

Company No.

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RHB ISLAMIC BANK BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

CONDENSED BALANCE SHEET AS AT 30 SEPTEMBER 2009

	Note	<u>Unaudited</u> <u>As at</u> <u>30.09.2009</u> RM'000	<u>Audited</u> <u>As at</u> <u>31.12.2008</u> RM'000
ASSETS			
Cash and short-term funds	8	2,396,510	1,342,901
Deposits and placements with banks and other financial institutions	9	200,000	-
Securities held for trading	10	66,276	404,464
Securities available-for-sale	11	1,171,640	730,582
Securities held-to-maturity	12	1,026,116	1,147,357
Financing and advances	13	5,587,404	5,351,744
Other assets	14	44,781	114,907
Deferred tax assets		22,328	19,960
Tax recoverable		-	9,273
Statutory deposits		69,240	199,440
Property, plant and equipment		22,795	19,434
Intangible assets		29,518	29,518
TOTAL ASSETS		<u>10,636,608</u>	<u>9,369,580</u>
LIABILITIES AND EQUITY			
Deposits from customers	15	7,741,841	7,347,306
Deposits and placements of banks and other financial institutions	16	1,738,440	881,735
Bills and acceptances payable		18,401	34,786
Other liabilities	17	277,469	262,357
Provision for taxation		6,502	-
TOTAL LIABILITIES		<u>9,782,653</u>	<u>8,526,184</u>
Ordinary share capital		523,424	523,424
Reserves		330,531	319,972
TOTAL EQUITY		<u>853,955</u>	<u>843,396</u>
TOTAL LIABILITIES AND EQUITY		<u>10,636,608</u>	<u>9,369,580</u>
COMMITMENTS AND CONTINGENCIES	22	<u>2,141,896</u>	<u>1,863,813</u>

The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2008.

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UNAUDITED INTERIM FINANCIAL STATEMENTS

CONDENSED INCOME STATEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009

	Note	Current Financial quarter ended 30.09.2009 RM'000	Preceding Corresponding Financial Quarter ended 30.09.2008 RM'000	Current Financial 9 months period ended 30.09.2009 RM'000	Preceding Corresponding Financial 9 months period ended 30.09.2008 RM'000
Income derived from investment of depositors' funds	18	112,043	105,210	322,958	282,645
Income derived from investment of shareholder's funds	19	13,262	12,723	36,182	36,934
Allowance for losses on financing and advances	20	(20,678)	(18,752)	(73,367)	(30,672)
Profit equalisation reserve		(3,335)	363	2,401	5,631
Total distributable income		101,292	99,544	288,174	294,538
Income attributable to depositors	21	(44,491)	(47,156)	(125,955)	(128,892)
		56,801	52,388	162,219	165,646
Personnel expenses		(14,856)	(12,566)	(42,589)	(31,570)
Other overheads and expenditures		(24,867)	(15,523)	(70,125)	(56,317)
Profit before taxation		17,078	24,299	49,505	77,759
Taxation		(8,987)	(8,192)	(28,405)	(20,478)
Net profit for the financial period		8,091	16,107	21,100	57,281

The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2008.

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UNAUDITED INTERIM FINANCIAL STATEMENTS

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009

	<u>Non-distributable</u>			<u>Distributable</u>	Total RM'000
	Share Capital RM'000	Statutory Reserve RM'000	AFS Reserves RM'000	Retained Profits RM'000	
Balance as at 1 January 2009	523,424	166,005	18,530	135,437	843,396
Unrealised net loss on revaluation of securities available-for-sale ('AFS')	-	-	(4,939)	-	(4,939)
AFS reserve realised on disposal of securities AFS	-	-	(9,522)	-	(9,522)
Deferred tax	-	-	3,920	-	3,920
Income and expenses recognised directly in equity	-	-	(10,541)	-	(10,541)
Net profit for the financial period	-	-	-	21,100	21,100
Total recognised income and expenses for the financial period	-	-	(10,541)	21,100	10,559
Balance as at 30 Sept 2009	523,424	166,005	7,989	156,537	853,955
Balance as at 1 January 2008	523,424	123,062	454	92,494	739,434
Unrealised net loss on revaluation of securities available-for-sale	-	-	(4,682)	-	(4,682)
AFS reserve realised on disposal of securities AFS	-	-	(103)	-	(103)
Deferred tax	-	-	2,200	-	2,200
Income and expenses recognised directly in equity	-	-	(2,585)	-	(2,585)
Net profit for the financial period	-	-	-	57,281	57,281
Total recognised income and expenses for the financial period	-	-	(2,585)	57,281	54,696
Balance as at 30 Sept 2008	523,424	123,062	(2,131)	149,775	794,130

The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2008.

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RHB ISLAMIC BANK BERHAD

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UNAUDITED INTERIM FINANCIAL STATEMENTS

CONDENSED CASH FLOW STATEMENT

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009

	Current Financial 9 months period ended <u>30.09.2009</u> RM'000	Preceding Corresponding Financial 9 months period ended <u>30.09.2008</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	49,505	77,759
Adjustment for non-cash items	3,396	(4,489)
Operating profit before changes in working capital	<u>52,901</u>	<u>73,270</u>
Changes in working capital:		
Net changes in operating assets	28,438	(1,157,814)
Net changes in operating liabilities	<u>1,252,368</u>	<u>861,831</u>
	<u>1,333,707</u>	<u>(222,713)</u>
Taxation paid	<u>(11,077)</u>	<u>(35,381)</u>
Net cash generated from/ (used in) operating activities	<u>1,322,630</u>	<u>(258,094)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,974)	(19,485)
Net purchase of securities available-for-sale	(445,997)	(376,216)
Net sale/(purchase) of securities held-to-maturity	129,973	(271,229)
Income received from securities available-for-sale	23,778	2,198
Income received from securities held-to-maturity	<u>29,199</u>	<u>7,813</u>
Net cash (used in)/generated from operating activities	<u>(269,021)</u>	<u>(656,919)</u>
Net increase/(decrease) in cash and cash equivalents	<u>1,053,609</u>	<u>(915,013)</u>
Cash and cash equivalents brought forward	<u>1,342,901</u>	<u>1,934,461</u>
Cash and cash equivalents carried forward	<u>2,396,510</u>	<u>1,019,448</u>
ANALYSIS OF CASH AND CASH EQUIVALENT		
Cash and short-term funds	<u>2,396,510</u>	<u>1,019,448</u>

The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2008.

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

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 2008.

The accounting policies and presentation adopted by the Bank for the interim financial statement are consistent with those reported in the audited financial statements for the financial year ended 31 December 2008

2 AUDIT REPORT

The audit report for the financial year ended 31 December 2008 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 cyclical factors.

4 EXCEPTIONAL OR UNUSUAL ITEMS

There were no exceptional or extraordinary items in the nine months ended 30 September 2009.

5 CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the nine months ended 30 September 2009.

6 CHANGES IN DEBT AND EQUITY SECURITIES

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

7 DIVIDENDS PAID

No dividend was paid during the nine months period ended 30 September 2009.

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009 (CONTINUED)

8 CASH AND SHORT-TERM FUNDS

	<u>Unaudited</u> <u>As at</u> <u>30.09.2009</u> RM'000	<u>Audited</u> <u>As at</u> <u>31.12.2008</u> RM'000
Cash and balances with banks and other financial institutions	111,311	(7,470)
Money at call and deposit placements maturing within one month	<u>2,285,199</u>	<u>1,350,371</u>
	<u>2,396,510</u>	<u>1,342,901</u>

9 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>Unaudited</u> <u>As at</u> <u>30.09.2009</u> RM'000	<u>Audited</u> <u>As at</u> <u>31.12.2008</u> RM'000
Bank Negara Malaysia	<u>200,000</u>	<u>-</u>

10 SECURITIES HELD FOR TRADING

	<u>Unaudited</u> <u>As at</u> <u>30.09.2009</u> RM'000	<u>Audited</u> <u>As at</u> <u>31.12.2008</u> RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Investment Issuance	-	85,736
Islamic Accepted Bills	54,292	-
<u>Unquoted Securities</u> <u>In Malaysia</u>		
Private debt securities	<u>11,984</u>	<u>318,728</u>
	<u>66,276</u>	<u>404,464</u>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009 (CONTINUED)**

The Bank has reclassified certain securities held-for-trading to securities available-for-sale category in accordance with the amendment to revised BNM/GP8 Guidelines dated September 2008, which is effective from 1 July 2008 until 31 December 2009.

The fair values of the reclassified securities held-for-trading as of the date of reclassification was RM19.9 million.

The net loss arising from changes in fair value recognised to income statement in respect of the transferred securities held-for-trading for the financial year ended 31 December 2008 was RM6,140.00.

As at the date of reclassification, the effective profit rates on the reclassified securities held-for-trading, based on the new cost for the Bank, ranged from 4.70% to 5.84% per annum. The expected recoverable cash flows for the Bank approximately RM3.98 million.

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009 (CONTINUED)

11 SECURITIES AVAILABLE-FOR-SALE

At fair value	<u>Unaudited</u> <u>As at</u> <u>30.09.2009</u> RM'000	<u>Audited</u> <u>As at</u> <u>31.12.2008</u> RM'000
<u>Money market instruments:</u>		
Malaysian Government Investment Issuance	713,865	326,673
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	457,200	403,334
	<u>1,171,065</u>	<u>730,007</u>
At cost		
<u>Unquoted securities</u>		
<u>In Malaysia</u>		
Shares	575	575
	<u>1,171,640</u>	<u>730,582</u>

The carrying value of securities available-for-sale, which was transferred from securities held-for-trading, for the Bank as at 30 September 2009 is RM20.4 million (31.12.2008 : NIL)

12 SECURITIES HELD-TO-MATURITY

At amortised cost	<u>Unaudited</u> <u>As at</u> <u>30.09.2009</u> RM'000	<u>Audited</u> <u>As at</u> <u>31.12.2008</u> RM'000
<u>Money market instruments:</u>		
Cagamas mudharabah bonds	175,211	215,122
Khazanah bonds	34,607	281,839
Malaysian Government Investment Issuance	571,187	406,053
<u>Unquoted</u>		
<u>In Malaysia</u>		
Private debt securities	245,111	244,343
	<u>1,026,116</u>	<u>1,147,357</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009 (CONTINUED)

13 FINANCING AND ADVANCES

	<u>Unaudited</u> <u>As at</u> <u>30.09.2009</u> RM'000	<u>Audited</u> <u>As at</u> <u>31.12.2008</u> RM'000
(i) By type		
Cashline	72,210	36,530
Term financing		
- housing financing	1,779,282	1,704,406
- syndicated term financing	473,187	555,504
- hire purchase receivables	1,143,713	807,349
- other term financing	1,442,972	1,349,326
Bills receivables	591,183	677,058
Trust receipts	44,274	36,480
Staff financing	12,899	12,922
Revolving financing	433,623	502,942
	<u>5,993,343</u>	<u>5,682,517</u>
Less: Unearned income	(167,323)	(140,208)
Gross financing and advances	<u>5,826,020</u>	<u>5,542,309</u>
Less : Allowance for bad and doubtful financing :		
- general	(93,484)	(97,984)
- specific	(145,132)	(92,581)
Net financing and advances	<u>5,587,404</u>	<u>5,351,744</u>
(ii) By type of customer		
Domestic non-bank financial institutions		
- Others	20,644	20,555
Domestic business enterprises		
- Small medium enterprises	676,757	674,412
- Others	2,204,331	2,180,804
Government and statutory bodies	99,913	101,250
Individuals	2,493,382	2,231,902
Other domestic entities	11,586	10,220
Foreign entities	319,407	323,166
	<u>5,826,020</u>	<u>5,542,309</u>
(iii) Financing and advances analysed by contract are as follows:		
Bai' Bithaman Ajil	1,983,031	2,213,143
Al-Ijarah Muntahia Bittamlik / Al-Ijarah Thumma Al-Bai' ('AITAB')	1,838,290	1,451,681
Murabahah	1,229,603	1,252,689
Al-Istisna'	379,878	409,949
Others	395,218	214,847
	<u>5,826,020</u>	<u>5,542,309</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009 (CONTINUED)

13 FINANCING AND ADVANCES (CONTINUED)

	<u>Unaudited</u> <u>As at</u> <u>30.09.2009</u> RM'000	<u>Audited</u> <u>As at</u> <u>31.12.2008</u> RM'000
(iv) By profit rate sensitivity		
Fixed rate		
- Housing financing	1,486,768	1,620,753
- Hire purchase receivables	976,389	807,349
- Other fixed rate financing	1,520,715	1,513,692
Variable rate		
- BFR-plus	1,050,713	157,135
- Cost-plus	791,435	1,443,380
	<u>5,826,020</u>	<u>5,542,309</u>
(v) By purpose		
Purchase of securities	18,540	80,057
Purchase of transport vehicles	904,160	672,267
Purchase of landed property:		
- Residential	1,749,660	1,703,170
- Non-residential	207,980	147,146
Purchase of property, plant and equipment other than land and building	477,870	441,098
Personal use	14,470	20,322
Purchase of consumer durables	120	159
Construction	398,550	289,809
Working capital	1,749,900	2,040,232
Other purposes	304,770	148,049
	<u>5,826,020</u>	<u>5,542,309</u>
(vi) Movement in non-performing financing and advances		
Balance as at the beginning of financial period/year	267,357	282,833
Classified as non-performing during the financial period/year	351,202	272,830
Reclassified as performing during the financial period/year	(169,463)	(215,781)
Amount recovered	(31,131)	(36,382)
Amount written off	(28,427)	(36,143)
Balance as at the end of financial period/year	<u>389,538</u>	<u>267,357</u>
Specific allowance	(145,132)	(92,581)
Net non-performing financing and advances	<u>244,406</u>	<u>174,776</u>
Ratio of net non-performing financing and advances as % of gross financing and advances, less specific allowances	<u>4.30%</u>	<u>3.30%</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR NINE MONTHS ENDED 30 SEPTEMBER 2009 (CONTINUED)

13 FINANCING AND ADVANCES (CONTINUED)

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

	<u>Unaudited</u> <u>As at</u> <u>30.09.2009</u> RM'000	<u>Audited</u> <u>As at</u> <u>31.12.2008</u> RM'000
<u>General allowance</u>		
Balance as at the beginning of financial period/year	97,984	82,948
Net allowance made during the financial period/year	(4,500)	15,036
Balance as at the end of financial period/year	<u>93,484</u>	<u>97,984</u>
As % of gross financing and advances less specific allowance	<u>1.65%</u>	<u>1.80%</u>
<u>Specific allowance</u>		
Balance as at the beginning of financial period/year	92,581	93,336
Allowance made during the financial period/year	102,110	36,720
Amount recovered	(21,766)	(11,590)
Amount written off	(27,793)	(25,885)
Balance as at the end of financial period/year	<u>145,132</u>	<u>92,581</u>

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

Purchase of transport vehicles	8,779	1,043
Purchase of landed property:		
- Residential	189,069	178,194
- Non-residential	8,491	3,889
Purchase of property, plant and equipment other than land and building	-	-
Personal use	3,022	5,959
Construction	1,178	1,896
Working capital	178,999	76,376
	<u>389,538</u>	<u>267,357</u>

14 OTHER ASSETS

Income receivable	25,380	18,756
Deposits and prepayments	16,051	15,390
Sundry deposits debtors	2,945	6,363
Other debtors	405	74,398
	<u>44,781</u>	<u>114,907</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009 (CONTINUED)

15 DEPOSITS FROM CUSTOMERS

	<u>Unaudited</u> <u>As at</u> <u>30.09.2009</u> RM'000	<u>Audited</u> <u>As at</u> <u>31.12.2008</u> RM'000
<u>Non-Mudharabah Funds:</u>		
Demand deposits	1,823,754	1,535,447
Savings deposits	545,236	542,606
Negotiable Islamic Debt Certificates	39,653	59,850
	<u>2,408,643</u>	<u>2,137,903</u>
<u>Mudharabah Funds:</u>		
Demand deposits	337,429	332,007
General investment deposits	1,161,960	1,512,965
Special investment deposits	3,833,809	3,364,431
	<u>7,741,841</u>	<u>7,347,306</u>

The deposits are sourced from the following classes of customers:

Government and statutory bodies	2,100,958	2,017,349
Business enterprises	4,244,490	3,758,692
Individuals	853,914	824,405
Others	542,479	746,860
	<u>7,741,841</u>	<u>7,347,306</u>

16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>Unaudited</u> <u>As at</u> <u>30.09.2009</u> RM'000	<u>Audited</u> <u>As at</u> <u>31.12.2008</u> RM'000
<u>Non-Mudharabah Fund:</u>		
Licensed Islamic banks	233,830	414,568
Licensed banks	546,100	345,250
Other financial institutions	69,220	121,917
	<u>849,150</u>	<u>881,735</u>
<u>Mudharabah Fund:</u>		
Licensed Islamic banks	780,000	-
Other financial institutions	109,290	-
	<u>1,738,440</u>	<u>881,735</u>

17 OTHER LIABILITIES

Sundry creditors	21,115	11,286
Profit equalisation reserve	3,335	5,736
Amount due to holding company	185,642	172,393
Other accruals and payables	67,377	72,942
	<u>277,469</u>	<u>262,357</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009 (CONTINUED)

18 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	Current Financial Quarter ended <u>30.09.2009</u> RM'000	Preceding Corresponding Financial Quarter ended <u>30.09.2008</u> RM'000	Current Financial 9 months period ended <u>30.09.2009</u> RM'000	Preceding Corresponding Financial 9 months period ended <u>30.09.2008</u> RM'000
Income derived from investment of:				
(i) General investment deposit	13,357	32,909	50,929	84,291
(ii) Other deposits	98,686	72,301	272,029	198,354
	112,043	105,210	322,958	282,645
 (i) Income derived from investment of general investment deposits				
<u>Finance income and hibah:</u>				
Financing and advances	8,937	22,757	33,427	58,069
Securities held for trading	60	1,513	988	4,440
Securities available-for-sale	1,173	1,084	4,191	1,904
Securities held-to-maturity	1,103	1,782	4,388	3,566
Money at call and deposit with financial institutions	1,614	3,485	4,854	12,143
	12,887	30,621	47,848	80,122
Amortisation of premium less accretion of discount	310	1,510	1,316	4,363
Total finance income and hibah	13,197	32,131	49,164	84,485
Other operating income (note a-c)	160	778	1,765	(194)
	13,357	32,909	50,929	84,291
 Other operating income comprise of:				
a) Fee income :				
Commission	129	342	508	904
Guarantee fees	8	19	58	99
	137	361	566	1,003
b) Net (loss) / gain from sale of :				
- Securities held for trading	2	73	575	58
- Securities available-for-sale	-	(46)	1,598	29
	2	27	2,173	87
c) Net unrealised loss on revaluation of securities held for trading	21	390	(974)	(1,284)
	160	778	1,765	(194)

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009 (CONTINUED)

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

	Current Financial Quarter ended <u>30.09.2009</u> RM'000	Preceding Corresponding Financial Quarter ended <u>30.09.2008</u> RM'000	Current Financial 9 months period ended <u>30.09.2009</u> RM'000	Preceding Corresponding Financial 9 months period ended <u>30.09.2008</u> RM'000
(ii) Income derived from investment of other deposits				
<u>Finance income and hibah:</u>				
Financing and advances	66,029	50,022	179,015	136,651
Securities held for trading	442	3,264	4,721	10,447
Securities available-for-sale	8,666	2,468	22,590	4,479
Securities held-to-maturity	8,156	4,017	23,314	8,393
Money at call and deposit with financial institutions	11,925	7,333	26,873	28,575
	95,218	67,104	256,513	188,545
Amortisation of premium less accretion of discount	2,290	3,267	6,930	10,267
Total finance income and hibah	97,508	70,371	263,443	198,812
Other operating income (note a-c)	1,178	1,930	8,586	(458)
	98,686	72,301	272,029	198,354
Other operating income comprise of:				
a) Fee income :				
Commission	956	749	2,706	2,127
Guarantee fees	57	38	289	233
	1,013	787	2,995	2,360
b) Net (loss) / gain from sale of :				
- Securities held for trading	13	174	2,660	137
- Securities available-for-sale	-	(116)	7,370	67
	13	58	10,030	204
c) Net unrealised loss on revaluation of securities held for trading				
	152	1,085	(4,439)	(3,022)
	1,178	1,930	8,586	(458)

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009 (CONTINUED)

19 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Current Financial Quarter ended <u>30.09.2009</u> RM'000	Preceding Corresponding Financial Quarter ended <u>30.09.2008</u> RM'000	Current Financial 9 months period ended <u>30.09.2009</u> RM'000	Preceding Corresponding Financial 9 months period ended <u>30.09.2008</u> RM'000
<u>Finance income and hibah:</u>				
Financing and advances	3,948	5,059	12,445	14,357
Securities held for trading	28	327	350	1,098
Securities available-for-sale	518	255	1,565	471
Securities held-to-maturity	488	412	1,628	882
Money at call and deposit with financial institutions	713	722	1,837	3,002
	5,695	6,775	17,825	19,810
Amortisation of premium less accretion of discount	137	330	486	1,079
Total finance income and hibah	5,832	7,105	18,311	20,889
Other operating income (note a-c)	7,430	5,618	17,871	16,045
	13,262	12,723	36,182	36,934
Other operating income comprise of:				
a) Fee income :				
Commission	612	563	1,456	2,384
Service charges and fees	6,352	4,207	14,340	11,371
Guarantee and underwriting fees	5	7	133	41
Other fee income	450	(50)	1,522	-
	7,419	4,727	17,451	13,796
b) Net (loss) / gain from sale of :				
- Securities held for trading	2	781	202	2,560
- Securities available-for-sale	-	(13)	554	7
	2	768	756	2,567
c) Net unrealised loss on revaluation of securities held for trading				
	9	123	(336)	(318)
	7,430	5,618	17,871	16,045

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FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009 (CONTINUED)

20 ALLOWANCES FOR LOSSES ON FINANCING AND ADVANCES

	Current Financial Quarter ended <u>30.09.2009</u> RM'000	Preceding Corresponding Financial Quarter ended <u>30.09.2008</u> RM'000	Current Financial 9 months period ended <u>30.09.2009</u> RM'000	Preceding Corresponding Financial 9 months period ended <u>30.09.2008</u> RM'000
Allowance for losses on financing and advances:				
Specific allowance				
- Made during the financial period	28,687	6,988	102,111	23,398
- Written back	(2,146)	(2,095)	(21,767)	(8,639)
General allowance				
-Made during the financial period	(5,100)	16,000	(4,500)	18,736
Bad financing recovered	(763)	(2,141)	(2,477)	(2,823)
	<u>20,678</u>	<u>18,752</u>	<u>73,367</u>	<u>30,672</u>

21 INCOME ATTRIBUTABLE TO DEPOSITORS

	Current Financial Quarter ended <u>30.09.2009</u> RM'000	Preceding Corresponding Financial Quarter ended <u>30.09.2008</u> RM'000	Current Financial 9 months period ended <u>30.09.2009</u> RM'000	Preceding Corresponding Financial 9 months period ended <u>30.09.2008</u> RM'000
Deposits from customers:				
- Mudharabah funds	31,471	35,009	93,422	100,169
- Non-mudharabah funds	3,908	4,864	9,817	14,959
Deposits and placements of banks and other financial institutions:				
- Mudharabah funds	8,965	7,018	22,046	13,007
- Non-mudharabah funds	147	265	670	757
	<u>44,491</u>	<u>47,156</u>	<u>125,955</u>	<u>128,892</u>

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22 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:

	<u>Unaudited as at 30.09.2009</u>		
	<u>Principal Amount</u> RM'000	<u>Credit Equivalent Amount *</u> RM'000	<u>Risk Weighted Amount</u> RM'000
Transaction-related contingent items	235,207	117,603	97,144
Short-term self-liquidating trade-related Contingencies	74,277	14,855	14,855
Obligations under underwriting Agreements	70,000	35,000	35,000
Irrevocable commitments to extend credit :			
- maturity more than one year	124,410	62,205	54,293
- maturity less than one year	1,623,609	324,722	324,722
Foreign exchange related contracts:			
- less than 1 year	14,393	2,879	2,879
Total	2,141,896	557,264	528,893
	<u>Audited as at 31.12.2008 *</u>		
	<u>Principal Amount</u> RM'000	<u>Credit Equivalent Amount *</u> RM'000	<u>Risk Weighted Amount</u> RM'000
Transaction-related contingent items	149,200	74,600	64,399
Short-term self-liquidating trade-related Contingencies	112,515	22,503	22,503
Obligations under underwriting Agreements	70,000	35,000	35,000
Irrevocable commitments to extend credit :			
- maturity more than one year	324,187	162,094	156,572
- maturity less than one year	1,207,911	241,582	241,582
Foreign exchange related contract:			
- less than 1 year	-	-	-
Total	1,863,813	535,779	520,056

* The credit equivalent amount is arrived at using credit conversion factors as per Bank Negara Malaysia's guidelines. The credit equivalent and risk weighted amount 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 UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009 (CONTINUED)**

23 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.

Unaudited as at 30.09.2009	← 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	2,285,199	-	-	-	-	111,311	-	2,396,510	2.23
Deposits and placements with financial institutions	-	-	200,000	-	-	-	-	200,000	1.94
Securities held for trading	-	-	-	-	-	-	66,276	66,276	2.12
Securities available-for-sale	-	-	-	951,463	219,602	575	-	1,171,640	3.97
Securities held-to-maturity	-	34,635	85,308	612,522	293,651	-	-	1,026,116	4.38
Financing and advances									
- performing	309,768	387,006	513,388	1,283,165	2,943,154	-	-	5,436,481	5.22
- non-performing	-	-	-	-	-	150,923 *	-	150,923	
Other assets	-	-	-	-	-	44,781	-	44,781	
Deferred tax assets	-	-	-	-	-	22,328	-	22,328	
Statutory deposits	-	-	-	-	-	69,240	-	69,240	
Property, plant and equipment	-	-	-	-	-	22,795	-	22,795	
Intangible assets	-	-	-	-	-	29,518	-	29,518	
Total assets	2,594,967	421,641	798,696	2,847,150	3,456,407	451,471	66,276	10,636,608	

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

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009 (CONTINUED)

23 PROFIT RATE RISK (CONTINUED)

<u>Unaudited as at 30.09.2009</u>	← Non-trading book →					Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Liabilities									
Deposits from customers	4,239,365	1,488,205	1,072,167	13,610	35	928,459	-	7,741,841	1.03
Deposits and placements of banks and other financial institutions	958,510	164,610	615,320	-	-	-	-	1,738,440	1.82
Bills and acceptances payable	-	-	-	-	-	18,401	-	18,401	2.23
Other liabilities	-	-	-	-	-	277,469	-	277,469	
Provision for taxation	-	-	-	-	-	6,502	-	6,502	
Total liabilities	5,197,875	1,652,815	1,687,487	13,610	35	1,230,831	-	9,782,653	
Total equity	-	-	-	-	-	853,955	-	853,955	
	5,197,875	1,652,815	1,687,487	13,610	35	2,084,786	-	10,636,608	
Total profit-sensitivity gap	(2,602,908)	(1,231,174)	(888,791)	2,833,540	3,456,372				

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
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23 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.

Audited as at 31.12.2008	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	1,350,371	-	-	-	-	(7,470)	-	1,342,901	3.28
Securities held for trading	-	-	-	-	-	-	404,464	404,464	4.20
Securities available-for-sale	-	-	-	399,190	330,817	575	-	730,582	5.39
Securities held-to-maturity	-	5,018	368,487	419,141	354,711	-	-	1,147,357	4.31
Financing and advances									
- performing	503,410	481,142	651,996	426,252	3,212,152	-	-	5,274,952	5.89
- non-performing	-	-	-	-	-	76,792*	-	76,792	
Other assets	-	-	-	-	-	114,907	-	114,907	
Deferred tax assets	-	-	-	-	-	19,960	-	19,960	
Tax recoverable	-	-	-	-	-	9,273	-	9,273	
Statutory deposits	-	-	-	-	-	199,440	-	199,440	
Property, plant and equipment	-	-	-	-	-	19,434	-	19,434	
Intangible asset	-	-	-	-	-	29,518	-	29,518	
Total assets	1,853,781	486,160	1,020,483	1,244,583	3,897,680	462,429	404,464	9,369,580	

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

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009 (CONTINUED)

23 PROFIT RATE RISK (CONTINUED)

Audited as at 31.12.2008

	← Non-trading book →					Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Liabilities									
Deposits from customers	3,530,826	1,144,522	1,749,847	13,818	-	908,293	-	7,347,306	2.51
Deposits and placements of banks and other financial institutions	221,916	-	314,569	-	345,250	-	-	881,735	3.35
Bills and acceptances payable	-	-	-	-	-	34,786	-	34,786	
Other liabilities	-	-	-	-	-	262,357	-	262,357	
Total liabilities	3,752,742	1,144,522	2,064,416	13,818	345,250	1,205,436	-	8,526,184	
Total equity	-	-	-	-	-	843,396	-	843,396	
	3,752,742	1,144,522	2,064,416	13,818	345,250	2,048,832	-	9,369,580	
Total profit-sensitivity gap	(1,898,961)	(658,362)	(1,043,933)	1,230,765	3,552,430				

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009 (CONTINUED)

24 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.

	<u>30.09.2009</u> RM'000	<u>31.12.2008</u> RM'000
<u>Tier I Capital</u>		
Paid-up ordinary share capital	523,424	523,424
Retained profits	135,437	135,437
Statutory reserve	<u>166,005</u>	<u>166,005</u>
	824,866	824,866
Less :		
Deferred tax assets	(19,960)	(19,960)
Total Tier I capital	<u>804,906</u>	<u>804,906</u>
<u>Tier II Capital</u>		
General allowance for bad and doubtful financing	93,484	97,984
Total Tier II capital	<u>93,484</u>	<u>97,984</u>
Less:		
Other deduction*	(3)	-
Total capital base	<u>898,387</u>	<u>902,890</u>
<u>Capital ratios</u>		
Core capital ratio (inclusive of market risk)	12.53%	12.07%
Risk-weighted capital ratio (inclusive of market risk)	<u>13.99%</u>	<u>13.54%</u>

* 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 UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2009 (CONTINUED)

25 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

26 MATERIAL EVENTS SUBSEQUENT TO BALANCE SHEET DATE

There were no material events subsequent to the balance sheet date that has not been reflected in the interim financial statements.

27 CHANGES IN PROFIT FOR THE QUARTER

The Bank recorded lower profit before taxation of RM17.1 million for the current quarter as compared to the previous quarter ended 30 June 2009 of RM22.4 million, despite registering higher net operating income and lower financing loss provision. The decrease was mainly due to release of profit equalization reserve (PER) made in the previous quarter.

28 PERFORMANCE REVIEW

Given the present challenging global and local economic scenario, the first 9 months of 2009 has been a challenging period as compared to the same period in 2008. For the 9 months ended 30 September 2009, the Bank posted 36% lower profit before taxation of RM49.5 million as compared to the preceding corresponding period ended 30 September 2008 of RM77.8 million. The decrease was largely contributed by the higher allowance for losses on financing and advances made during the period.

29 PROSPECTS OF FINANCIAL YEAR ENDING 31 DECEMBER 2009

The banking sector in Malaysia is expected to grow positively and will remain resilient. Keen competition is expected as the industry continues to pursue competitive pricing policies in low financing cost environment, for market share. With the consistently proactive action taken by BNM and Government in the implementation of economic stimulus packages, we are optimistic that there will be further improvement in the domestic economy towards the end of 2009.

In line with the anticipated improvement in the domestic economy and underpinned by the Group's strengthening performance, the Group expects to achieve a satisfactory performance in 2009.