

Company No.

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RHB ISLAMIC BANK BERHAD
(Incorporated in Malaysia)

UNAUDITED BALANCE SHEET AS AT 30 SEPTEMBER 2007

	Note	<u>30.09.2007</u> RM'000	<u>31.12.2006</u> RM'000
ASSETS			
Cash and short-term funds	2	1,000,333	1,314,283
Deposits and placements with banks and other financial institutions	3	253,600	1,220,000
Securities held for trading	4	454,670	314,620
Securities available-for-sale	5	158,488	18,781
Securities held-to-maturity	6	842,102	809,608
Financing and advances	7	4,729,761	4,147,573
Other assets	8	55,810	68,139
Deferred taxation assets		25,401	21,587
Statutory deposits	9	204,629	170,429
Property, plant and equipment		27,254	7,245
TOTAL ASSETS		<u>7,752,048</u>	<u>8,092,265</u>
LIABILITIES AND SHAREHOLDER'S EQUITY			
Deposits from customers	10	6,644,369	6,680,424
Deposits and placements of banks and other financial institutions	11	48,291	444,923
Bills and acceptances payable		9,445	16,542
Other liabilities		312,653	280,718
Provision for taxation and zakat		13,433	17,984
		<u>7,028,191</u>	<u>7,440,591</u>
Ordinary share capital		523,424	523,424
Reserves		200,433	128,250
Shareholder's equity		<u>723,857</u>	<u>651,674</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		<u>7,752,048</u>	<u>8,092,265</u>
COMMITMENTS AND CONTINGENCIES	16	<u>1,751,175</u>	<u>2,536,550</u>

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RHB ISLAMIC BANK BERHAD
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UNAUDITED INCOME STATEMENT FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007

	Note	Current 9 months period ended 30.09.2007 RM'000	Preceding Corresponding 9 months period ended 30.09.2006 RM'000
Income derived from investment of depositors' funds	12	267,265	230,410
Income derived from investment of shareholders' funds	13	99,461	48,008
Allowance for losses on financing and advances	14	(21,440)	(12,403)
Profit equalisation reserve		(5,242)	1,883
Total distributable income		340,044	267,898
Income attributable to depositors	15	(122,784)	(128,674)
		217,260	139,224
Personnel expenses		(20,563)	(16,903)
Other overheads and expenditures		(55,665)	(49,686)
Profit before zakat and taxation		141,032	72,635
Zakat		-	920
Taxation		(38,713)	(20,508)
Profit for the financial period		102,319	53,047

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RHB ISLAMIC BANK BERHAD
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UNAUDITED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007

	Share Capital RM'000	Statutory Reserve RM'000	AFS Reserves RM'000	Retained Profits RM'000	Total RM'000
<u>Current 9 months period ended</u> <u>30.09.2007</u>					
Balance as at 31.12.2006	523,424	63,923	404	63,923	651,674
Unrealised net gain on revaluation of securities available-for-sale	-	-	1,735	-	1,735
AFS reserve realised on disposal of AFS securities	-	-	(1,144)	-	(1,144)
Deferred taxation	-	-	(159)	-	(159)
Income and expenses recognised directly in equity	-	-	432	-	432
Profit for the financial period	-	-	-	102,319	102,319
Total recognised income and expenses for the financial year	-	-	432	102,319	102,751
Transfer to statutory reserves	-	42,460	-	(42,460)	-
Dividends paid during the period	-	-	-	(30,568)	(30,568)
Balance as at 30.09.2007	<u>523,424</u>	<u>106,383</u>	<u>836</u>	<u>93,214</u>	<u>723,857</u>
<u>Preceding corresponding 9 Months</u> <u>Period ended 30.09.2006</u>					
Balance as at 31.12.2005	523,424	20,742	246	20,742	565,154
Unrealised net gain on revaluation of securities available-for-sale	-	-	835	-	835
Deferred taxation	-	-	-	-	-
Profit for the financial period	-	-	-	53,046	53,046
Transfer to statutory reserves	-	-	-	-	-
Balance as at 30.09.2006	<u>523,424</u>	<u>20,742</u>	<u>1,081</u>	<u>73,788</u>	<u>619,035</u>

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RHB ISLAMIC BANK BERHAD
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UNAUDITED CASH FLOW STATEMENT
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007

	Note	Current 9 months period ended <u>30.09.2007</u> RM'000	Preceding Corresponding 9 months period ended <u>30.09.2006</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation and zakat for the financial period		141,032	72,635
Adjustments for:			
Depreciation of property, plant and equipment		709	593
Income from:			
- Investment on securities available-for-sale		(2,795)	-
- Investment on securities held-to-maturity		(9,503)	-
Net gain on sale of securities available-for-sale		(1,144)	-
Accretion of discount less amortisation of premium		(16,878)	(16,968)
Unrealised gain from securities held for trading		(2,126)	(192)
Allowance for losses on financing and advances		21,439	12,403
Allowance for profit equalisation reserve		5,242	(1,883)
Operating profit before working capital changes		<u>135,976</u>	<u>66,588</u>
(Increase)/Decrease in operating assets:			
Deposits and placements with financial institutions		966,400	(295,000)
Financing and advances		(607,678)	(685,231)
Investment on securities held for trading		(137,924)	112,246
Other assets		19,846	(9,007)
Statutory deposit with Bank Negara Malaysia		(34,200)	11,000
		<u>342,420</u>	<u>(799,404)</u>
Increase/(Decrease) in operating liabilities:			
Deposits from customers		(36,055)	1,909,276
Deposits and placements of banks and other financial institutions		(396,632)	94,042
Bills and acceptances payable		(7,097)	(12,811)
Other liabilities		26,693	(79,740)
Cash (used in) / generated from operating activities		<u>(70,671)</u>	<u>1,111,363</u>
Taxation paid		(47,237)	(19,303)
Net cash (used in) / generated from operating activities		<u>(117,908)</u>	<u>1,092,060</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(20,720)	(790)
Income received from disposal of:			
- Investment on securities available-for-sale		1,431	-
- Investment on securities held-to-maturity		7,401	-
Net proceeds from:			
- Purchase of securities available-for-sale		(137,970)	49,019
- Purchase of securities held-to-maturity		(15,616)	(53,709)
Dividends paid		(30,568)	-
Net cash used in investing activities		<u>(196,042)</u>	<u>(5,480)</u>
ANALYSIS OF CASH AND CASH EQUIVALENT			
Net (decrease)/ increase in cash and cash equivalents		(313,950)	1,086,580
Cash and cash equivalent at beginning of year		1,314,283	1,939,598
Cash and cash equivalent at end of period		<u>1,000,333</u>	<u>3,026,178</u>

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RHB ISLAMIC BANK BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007

1 GENERAL INFORMATION

RHB Islamic Bank Berhad (the Bank), is a licensed Islamic Bank under the Islamic Banking Act 1983, a limited liability company domiciled in Malaysia, and is principally engaged in Islamic banking business and the provision of related services.

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

The directors regard RHB Bank Berhad (RHBB), RHB Capital Berhad (RHBC) and Rashid Hussain Berhad (RHB), companies incorporated in Malaysia as the holding company, immediate parent of holding company and parent of immediate parent of holding company respectively. The registered office of RHBB, RHBC and RHB is similar to the Bank.

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

2 CASH AND SHORT-TERM FUNDS

	<u>30.09.2007</u> RM'000	<u>31.12.2006</u> RM'000
Cash and balances with banks and other financial institutions	242,053	21,283
Money at call and deposit placements maturing within one month	758,280	1,293,000
	<u>1,000,333</u>	<u>1,314,283</u>

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>30.09.2007</u> RM'000	<u>31.12.2006</u> RM'000
Licensed banks and other financial institutions	-	120,000
Bank Negara Malaysia	253,600	1,100,000
	<u>253,600</u>	<u>1,220,000</u>

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RHB ISLAMIC BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007 (CONTINUED)

4 SECURITIES HELD FOR TRADING

	<u>30.09.2007</u>	<u>31.12.2006</u>
<u>At fair value</u>	RM'000	RM000
<u>Money market instruments:</u>		
<u>Quoted</u>		
Government investment issues	10,195	-
<u>Unquoted</u>		
Bank Negara Malaysia negotiable notes	112,705	74,727
Islamic accepted bills	54,120	69,212
Private debt securities	277,650	170,681
Total securities held for trading	<u>454,670</u>	<u>314,620</u>

5 SECURITIES AVAILABLE-FOR-SALE

	<u>30.09.2007</u>	<u>31.12.2006</u>
<u>At fair value</u>	RM'000	RM000
<u>Money market instruments:</u>		
<u>Quoted</u>		
Khazanah bonds	9,656	5,058
Government investment issues	18,451	9,405
<u>Unquoted</u>		
Malaysian government treasury bills	19,880	3,743
Bank Negara Malaysia negotiable notes	99,700	-
Private debt securities	10,226	-
	<u>157,913</u>	<u>18,206</u>
<u>At cost</u>		
<u>Unquoted securities in Malaysia</u>		
Shares	575	575
Total securities available-for-sale	<u>158,488</u>	<u>18,781</u>

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6 SECURITIES HELD-TO-MATURITY

<u>At amortised cost</u>	<u>30.09.2007</u> RM'000	<u>31.12.2006</u> RM'000
<u>Money market instruments:</u>		
<u>Quoted</u>		
Cagamas mudharabah bonds	50,323	60,442
Khazanah bonds	511,681	521,752
Government Investment Issuance	82,207	80,964
<u>Unquoted</u>		
Private debt securities	197,891	146,450
Total securities held-to-maturity	<u>842,102</u>	<u>809,608</u>

7 FINANCING AND ADVANCES

(i) By type	<u>30.09.2007</u> RM'000	<u>31.12.2006</u> RM'000
Cashline	51,270	64,229
Term financing		
- housing financing	1,609,136	1,572,428
- syndicated term financing	375,578	521,264
- hire purchase receivables	542,646	296,126
- other term financing	1,061,843	979,774
Bills receivable	899,255	421,263
Trust receipts	10,813	20,776
Staff financing	7,249	5,305
Revolving financing	391,364	436,360
	<u>4,949,154</u>	<u>4,317,525</u>
Less: Unearned income	(78,446)	(44,071)
Gross financing and advances	<u>4,870,708</u>	<u>4,273,454</u>
Less : Allowance for bad and doubtful financing :		
- general	(86,529)	(77,059)
- specific	(54,418)	(48,822)
Net financing and advances	<u>4,729,761</u>	<u>4,147,573</u>

RHB ISLAMIC BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007 (CONTINUED)

7 FINANCING AND ADVANCES (CONTINUED)

(ii) By type of customer		
	<u>30.09.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000
Domestic non-bank financial institutions		
- Others	32,117	32,773
Domestic business enterprises		
- Small medium enterprises	568,419	548,509
- Others	2,262,103	1,948,256
Government and statutory bodies	99,782	101,153
Individuals	1,881,063	1,623,648
Other domestic entities	15,817	15,905
Foreign entities	11,407	3,210
	<u>4,870,708</u>	<u>4,273,454</u>
(iii) Financing and advances analysed by contract are as follows:		
Bai' Bithaman Ajil	2,782,630	3,143,001
Al-Ijarah Muntahia Bittamlik / Al-Ijarah Thumma Al-Bai' (=AITABØ)	609,918	252,055
Murabahah	1,163,268	878,398
Al-Istisnæ	262,026	-
Others	52,866	-
	<u>4,870,708</u>	<u>4,273,454</u>
(iv) By profit rate sensitivity		
Fixed rate		
- Housing financing	1,609,136	1,491,077
- Hire purchase receivables	464,200	252,055
- Other fixed rate financing	1,444,670	1,587,694
Variable rate		
- Cost-plus	1,352,702	942,628
	<u>4,870,708</u>	<u>4,273,454</u>
(v) By purpose		
Purchase of securities	240,928	366,627
Purchase of transport vehicles	306,462	140,519
Purchase of landed property:		
- Residential	1,612,221	1,461,866
- Non-residential	108,138	81,351
Purchase of property, plant and equipment other than land and building	200,078	139,877
Personal use	23,901	36,612
Purchase of consumer durables	335	377
Construction	126,522	130,836
Working capital	2,139,376	1,813,327
Other purposes	112,747	102,062
	<u>4,870,708</u>	<u>4,273,454</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007 (CONTINUED)

7 FINANCING AND ADVANCES (CONTINUED)

(vi) Movement in non-performing financing and advances	<u>30.09.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000
At beginning of period/year	241,786	210,657
Amount vested over from RHB Delta Finance	-	661
Classified as non-performing during the period/year	216,939	359,651
Reclassified as performing during the period/year	(179,758)	(278,858)
Amount recovered	(18,447)	(26,918)
Amount written off	(10,601)	(23,407)
At end of period/year	<u>249,919</u>	<u>241,786</u>
Specific allowance	(54,418)	(48,822)
Net non-performing financing and advances	<u>195,501</u>	<u>192,964</u>
Ratio of net non-performing financing and advances to net financing and advances	<u>4.1%</u>	<u>4.6%</u>
(vii) Movement in allowance for bad and doubtful financing and advances		
<u>General allowance</u>		
At beginning of period	77,059	73,692
Amount vested over from RHB Delta Finance	-	13
Net allowance made during the period/year	9,470	3,354
At end of period/year	<u>86,529</u>	<u>77,059</u>
As % of gross financing and advances less specific allowance	<u>1.8%</u>	<u>1.8%</u>
<u>Specific allowance</u>		
At beginning of period/year	48,822	50,270
Amount vested over from RHB Delta Finance	-	194
Allowance made during the period/year	16,009	22,086
Amount recovered	(4,040)	(3,142)
Amount written off	(6,373)	(20,586)
At end of period/year	<u>54,418</u>	<u>48,822</u>

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FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007 (CONTINUED)

7 FINANCING AND ADVANCES (CONTINUED)

(viii) Non-performing financing and advances analysed by purpose:

	<u>30.09.2007</u> RM'000	<u>31.12.2006</u> RM'000
Purchase of securities	6	51
Purchase of transport vehicles	1,301	38
Purchase of landed property:		
- Residential	175,618	179,335
- Non-residential	2,403	2,807
Purchase of property, plant and equipment other than land and building	28,104	26,383
Personal use	4,772	7,705
Construction	2,365	3,585
Working capital	35,350	21,882
	<u>249,919</u>	<u>241,786</u>

8 OTHER ASSETS

	<u>30.09.2007</u> RM'000	<u>31.12.2006</u> RM'000
Other debtors, deposits and prepayments	50,294	62,584
Income receivable	5,516	5,555
	<u>55,810</u>	<u>68,139</u>

9 STATUTORY DEPOSITS

	<u>30.09.2007</u> RM'000	<u>31.12.2006</u> RM'000
Statutory deposits with Bank Negara Malaysia	<u>204,629</u>	<u>170,429</u>

The statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 37(1) (c) of the Central Bank of Malaysia Act, 1958 (revised-1994), the amount which are determined at 4% of total eligible liabilities.

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RHB ISLAMIC BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007 (CONTINUED)

10 DEPOSITS FROM CUSTOMERS

	<u>30.09.2007</u> RM'000	<u>31.12.2006</u> RM'000
<u>Non-Mudharabah Funds:</u>		
Demand deposits	2,183,119	2,299,718
Savings deposits	505,014	486,224
Negotiable certificates of deposit	90,304	142,411
	<u>2,778,437</u>	<u>2,928,353</u>
<u>Mudharabah Funds:</u>		
Demand deposits	305,495	291,261
General investment deposits	1,943,497	1,208,792
Special investment deposits	1,616,940	2,252,018
Total deposits	<u>6,644,369</u>	<u>6,680,424</u>

The deposits are sourced from the following classes of customers:

Government and statutory bodies	1,873,082	1,664,822
Business enterprises	3,767,625	4,149,826
Individuals	762,146	723,189
Others	241,516	142,587
	<u>6,644,369</u>	<u>6,680,424</u>

11 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>30.09.2007</u> RM'000	<u>31.12.2006</u> RM'000
<u>Non-Mudharabah Fund:</u>		
Licensed Islamic banks	29,766	34,537
Licensed banks	18,525	52,280
Licensed merchant banks	-	68,786
Other financial institutions	-	149,320
	<u>48,291</u>	<u>304,923</u>
<u>Mudharabah Fund:</u>		
Licensed banks	-	140,000
	<u>48,291</u>	<u>444,923</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007 (CONTINUED)

12 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

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

	Current 9 months period ended 30.09.2007 RM'000	Preceding Corresponding 9 months period ended 30.09.2006 RM'000
Income derived from investment of:		
(i) General investment deposit	68,480	114,440
(ii) Other deposits	198,785	115,970
	<u>267,265</u>	<u>230,410</u>
 (i) Income derived from investment of general investment deposits		
<u>Finance income and hibah:</u>		
Financing and advances	46,299	74,788
Securities held for trading	2,860	5,115
Securities available-for-sale	664	961
Securities held-to-maturity	2,256	3,273
Money at call and deposit with financial institutions	10,760	21,440
	<u>62,839</u>	<u>105,577</u>
Amortisation of premium less accretion of discount	4,007	7,891
Total finance income and hibah	66,846	113,468
Other operating income (note a-c)	1,634	972
	<u>68,480</u>	<u>114,440</u>
a) Fee income :		
Commission	596	1,716
Guarantee fees	223	58
	<u>819</u>	<u>1,774</u>
b) Net gain from sale of :		
- Securities held for trading	37	(447)
- Securities available-for-sale	273	(718)
	<u>310</u>	<u>(1,165)</u>
c) Net unrealised gain on revaluation of securities held for trading	505	363
Total other operating income	<u>1,634</u>	<u>972</u>

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FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007 (CONTINUED)

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

	Current 9 months period ended 30.09.2007 RM'000	Preceding Corresponding 9 months period ended 30.09.2006 RM'000
(ii) Income derived from investment of other deposits		
<u>Finance income and hibah:</u>		
Financing and advances	134,401	71,807
Securities held for trading	8,304	5,650
Securities available-for-sale	1,926	1,352
Securities held-to-maturity	6,549	3,232
Money at call and deposit with financial institutions	31,235	23,947
	<u>182,415</u>	<u>105,988</u>
Amortisation of premium less accretion of discount	11,631	7,569
Total finance income and hibah	194,046	113,557
Other operating income (note a-c)	4,739	2,413
	<u>198,785</u>	<u>115,970</u>
a) Fee income :		
Commission	1,731	2,885
Guarantee fees	646	33
	<u>2,377</u>	<u>2,918</u>
b) Net gain from sale of :		
- Securities held for trading	108	(118)
- Securities available-for-sale	789	(201)
	<u>897</u>	<u>(319)</u>
c) Net unrealised gain on revaluation of securities held for trading	1,465	(186)
Total other operating income	<u>4,739</u>	<u>2,413</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007 (CONTINUED)

13 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Current 9 months period ended 30.09.2007 RM'000	Preceding Corresponding 9 months period ended 30.09.2006 RM'000
<u>Finance income and hibah:</u>		
Financing and advances	14,330	14,295
Securities held for trading	885	1,049
Securities available-for-sale	205	218
Securities held-to-maturity	698	633
Money at call and deposit with financial institutions	3,330	4,353
	<u>19,448</u>	<u>20,548</u>
Amortisation of premium less accretion of discount	1,240	1,508
Total finance income and hibah	<u>20,688</u>	<u>22,056</u>
Other operating income (note a-c)	<u>78,773</u>	<u>25,952</u>
	<u><u>99,461</u></u>	<u><u>48,008</u></u>
a) Fee income :		
Commission	2,031	426
Service charges and fees	7,976	23,298
Guarantee and underwriting fees	148	322
Other fee income	71	2,039
	<u>10,226</u>	<u>26,085</u>
b) Net gain from sale of :		
- Securities held for trading	68,307	(56)
- Securities available-for-sale	84	(93)
	<u>68,391</u>	<u>(149)</u>
c) Net unrealised gain on revaluation of securities held for trading	156	16
	<u>78,773</u>	<u>25,952</u>
Total other operating income	<u><u>78,773</u></u>	<u><u>25,952</u></u>

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NOTES TO THE FINANCIAL STATEMENTS
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14 ALLOWANCES FOR LOSSES ON FINANCING AND ADVANCES

	Current 9 months period ended 30.09.2007 RM'000	Preceding Corresponding 9 months period ended 30.09.2006 RM'000
Allowance for losses on financing and advances:		
Specific allowance		
- Made during the financial period	20,858	13,003
- Written back	(4,848)	(1,637)
General allowance		
- Made during the financial period	9,470	1,070
Bad financing recovered	(4,040)	(33)
	21,440	12,403

15 INCOME ATTRIBUTABLE TO DEPOSITORS

	Current 9 months period ended 30.09.2007	Preceding Corresponding 9 months period ended 30.09.2006
Deposits from customers:		
- Mudharabah funds	100,399	91,308
- Non-mudharabah funds	15,888	13,498
Deposits and placements of banks and other financial institutions:		
- Mudharabah funds	3,663	8,263
- Non-mudharabah funds	2,834	15,605
	122,784	128,674

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16 COMMITMENTS AND CONTINGENCIES

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

Risk weighted exposures of the Bank are as follows:

	Principal Amount RM'000	30.09.2007 Credit Equivalent Amount * RM'000	Risk Weighted Amount RM'000
Transaction-related contingent items	86,826	43,413	40,694
Short-term self-liquidating trade-related contingencies	81,998	16,400	16,384
Obligations under underwriting agreements	50,000	25,000	25,000
Irrevocable commitments to extend credit :			
- maturity more than one year	182,743	91,371	74,461
- maturity less than one year	1,328,891	-	-
Miscellaneous	20,717	-	-
Total	<u>1,751,175</u>	<u>176,184</u>	<u>156,539</u>
		<u>31.12.2006</u>	
Transaction-related contingent items	94,141	47,071	46,259
Short-term self-liquidating trade-related Contingencies	205,560	41,112	40,790
Obligations under underwriting Agreements	50,000	25,000	25,000
Housing financing sold to Cagamas with recourse	41,064	41,064	20,532
Irrevocable commitments to extend credit :			
- maturity more than one year	335,794	167,897	147,109
- maturity less than one year	1,792,447	-	-
Miscellaneous	17,544	-	-
Total	<u>2,536,550</u>	<u>322,144</u>	<u>279,690</u>

* The credit equivalent amount is arrived at using credit conversion factors as per Bank Negara Malaysia's guidelines.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007 (CONTINUED)

17 PROFIT RATE RISK

The table below summarises the Bank's exposure to profit rate risk. The assets and liabilities at carrying amount are categorised by the earlier of contractual repricing or maturity dates.

	← Non-trading book →						Trading book	Total	Effective profit rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Non-profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
30.09.2007									
Assets									
Cash and short term funds	758,280	-	-	-	-	242,053	-	1,000,333	3.51
Deposits and placements with financial institutions	253,600	-	-	-	-	-	-	253,600	3.52
Securities held for trading	105,457	117,439	231,774	-	-	-	454,670	454,670	3.76
Securities available-for-sale	9,976	99,700	19,588	5,024	23,625	575	-	158,488	3.48
Securities held-to-maturity	-	-	160,056	563,849	118,197	-	-	842,102	4.25
Financing and advances									
- performing	385,778	572,123	840,994	979,377	1,842,517	-	-	4,620,789	5.84
- non-performing	-	-	-	-	-	108,972 *	-	108,972	-
Other assets	-	-	-	-	-	55,810	-	55,810	-
Deferred taxation assets	-	-	-	-	-	25,401	-	25,401	-
Statutory deposits	-	-	-	-	-	204,629	-	204,629	-
Property, plant and equipment	-	-	-	-	-	27,254	-	27,254	-
Total assets	1,513,091	789,262	1,252,412	1,548,250	1,984,339	664,694	454,670	7,752,048	

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

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FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007 (CONTINUED)

17 PROFIT RATE RISK (CONTINUED)

30.09.2007

	← Non-trading book →					Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Liabilities									
Deposits from customers	3,130,890	609,910	1,552,448	79,232	195	1,271,694	-	6,644,369	2.24
Deposits and placements of banks and other financial institutions	-	29,766	-	18,525	-	-	-	48,291	4.27
Bills and acceptances payable	-	-	-	-	-	9,445	-	9,445	3.75
Taxation	-	-	-	-	-	13,433	-	13,433	-
Other liabilities	-	-	-	-	-	312,653	-	312,653	-
Total liabilities	3,130,890	639,676	1,552,448	97,757	195	1,607,225	-	7,028,191	-
Total shareholders equity	-	-	-	-	-	723,857	-	723,857	-
	3,130,890	639,676	1,552,448	97,757	195	2,331,082	-	7,752,048	-
Total profit-sensitivity gap	(1,617,655)	212,599	(144,503)	1,450,493	1,984,144	(1,666,388)	454,670	-	

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FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007 (CONTINUED)

17 PROFIT RATE RISK (CONTINUED)

The table below summarises the Bank's exposure to profit rate risk. The assets and liabilities at carrying amount are categorised by the earlier of contractual repricing or maturity dates.

31.12.2006	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Non-profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets									
Cash and short term funds	1,293,000	-	-	-	-	21,283	-	1,314,283	3.49
Deposits and placements with financial institutions	-	1,220,000	-	-	-	-	-	1,220,000	3.61
Securities held for trading	92,595	166,745	19,427	-	35,853	-	314,620	314,620	3.94
Securities available-for-sale	3,743	-	-	14,463	-	575	-	18,781	3.59
Securities held-to-maturity	-	24,832	20,055	702,411	62,310	-	-	809,608	3.97
Financing and advances									
- performing	418,003	436,596	658,305	743,898	1,774,866	-	-	4,031,668	5.73
- non-performing	-	-	-	-	-	115,905 *	-	115,905	-
Other assets	-	-	-	-	-	68,139	-	68,139	-
Deferred taxation assets	-	-	-	-	-	21,587	-	21,587	-
Statutory deposits	-	-	-	-	-	170,429	-	170,429	-
Property, plant and equipment	-	-	-	-	-	7,245	-	7,245	-
Total assets	1,807,341	1,848,173	697,787	1,460,772	1,873,029	405,163	314,620	8,092,265	

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

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17 PROFIT RATE RISK (CONTINUED)

31.12.2006

	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Non-profit sensitive			
	RMø000	RMø000	RMø000	RMø000	RMø000	RMø000	RMø000	%	
Liabilities									
Deposits from customers	3,409,145	1,063,863	870,685	97,034	200	1,239,497	-	2.40	
Deposits and placements of banks and other financial institutions	240,134	79,484	78,370	46,935	-	-	-	3.71	
Bills and acceptances payable	-	-	-	-	-	16,542	-	3.63	
Taxation and zakat	-	-	-	-	-	17,984	-	-	
Other liabilities	-	-	-	-	-	280,718	-	-	
Total liabilities	3,649,279	1,143,347	949,055	143,969	200	1,554,741	-	7,440,591	
Total shareholders equity	-	-	-	-	-	651,674	-	651,674	
	3,649,279	1,143,347	949,055	143,969	200	2,206,415	-	8,092,265	
Total profit-sensitivity gap	(1,841,788)	905,760	(122,326)	1,316,803	1,872,831	(1,801,254)	314,620	-	

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18 CAPITAL ADEQUACY

	<u>30.09.2007</u> RM'000	<u>31.12.2006</u> RM'000
<u>Tier I Capital</u>		
Paid-up ordinary share capital	523,424	523,424
Retained profits	75,814	63,923
Statutory reserve	<u>106,382</u>	<u>63,923</u>
	705,620	651,270
Less :		
Deferred tax assets	<u>(23,604)</u>	<u>(21,587)</u>
Total Tier I capital	<u>682,016</u>	<u>629,683</u>
<u>Tier II Capital</u>		
General allowance for bad and doubtful financing	86,529	77,059
Total Tier II capital	<u>86,529</u>	<u>77,059</u>
Total capital base	<u>768,545</u>	<u>706,742</u>
<u>Capital ratios</u>		
Inclusive of market risk :		
Core capital ratio (inclusive of market risk)	14.89%	15.84%
Risk-weighted capital ratio (inclusive of market risk)	<u>16.78%</u>	<u>17.78%</u>

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18 CAPITAL ADEQUACY (CONTINUED)

	<u>30.09.2007</u>	
	<u>Principal</u>	<u>Risk</u>
	RM'000	RM'000
The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:		
(i) Credit Risk		
0%	2,222,789	-
10%	50,323	5,032
20%	109,116	21,823
50%	1,409,521	704,761
100%	<u>3,754,534</u>	<u>3,754,534</u>
	7,546,283	4,486,150
(ii) Market Risk Capital Adequacy Framework #		
	-	94,913
	<u>7,546,283</u>	<u>4,581,063</u>

	<u>31.12.2006</u>	
	<u>Principal</u>	<u>Risk</u>
	RM'000	RM'000
The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:		
(i) Credit Risk		
0%	3,364,968	-
10%	60,442	6,044
20%	230,397	46,079
50%	1,310,241	655,121
100%	<u>3,216,935</u>	<u>3,216,935</u>
	8,182,983	3,924,179
(ii) Market Risk Capital Adequacy Framework #		
	-	51,458
	<u>8,182,983</u>	<u>3,975,637</u>

The capital adequacy ratios have incorporated market risk pursuant to BNM's guideline on Market Risk Capital Adequacy Framework, which is effective from 1 April 2005.

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19 DIVIDENDS

During the financial period ended 30 September 2007, the Bank has paid a first interim dividend of 8 sen per share on 523,424,002 ordinary shares, less income tax of 27%, amounting RM30,568,000 for the financial year ending 31 December 2007, on 30 August 2007.

20 REVIEW OF PERFORMANCE OF THE BANK

During the third quarter of 2007, the Bank made a profit before tax and dividends of RM24.0 million as compared to the preceding quarter of RM86.1 million, a decrease of RM62.1 million.

The key contributor for the higher performance in the second quarter as compared to third quarter was mainly due to trading gain received from the drawdown of our sukuk amounting to RM70.0 million recorded in June 2007. This is partially set off by lower allowance for losses on financing and advances made in the third quarter by RM11.7 million.

As at 30 September 2007, RHB Islamic Bank registered a nine months profit before tax and dividends of RM141.0 million. Financing assets stood at RM4.7 billion, a 14.03% growth from December 2006.

21 COMMENTS ON FUTURE PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The Islamic Banking landscape continues to evolve with increasing liberalisation and globalisation, presenting new demands and challenges. Against this backdrop, the Bank will continue to focus on managing markets and segments proactively, leveraging on infrastructure within the RHB Banking Group, to provide our customers comprehensive Shariah compliant financial solutions.

While pursuing growth in targeted segments, RHB Islamic Bank will strive to manage funding costs actively and optimise delivery channel efficiency.

We believe that with the current business and industry outlook, the Bank will be able to outperform the satisfactory results achieved in previous year.