ended 30.06.2011 RM'000	Preceding Corresponding Financial Quarter ended 30.6.2010 RM'000	Current Financial Half Year ended 30.06.2011 RM'000	Preceding Corresponding Financial Half Year ended 30.6.2010 RM'000
Allowance for impairment on financing and advances:				
- Individual assessment allowance	374	5,961	(1,555)	38,289
- Collective assessment allowance	9,341	9,394	28,344	14,532
- Impaired financing recovered	(1,755)	(872)	(2,718)	(2,662)
	7,960	14,483	24,071	50,159

19 INCOME ATTRIBUTABLE TO DEPOSITORS

Deposits from customers:				
- Mudharabah funds	50,806	37,677	101,296	72,493
- Non-mudharabah funds	10,398	1,975	17,526	4,036
Deposits and placements of banks and financial institutions				
- Mudharabah funds	10,892	3,707	18,575	6,468
- Non-mudharabah funds	7,833	3,369	12,884	6,290
	79,929	46,728	150,281	89,287

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
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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 30.06.2011			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	33	33	33	-	-	-
Transaction-related contingent items	118,709	59,355	59,355	146,995	73,498	34,201
Short term self-liquidating trade-related contingencies	42,351	8,470	8,470	40,948	8,190	8,190
Obligations under underwriting agreements	190,500	95,250	95,250	29,000	14,500	14,500
Irrevocable commitments to extend credit						
- maturity more than one year	-	-	-	552,580	224,546	191,524
- maturity less than one year	2,193,273	438,654	413,226	2,099,697	220,905	220,905
Profit rate related contracts:						
- one year to less than five years	1,900,000	45,289	22,644	650,000	130,000	130,000
Total	<u>4,444,866</u>	<u>647,051</u>	<u>598,978</u>	<u>3,519,220</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 CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2011 (CONTINUED)

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	Audited
	As at	As at
	30.06.2011	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
	<u>977,279</u>	<u>977,279</u>
Less:		
Deferred tax assets	(33,269)	(33,269)
	<u>944,010</u>	<u>944,010</u>
<u>Tier II Capital</u>		
Collective impairment / allowance for bad and doubtful financing [^]	117,869	103,037
Total Tier II Capital	<u>117,869</u>	<u>103,037</u>
Less:		
Other deduction*	(238)	(102)
	<u>117,631</u>	<u>102,935</u>
Eligible Tier II capital	<u>117,631</u>	<u>102,935</u>
Total Capital Base	<u>1,061,641</u>	<u>1,046,945</u>
<u>Capital Ratios</u>		
Core capital ratio (inclusive of market risk)	10.53%	12.23%
Risk-weighted capital ratio (inclusive of market risk)	<u>11.84%</u>	<u>13.56%</u>
Risk-weighted assets by each major risk category are as follows:		
Credit risk-weighted assets	7,934,231	7,124,858
Market risk-weighted assets	430,199	30,513
Operational risk-weighted assets	602,958	566,538
Total risk-weighted assets	<u>8,967,388</u>	<u>7,721,909</u>

[^] 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 CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2011 (CONTINUED)

22 CREDIT EXPOSURES ARISING FROM TRANSACTIONS WITH CONNECTED PARTIES

Credit exposures with connected parties as per Bank Negara Malaysia's revised Guidelines on Transaction and Exposures with Connected Parties are as follows:

	Unaudited	Audited
	As at	As at
	30.06.2011	31.12.2010
	RM'000	RM'000
Outstanding credit exposures with connected parties	72,883	261,754
Percentage of outstanding credit exposures to connected parties as porportion of total credit exposures	0.57%	2.61%
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	-	-

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2011 (CONTINUED)

23 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

24 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.

25 CHANGES IN THE COMPOSITION OF THE BANK

There are no significant changes in the composition of the Bank for the six months ended 30 June 2011.

26 CHANGES IN PROFIT FOR THE QUARTER

The Bank has recorded profit before taxation of RM31.3 million, for the current quarter, higher by RM1.6 million as compared with the preceeding corresponding period ended 30 June 2010 of RM29.7 million. The marginally higher profit was mainly due to higher net funding income by RM6.7 million and lower impaired financing and advances by RM6.5 million offset with lower other operating income by RM5.7 million, higher transfer to PER by RM5.7 million and higher overheads by RM0.2 million.

27 PERFORMANCE REVIEW

For the six months ended 30 June 2011, the Bank recorded a pre-tax profit of RM68.5 million, more than 100% higher than that of the previous year corresponding period of RM32.6 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 RM22.7 million, RM0.7 million, RM26.1 million and RM0.8 million respectively, partly offset by higher transfer to PER by RM14.4 million.

28 PROSPECTS FOR 2011

The Malaysian economy is expected to grow at between 5% to 6% for 2011 amidst a challenging external environment due to continued weakness in the US and the Europe. The outlook for 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.

In spite of what is expected to be a more challenging second half 2011, the Bank remain cautiously confident that the Malaysian economy will continue to be supportive of business growth.

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.