



RHB BANK BERHAD

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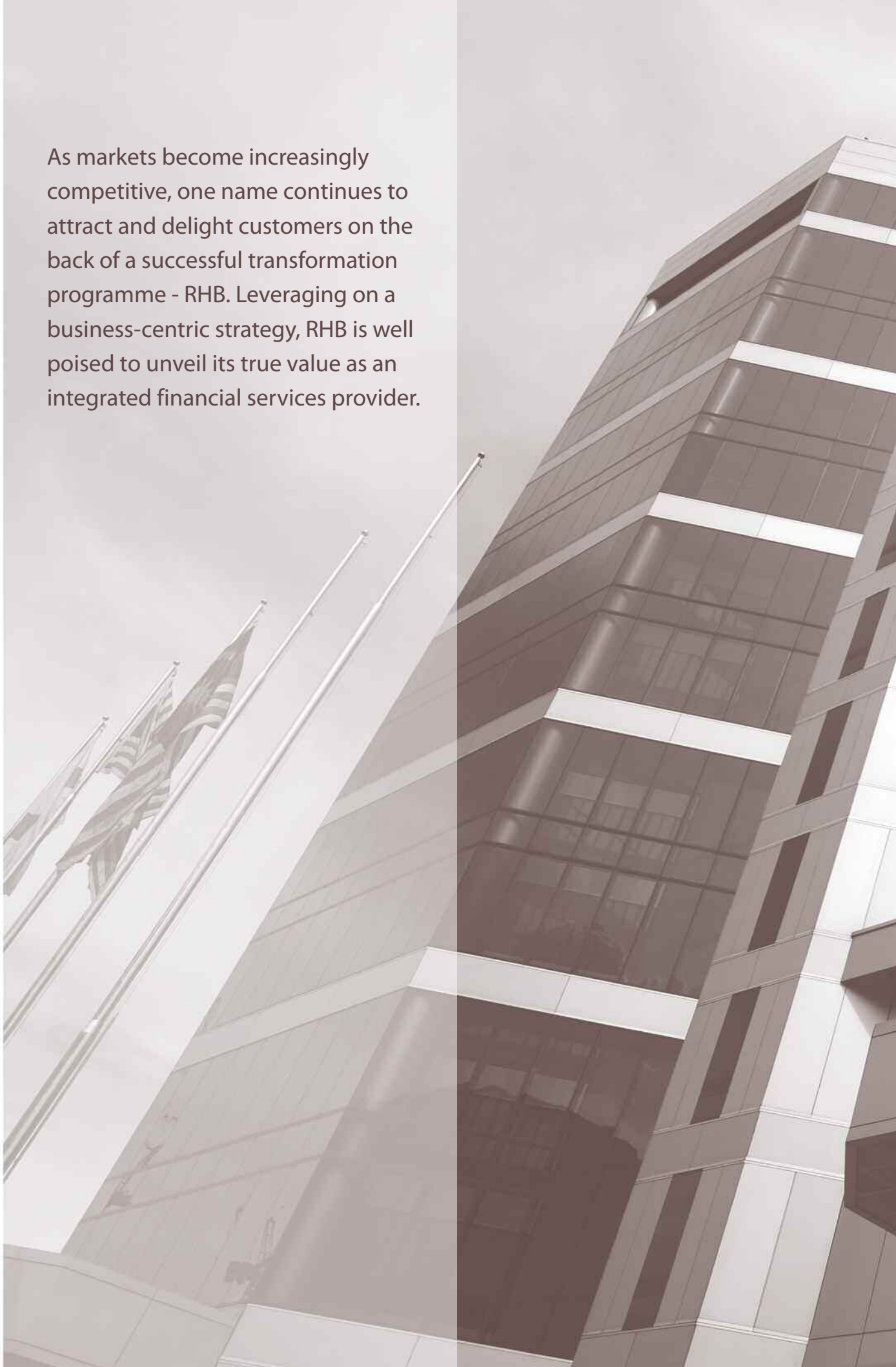
[rhb.com.my](http://rhb.com.my)



**RHB BANK BERHAD**  
ANNUAL REPORT **2007**



As markets become increasingly competitive, one name continues to attract and delight customers on the back of a successful transformation programme - RHB. Leveraging on a business-centric strategy, RHB is well poised to unveil its true value as an integrated financial services provider.





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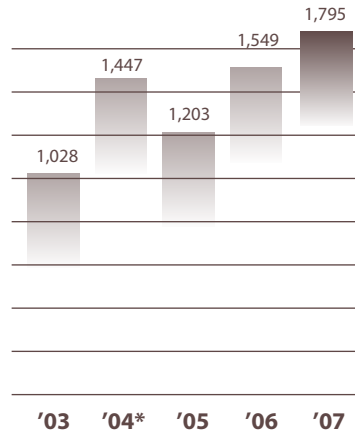
# financial highlights

## RHB Bank Group

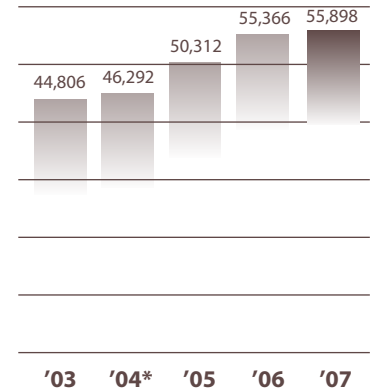
	12 months Ended 31 Dec 2007	12 months Ended 31 Dec 2006	12 months Ended 31 Dec 2005	18 months Ended 31 Dec 2004	12 months Ended 30 June 2003
<b>INCOME (RM MILLION)</b>					
Operating Profit	1,794.56	1,548.97	1,203.10	1,446.95	1,027.71
Profit Before INCPS div, tax & zakat	1,170.69	845.56	624.06	730.36	424.61
<b>BALANCE SHEET (RM MILLION)</b>					
Total Assets	94,484	95,124	84,756	77,087	64,550
Gross Loans and Advances	55,898	55,366	50,312	46,292	44,806
Total Deposits	78,360	65,662	59,302	55,622	49,910
Paid-up Capital	1,950	1,950	1,950	1,950	1,950
INCPS and Shareholders' Equity	5,976	6,065	5,705	5,477	5,160
<b>ORDINARY DIVIDENDS (PAID)</b>					
Gross Dividend Rate (%)	60.70	8.60	11.50	10.13	1.22
Net Dividend (Paid) (RM Million)	863.45	120.26	161.46	142.22	17.13
No final dividend in respect of the current financial year 2007 will be proposed at the forthcoming Annual General Meeting.					
Net Preference Dividends (Paid) (RM Million)	99.87	98.50	98.50	127.80	78.80
<b>FINANCIAL RATIOS</b>					
Net Tangible Assets Backing per 50 Sen Ordinary Share (Sen)	92.41	94.68	85.46	79.60	70.44
Return on Average Shareholders' Equity (%)	23.02	16.54	12.44	10.19*	9.41
Earnings per 50 Sen Ordinary Share (Sen)	19.30	12.90	9.70	11.00	6.50

\* Prorated to 12 months

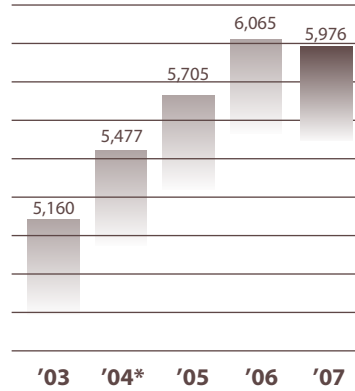




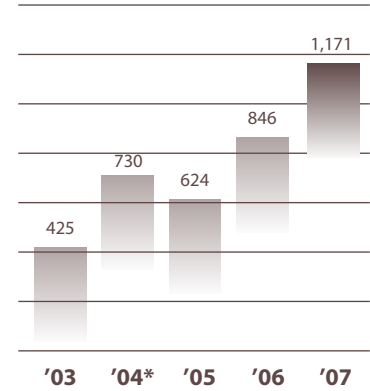
**Operating Profit**  
(RM million)



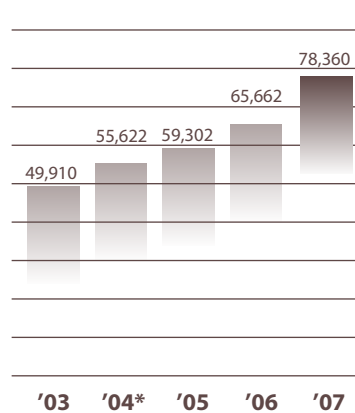
**Gross Loans and Advances**  
(RM million)



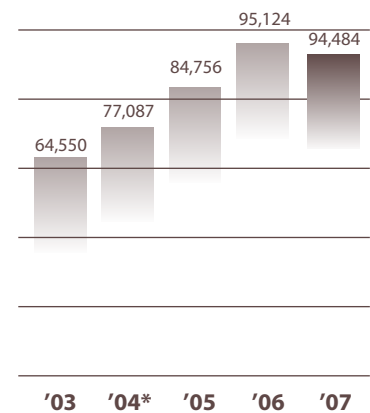
**INCPs and Shareholders' Equity**  
(RM million)



**Profit Before Tax**  
(RM million)



**Total Deposits**  
(RM million)



**Total Assets**  
(RM million)

\* The Bank changed its financial year end from 30 June to 31 December with effect from the financial period ended 31 December 2004 and accordingly, the results for that financial period are for eighteen months.

# corporate information

as at 31 March 2008

## BOARD OF DIRECTORS

YBhg Datuk Azlan Zainol  
 Chairman  
 Non-Independent Non-Executive Director

YBhg Dato Abdullah Mat Noh  
 Independent Non-Executive Director

Tuan Haji Khairuddin Ahmad  
 Independent Non-Executive Director

YBhg Dato' Mohd Salleh Hj Harun  
 Independent Non-Executive Director

YBhg Dato' Othman Jusoh  
 Independent Non-Executive Director

Encik Johari Abdul Muid  
 Non-Independent Non-Executive Director

Encik Ismael Fariz Ali  
 Independent Non-Executive Director

Mr Ong Seng Pheow  
 Independent Non-Executive Director

Mr Michael J Barrett  
 Managing Director

## SECRETARY

Encik Azman Shah Md Yaman

## BOARD COMMITTEES

### Audit Committee

Mr Ong Seng Pheow  
 Chairman

YBhg Dato' Mohd Salleh Hj Harun

YBhg Dato' Othman Jusoh

### Central Loans Committee\*

YBhg Dato Abdullah Mat Noh  
 Chairman

Encik Ismael Fariz Ali

Encik Johari Abdul Muid

YBhg Dato' Mohamed Khadar Merican

Tuan Haji Khairuddin Ahmad

### Group Risk Management Committee#

YBhg Dato' Mohd Salleh Hj Harun  
 Chairman

Tuan Haji Khairuddin Ahmad

Mr Patrick Chin Yoke Chung

YBhg Datin Khamarzan Ahmed Meah

YBhg Datuk Tan Kim Leong

## Group Nominating Committee#

YBhg Datuk Faisal Siraj  
 Chairman

YBhg Datuk Azlan Zainol

YBhg Datuk Tan Kim Leong

Encik Johari Abdul Muid

Encik Ismael Fariz Ali

## Group Remuneration and Human Resource Committee#

YBhg Datuk Tan Kim Leong  
 Chairman

YBhg Datuk Azlan Zainol

YBhg Datuk Faisal Siraj

Encik Johari Abdul Muid

Encik Ismael Fariz Ali

## GROUP CENTRAL MANAGEMENT

Mr Michael J. Barrett  
 Group Managing Director, RHB Capital Berhad

Puan Norazzah Sulaiman  
 Chief Operating Officer, RHB Capital Berhad

Mr Kellee Kam Chee Khiong  
 Chief Financial Officer, RHB Capital Berhad

Mr Chay Wai Leong  
 Head, Corporate & Investment Banking



Puan Jamelah Jamaluddin  
Head, Islamic Banking

Mr Renzo Viegas  
Head, Retail Banking

Mr Michael Lim Kheng Boon  
Chief Operating Officer

Mr Rupert Koh Hock Joo  
Head, Central Finance

Puan Nik Hasniza Nik Ibrahim  
Head, Human Resources

#### MANAGEMENT OF SUBSIDIARIES

##### RHB Islamic Bank Berhad

Puan Jamelah Jamaluddin  
Managing Director

##### RHB Bank (L) Ltd

Ms Toh Ay Leng  
General Manager

##### RHB Capital Nominees (Tempatan) Sdn Bhd and RHB Capital Nominees (Asing) Sdn Bhd

Mr Ang Suan York  
Senior Manager

#### OVERSEAS LOCATIONS

##### Singapore

Mr Lim Hun Joo  
Country Head, Singapore

##### Brunei, Bandar Seri Begawan

Encik Apandi Klompot  
Branch Manager, Brunei

##### Thailand, Bangkok

Mr Simon Hollis  
Country Head, Bangkok

##### Japanese Business Group Adviser

Mr Akira Miyama  
Executive Director for Japanese Business

#### REGISTERED OFFICE

Level 10, Tower One  
RHB Centre  
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#### BUSINESS ADDRESS

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MA31032 RHBANK  
MA30437 RHBANK  
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603-9206 8118  
(Peninsular Malaysia) or  
082-276 118  
(Sabah & Sarawak, 7am – 7pm)

#### AUDITORS

PricewaterhouseCoopers  
Chartered Accountants  
Level 10, 1 Sentral  
Jalan Travers  
Kuala Lumpur Sentral  
P.O. Box 10192  
50706 Kuala Lumpur  
Malaysia

\* The Committee resides at RHB Bank Berhad and is shared with the relevant subsidiaries of the Group.

# The Committee resides at RHB Capital Berhad and is shared with the relevant subsidiaries of the Group.

# profile of the board of directors

## YBhg Datuk Azlan Zainol

**(58 years of age – Malaysian)  
Non-Independent Non-Executive Chairman**

YBhg Datuk Azlan Zainol (YBhg Datuk Azlan) is currently the Chief Executive Officer of Employees Provident Fund Board (EPF). He has more than 27 years of experience in the financial sector, having been appointed as the Managing Director of AmBank Berhad and prior to that, as the Managing Director of AmFinance Berhad.

YBhg Datuk Azlan is a Fellow of the Institute of Chartered Accountants in England & Wales, Member of the Malaysian Institute of Accountants and Member of the Malaysian Institute of Certified Public Accountants.

YBhg Datuk Azlan's other directorships in public companies include Malaysian Resources Corporation Berhad (Chairman), Rashid Hussain Berhad, RHB Capital Berhad, RHB Investment Bank Berhad, Jardine Cycle & Carriage Limited, MCL Land Limited, ASIA Limited and Commonwealth Africa Investments Limited.

YBhg Datuk Azlan was appointed as a Director and formalised as Chairman of RHB Bank on 27 July 2005 and 29 July 2005, respectively, representing RHB Capital Berhad, the holding company of RHB Bank. He also serves as a Member of the Group Nominating Committee and Group Remuneration and Human Resource Committee.

## YBhg Dato Abdullah Mat Noh

**(67 years of age – Malaysian)  
Independent Non-Executive Director**

YBhg Dato Abdullah Mat Noh (YBhg Dato Abdullah) was formerly the President/Chief Executive Officer of Bank Utama (Malaysia) Berhad. Prior to joining Bank Utama in April 1999, he was attached to Standard Chartered Bank Malaysia Berhad for 36 years where his last position was the Senior Manager of its East Malaysia operations. YBhg Dato Abdullah is a Member of the Chartered Institute of Bankers and Chartered Institute of Secretaries.

YBhg Dato Abdullah's other directorships in public companies include RHB Investment Bank Berhad (Chairman) and RHB Islamic Bank Berhad.

YBhg Dato Abdullah was appointed as the Deputy Chairman of RHB Bank on 7 May 2003, representing RHB Capital Berhad, the holding company of RHB Bank. YBhg Dato Abdullah was re-designated as Independent Non-Executive Director of RHB Bank on 6 September 2007 after Utama Banking Group Berhad ceased to be a substantial shareholder of Rashid Hussain Berhad on 22 May 2007. YBhg Dato Abdullah had further relinquished his Deputy Chairmanship and remained as an Independent Non-Executive Director of RHB Bank on 1 January 2008. YBhg Dato Abdullah also serves as the Chairman of the Central Loans Committee.

## Tuan Haji Khairuddin Ahmad

**(65 years of age – Malaysian)  
Independent Non-Executive  
Director**

Tuan Haji Khairuddin Ahmad (Tuan Haji Khairuddin) began his career in the banking industry and was previously with Citibank N.A., Southern Bank Berhad, Bank of Commerce Berhad and Arab Malaysian Finance Berhad. He attended the Advance Management Course at Columbia Business School in New York, USA.

Tuan Haji Khairuddin's other directorships in public companies include RHB Insurance Berhad.

Tuan Haji Khairuddin was appointed as a Director of RHB Bank on 6 September 2001, representing Danamodal Nasional Berhad (Danamodal). Tuan Haji Khairuddin was re-designated from Non-Independent Non-Executive Director to Independent Non-Executive Director on 18 March 2008, after Danamodal ceased to be a substantial Irredeemable Non-Cumulative Convertible Preference Shareholder of RHB Bank in January 2008. He also serves as a Member of the Central Loans Committee and Group Risk Management Committee.

## YBhg Dato' Mohd Salleh Hj Harun

**(63 years of age – Malaysian)  
Independent Non-Executive  
Director**

YBhg Dato' Mohd Salleh Hj Harun (YBhg Dato' Mohd Salleh) has 33 years of experience in banking and financial sector, having held various senior positions in Aseambankers Malaysia Berhad and Malayan Banking Berhad. He was the Executive Director of Malayan Banking Berhad from 1994 to 2000 prior to joining Bank Negara Malaysia, whereat he served as Deputy Governor from 2000 to 2004. He is a Fellow of the Institute of Bankers and also a Member of the Malaysian Institute of Certified Public Accountants.

YBhg Dato' Mohd Salleh's other directorships in public companies include RHB Insurance Berhad (Chairman), RHB Islamic Bank Berhad, Titan Chemical Corp Berhad and Scicom MSC Berhad.

YBhg Dato' Mohd Salleh was appointed as a Director of RHB Bank on 20 August 2004. He also serves as the Chairman of the Group Risk Management Committee as well as a member of Audit Committee.

## profile of the board of directors

### YBhg Dato' Othman Jusoh

**(59 years of age – Malaysian)  
Independent Non-Executive  
Director**

YBhg Dato' Othman Jusoh (YBhg Dato' Othman) has held various senior positions in the Ministry of Finance until his retirement in June 2004. He has also served as the Group Chief Executive of Malaysian Kuwaiti Investment Co. Sdn Bhd from 1995 to 1998 and as the Executive Director of Asian Development Bank from August 2000 to July 2003. He was also the Chief Executive Officer of Perbadanan Tabung Pendidikan Tinggi Nasional from August 2004 to August 2006. He is currently the Chairman of TH Technologies Sdn Bhd since 1 June 2005. He holds a Bachelor of Economics (Honours) in Analytical Economics from the University of Malaya and a Masters in Business Administration from the University of Oregon, USA.

YBhg Dato' Othman's current directorship in public company is with RHB Islamic Bank Berhad.

YBhg Dato' Othman was appointed as a Director of RHB Bank on 23 August 2004, representing Khazanah Nasional Berhad (Khazanah). YBhg Dato' Othman has ceased to be the representative of Khazanah since 30 June 2006 and accordingly he was re-designated from Non-Independent Non-Executive Director to Independent Non-Executive Director on 21 July 2006. He also serves as a Member of Audit Committee.

### Encik Johari Abdul Muid

**(50 years of age - Malaysian)  
Non-Independent Non-  
Executive Director**

Encik Johari Abdul Muid (Encik Johari) has more than 27 years of experience in the financial sector. He started his career as a Money Market Dealer with Asian International Merchant Bankers Berhad in 1981. From 1983 to 1994, he was with Commerce International Merchant Bankers Berhad, working in the Treasury Division and was made the Head of Treasury in 1988. He became the Senior Vice President of Institutional Sales in 1995, within a year of joining CIMB Securities Sdn Bhd (CIMB Securities), where he was responsible in setting up the Institutional Sales Team of CIMB Securities. Prior to joining Employees Provident Fund Board (EPF) in August 2004, he was the Chief Investment Officer of ValueCap Sdn Bhd which he joined in February 2003. He is currently the Chief Investment Officer (Equity) of EPF. He is an Associate Member of the Chartered Institute of Management Accountants, United Kingdom.

Encik Johari's other directorships in public companies include Rashid Hussain Berhad, RHB Capital Berhad, RHB Islamic Bank Berhad and South Johor Investment Corporation Berhad.

Encik Johari was appointed as a Director of RHB Bank on 1 April 2005, representing RHB Capital Berhad, the holding company of RHB Bank. He also serves as a member of the Central Loans Committee, Group Remuneration and Human Resource Committee as well as Group Nominating Committee.

## Encik Ismael Fariz Ali

**(45 years of age - Malaysian)  
Independent Non-Executive  
Director**

Encik Ismael Fariz Ali (Encik Fariz) was appointed as the Executive Director, Investment Division of Khazanah Nasional Berhad in October 2007. Prior to this, he was the Managing Director of a technology venture capital firm registered with the Securities

Commission, which he co-founded in 2000. In his seven years leading the firm, Encik Fariz has been involved in the management of several venture and private equity funds ranging from angel and early-stage technology funds to mezzanine stage funds. Prior to joining FirstFloor Capital Sdn Bhd, Encik Fariz was attached to a leading Malaysian investment bank. He has 7 years experience in venture capital and 17 years experience in merchant banking ranging from corporate finance, privatization, mergers and acquisitions, project finance, restructuring and overseas investments.

Encik Fariz's current directorships in public companies include Celcom (M) Berhad, Technology Resources Industries Berhad, Pharmaniaga Berhad, RHB Bank (L) Ltd (Chairman) and TM International Berhad.

Encik Fariz was appointed as a Director of RHB Bank on 10 August 2005, representing Khazanah Nasional Berhad (Khazanah). Encik Fariz was re-designated as Independent Non-Executive Director of RHB Bank on 6 September 2007 after Khazanah ceased to be a substantial shareholder of RHB Bank on 12 July 2007. He also serves as a member of the Central Loans Committee, Group Remuneration and Human Resource Committee as well as Group Nominating Committee.

## Mr Ong Seng Pheow

**(59 years of age - Malaysian)  
Independent Non-Executive  
Director**

Mr Ong Seng Pheow (Mr Ong) has over 34 years of audit and accounting experience. He is a Member of the Malaysian Institute of Certified Public Accountants (MICPA) and Malaysian Institute of Accountants. He was a partner of Ernst & Young from 1984 to 2003. His last held position in Ernst & Young was the National Director of Assurance and Advisory Business Services. He has served on committees and working groups of MICPA.

Mr Ong's current directorships in public companies include RHB Insurance Berhad, Daiman Development Berhad, LCTH Corporation Berhad, George Kent Malaysia Berhad and HELP International Corporation Berhad.

Mr Ong was appointed as a Director of RHB Bank on 20 November 2006. He also serves as the Chairman of Audit Committee.

## Mr Michael J Barrett

**(57 years of age - American)  
Managing Director**

Mr Michael J Barrett (Mr Barrett) is currently the Group Managing Director of RHB Banking Group. He has vast banking experience spanning 30 years with Chase Manhattan Bank, USA N.A. where his last position was the Chief Executive Officer and President of Chase Manhattan Bank, USA N.A. He holds a Bachelor of Science in Economics and Business Administration from Alfred University, Alfred, New York and a Masters in Business Administration in Finance from Fordham University, Bronx, New York.

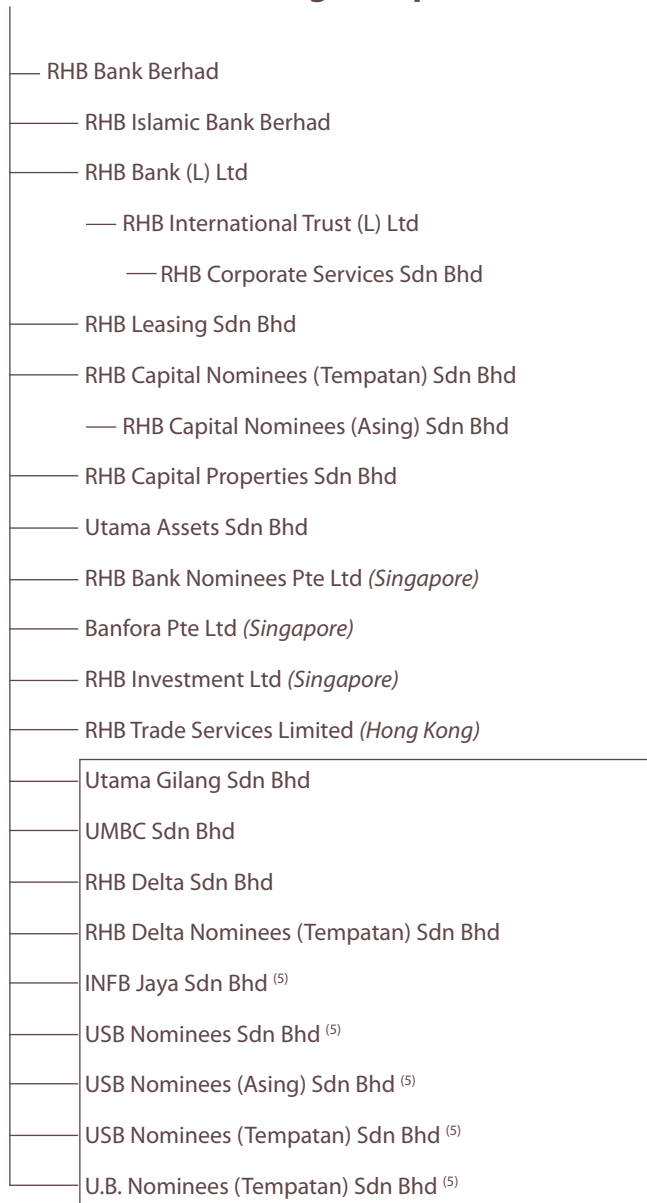
Mr Barrett's other directorships in public companies include RHB Capital Berhad, RHB Islamic Bank Berhad, RHB Bank (L) Ltd and RHB International Trust (L) Ltd. He is also a director of other non-public companies such as Malaysian Electronic Payment System (1997) Sdn Bhd and Financial Park (Labuan) Sdn Bhd as well as a council member of the Institut Bank-Bank Malaysia.

Mr Barrett first appointed as the Chief Executive Officer of RHB Bank on 3 January 2005. Subsequently, he was appointed as the Managing Director of RHB Bank on 8 October 2007.

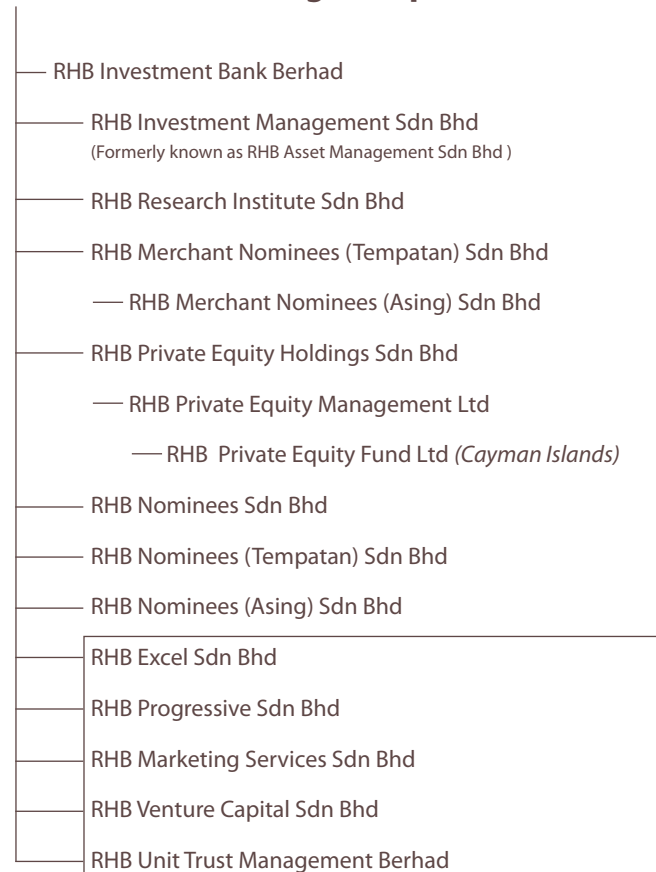
# RHB Banking Group corporate structure

as at 31 March 2008

## Commercial Banking Group



## Investment Banking Group





## RHB CAPITAL BERHAD

### Others

— RHB Insurance Berhad <b>(79.5%)</b>
— RHB Equities Sdn Bhd <sup>(1)</sup>
— KYB Sdn Bhd
— RHB Capital (Jersey) Limited
— Rashid Hussain Securities (Philippines), Inc <i>(Philippines)</i> <sup>(2)</sup>
— PT Rashid Hussain Securities <i>(Indonesia)</i> <b>(85%)</b> <sup>(3)</sup>
— RHB Hartanah Sdn Bhd
— Positive Properties Sdn Bhd <b>(50%)</b>
— Straits Asset Holdings Sdn Bhd
— SSSB Services (Melaka) Sdn Bhd
— SFSB Services (Melaka) Sdn Bhd
— RHB Dynamic Technologies Sdn Bhd <sup>(4)</sup>
— RHB Bena Sdn Bhd <sup>(4)</sup>
— KYB Trust Management Sdn Bhd <sup>(4)</sup>
— Kwong Yik Nominees (Asing) Sdn Bhd <sup>(4)</sup>
— Kwong Yik Nominees (Tempatan) Sdn Bhd <sup>(4)</sup>
— RHBF Sdn Bhd
— KYF Sdn Bhd

### Notes:

The subsidiary companies are wholly-owned unless otherwise stated.

Dormant company

Associate company

<sup>(1)</sup> With effect from 1 July 2001, the company's activities relate primarily to recovery of outstanding debts.

<sup>(2)</sup> The company has ceased operations from the close of business on 10 December 2001.

<sup>(3)</sup> The company has ceased operations on 31 July 2001 and commenced proceedings for members' voluntary dissolution.

<sup>(4)</sup> The company has commenced members' voluntary winding-up on 26 November 2007.

<sup>(5)</sup> The company has commenced members' voluntary winding-up on 25 March 2008.

*Country of incorporation is in Malaysia unless otherwise indicated in italics.*



# corporate governance statement

## INTRODUCTION

The Board of Directors ('Board') of RHB Bank Berhad ('RHB Bank' or 'the Bank') continuously supports the institution of relevant framework and designs in upholding the principles and best practices of corporate governance.

The Board of the Bank is committed to enhance the level of governance by among others, ensuring effective day to day operations and interactions as well as discharging its fundamental roles and responsibilities based on highest practice levels.

In furtherance to the above, the Board of RHB Bank is pleased to report on the application by the Bank and its subsidiary companies ('Group') of the principles contained in the Malaysian Code on Corporate Governance (Revised 2007) ('Code') and the extent of compliance with the best practices of the Code. The Bank is also governed by Bank Negara Malaysia's ('BNM') Guidelines On Corporate Governance For Licensed Institutions ('Revised BNM/GP1').

## BOARD OF DIRECTORS

### Board's Responsibilities

Being the ultimate decision making body, the Board subscribes to the principles of good corporate governance and as such, will always ensure that the Bank and its Group adopt best practices in the conduct of the Bank's and the Group's businesses and operational activities. Board Meetings are held on a scheduled basis in ensuring relevant policy, strategy and business performance issues are discussed and accordingly tracked and monitored. Special Board Meetings are also convened when the need arose and that includes Joint Meetings with the subsidiaries. At the operational level, relevant Board Committees and Management Committees at the Bank and its operating subsidiaries were also established. Reports from these Board and Management Committees are elevated to the Board for notation and/or further direction, as and when required.

### Composition of the Board

The Board currently has nine (9) members, comprising a Non-Independent Non-Executive Chairman, a Non-Independent Non-Executive Director, six (6) Independent Non-Executive Directors and a Managing Director, details of which are as follows:

Name of Director	Designation
YBhg Datuk Azlan Zainol	Non-Independent Non-Executive Chairman
YBhg Dato Abdullah Mat Noh	Independent Non-Executive Director
Tuan Haji Khairuddin Ahmad	Independent Non-Executive Director
YBhg Dato' Mohd Salleh Hj Harun	Independent Non-Executive Director
YBhg Dato' Othman Jusoh	Independent Non-Executive Director
Encik Johari Abdul Muid	Non-Independent Non-Executive Director
Encik Ismael Fariz Ali	Independent Non-Executive Director
Mr Ong Seng Pheow	Independent Non-Executive Director
Mr Michael J Barrett (appointed on 8 October 2007)	Managing Director

The Board composition is in compliance with the Revised BNM/GP1, which requires licensed institutions to ensure that at least one-third of their board members are independent directors.

YBhg Dato' Vaseehar Hassan Abdul Razack resigned as a Non-Independent Non-Executive Director on 31 December 2007.

YBhg Dato' Mohamed Khadar Merican retired as an Independent Non-Executive Director on 9 January 2008.

The Board had in 2007, conducted the Board Effectiveness Evaluation for assessment year 2006, to assess the effectiveness of the Board and Board Committees as a whole, as well as the individual directors. The Board Effectiveness Evaluation for assessment year 2007 will be conducted accordingly. The Board Effectiveness Evaluation will be further enhanced with an improvement programme to achieve among others:

- Alignment on the Board's priorities;
- Intensify performance management; and
- Increase visibility in the area of human capital management.

Individually, the Directors possess the knowledge and skills in identifying key issues, constructively challenge, collaborate to solve problems, propose solutions as well as support the Management. Collectively, the Board reflects the ability with the skills and attributes that are required by the Bank in meeting its goals and objectives while at the same time serving the interest of shareholders and stakeholders.

The Directors bring together to the Board a wide range of business management skills, as well as banking and financial experience required for the management of one of the largest banks in the country. All Board members participate fully in the deliberation and decision making process on key issues involving the Group.

There are clear division of responsibilities between the Board and the Managing Director ('MD') to ensure the balance of power and authority. The MD's primary responsibilities are to manage the Bank's day-to-day operations and is ultimately responsible and accountable for the implementation of decisions or policies as approved by the Board, spearheading the Management team and instilling corporate culture. The MD together with the Non-Executive Directors also ensure that strategies are fully discussed and examined, taking into account the long term interests of the various stakeholders including shareholders, employees, customers, suppliers and the various communities in which the Bank and the Group conducts its business with. Each Director further brings an independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

Following a group-wide strategic transformation programme in 2007 ('Transformation Exercise'), there is a significant change in the organizational and reporting structure of all the companies within the RHB Banking Group. The core businesses, which were conducted by various legal entities within RHB Banking Group, has been streamlined into four Strategic Business Units ('SBUs') comprising Retail, Corporate Investment Banking, Islamic and International, alongside four Strategic Functional Units ('SFUs'), namely Operations & Support,

Finance, Risk Management and Human Resources. A Central Management Committee ('CMC') comprising key management personnel of RHB Banking Group has been established to among others, provide strategic guidance to the SBUs and SFUs. The CMC also recommends to the Boards of the respective companies on the implementation of key strategic business plans and policies and assists the Boards of the respective companies in reviewing its performances and business efficiency.

All decisions of the Board are based on the decision of the majority and no single Board member can make any decision on behalf of the Board, unless duly authorised by the Board of Directors. No individual or a group of individuals dominates the decision making process. This enables the Board to effectively discharge its principal responsibilities as set out in the Code and Revised BNM/GP1.

The profile of each Director is presented on page 6 to page 9 of the Annual Report.

### **Board Meetings and Supply of Information to the Board**

The Board meets on a scheduled basis at least once a month with additional meetings held when urgent issues and important decisions are required to be taken between the scheduled meetings.

## corporate governance statement

The Board convened fifteen (15) meetings for the financial year ended 31 December 2007. The attendance of each Director in office at the end of the financial year at the aforesaid Board meetings are set out below:

Name of Director	Total Meetings Attended	Percentage of Attendance (%)
YBhg Datuk Azlan Zainol	15/15	100
YBhg Dato Abdullah Mat Noh	15/15	100
Tuan Haji Khairuddin Ahmad	14/15	93
YBhg Dato' Mohd Salleh Harun	15/15	100
YBhg Dato' Othman Jusoh	13/15	87
Encik Johari Abdul Muid	13/15	87
Encik Ismael Fariz Ali	12/15	80
Mr Ong Seng Pheow	12/15	80
Mr Michael J Barrett (MD) <sup>(1)*</sup>	3/3	100
YBhg Dato' Vaseehar Hassan Abdul Razack <sup>(2)</sup>	11/15	73
YBhg Dato' Mohamed Khadar Merican <sup>(3)</sup>	13/15	87

**Notes:-**

(1) Appointed on 8 October 2007

(2) Resigned on 31 December 2007

(3) Ceased on 9 January 2008

\* Based on the number of meetings held since he was appointed to the Board

Pursuant to the Revised BNM/GP1, individual directors must attend 75% of the board meetings held in each financial year. For the year under review, save for YBhg Dato' Vaseehar Hassan Abdul Razack, who had resigned on 31 December 2007, all Directors complied with the attendance requirement as stipulated by BNM.

Scheduled Board meetings are structured with a pre-set agenda. In line with the best practice, the Management will deliver Board materials/papers to Board Members at least seven (7) days prior to the scheduled Board Meeting date. This move will provide reasonable time for the Board Members to digest the relevant information and be ready for the necessary deliberations during the Meeting. The Board's principal focus amongst others is the overall strategic direction, financial and corporate developments of the Bank. Key matters

such as the Bank's business and marketing strategy and budget, annual interim results, material contracts, major capital expenditure, credit policies and guidelines are usually reserved for the Board's deliberation and decision.

The Management shall provide all material information that is relevant for the Board to administer/monitor the overall running of the Bank. The Chairman of the Board will lead the organization of information based on the Agenda during the Board Meeting.

The Directors are kept abreast of the Bank's performance via the various monthly reports tabled at the Board meetings and Board Committee meetings. These reports include financial reports, major capital expenditure reports, risk reports, IT reports, compliance reports, audit reports and report on major litigation cases. Minutes of meetings of the various committees of the Bank are tabled to the Board for notation.

The Directors have full access to information of the Bank and the Group through the Management as well as the advice and services of the Company Secretaries. In addition, Directors may also seek independent professional advice, at the Bank's expense, if required. Directors shall consult with the Chairman and other Board members prior to seeking any independent professional advice.

### Directors' Training

RHB Bank complies with the Revised BNM/GP1, which requires a licensed institution to develop in-house orientation and education programs for its newly appointed directors to familiarise them with the company and the industry. In addition, members of the Board keep abreast with the relevant developments in business, banking and finance industry as well as new regulatory requirements on a continuous basis via various conferences, seminars and training programmes organised within the Group and by other external organizers. The topics presented at these programmes are wide-ranging and provide the Directors with current updates on various business, management, compliance and regulatory issues.

### Appointment to the Board and Re-election of Directors

The proposed appointment of new Board members, as well as re-appointment of the Board members are recommended by the Group Nominating Committee, which functions at the holding company of RHB Bank i.e. RHB Capital Berhad ('RHB Capital'). The Group Nominating Committee thereafter recommends its findings to the Board of RHB Bank for approval. The appointments are further subject to BNM's approval. In the case of a re-appointment of a director for an additional term, the particular director's performance evaluation under the Board Effectiveness Evaluation shall be referred to in assessing among others his/her knowledge, skills, mindset, contributions and collaboration with other fellow Directors as well as the Management.

In accordance with the Bank's Articles of Association, one-third (1/3) of the Directors shall retire from office but shall be eligible for re-election at each Annual General Meeting. Directors who are appointed by the Board during the financial period are also subject to re-election by shareholders at the next Annual General Meeting following their appointments.

### Directors' Remuneration

There is a formal and transparent procedure for fixing Directors' remuneration packages. The level of remuneration is sufficient to attract and retain Directors of caliber to navigate the Bank accordingly. The Group Remuneration and Human Resource Committee, which also functions at RHB Capital, will review the remuneration framework of Directors, Board Committee Members and Key Senior Management Officers.

In the case of Non-Executive Directors, their level of remuneration reflects the level of responsibilities undertaken by the particular Non-Executive Director concerned in the Bank and in the Group. For the MD, his remuneration is structured so as to link rewards to his contributions and achievements, in tandem with the Bank's/Group's corporate objectives, culture and strategy.

The Board determines the remuneration packages of the Non-Executive Directors subject to shareholder's approval for the Directors' fees. The annual Directors' fees for Non-Executive Directors is RM80,000 per Director. Meeting attendance allowances have been fixed at RM1,000 per meeting per Director.

## BOARD COMMITTEES

### Audit Committee

The Board has established an Audit Committee since 13 December 1984. The Committee presently comprises three (3) Independent Non-Executive Directors of whom one (1) is the Chairman, as follows:

- (1) Mr Ong Seng Pheow (Chairman)
- (2) YBhg Dato' Mohd Salleh Hj Harun
- (3) YBhg Dato' Othman Jusoh  
(appointed on 1 March 2008)

### Previous Members

- (1) Tuan Haji Khairuddin Ahmad  
(resigned on 1 March 2008)
- (2) Prof Balachandran A. Shanmugan  
(ceased on 3 March 2007)

The Audit Committee meets regularly to review the Bank's and the Group's financial reporting, the nature, scope and results of audit reviews, and the effectiveness of the system of internal controls and compliance. The Head of Finance, internal auditors as well as the external auditors are invited to these meetings as and when necessary.

To ensure the independence and objectivity of the external auditors, the Audit Committee meets with the external auditors without the presence of the Management at least once a year. The terms of reference of the Audit Committee are set out in page 27 to page 28 of this Annual Report.

#### **Group Nominating Committee**

The Board has established the Nominating Committee ('NC') since 5 September 2002. On 1 January 2008, the Group Nominating Committee ('Group NC') was formally established at RHB Capital to undertake the roles and responsibilities of the NCs within the RHB Banking Group. Accordingly, the NC of RHB Bank has been dissolved on the same date.

The Group NC presently comprises directors within the RHB Banking Group i.e. three (3) Independent Non-Executive Directors of whom one (1) is the Chairman, and two (2) Non-Independent Non-Executive Director, as follows:

1. YBhg Datuk Faisal Siraj (Chairman)
2. YBhg Datuk Azlan Zainol
3. YBhg Datuk Tan Kim Leong
4. Encik Johari Abdul Muid
5. Encik Ismael Fariz Ali

Apart from identifying and selecting candidates for new appointments, the Group NC is also responsible for assessing the effectiveness of individual Directors, Board as a whole and the various committees of the Board, Group Shariah Committee members, chief executive officers and key senior management officers of the relevant companies in the Group. The Group NC reviews annually the required mix of skills, experience and other qualities including core competencies which directors should bring to the Board and which the Board requires for it to function completely and efficiently.

As a tool to assist the Group NC in its yearly assessment on the effectiveness of an individual director within the Group, the Bank and its major operating subsidiaries have adopted the Board Effectiveness Evaluation methodology for its Board, Board Committees and the individual directors, in line with the Corporate Governance Standards.

The Company Secretary complements the functions of the Group NC by ensuring all regulatory requirements are strictly adhered to and all relevant records and returns are updated regularly.

The Terms of Reference of the Group NC are set out in page 18 to page 19 of this Annual Report.

#### **Group Remuneration and Human Resource Committee**

The Board has established the Remuneration and Human Resource Committee ('RHRC') since 4 May 2000. On 1 January 2008, the Group Remuneration and Human Resource Committee ('Group RHRC') has also been established at RHB Capital to undertake the roles and responsibilities of the RHRCs within the RHB Banking Group. Arising therefrom, the RHRC of RHB Bank has been dissolved.

The Group RHRC presently comprises directors within the RHB Banking Group i.e. three (3) Independent Non-Executive Directors of whom one (1) is the Chairman, and two (2) Non-Independent Non-Executive Directors, as follows:

1. YBhg Datuk Tan Kim Leong (Chairman)
2. YBhg Datuk Azlan Zainol
3. YBhg Datuk Faisal Siraj
4. Encik Johari Abdul Muid
5. Encik Ismael Fariz Ali

The Group RHRC assists the Board in ensuring that the directors and senior management of the Bank and the relevant subsidiaries are fairly rewarded for their individual contributions to the Group's overall performance and the levels of the remuneration are sufficient to attract and retain the best directors and senior management to manage the Group successfully.

The Terms of Reference of the Group RHRC are set out in page 19 to page 20 of this Annual Report.

### Group Risk Management Committee

The Board has established the Risk Management Committee ('RMC') since 30 January 2001. The Group Risk Management Committee ('Group RMC') for RHB Capital Group has been established at RHB Capital effective 1 November 2007. Accordingly, the RMC of the Bank has been dissolved on the same date.

The Group RMC presently comprises directors within the RHB Banking Group i.e. five (5) Independent Non-Executive Directors of whom one (1) is the Chairman, as follows:

1. YBhg Dato' Mohd Salleh Hj Harun (Chairman)
2. Tuan Haji Khairuddin Ahmad
3. Mr Patrick Chin Yoke Chung
4. YBhg Datin Khamarzan Ahmed Meah
5. YBhg Datuk Tan Kim Leong (appointed on 1 January 2008)

#### Previous Member

- (1) YBhg Dato' Vaseehar Hassan Abdul Razack (resigned on 31 December 2007)

The Group RMC monitors in-depth the governance of risks for each of the key operating subsidiaries as previously discharged by the individual RMCs i.e. RHB Capital, RHB Bank, RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad.

The Terms of Reference of the Group RMC are set out in page 21 to page 22 of this Annual Report.

### Central Loans Committee

The Board has established the Loans Committee ('LC') since 4 July 2001. The LC has been renamed as Central Loans Committee ('CLC') in June 2007 to reflect its functions of affirming, imposing additional covenants or vetoing credits of RHB Banking Group [presently comprising RHB Bank, RHB Bank (L) Ltd and RHB Investment Bank Berhad] which were duly approved by the Central Credit Committee.

Currently, the CLC comprises directors within RHB Bank, RHB Bank (L) Ltd and RHB Investment Bank Berhad i.e. four (4) Independent Non-Executive Directors of whom one (1) is the Chairman, and a Non-Independent Non-Executive Director, as follows:

- (1) YBhg Dato Abdullah Mat Noh (Chairman)
- (2) Encik Johari Abdul Muid
- (3) Encik Ismael Fariz Ali
- (4) YBhg Dato' Mohamed Khadar Merican
- (5) Tuan Haji Khairuddin Ahmad (appointed on 1 March 2008)

#### Previous Member

- (1) YBhg Dato' Othman Jusoh (resigned on 1 March 2008)

The Terms of Reference of the CLC are set out in page 22 to page 23 of this Annual Report.

### RELATIONSHIP WITH SHAREHOLDER

RHB Bank maintains a high level of disclosure and extensive communication with its shareholder, RHB Capital, with the provision of clear, comprehensive and timely information through a number of readily accessible channels.

In furtherance to the above, the Bank also supports the Group's effort in fulfilling its corporate social responsibility to the community by active involvement in various community and nation building campaign.

### ACCOUNTABILITY AND AUDIT

#### Financial Reporting

In presenting the annual audited financial statements and quarterly announcements of results to stakeholders, the Directors take responsibility to present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee assists by scrutinising the information to be disclosed, to ensure accuracy and adequacy. A statement by Directors of their responsibilities in preparing the financial statements is set out in page 29 of this Annual Report.

#### Internal Control

The Statement of Internal Control set out in page 24 to page 25 of this Annual Report provides an overview of the state of internal controls within the Group.

#### Relationship with the Auditors

The Board maintains a formal and transparent professional relationship with the auditors, through the Audit Committee. The activities and role of the Audit Committee in relation to the internal and external auditors are described in the Audit Committee Report set out in page 26 to page 27 of this Annual Report.

# terms of reference of board of committees

## GROUP NOMINATING COMMITTEE

### Objectives

1. To provide a documented, formal and transparent procedure for the appointment of directors, board committee members, Group Shariah Committee members, chief executive officer and key senior management officers (Note : key senior management officers are defined as deputy chief executive officer, chief operating officer, chief financial officer and members of the Central Management Committee) as well as assessment of effectiveness of individual directors, board, board committees and Group Shariah Committee as a whole and performance of the chief executive officer and key senior management officers of RHB Capital Berhad (RHB Capital) Group.
2. To assist the Board in ensuring that appointments are made on merit against an agreed specification.
3. To assist the Board in identifying and reviewing, on an annual basis, the required mix of skills, experience and other qualities, including core competencies which directors should bring to the Board and which the Board requires for it to function completely and efficiently.
4. To examine the size of the Board with a view of determining the impact of the number upon its effectiveness.

### Roles And Responsibilities

The Group Nominating Committee is responsible for:-

1. Establishing minimum requirements for the Board i.e. required mix of skills, experience, qualification and other core competencies required of a director. The committee is also responsible for establishing minimum requirements for the chief executive officer and key senior management officers. The requirements and criteria should be approved by the Board;

2. Recommending and assessing the nominees for directorship, board committee members, Group Shariah Committee members as well as nominees for the chief executive officer and key senior management officers. This includes assessing directors, Group Shariah Committee members and chief executive officer for reappointment, before an application for approval is submitted to Bank Negara Malaysia. The actual decision as to who shall be nominated should be the responsibility of the Board;
3. Overseeing the overall composition of the Board/Board committees, in terms of the appropriate size and skills, and the balance between executive directors, non-executive directors and independent directors through annual review;
4. Recommending to the Board the removal of a director/board committee member/chief executive officer/Group Shariah Committee member and key senior management officers from the board/board committees/management if the director/board committee member/chief executive officer/Group Shariah Committee member/key senior management officer is ineffective, errant and negligent in discharging his responsibilities;
5. Establishing a mechanism for the formal assessment on the effectiveness of the Board as a whole and the contribution of each director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the chief executive officer and other key senior management officers. Annual assessment should be conducted based on an objective performance criterion. Such performance criteria should be approved by the Board;

6. Ensuring that all directors and Group Shariah Committee members receive an appropriate induction and continuous training program in order to keep abreast with the latest developments in the industry;
7. Overseeing the appointment, management succession planning and performance evaluation of key senior management officers;
8. Assessing, on an annual basis, that the directors, Group Shariah Committee members, chief executive officer and key senior management officers are not disqualified under the relevant regulations;
9. Assessing the independence of the independent directors of RHB Capital Group on an annual basis; and
10. To perform any other functions as defined by the Board.

### Authority

1. Each and every member of the Committee shall be vested with such power and authority, specific or general, as may from time to time be decided upon by the Board.
2. The Committee is authorised by the Board to act within its terms of reference, to obtain the resources which it requires including but not limited to obtaining advice from expert advisers, both internal and external, and to have full and unrestricted access to information to enable the Committee to fulfill its objectives.
3. The actual decision as to who shall be nominated should be the responsibility of the Board after considering the recommendations of the Committee.



### Meetings

1. Meetings shall be held at least once a year with a quorum of four (4) members and at least one (1) member present shall be an independent non-executive director. Additional meetings may be called at the discretion of the Chairman of the Committee.
2. The Committee may invite any other director or members of management and employees of the Company to be in attendance during meetings to assist in its deliberations.
3. Meetings of the Committee shall be governed by the provisions of the Company's Articles of Association relating to Board meetings except in so far as the same are amended in these terms of reference.
4. The Company Secretary shall be the Secretary of the Committee.
5. Minutes of each Committee meeting shall be kept and distributed to all Committee members. The minutes of the Committee meeting shall be presented at the Board Meeting and the Chairman of the Committee shall report on each Committee meeting to the Board.

### Composition

1. The nominating committee shall consist of a minimum of five members, of whom at least four must be non-executive directors. The committee should be chaired by an independent director.
2. If the number of members of the Committee is reduced to below five (5) for any reasons, the Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of five (5) members.

3. In order to avoid conflict of interest, a member of the committee shall abstain from participating in discussions and decisions on matters involving him.

### Disclosure

The activities of the committee and its assessments should be briefly disclosed in the Directors' report of RHB Capital Group's annual report as follows:-

- Membership of the committee
- Responsibilities of the committee;
- Number of Committee meetings. RHB Capital Group is encouraged to disclose information on the number of meetings attended by each member of the committee; and
- A statement on the committee's assessment on the mix of skills, experience and other qualities of directors.

### GROUP REMUNERATION AND HUMAN RESOURCE COMMITTEE

#### Objectives

1. To provide a formal and transparent procedure for developing the remuneration policy for directors, board committee members, chief executive officer, Group Shariah Committee members and key senior management officers (Note: key senior management officers are defined as deputy chief executive officer, chief operating officer, chief financial officer and Members of the Central Management Committee) of RHB Capital Berhad ("RHB Capital") Group and ensuring that compensation is competitive and consistent with the RHB Capital Group's culture, objectives and strategy.
2. To recommend to the Board on the policies, strategies and framework for the RHB Capital Group in relation to staff remuneration, rewards and benefits.

3. To oversee and review the scope and quality of human resource projects/programmes of the RHB Capital Group.
4. To oversee the disciplinary procedures, regulations and preventive measures as well as to ensure implementation and adherence to the disciplinary procedures.

### Roles and Responsibilities

The Group Remuneration and Human Resource committee is responsible for:-

1. Recommending a framework of remuneration for directors, board committee members, chief executive officer, Group Shariah Committee members and key senior management officers for the Board's approval. The remuneration framework and policy should be documented and approved by the Board and any changes thereto should be subject to the endorsement of the Board. The remuneration framework should support the RHB Capital Group's culture, objectives and strategy and should reflect the responsibilities and commitment, which goes with board membership, board committee membership, Group Shariah committee membership and responsibilities of the chief executive officer and key senior management officers. There should be a balance in determining the remuneration package, which should be sufficient to attract and retain directors of calibre, and yet not excessive to the extent RHB Capital Group's funds are used to subsidise the excessive remuneration packages. The framework should cover all aspects of remuneration including director's fee, salaries, allowance, bonuses, options and benefit-in-kind.

## terms of reference of board of committees

2. Recommending specific remuneration packages for directors, board committee members, chief executive officer, Group Shariah Committee members and key senior management officers. The remuneration package should be structured such that it is competitive and consistent with the RHB Capital Group's culture, objectives and strategy. The remuneration packages for executive directors (if applicable) should be structured to link rewards to corporate and individual performances to encourage high performance standards. Salary scales drawn up should be within the scope of the general business policy and not be dependant on short-term performance to avoid incentives for excessive risk-taking. As for non-executive directors and independent directors, the level of remuneration should be linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board. In addition, the remuneration of each board member may differ based on their level of expertise, knowledge and experience.
3. To ensure the establishment of a formal and transparent procedure for developing policies, strategies and framework for the remuneration of directors, management and staff, in general.
4. To review the Management's succession planning programme and leadership framework.
5. To review and assess the effectiveness of the HR Division in supporting the RHB Capital Group.
6. To perform any other functions as defined by the Board.

### Authority

1. Each and every member of the Committee shall be vested with such power and authority, specific or general, as may from time to time be decided upon by the Board.
2. The Committee is authorised by the Board to investigate any matter under its terms of reference, to obtain the resources which it needs, and to have full and unrestricted access to information.
3. The Committee is authorised by the Board to seek appropriate professional advice as and when necessary or engage consultants at the RHB Capital Group's expense to aid the Committee in the discharge of its duties.

### Meetings

1. The Committee shall meet at least four times a year with a quorum of three (3) members, among others to review the remuneration packages of the directors, board committee members, Group Shariah Committee members, chief executive officer and key senior management officers of RHB Capital Group. Additional meetings are to be held as and when necessary.
2. The Committee may invite any other directors, management and staff to be in attendance during meetings to assist in its deliberation.
3. Meetings of the Committee shall be governed by the provisions of the Company's Articles of Association relating to Board meetings except in so far as the same are amended in these terms of reference.

4. Minutes of each Committee meeting shall be kept and distributed to all members of the Committee. The minutes of the Committee meeting shall be presented at the Board meeting and the Chairman of the Committee shall report on each meeting to the Board.
5. The Secretary to the Committee shall be the Company Secretary.

### Composition

1. The committee shall comprise only non-executive directors, with at least three members and should be chaired by an independent director.
2. If the number of members of the Committee is reduced to below three (3) for any reasons, the Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
3. In order to avoid conflict of interest, a member of the committee shall abstain from participating in discussions and decisions on matters involving him.

### Disclosure

The activities of the committee should be briefly disclosed in the Directors' report of the RHB Capital Group's annual report as follows:-

- Membership of the committee;
- Responsibilities of the committee; and
- Number of committee meetings. RHB Capital Group is encouraged to disclose information on the number of meetings attended by each member of the committee.

## GROUP RISK MANAGEMENT COMMITTEE (Group RMC)

### 1. Overriding Objectives

- (i) To provide oversight and governance of risks at the Group.
- (ii) To oversee senior management's activities in managing credit, market, liquidity, operational, legal and other risk and to ensure that the risk management process of each entity in the Group is in place and functioning.
- (iii) To promote the management of the Group's risk in accordance with a risk-return performance management framework.
- (iv) To deliberate and make recommendations to the Boards of each relevant entity within the Group in respect of risk management matters of the respective entities.

### 2. Roles and Responsibilities

The Group RMC's role will continue the in-depth governance of risks for each of the key operating subsidiaries as presently discharged by the individual Risk Management Committee (RMC)s.

The key operating subsidiaries include RHB Capital Berhad, RHB Bank Berhad, RHB Investment Bank Berhad, RHB Islamic Bank Berhad, and RHB Insurance Berhad

In line with the BNM directives, RHB Islamic Bank should continue to have a dedicated risk management committee to deal with the risks and intricacies associated with Islamic finance.

### The GRMC is responsible for:

#### Risk Strategy:

- (i) Reviewing the respective Licensed Institutions' risk management philosophy and strategy and to recommend to the respective Licensed Institutions' Boards for approval.
- (ii) Reviewing the risk management policies, controls and systems of the Group in line with the approved risk management philosophy and strategy, and to recommend to the respective Licensed Institutions' Boards for approval.
- (iii) Reviewing and proposing the setting of the risk appetite/tolerance at enterprise and at strategic business unit levels of the respective Licensed Institutions.
- (iv) Maintaining continued awareness of any changes in the Group's risk profile to ensure that the Group's business activities are in line with the overall risk strategy.

#### Risk Organisation:

- (i) Overseeing the overall management of all risks covering market risk management, asset and liability management, credit risk management and operational risk management.
- (ii) Ensuring that there are clear and independent reporting lines and responsibilities for the overall business activities and risk management functions and recommending risk management derived organisational alignments where necessary to the relevant Boards.

- (iii) Cultivating a proactive risk management culture within the Group so that risk management processes are applied in the day-to-day business and activities.
- (iv) Appropriating independent review of the Group's risk management infrastructure, capabilities, environment and processes where necessary.

#### Risk Measurement

- (i) Approving risk methodologies for measuring and managing risks arising from the Group's business and operational activities.
- (ii) Ensuring the appropriateness of the risk measurement methodologies (including assumptions made within the methodologies) under the prevailing business environment.
- (iii) Promoting the use of economic capital management
- (iv) Reviewing and recommending risk limits to the relevant Boards for approval and ensuring the risk limits are appropriate for the business activities.

#### Processes & Technology Enablers

- (i) Ensuring that risk management processes such as risk identification, risk measurement and analysis, risk exposure reporting, and risk mitigation/transformation mechanisms are in place within the Group and are operating in an efficient and effective manner.
- (ii) Periodically (e.g. monthly) reviewing risk exposures of the Group in line with its risk strategy and objectives.

## terms of reference of board of committees

- (iii) Ensuring the adequacy of tools, systems and resources for the successful management of risk management functions within the Group.
- (iv) Reviewing the progress of all core risk management initiatives within the Group.

### 3. Composition

The Group RMC should comprise only non-executive directors with at least five (5) members. Members of the Group RMC shall be directors who are exclusively non-executive in all of their directorships in the RHB Capital Group.

The Group RMC shall have a Chairman who shall be an independent director, and who shall be exclusively independent in all of his/her directorships in the RHB Capital Group.

RHB Capital Berhad, RHB Bank Berhad, RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad respectively, shall have at least one (1) of its board directors being represented on the Group RMC and additional allowance for the above requirement, where it can be fulfilled by common directors.

### 4. Meetings

- (i) The Group RMC shall meet monthly or as and when necessary
- (ii) Quorum for meetings shall be at least three (3) members
- (iii) The Secretary of the Group RMC shall be the Group Company Secretary or an official from Group Secretariat Division.
- (iv) Minutes of each meeting shall be kept and distributed to all members of the Group RMC.

### 5. Confidentiality of Customer Information

Members of the GRMC shall be required to execute confidentiality undertakings in compliance to the secrecy requirement of the Banking and Financial Institutions Act 1989 (BAFIA) or other regulatory requirements in respect of information from entities which they do not hold directorship in.

### 6. Disclosure

The activities of the Group RMC should be briefly disclosed in the Directors' report of the relevant entity's annual report as follows:

- (i) Membership of the Group RMC;
- (ii) Responsibilities of the Group RMC;
- (iii) Number of the Group RMC meetings as well as attendance of meetings by Group RMC members; and
- (iv) A statement on the Group's risk management framework.

## CENTRAL LOANS COMMITTEE (CLC)

### APPOINTED BY

Board of Directors of RHB Bank Berhad  
Board of Directors of RHB Bank (L) Ltd  
Board of Directors of RHB Investment Bank Berhad

### CHAIRMAN

YBhg Dato Abdullah Mat Noh (Chairman)

### ALTERNATE CHAIRMAN

Any one of the Non-Executive directors

### MEMBERS

- 1) Encik Ismael Fariz Ali
- 2) Encik Johari Abdul Muid
- 3) YBhg Dato' Mohamed Khadar Merican
- 4) Tuan Haji Khairuddin Ahmad

### BY INVITATION

Chief Executive Officer(RHB Bank Berhad)  
Chief Executive Officer(RHB Investment Bank Berhad)  
Any other officers deemed appropriate by the Committee

### QUORUM

Three members of the Committee.

### DECISION

By majority vote, dissenting votes to be recorded.

### FREQUENCY OF MEETINGS

Twice a month or as and when necessary.

### SECRETARY

Company Secretary.

## OBJECTIVES

1. To affirm, veto or impose additional conditions on credits (including applications from Loan Recovery) for amounts above the defined thresholds approved by the Central Credit Committee.
1. To ensure that credits approved by Central Credit Committee adhere to the Credit Policy and Procedures of RHB Bank Berhad, RHB Bank (L) Ltd and RHB Investment Bank Berhad.
3. To endorse all write-offs to the respective Boards for approval.
4. To endorse all policy loans and loans required by Bank Negara Malaysia to be referred to the respective Boards for approval.

## RESPONSIBILITIES

1. To affirm/veto/ impose additional conditions on credit applications and renewals (including applications from Loan Recovery ) approved by the Central Credit Committee above the following set thresholds:

	RHB Bank Berhad	RHB Bank (L) Ltd	RHB Investment Bank Berhad	Group Threshold
Internal Thresholds	RM 250 million (New/Enhancements) RM 500 million (Renewals)	Part of the RHB Bank Bhd's threshold	RM 30 million (New/Enhancements) RM 50 million (Renewals)	RM 280 million (New/Enhancements) RM 550 million (renewals)

2. To affirm/veto/ impose additional conditions in respect of all principal haircuts exceeding RM 3 million per borrower.
3. To affirm/veto/ impose additional conditions in respect of all debt waivers of the written-off amount exceeding RM 3 million per borrower.
4. To affirm/veto/ impose additional conditions in respect of all applications for additional credit facilities under Loan Recovery exceeding RM 5 million per borrower or 10% of the existing limit, whichever is lower.
5. To affirm/veto/impose additional conditions in respect of restructuring and/or rescheduling of loans.
6. To review and monitor to ensure that the respective entities are adhering to the following:-
  - a. The approved credit policies and practices;
  - b. Industry best practices is maintained;
  - c. Adequacy and effectiveness of the respective entities' credit risk grading system;
  - d. The respective entities' concentration of risk by:
    - customer or customer group;
    - geographical units;
    - industry;
    - security type; and
    - credit risk grade.
- e. That resources and mechanisms are in place such that the number and amount of sub-standard and non-performing assets are minimised and maintained within acceptable levels set by the respective Boards.
- f. Overall quality of the credit portfolio, outstanding and committed, of the respective entities;
7. To ensure that Management adequately address issues raised by Group Audit, external auditors and Bank Negara Malaysia Auditors relating to credit matters.
8. To endorse all write-offs to the respective Boards for approval.
9. To endorse all policy loans and loans required by Bank Negara Malaysia to be referred to the respective Boards for approval.

# statement of internal control

## INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal controls to safeguard shareholders' investments and the Group's assets. The Bursa Malaysia Securities Berhad's Listing Requirements require directors of listed companies to include a statement in their annual reports on the state of their internal controls. The guidelines for directors on internal control, the Statement on Internal Control : Guidance for Directors of Public Listed Companies ("Guidance") provides guidance for compliance with these requirements.

Although the Bank is not a listed company, the Board has endeavoured to prepare its Internal Control Statement in accordance with the Guidance.

## RESPONSIBILITY OF THE BOARD

The Board acknowledges their overall responsibility for the Group's system of internal controls and for reviewing its adequacy and integrity. Such system covers not only financial controls but also controls relating to operations, risk management and compliance with applicable laws, regulations, rules, directives and guidelines.

Whilst the Board further acknowledges that total elimination of risks is not possible, the system of internal controls in place is designed to manage risks in meeting the Group's business objectives, and can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

## RISK MANAGEMENT FRAMEWORK

The Group has in place an ongoing process for identifying, evaluating, managing and reporting on the significant risks that may affect the achievement of its business objectives throughout the financial year under review and up to the date of this report.

This process is regularly reviewed by the Board through its Group Risk Management Committee to ensure proper management of risks and appropriate measures are timely taken to mitigate any identified weaknesses in the control environment.

To further strengthen the risk management process, a Group Risk Management Committee has recently been established to consolidate the existing Risk Management Committees at RHB Capital Berhad and its operating subsidiaries, namely RHB Bank Berhad, RHB Investment Bank Berhad and RHB Insurance Berhad. The minutes of Risk Management Committee of RHB ISLAMIC Bank Berhad is tabled to the Group Risk Management Committee. The Group Risk Management Committee meets regularly with the objective of assisting the Board in carrying out its responsibilities in relation to managing the Group's range of inter-related risks in an integrated manner. Prior to the formation of the Group Risk Management Committee, the various Risk Management Committees in the RHB Banking Group report to their respective Boards and meet regularly to oversee the development of general risk policies and procedures, monitor and evaluate the numerous risks that may arise from their respective companies' business activities.

Risk Management Units previously established at the operating subsidiaries to assist their respective Risk Management Committees in discharging their duties have since been consolidated to form a Group Risk Management function. The Group Risk Management Committee is being supported by the Group Risk Management function in discharging its overall duties and responsibilities.

In line with regulatory guidance and industry best practices, the RHB Banking Group has instilled the risk management principle that risk management is first and foremost a core responsibility of the respective business and operating units of the RHB Banking Group. This is enshrined in the risk management frameworks of the group subsidiaries and implemented in practice. To support and promote the achievement of accountability and ownership of risk management, a Risk and Control Self-Assessment framework has been implemented at all key operating companies in the Group as part of the risk management process. These companies are required to identify as well as document the controls and processes for managing the risks arising from their business activities, and assess their effectiveness.

## KEY ELEMENTS OF INTERNAL CONTROL

The key elements of the Group's internal control system which have been reviewed by the Board are described below:-

- The management of the various companies in the Group is delegated to the Managing Director and Central Management Committee, whose responsibilities and authority limits are collectively set by the respective Boards. Appointment of such officers at the companies concerned requires the approval of their respective Boards and relevant regulatory authorities, where applicable;
- Specific responsibilities have been delegated to the relevant Board committees, all of which have written terms of references. These committees have the authority to examine all matters within their scope of responsibilities and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters however lies with the Board;
- Delegation of authority including authorisation limits at various levels of management and those requiring the Board's approval are documented and designed to ensure accountability and responsibility;
- Policies and procedures manuals for key processes are documented and regularly updated for application across the Group. These are supplemented by operating standards set by the individual company, as required for the type of business or geographical location of each company;
- A monthly compliance report is provided to the Board to keep the Board apprised of the group's state of compliance with laws, regulations, policies and procedures;
- There is clear procedure for investment appraisal including equity investment or divestment and capital expenditure;
- There are proper guidelines for hiring and termination of staff, training programmes for staff, annual performance appraisal and other relevant procedures in place to achieve the objective of ensuring staff are competent to carry out their responsibilities;
- Regular and comprehensive information is provided to the management for monitoring of performance against the strategic plan approved by the Board, covering all key financial and operational indicators;
- A detailed budgeting process is established requiring all key operating companies in the Group to prepare budgets annually, which are discussed and approved by the Board. A reporting system on actual performance against approved budgets is in place and significant variances are followed up by management and reported at the Board;
- Ongoing reviews of the internal control system are carried out by the internal auditors. Results of such reviews are reported to the Audit Committee. The work of the internal auditors is focused on areas of priority as identified by risk analysis and in accordance with the annual internal audit plan approved by the Audit Committee. The head of internal audit function reports to the Audit Committee;
- The Audit Committee holds regular meetings to deliberate on findings and recommendations for improvement by both the internal and external auditors as well as Bank Negara Malaysia's examiners on the state of the internal control system. The minutes of the Audit Committee meetings are tabled to the Board; and
- The Bank has in place its Management Audit Committee (MAC), comprising of senior management, that meets regularly to act on the Bank Negara Malaysia, Internal and External Auditors and other regulatory bodies' findings and lapses of the RHB Bank Berhad Group. The minutes of MAC meetings are tabled to the Audit Committee.



# audit committee report

## ACTIVITIES OF THE AUDIT COMMITTEE AND THE INTERNAL AUDIT FUNCTION DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### Activities Of The Audit Committee

During the financial year ended 31 December 2007 ("year"), a total of 12 Audit Committee ("Committee") meetings were held. The Committee comprises the following members and details of attendance of each member at the Committee meetings held during the year are as follow:-

Composition Of The Committee	No. Of Meeting Attended Whilst In Office
<b>Current Members</b>	
1. Mr Ong Seng Pheow – appointed as Chairman of the Committee on 28 February 2007 (Chairman / Independent Non-Executive Director)	10 out of 10 meetings
2. Dato' Mohd Salleh Hj Harun – relinquished his chairmanship but remains as member of the Committee on 28 February 2007 (Member / Independent Non-Executive Director)	12 out of 12 meetings
3. Tuan Haji Khairuddin Ahmad – ceased to be a member of the Committee on 1 March 2008 (Member / Non-Independent Non-Executive Director)	11 out of 12 meetings
<b>Previous Member</b>	
4. Prof. Balachandran a/l A. Shanmugam – ceased to be a member of the Committee on 3 March 2007 (Member / Independent Non-Executive Director)	2 out of 2 meetings

On 28 February 2007, Mr. Ong Seng Pheow, an Independent Non-Executive Director, was appointed as Chairman of the Committee in place of Dato' Mohd Salleh Hj Harun who has relinquished his chairmanship but remains as member of the Committee on the same day.

On 3 March 2007, Prof. Balachandran a/l A. Shanmugam, an Independent Non-Executive Director, ceased to be a member of the Committee.

On 1 March 2008, Tuan Haji Khairuddin Ahmad, a Non-Independent Non-Executive Director, ceased to be a member of the Committee. On the same day, Dato' Othman Jusoh, an Independent Non-Executive Director was appointed as member of the Committee.

The Committee reviewed the unaudited quarterly and half-year results, and the audited financial statements of the Bank and the Group prior to their approval by the Board. It also reviewed the new accounting standards applicable in the preparation of the consolidated financial statements.

The Committee reviewed the related party transactions ("RPTs") and the adequacy of the Group's procedures for monitoring and reviewing of RPTs.

The Committee reviewed with the external auditors, their audit plan, audit strategy and scope of work for the year, their fees as well as the findings emanating from their annual audit. It also considered the reappointment of the external auditors for recommendation to the Board and the shareholders for their approval.

The Committee reviewed and approved the scope and adequacy of the internal audit plan, including resource needs. It also reviewed the results of the risk-based audit work carried out by the internal auditors and the status of completion of the internal audit plans on all relevant companies of the Group. Where necessary, the Committee directed actions to be taken by management to rectify and improve the system of internal controls and procedures. During the financial year ended 31 December 2007, all internal audit reports were tabled to the Committee.

The Committee reviewed the inspection and examination reports issued by the regulatory authorities and the appropriate remedial actions taken in respect of any findings. The Committee also satisfied itself that all matters highlighted in these reports have been adequately and promptly addressed by management.

The Chairman of the Committee updates the Board and tabled the minutes of each Committee meeting to the Board for noting, and for further action by the Board, where necessary.

### INTERNAL AUDIT FUNCTION

The internal audit function is guided by its Audit Charter and reports to the Committee. Its primary role is to assist the Committee to discharge its duties and responsibilities by independently reviewing and reporting on the adequacy and integrity of the Group's system of internal controls.

The Committee approves the annual internal audit plans at the beginning of each financial year. The internal auditors adopt a risk-based approach towards the planning and conduct of audits, which is consistent with the Group's framework in designing, implementing and monitoring its internal control system.

Upon completion of the audits, the internal auditors have closely monitored the implementation progress of their audit recommendations in order to obtain assurance that all major risk and control concerns have been duly addressed by management. All audit reports on the results of work undertaken together with the recommended action plans and their implementation status were presented to management and the Committee.

The internal auditors work closely with the external auditors to resolve any control issues as raised by them to ensure that significant issues are duly acted upon by management.

### TERMS OF REFERENCE OF THE AUDIT COMMITTEE

#### Objectives

1. To provide independent oversight of RHB Bank Group's financial reporting and internal control system and ensuring checks and balances within RHB Bank Group.
2. To review the financial condition and performance of RHB Bank and its subsidiaries.
3. To review the adequacy and integrity of RHB Bank and the RHB Bank Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
4. To review the findings of the internal auditors, and to recommend appropriate remedial action.
5. To reinforce the independence of the external auditors and thereby help assure that they will have free rein in the audit process and to provide, by way of regular meetings, a line of communication between the Board and the external auditors.

#### Primary Responsibilities

1. Ensure that the accounts are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies, and bad and doubtful debts. Review the balance sheet and profit and loss account for submission to the full board of directors and ensure the prompt publication of annual accounts;

2. Review the effectiveness of internal controls and risk management processes, including the scope of the internal audit programme, the internal audit findings, and recommend action to be taken by management. The reports of internal auditors and AC should not be subject to the clearance of the chief executive or executive directors.

The AC shall oversee the functions of the Internal Audit Department and ensure compliance with the requirements of Guidelines On Minimum Audit Standards For Internal Auditors Of Financial Institutions (BNM/GP10). The AC should also appoint, set compensation, evaluate performance and decide on the transfer and dismissal of the Chief Internal Auditor.

3. The AC shall also have the following responsibilities concerning external auditors:
  - (i) recommend the appointment, re-appointment and removal of the external auditors to the Board;
  - (ii) assess objectivity, performance and independence of external auditors;
  - (iii) review the external auditors' management letter and response;
  - (iv) approve the provision of non-audit service by the external auditors;

# audit committee report

- (v) ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgement of the auditors;
  - (vi) regularly review the audit findings and ensuring that issues are being managed and rectified appropriately and in a timely manner; and
  - (vii) review with the external auditors, the scope of their audit plan, the system of internal accounting controls, the audit reports and the assistance given by the management and its staff to the external auditors.
4. Review any related party transactions that may arise within the RHB Bank Group and keep the Board informed of such transactions.

## Authority

1. The Committee is authorised by the Board to investigate any matter within its terms of reference, to obtain the resources which it needs, and to have full and unrestricted access to information. It is also authorised to seek any information it requires from any employee of the Group and all employees are directed to co-operate with any request made by the Committee.
2. The Committee shall have direct communication channels with the external and internal auditors.

3. The Committee is authorised by the Board to obtain independent professional or other advice at the Bank's or RHB Bank Group's expense and to invite outsiders with relevant experience and expertise to attend meetings if it considers this necessary.

## Meetings

1. Meetings shall be held at least once every quarter with a quorum of two (2) members and the majority of members present shall be independent non-executive directors. Additional meetings may be called at any time at the discretion of the Chairman of the Committee.
2. The head of internal audit shall be in attendance at meetings of the Committee. The Committee may invite the external auditors, the chief financial officer, any other directors or members of the management and employees of the Group to be in attendance during meetings to assist in its deliberations.
3. At least once a year, the Committee shall meet with the external auditors without any executive Board member present and upon the request of the external auditors, the Chairman of the Committee shall convene a meeting to consider any matter which the external auditors believe should be brought to the attention of the Board or shareholders.
4. The Bank's Secretary shall be the Secretary of the Committee.

5. The minutes of each Committee meeting shall be tabled to the Board by the Chairman of the Committee.

## Composition

1. The Committee shall be appointed by the Board from amongst its number and shall comprise not less than three (3) members, none of whom should be full-time executives of RHB Bank or the RHB Bank Group. The majority of the AC members should be independent non-executive directors. At least one member should have accounting expertise or experience in the field of finance.
2. The Chairman of the Committee shall be an independent non-executive director appointed by the Board.
3. No alternate director shall be appointed as a member of the Committee.
4. The term of office and performance of the Committee and each of its members must be reviewed by the Board at least once every three (3) years.
5. If a member of the Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

# responsibility statement by the board of directors

In the course of preparing the annual financial statements of the Group and of the Bank, the Directors are collectively responsible in ensuring that these financial statements are drawn up in accordance with Financial Reporting Standards ('FRS'), the Malaysian Accounting Standards Board approved accounting standards in Malaysia for entities other than private entities, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965.

It is the responsibility of the Directors to ensure that the financial reporting of the Group and of the Bank present a true and fair view of the state of affairs of the Group and of the Bank as of the end of the financial year and the results and cash flows for the financial year ended 31 December 2007.

The Directors have applied the appropriate and relevant accounting policies on a consistent basis and made judgements and estimates that are reasonable and fair in preparing the financial statements of the Group and of the Bank.

The financial statements are prepared on the going concern basis and the Directors have ensured that proper accounting records are kept so as to enable the preparation of the financial statements with reasonable accuracy.

The Directors have also taken the necessary steps to ensure that appropriate systems are in place for the assets of the Group and of the Bank to be properly safeguarded for the prevention and detection of fraud and other irregularities. The systems, by their nature, can only provide reasonable and not absolute assurance against material misstatements, loss and fraud.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out in page 134 of the audited financial statements.

# statutory financial statements

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# directors' report

The directors hereby present their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2007.

## PRINCIPAL ACTIVITIES

RHB Bank Berhad ('the Bank'), a limited liability company domiciled in Malaysia, is principally engaged in all aspects of banking and finance business and in the provision of related services.

The principal activities of the Bank's subsidiaries consist of Islamic banking business, leasing, offshore banking, offshore trust services, nominee services and property investment.

There have been no significant changes in the nature of these principal activities during the financial year, other than the acquisition of new subsidiaries by the Group as disclosed in Note 12 of the financial statements.

## RESULTS

	Group RM'000	Bank RM'000
Profit before INCPS dividends and taxation	1,170,686	1,022,077
INCPS dividends	(136,810)	(136,810)
Profit after INCPS dividends but before taxation	1,033,876	885,267
Taxation	(280,329)	(239,874)
Net profit for the financial year	753,547	645,393

## ORDINARY SHARES DIVIDENDS

The dividends proposed and paid by the Bank since 31 December 2006 were as follows: -

	RM'000
In respect of previous financial year	
Ordinary shares	
Final dividend of 9.4% less tax	133,808
In respect of current financial year	
Ordinary shares	
First interim dividend of 7.0% less tax	99,644
Special dividend of 44.3% less tax	630,000
	863,452

The Directors do not propose any final dividend in respect of the current financial year at the forthcoming Annual General Meeting.

## IRREDEEMABLE NON-CUMULATIVE CONVERTIBLE PREFERENCE SHARES ('INCPS') DIVIDENDS

The dividends paid by the Bank since 31 December 2006 were as follows: -

	RM'000
First semi-annual dividend of 5% less tax paid on 31 May 2007	49,799
Second semi-annual dividend of 5% less tax paid on 30 November 2007	50,072

**RESERVES AND PROVISIONS**

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

**NON-PERFORMING DEBTS AND FINANCING**

Before the financial statements of the Group and the Bank were made out, the directors took reasonable steps to ascertain that proper actions had been taken in relation to the writing off of bad debts and the making of allowance for non-performing debts and financing, and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for non-performing debts.

The Group and the Bank's allowance for non-performing debts and financing is in conformity with the minimum requirements of BNM's 'Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts (GP3)', which is deemed as in conformity with the requirement on the allowance for loan impairment under the revised BNM/GP8.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for non-performing debts in the financial statements of the Group and the Bank inadequate to any substantial extent.

**CURRENT ASSETS**

Before the financial statements of the Group and the Bank were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and the Bank, had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and the Bank misleading.

**VALUATION METHODS**

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and the Bank misleading or inappropriate.

**CONTINGENT AND OTHER LIABILITIES**

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group or the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group or the Bank which has arisen since the end of the financial year other than in the ordinary course of business.

No contingent or other liability of the Group or the Bank has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group or the Bank to meet their obligations as and when they fall due.



**CHANGE OF CIRCUMSTANCES**

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group or the Bank, which would render any amount stated in the financial statements misleading.

**ITEMS OF AN UNUSUAL NATURE**

The results of the Group and the Bank for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or the Bank for the financial year in which this report is made.

**SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

Significant events during the financial year are disclosed in Note 45 to the financial statements.

**DIRECTORS OF THE BANK**

The directors of the Bank who have held office since the date of the last report are:

Datuk Azlan Zainol	Non-Independent Non-Executive Chairman
Dato Abdullah Mat Noh * ^	Independent Non-Executive Director
Tuan Haji Khairuddin Ahmad	Non-Independent Non-Executive Director
Dato' Mohd Salleh Haji Harun	Independent Non-Executive Director
Dato' Othman Jusoh	Independent Non-Executive Director
Johari Abdul Muid	Non-Independent Non-Executive Director
Ismael Fariz Ali ^	Independent Non-Executive Director
Ong Seng Pheow	Independent Non-Executive Director
Michael Joseph Barrett	Managing Director (appointed on 8 October 2007)
Dato' Mohamed Khadar Merican	Independent Non-Executive Director (ceased on 9 January 2008)
Dato' Vaseehar Hassan Abdul Razack	Non-Independent Non-Executive Director (resigned on 31 December 2007)
Prof Balachandran A. Shanmugam	Independent Non-Executive Director (ceased on 3 March 2007)

\* Relinquished the post of Deputy Chairman effective 1 January 2008

^ Re-designated to Independent Director on 6 September 2007

In accordance with Article 100 of the Bank's Articles of Association, Datuk Azlan Zainol, Dato Abdullah Mat Noh and Encik Johari Abdul Muid retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Pursuant to Article 104 of the Bank's Articles of Association, Mr Michael Joseph Barrett who was appointed during the financial year, retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

**DIRECTORS' INTERESTS IN SECURITIES**

According to the register of directors' shareholding, the interests of the directors in office as at 31 December 2007 in the securities of related corporations were as follows:

	← Number of Ordinary Shares of RM1 each →			
	As at 1.1.2007	Bought	Sold	As at 31.12.2007
<b>Holding Company</b>				
<b>RHB Capital Berhad</b>				
Tuan Haji Khairuddin Ahmad – Direct	15,000	22,000	(15,000)	22,000
Dato' Mohd Salleh Haji Harun – Direct	15,000	–	–	15,000
Dato' Mohamed Khadar Merican – Direct	10,000	50,000	(20,000)	40,000

Other than the above, none of the other directors holding office at the end of the financial year end had any interest in the shares of the Bank or its related corporations during the financial year.

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than directors' remuneration as disclosed in the financial statements) by reason of a contract made by the Bank or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

During and at the end of the financial year, no other arrangements subsisted to which the Bank or its subsidiaries is a party with the object of enabling directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

**DISCLOSURE OF COMMITTEES****NOMINATING COMMITTEE**

A Nomination Committee was established on 5 September 2002 which was renamed as Nominating Committee on 28 August 2003. During the financial year ended 31 December 2007, a total of 6 meetings were held. The Nominating Committee comprised the following members and details of attendance of each member at the Nominating Committee meetings held during the year as at 31 December 2007 are as follows:-

<b>Composition of the Nominating Committee</b>	<b>Attendance at the committee meetings</b>
<b>Current Members:</b>	
1. Dato' Othman Jusoh (Chairman/Independent Non-Executive Director)	6 out of 6 meetings
2. Dato' Mohd Salleh Haji Harun (Member/Independent Non-Executive Director)	5 out of 6 meetings
3. Dato Abdullah Mat Noh (Member/Independent Non-Executive Director)	6 out of 6 meetings
4. Tuan Haji Khairuddin Ahmad (Member/Non-Independent Non-Executive Director)	5 out of 6 meetings
5. Ong Seng Pheow (Member/Independent Non-Executive Director) – Appointed as Member on 25 January 2007	5 out of 5 meetings
<b>Previous Member:</b>	
1. Prof Balachandran A. Shanmugam (Member/Independent Non-Executive Director) – Ceased as Member on 3 March 2007	2 out of 2 meetings

The Nominating Committee is responsible for assessing existing directors and identifying, nominating and orientating new directors to enhance corporate governance.

The Nominating Committee of the Bank was dissolved with effect from 1 January 2008 and the Bank adopted the Group Nominating Committee at RHB Capital Berhad with effect from 1 January 2008.

The directors bring together to the Board a wide range of business management skills and banking, financial and legal experience required for the management of a large, diversified and expanding Group.

**DISCLOSURE OF COMMITTEES (CONTINUED)****REMUNERATION AND HUMAN RESOURCE COMMITTEE**

The Human Resource Committee was established on 4 May 2000 which was renamed as the Remuneration and Human Resource Committee on 28 August 2003. During the financial year ended 31 December 2007, a total of 5 meetings were held. The Remuneration and Human Resource Committee comprised the following members and details of attendance of each member at the Remuneration and Human Resource Committee meetings held during the year as at 31 December 2007 are as follows:-

<b>Composition of the Remuneration and Human Resource Committee</b>	<b>Attendance at the committee meetings</b>
<b>Current Members:</b>	
1. Dato' Othman Jusoh (Chairman/Independent Non-Executive Director)	5 out of 5 meetings
2. Encik Ismael Fariz Ali (Member/Independent Non-Executive Director)	5 out of 5 meetings
3. Ong Seng Pheow (Member/Independent Non-Executive Director) - Appointed as Member on 25 January 2007	5 out of 5 meetings
<b>Previous Member:</b>	
1. Dato' Vaseehar Hassan Abdul Razack (Member/Non-Independent Non-Executive Director) - Resigned as Member on 25 January 2007	-

The Remuneration and Human Resource Committee is responsible to evaluate the performance and remuneration of the directors and senior management and to recommend on the policies and framework in relation to rewards and benefits.

The Remuneration and Human Resource Committee of the Bank was dissolved with effect from 1 January 2008 and the Bank adopted the Group Remuneration and Human Resource Committee at RHB Capital Berhad with effect from 1 January 2008.

## directors' report (continued)

### DISCLOSURE OF COMMITTEES (CONTINUED)

#### RISK MANAGEMENT COMMITTEE

A Risk Management Committee was established on 30 January 2001. During the financial year ended 31 December 2007, a total of 10 meetings were held. The Risk Management Committee comprised the following members and details of attendance of each member at the Risk Management Committee meetings held during the year as at 31 December 2007 are as follows:-

<b>Composition of the Risk Management Committee</b>	<b>Attendance at the committee meetings</b>
<b>Current Members:</b>	
1. Dato' Mohd Salleh Haji Harun (Chairman/Independent Non-Executive Director)	10 out of 10 meetings
2. Tuan Haji Khairuddin Ahmad (Member/Non-Independent Non-Executive Director)	8 out of 10 meetings
3. Ong Seng Pheow (Member/Independent Non-Executive Director) – Appointed as Member on 28 February 2007	8 out of 8 meetings
<b>Previous Members:</b>	
1. Dato' Othman Jusoh (Member/Independent Non-Executive Director) – Resigned as Member on 28 February 2007	2 out of 2 meetings
2. Prof Balachandran A. Shanmugam (Member/Independent Non-Executive Director) – Ceased as Member on 3 March 2007	2 out of 2 meetings

The Risk Management Committee is responsible to provide oversight and management of all risks in the Bank and to ensure that there is an ongoing process to continuously manage the Bank's risks proactively.

A Statement on the Bank's Risk Management Framework is set out in Note 41 to the financial statements for the financial year ended 31 December 2007.

The Risk Management Committee of the Bank was dissolved with effect from 1 November 2007 and the Bank adopted the Group Risk Management Committee at RHB Capital Berhad with effect from 1 November 2007.

#### IMMEDIATE AND ULTIMATE HOLDING COMPANY/BODY

The directors regard RHB Capital Berhad, a company incorporated in Malaysia and the Employees Provident Fund Board ('EPF'), a statutory body established in Malaysia, as the immediate holding company and ultimate holding body respectively.

#### 2008 BUSINESS PLAN AND OUTLOOK

Today's banking landscape continues to evolve with increasing liberalisation and globalisation, presenting new demands and challenges. To compete in this challenging environment, RHB Banking Group is in the midst of a strategic transformation of the business functions within the RHB Banking Group ('Strategic Transformation'). The Strategic Transformation is designed to harness the strength of the RHB Banking Group to deliver seamlessly all products and services of the RHB Banking Group effectively to its customers whilst leveraging on the scale of the RHB Banking Group by adopting a customer-centric approach and finding new efficiencies. With the Strategic Transformation, the RHB Banking Group will be able to focus on deepening relationships with its retail and corporate customers, improving earnings through a better understanding of its customers' needs and the provision of holistic suite of products and services to meet these needs.

**DISCLOSURE OF COMMITTEES (CONTINUED)****RATINGS ACCORDED BY THE RATING AGENCIES**

During the financial year, the Bank was rated by the following external rating agencies:

<b>Agencies</b>	<b>Date Accorded</b>	<b>Ratings</b>
RAM Rating Services Berhad	20 August 2007	Long Term Rating – AA3 Short Term Rating – P1 Subordinated Bonds Rating – A1 Medium-Term Notes Programme – A1
Standard & Poor's	24 December 2007	Long Term Counterparty Credit Rating – BBB Short Term Counterparty Credit Rating – A-2 Subordinated Bonds Rating – BBB- Bank Fundamental Strength Rating – C
Moody's Investors Service	25 December 2007	Long Term Bank Deposits Rating – A3 Short Term Bank Deposits Rating – P-1 Subordinated Debt Rating – Baa1 Bank Financial Strength – D

**DESCRIPTION OF THE RATING ACCORDED****RAM Rating Services Berhad**

Long term rating (Financial institutions)

AA Financial Institution ('FIs') rated in this category are adjudged to offer high safety for timely payments of financial obligations. This level of rating indicates corporate entities with sound credit profiles and without significant problems. Entities rated in this category are, however, considered to be somewhat more vulnerable to adverse changes in economic conditions than those entities rated in the highest category.

For long-term ratings, RAM applies subscripts 1, 2 or 3 in each rating category from AA to C. The subscript 1 indicates that the FI ranks at the higher end of its generic rating category; the subscript 2 indicates a mid-ranking; and the subscript 3 indicates that the FI ranks at the lower end of its generic rating category.

Short term rating (Financial institutions)

P1 FIs in this category have superior capacities for timely payments of obligations.

Long term rating (RM subordinated bonds)

A Adequate safety for timely payment of interest and principal. More susceptible to changes in circumstances and economic conditions than debts in higher-rated categories.

For long-term ratings, RAM applies subscripts 1, 2 or 3 in each rating category from AA to C. The subscript 1 indicates that the issue ranks at the higher end of its generic rating category; the subscript 2 indicates a mid-ranking; and the subscript 3 indicates that the issue ranks at the lower end of its generic rating category.

**DESCRIPTION OF THE RATING ACCORDED (CONTINUED)****Standard and Poor's**

## Long term issuer credit rating

BBB An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show the relative standing within the major rating categories.

## Short term issuer credit rating

A-2 An obligor rated 'A-2' has satisfactory capacity to meet its financial commitments. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in the highest rating category.

## Long term issue credit rating (USD subordinated debt)

BBB An obligation rated 'BBB' exhibits adequate protection parameters. However adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show the relative standing within the major rating categories.

## Bank fundamental strength rating ('BFSR')

C A bank or financial institution, in the absence of extraordinary assistance or interference from its corporate group, regulator or government, assigned a BFSR of 'C' has adequate fundamental strength. However, the bank or financial institution is more sensitive to uncertainties and adverse circumstances to a greater degree than higher-rated entities.

**Moody's Investors Service**

## Long term bank deposit rating

A Banks rated A for deposits offer good credit quality. However, elements may be present that suggest a susceptibility to impairment over the long term.

## Note:

Moody's appends the numerical modifiers 1, 2 and 3 to each generic rating category from 'Aa' to 'Caa'. The modifier 1 indicates that the bank is in the higher end of its letter-rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the bank is in the lower end of its letter-ranking category.

## Short term bank deposit rating

P-1 Banks rated Prime-1 for deposits offer superior credit quality and a very strong capacity for timely payment of short term deposit obligations.

**DESCRIPTION OF THE RATING ACCORDED (CONTINUED)**

Long term obligation rating (USD subordinated debt)

Baa Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.

Note:

Moody's appends the numerical modifiers 1, 2 and 3 to each generic rating category from 'Aa' to 'Caa'. The modifier 1 indicates that the obligation ranks in the higher end of its letter-rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of its generic rating category.

Bank financial strength rating ('BFSR')

D Banks rated D display modest intrinsic financial strength, potentially requiring some outside support at times. Such institutions may be limited by one or more of the following factors: a weak business franchise, financial fundamentals that are deficient in one or more respects; or an unpredictable and unstable operating environment.

Where appropriate, a "+" modifier will be appended to ratings below the 'A' category and a "-" modifier will be appended to ratings above the 'E' category to distinguish those banks that fall in intermediate categories.

**AUDITORS**

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors.

**DATUK AZLAN ZAINOL**  
Non-Independent Non-Executive  
Chairman

**MICHAEL JOSEPH BARRETT**  
Managing Director

Kuala Lumpur  
28 February 2008



# balance sheets

as at 31 December 2007

	Note	Group		Bank	
		31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
<b>ASSETS</b>					
Cash and short-term funds	2	<b>17,244,585</b>	9,623,320	<b>15,309,821</b>	8,571,796
Securities purchased under resale agreements		<b>567,836</b>	2,691,541	<b>567,836</b>	2,691,541
Deposits and placements with banks and other financial institutions	3	<b>3,291,891</b>	5,068,831	<b>2,964,499</b>	4,004,276
Securities held for trading	4	<b>1,842,218</b>	1,945,762	<b>1,354,023</b>	1,417,972
Securities available-for-sale	5	<b>7,026,381</b>	5,713,828	<b>6,871,139</b>	5,607,140
Securities held-to-maturity	6	<b>6,734,841</b>	13,020,680	<b>5,822,417</b>	12,002,779
Loans, advances and financing	7	<b>53,703,107</b>	52,741,606	<b>47,470,523</b>	46,879,331
Other assets	8	<b>516,324</b>	456,767	<b>801,595</b>	526,605
Derivative assets	9	<b>105,401</b>	167,044	<b>102,102</b>	165,022
Tax recoverable		<b>2,572</b>	65	–	–
Deferred taxation assets	10	<b>247,852</b>	251,720	<b>207,222</b>	210,747
Statutory deposits	11	<b>1,604,379</b>	1,835,744	<b>1,416,350</b>	1,665,315
Investment in subsidiaries	12	–	–	<b>828,956</b>	828,956
Investment in an associate	13	<b>4,963</b>	4,683	–	–
Property, plant and equipment	14	<b>488,545</b>	499,199	<b>420,314</b>	450,307
Prepaid land lease	15	<b>98,946</b>	99,590	<b>21,263</b>	21,587
Goodwill	16	<b>1,004,017</b>	1,004,017	<b>905,519</b>	905,519
<b>TOTAL ASSETS</b>		<b>94,483,858</b>	95,124,397	<b>85,063,579</b>	85,948,893

The accompanying accounting policies and notes form an integral part of these financial statements.

# balance sheets

as at 31 December 2007 (continued)

	Note	Group		Bank	
		31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
<b>LIABILITIES, INCPS AND SHAREHOLDERS' EQUITY</b>					
Deposits from customers	17	<b>72,703,479</b>	55,785,316	<b>64,315,697</b>	47,791,098
Deposits and placements of banks and other financial institutions	18	<b>5,656,676</b>	9,876,493	<b>5,277,349</b>	9,332,836
Obligations on securities sold under repurchase agreements		–	13,364,811	–	13,364,811
Bills and acceptances payable		<b>3,959,943</b>	3,778,758	<b>3,949,841</b>	3,762,216
Recourse obligation on loans sold to Cagamas Berhad		<b>1,854,873</b>	2,879,284	<b>1,854,873</b>	2,879,284
Other liabilities	19	<b>1,291,264</b>	1,541,306	<b>1,082,183</b>	1,289,614
Derivative liabilities	9	<b>117,820</b>	143,668	<b>109,427</b>	136,243
Provision for taxation		<b>98,146</b>	79,425	<b>94,973</b>	56,564
Deferred taxation liabilities	10	<b>17</b>	17	–	–
Long term borrowings	20	<b>330,700</b>	282,400	<b>330,700</b>	282,400
Subordinated obligations	21	<b>2,495,000</b>	1,328,158	<b>2,495,000</b>	1,328,158
		<b>88,507,918</b>	89,059,636	<b>79,510,043</b>	80,223,224
Irredeemable Non-Cumulative Convertible Preference Shares ('INCPS')	22	<b>1,368,099</b>	1,368,099	<b>1,368,099</b>	1,368,099
		<b>89,876,017</b>	90,427,735	<b>80,878,142</b>	81,591,323
Ordinary share capital	23	<b>1,949,986</b>	1,949,986	<b>1,949,986</b>	1,949,986
Reserves	24	<b>2,657,855</b>	2,746,676	<b>2,235,451</b>	2,407,584
Shareholders' equity		<b>4,607,841</b>	4,696,662	<b>4,185,437</b>	4,357,570
<b>TOTAL LIABILITIES, INCPS AND SHAREHOLDERS' EQUITY</b>		<b>94,483,858</b>	95,124,397	<b>85,063,579</b>	85,948,893
<b>COMMITMENTS AND CONTINGENCIES</b>	38	<b>51,098,106</b>	50,208,685	<b>47,599,365</b>	46,614,708

The accompanying accounting policies and notes form an integral part of these financial statements.

# income statements

for the financial year ended 31 December 2007

	Note	Group		Bank	
		Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000	Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000
Interest income	25	<b>4,504,354</b>	4,139,257	<b>4,360,755</b>	3,994,572
Interest expense	26	<b>(2,440,517)</b>	(2,235,029)	<b>(2,358,060)</b>	(2,158,462)
Net interest income		<b>2,063,837</b>	1,904,228	<b>2,002,695</b>	1,836,110
Other operating income	27	<b>687,725</b>	617,520	<b>748,356</b>	668,840
Income from Islamic banking business	28	<b>2,751,562</b> <b>328,617</b>	2,521,748 236,099	<b>2,751,051</b> -	2,504,950 -
Other operating expenses	29	<b>3,080,179</b> <b>(1,285,621)</b>	2,757,847 (1,208,881)	<b>2,751,051</b> <b>(1,166,258)</b>	2,504,950 (1,110,953)
Operating profit before allowances		<b>1,794,558</b>	1,548,966	<b>1,584,793</b>	1,393,997
Allowance for losses on loans and financing	31	<b>(576,547)</b>	(667,296)	<b>(515,111)</b>	(643,959)
Allowance for impairment losses	32	<b>(47,605)</b>	(36,600)	<b>(47,605)</b>	(35,464)
Share of results of an associate		<b>1,170,406</b> <b>280</b>	845,070 485	<b>1,022,077</b> -	714,574 -
Profit before INCPS dividends and taxation		<b>1,170,686</b>	845,555	<b>1,022,077</b>	714,574
INCPS dividends	33	<b>(136,810)</b>	(136,810)	<b>(136,810)</b>	(136,810)
Profit after INCPS dividends but before taxation		<b>1,033,876</b>	708,745	<b>885,267</b>	577,764
Taxation	34	<b>(280,329)</b>	(204,897)	<b>(239,874)</b>	(185,719)
Net profit for the financial year		<b>753,547</b>	503,848	<b>645,393</b>	392,045
Earnings per ordinary share	35				
- Basic earnings per 50 sen share		<b>19.3 sen</b>	12.9 sen	<b>16.5 sen</b>	10.1 sen
- Diluted earnings per 50 sen share		<b>18.4 sen</b>	12.9 sen	<b>15.9 sen</b>	10.1 sen

The accompanying accounting policies and notes form an integral part of these financial statements.

# statements of changes in shareholders' equity

for the financial year ended 31 December 2007

	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Translation reserves RM'000	AFS reserves RM'000	Retained profits RM'000	Total RM'000
<b>Group</b>							
Balance as at 31.12.2006	1,949,986	8,563	1,789,503	(20,663)	(1,466)	970,739	4,696,662
Currency translation differences	-	-	-	2,848	-	-	2,848
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	-	(28,150)	-	(28,150)
AFS reserve realised on disposal of AFS securities	-	-	-	-	4,629	-	4,629
Net transfer to income statement on impairment	-	-	-	-	49,372	-	49,372
Deferred tax	-	-	-	-	(7,615)	-	(7,615)
Income recognised directly in equity	-	-	-	2,848	18,236	-	21,084
Net profit for the financial year	-	-	-	-	-	753,547	753,547
Total recognised income for the financial year	-	-	-	2,848	18,236	753,547	774,631
Transfer to statutory reserves	-	-	220,611	-	-	(220,611)	-
Ordinary dividends paid during the year	-	-	-	-	-	(863,452)	(863,452)
Balance as at 31.12.2007	1,949,986	8,563	2,010,114	(17,815)	16,770	640,223	4,607,841
Balance as at 31.12.2005	1,949,986	8,563	1,596,396	(3,252)	5,142	780,262	4,337,097
Currency translation differences	-	-	-	(17,411)	-	-	(17,411)
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	-	(22,785)	-	(22,785)
AFS reserve realised on disposal of AFS securities	-	-	-	-	1,705	-	1,705
Net transfer to income statement on impairment	-	-	-	-	10,939	-	10,939
Deferred tax	-	-	-	-	3,533	-	3,533
Expenses recognised directly in equity	-	-	-	(17,411)	(6,608)	-	(24,019)
Net profit for the financial year	-	-	-	-	-	503,848	503,848
Total recognised income and expenses for the financial year	-	-	-	(17,411)	(6,608)	503,848	479,829
Transfer to statutory reserves	-	-	193,107	-	-	(193,107)	-
Ordinary dividends paid during the year	-	-	-	-	-	(120,264)	(120,264)
Balance as at 31.12.2006	1,949,986	8,563	1,789,503	(20,663)	(1,466)	970,739	4,696,662

The accompanying accounting policies and notes form an integral part of these financial statements.

# statements of changes in shareholders' equity

for the financial year ended 31 December 2007 (continued)

	Non-distributable				Distributable		Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Translation reserves RM'000	AFS reserves RM'000	Retained profits RM'000	
<b>Bank</b>							
Balance as at 31.12.2006	<b>1,949,986</b>	<b>8,563</b>	<b>1,725,580</b>	<b>5,585</b>	<b>(1,015)</b>	<b>668,871</b>	<b>4,357,570</b>
Currency translation differences	-	-	-	<b>25,438</b>	-	-	<b>25,438</b>
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	-	<b>(26,974)</b>	-	<b>(26,974)</b>
AFS reserve realised on disposal of AFS securities	-	-	-	-	<b>5,687</b>	-	<b>5,687</b>
Net transfer to income statement on impairment	-	-	-	-	<b>49,372</b>	-	<b>49,372</b>
Deferred tax	-	-	-	-	<b>(7,597)</b>	-	<b>(7,597)</b>
Income recognised directly in equity	-	-	-	<b>25,438</b>	<b>20,488</b>	-	<b>45,926</b>
Net profit for the financial year	-	-	-	-	-	<b>645,393</b>	<b>645,393</b>
Total recognised income for the financial year	-	-	-	<b>25,438</b>	<b>20,488</b>	<b>645,393</b>	<b>691,319</b>
Transfer to statutory reserves	-	-	<b>161,348</b>	-	-	<b>(161,348)</b>	-
Ordinary dividends paid during the year	-	-	-	-	-	<b>(863,452)</b>	<b>(863,452)</b>
Balance as at 31.12.2007	<b>1,949,986</b>	<b>8,563</b>	<b>1,886,928</b>	<b>31,023</b>	<b>19,473</b>	<b>289,464</b>	<b>4,185,437</b>
Balance as at 31.12.2005	1,949,986	8,563	1,529,557	(288)	8,080	593,113	4,089,011
Amount vested over from RHB Delta Finance	-	-	-	-	148	-	148
Currency translation differences	-	-	-	5,873	-	-	5,873
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	-	(24,544)	-	(24,544)
AFS reserve realised on disposal of AFS securities	-	-	-	-	768	-	768
Net transfer to income statement on impairment	-	-	-	-	10,939	-	10,939
Deferred tax	-	-	-	-	3,594	-	3,594
Income and expenses recognised directly in equity	-	-	-	5,873	(9,095)	-	(3,222)
Net profit for the financial year	-	-	-	-	-	392,045	392,045
Total recognised income and expenses for the financial year	-	-	-	5,873	(9,095)	392,045	388,823
Transfer to statutory reserves	-	-	196,023	-	-	(196,023)	-
Ordinary dividends paid during the year	-	-	-	-	-	(120,264)	(120,264)
Balance as at 31.12.2006	1,949,986	8,563	1,725,580	5,585	(1,015)	668,871	4,357,570

The accompanying accounting policies and notes form an integral part of these financial statements.

# consolidated cash flow statements

for the financial year ended 31 December 2007

GROUP	Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit after INCPs dividends but before taxation	<b>1,033,876</b>	708,745
Adjustments for:		
INCPs dividend	<b>136,810</b>	136,810
Share of results of an associate	<b>(280)</b>	(485)
Property, plant and equipment:		
– Depreciation	<b>76,129</b>	85,302
– Gain on disposal	<b>(665)</b>	(3,896)
– Loss on disposal	–	77
– Written off	<b>44</b>	10
– Allowance for impairment losses	–	2,478
– Write back of allowance for impairment loss	–	(2,001)
Amortisation of prepaid land lease	<b>490</b>	435
Net loss on sale of securities available-for-sale	<b>4,628</b>	1,705
Net gain from redemption of securities held-to-maturity	<b>(103)</b>	(60)
Interest income from securities available-for-sale	<b>(341,288)</b>	(71,226)
Investment income from securities available-for-sale	<b>(4,027)</b>	(3,844)
Interest income from securities held-to-maturity	<b>(300,507)</b>	(555,098)
Investment income from securities held-to-maturity	<b>(13,481)</b>	(9,700)
Allowance for impairment losses of securities available-for-sale	<b>75,505</b>	46,385
Allowance for impairment losses of securities held-to-maturity	<b>14,500</b>	34,758
Write back of allowance for impairment loss of securities available-for-sale	<b>(26,133)</b>	(35,446)
Write back of allowance for impairment loss of securities held-to-maturity	<b>(16,267)</b>	(9,574)
Dividend income from securities available-for-sale	<b>(5,978)</b>	(3,625)
Allowance for losses on loans and financing	<b>679,797</b>	743,918
Interest suspended clawback	<b>97,911</b>	107,673
Amortisation of premium less accretion of discount	<b>(7,549)</b>	(33,327)
Amortisation of discount for subordinated obligations	<b>217</b>	232
Unrealised exchange loss/(gain)	<b>35,842</b>	(29,219)
	<b>1,439,471</b>	1,111,027
(Increase)/Decrease in operating assets:		
Deposits and placements with banks and other financial institutions	<b>1,777,610</b>	(2,636,067)
Securities purchased under resale agreements	<b>2,124,327</b>	(471,581)
Securities held for trading	<b>104,411</b>	(171,111)
Loans, advances and financing	<b>(1,700,561)</b>	(5,913,216)
Other assets	<b>(43,906)</b>	(105,761)
Statutory deposits	<b>231,622</b>	(218,126)
	<b>2,493,503</b>	(9,515,862)
Increase/(Decrease) in operating liabilities:		
Deposits from customers	<b>16,889,958</b>	7,016,362
Deposits and placements of banks and other financial institutions	<b>(4,236,732)</b>	(746,161)
Obligations on securities sold under repurchase agreements	<b>(13,364,811)</b>	3,035,390
Bills and acceptances payable	<b>181,137</b>	465,531
Recourse obligation on loans sold to Cagamas Berhad	<b>(1,024,411)</b>	(477,708)
Other liabilities	<b>(286,045)</b>	258,480
Long term borrowings	<b>48,300</b>	282,400
	<b>(1,792,604)</b>	9,834,294

# consolidated cash flow statements

for the financial year ended 31 December 2007 (continued)

GROUP	Note	Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000
Cash generated from operations		2,140,370	1,429,459
Taxation paid		(304,132)	(173,012)
Net cash generated from operating activities		<b>1,836,238</b>	1,256,447
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(70,208)	(67,261)
Proceeds from disposal of property, plant and equipment		5,150	15,779
Net purchase of securities available-for-sale		(1,327,962)	(3,848,715)
Net redemption of securities held-to-maturity		6,323,304	1,079,367
Interest received from securities available-for-sale		320,113	53,061
Investment income received from securities available-for-sale		4,132	3,858
Interest received from securities held-to-maturity		333,122	562,055
Investment income received from securities held-to-maturity		12,569	9,764
Dividend income from securities available-for-sale		4,652	2,973
Investment in subsidiaries		(114)	-
Net cash generated from/(used in) investing activities		<b>5,604,758</b>	(2,189,119)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of RM Subordinated Notes		2,000,000	-
Repayment of RM Subordinated Bonds		(800,000)	-
Dividends paid:			
- INCPS		(99,871)	(98,503)
- Ordinary shares		(863,452)	(120,264)
Net cash generated from/(used in) financing activities		<b>236,677</b>	(218,767)
Net increase/(decrease) in cash and cash equivalents		<b>7,677,673</b>	(1,151,439)
Effects of exchange rate differences		(56,408)	(16,177)
Cash and cash equivalents brought forward		<b>9,623,320</b>	10,790,936
Cash and cash equivalents carried forward		<b>17,244,585</b>	9,623,320
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS:</b>			
Cash and short-term funds	2	<b>17,244,585</b>	9,623,320

The accompanying accounting policies and notes form an integral part of these financial statements.

# consolidated cash flow statements

for the financial year ended 31 December 2007 (continued)

<b>BANK</b>	<b>Year ended 31.12.2007 RM'000</b>	Year ended 31.12.2006 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit after INCPS dividends but before taxation	<b>885,267</b>	577,764
Adjustments for:		
INCPS dividend	<b>136,810</b>	136,810
Property, plant and equipment:		
– Depreciation	<b>74,337</b>	83,663
– Gain on disposal	<b>(646)</b>	(4,142)
– Loss on disposal	–	77
– Written off	<b>44</b>	10
– Allowance for impairment losses	–	1,342
– Write back of allowance for impairment loss	–	(2,001)
Amortisation of prepaid land lease	<b>324</b>	376
Net loss on sale of securities available-for-sale	<b>5,687</b>	768
Net gain from redemption of securities held-to-maturity	<b>(103)</b>	–
Interest income from securities available-for-sale	<b>(338,002)</b>	(69,192)
Interest income from securities held-to-maturity	<b>(291,547)</b>	(541,065)
Allowance for impairment loss of securities available-for-sale	<b>75,505</b>	46,385
Allowance for impairment loss of securities held-to-maturity	<b>14,500</b>	34,758
Write back of allowance for impairment loss of securities available-for-sale	<b>(26,133)</b>	(35,446)
Write back of allowance for impairment loss of securities held-to-maturity	<b>(16,267)</b>	(9,574)
Dividend income from securities available-for-sale	<b>(5,978)</b>	(3,625)
Dividend income from subsidiary companies	<b>(62,435)</b>	(67,656)
Allowance for losses on loans and financing	<b>614,055</b>	720,340
Interest suspended clawback	<b>90,852</b>	99,841
Amortisation of premium less accretion of discount	<b>15,767</b>	12,382
Amortisation of discount for subordinated obligations	<b>217</b>	232
Unrealised exchange loss/(gain)	<b>35,842</b>	(29,221)
	<b>1,208,096</b>	952,826
(Increase)/Decrease in operating assets:		
Deposits and placements with banks and other financial institutions	<b>1,039,952</b>	(2,022,052)
Securities purchased under resale agreements	<b>2,124,061</b>	(421,639)
Securities held for trading	<b>64,816</b>	(520,158)
Loans, advances and financing	<b>(1,257,452)</b>	(4,699,458)
Other assets	<b>(257,832)</b>	98,137
Statutory deposits	<b>249,122</b>	(227,808)
	<b>1,962,667</b>	(7,792,978)
Increase/(Decrease) in operating liabilities:		
Deposits from customers	<b>16,496,394</b>	5,825,024
Deposits and placements of banks and other financial institutions	<b>(4,072,402)</b>	(4,605,382)
Obligations on securities sold under repurchase agreements	<b>(13,364,811)</b>	1,672,744
Bills and acceptances payable	<b>187,577</b>	483,089
Recourse obligation on loans sold to Cagamas Berhad	<b>(1,024,411)</b>	872,735
Other liabilities	<b>(243,676)</b>	202,979
Long term borrowings	<b>48,300</b>	282,400
	<b>(1,973,029)</b>	4,733,589



# consolidated cash flow statements

for the financial year ended 31 December 2007 (continued)

<b>BANK</b>	<b>Note</b>	<b>Year ended 31.12.2007 RM'000</b>	Year ended 31.12.2006 RM'000
Cash generated from/(used in) operations		<b>1,197,734</b>	(2,106,563)
Taxation paid		<b>(227,791)</b>	(146,531)
Net cash generated from/(used in) operating activities		<b>969,943</b>	(2,253,094)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		<b>(46,768)</b>	(65,423)
Proceeds from disposal of property, plant and equipment		<b>2,992</b>	14,425
Net purchase of securities available-for-sale		<b>(1,278,458)</b>	(3,885,264)
Net sale of securities held-to-maturity		<b>6,194,735</b>	1,071,863
Interest received from securities available-for-sale		<b>316,828</b>	19,126
Interest received from securities held-to-maturity		<b>324,161</b>	579,923
Dividend income from securities available-for-sale		<b>4,652</b>	2,973
Dividend income from subsidiary companies		<b>48,429</b>	51,881
Net investment in subsidiaries		-	17,354
Net cash generated from/(used in) investing activities		<b>5,566,571</b>	(2,193,142)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of RM Subordinated Notes		<b>2,000,000</b>	-
Repayment of RM Subordinated Bonds		<b>(800,000)</b>	-
Principal repayment of finance lease		<b>(506)</b>	(470)
Dividends paid:			
- INCPS		<b>(99,871)</b>	(98,503)
- Ordinary shares		<b>(863,452)</b>	(120,264)
Net cash generated from/(used in) financing activities		<b>236,171</b>	(219,237)
Net increase/(decrease) in cash and cash equivalents		<b>6,772,685</b>	(4,665,473)
Cash and cash equivalents vested from RHB Delta Finance Bhd		-	727,701
Effects of exchange rate differences		<b>(34,660)</b>	(29,833)
Cash and cash equivalents brought forward		<b>8,571,796</b>	12,539,401
Cash and cash equivalents carried forward		<b>15,309,821</b>	8,571,796
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS:</b>			
Cash and short-term funds	2	<b>15,309,821</b>	8,571,796

The accompanying accounting policies and notes form an integral part of these financial statements.

# summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007

## (A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Bank have been prepared under the historical cost convention (unless otherwise indicated), and are in accordance with Financial Reporting Standards ('FRS'), the Malaysian Accounting Standards Board ('MASB') approved accounting standards in Malaysia for Entities Other Than Private Entities, together with the directives and guidelines issued by Bank Negara Malaysia ('BNM'), and comply with the provisions of the Companies Act, 1965.

The financial statements also incorporate all activities relating to Islamic Banking business which have been undertaken by the Group in compliance with Shariah principles. Islamic Banking generally refers to the acceptance of deposits and granting of financing under the Shariah principles.

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported year. It also requires Directors to exercise their judgement in the process of applying the Bank's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a certain degree of judgement and complexity are disclosed in Section B.

#### (a) Standards and technical pronouncements that are effective

During the financial year, the Group and the Bank adopted the following revised FRS issued by MASB that are relevant and effective for financial statements commencing 1 January 2007:

- FRS 117            Leases
- FRS 124            Related Party Disclosures

The adoption of the above new FRS do not have any significant financial impact on the results of the Group and the Bank other than the effect of restatement of the comparative figures as disclosed in Note 37 and Note 46.

#### (b) Standards and amendments to published standards that are not yet effective and have not been early adopted

The new standards, amendments to published standards and interpretations that are relevant and mandatory for the Group's financial year beginning on or after 1 January 2008 or later periods, but which the Group and the Bank have not early adopted, are as follows:

<b>Standard/Interpretation</b>	<b>Effective for accounting periods beginning on or after</b>
<ul style="list-style-type: none"> <li>• Amendment to FRS 112 Income Taxes – This revised standard has removed the requirements that prohibit recognition of deferred tax on reinvestment allowances or other allowances in excess of capital allowances.</li> </ul>	1 July 2007
<ul style="list-style-type: none"> <li>• Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates - Net Investment in Foreign Operation – This amendment requires exchange differences on monetary items that form part of the net investment in a foreign operation to be recognised in equity instead of in profit or loss regardless of the currency in which these items are denominated in.</li> </ul>	1 July 2007

# summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

## (A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

- (b) Standards and amendments to published standards that are not yet effective and have not been early adopted (continued)

<b>Standard/Interpretation</b>	<b>Effective for accounting periods beginning on or after</b>
<ul style="list-style-type: none"> <li>• FRS 139 Financial Instruments: Recognition and Measurement – This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group and the Bank will apply this standard when effective. Nevertheless, the accounting policies of the Group incorporate revised BNM/GP8 which include selected principles of FRS 139.</li> </ul>	Yet to be determined by MASB
Other revised standards that have no significant changes compared to the original standards:	1 July 2007
<ul style="list-style-type: none"> <li>• FRS 107 Cash Flow Statements</li> <li>• FRS 118 Revenue</li> <li>• FRS 134 Interim Financial Reporting</li> <li>• FRS 137 Provisions, Contingent Liabilities and Contingent Assets</li> </ul>	

The Group and the Bank will apply the above revised standards and amendments to published standards (except for FRS 139 of which the effective date has yet to be determined) from financial periods beginning on 1 January 2008. The adoption of these standards and amendments will not have any significant impact on the results of the Group and the Bank.

- (c) Standards and interpretation to existing standards that are not yet effective and not relevant for the Group and the Bank's operations:

	<b>Effective for accounting periods beginning on or after</b>
<ul style="list-style-type: none"> <li>• FRS 120 Accounting for Government Grants and Disclosure of Government Assistance</li> </ul>	1 July 2007
<ul style="list-style-type: none"> <li>• FRS 111 Construction Contracts</li> </ul>	1 July 2007
<ul style="list-style-type: none"> <li>• IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities</li> </ul>	1 July 2007
<ul style="list-style-type: none"> <li>• IC Interpretation 2 Members' Shares in Co-operation Entities and Similar Instruments</li> </ul>	1 July 2007
<ul style="list-style-type: none"> <li>• IC Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</li> </ul>	1 July 2007
<ul style="list-style-type: none"> <li>• IC Interpretation 6 Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</li> </ul>	1 July 2007
<ul style="list-style-type: none"> <li>• IC Interpretation 7 Applying the Restatement Approach under FRS 129<sub>2004</sub> Financial Reporting in Hyperinflationary Economies</li> </ul>	1 July 2007

# summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

## (A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2 BASIS OF CONSOLIDATION

#### (i) Subsidiaries

The consolidated financial statements include the financial statements of the Bank and all its subsidiaries, made up to the end of the financial year.

Subsidiaries are consolidated using the purchase method of accounting except for:

- (a) Internal group reorganisations, as defined in FRS 122<sub>2004</sub> consolidated on/after 1 July 2001 but with agreement dates before 1 January 2006 where:
  - the ultimate shareholders remain the same, and the rights of each such shareholder, relative to the others, are unchanged; and
  - the minorities' share of net assets of the Group is not altered by the transfer
- (b) Business combinations involving entities or businesses under common control with agreement dates on/after 1 January 2006.

The Group has taken advantage of the exemption provided by FRS 122<sub>2004</sub> and FRS 3 to apply these Standards prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with these Standards.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. See the accounting policy Note 5 on goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

All material intragroup transactions, balances and unrealised gains on transactions between the Group and the Bank are eliminated.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary and it is recognised in the consolidated income statement.

#### (ii) Associates

Investments in associates are accounted for in the consolidated financial statements by using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

# summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

## (A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3 INVESTMENT IN SUBSIDIARIES

Subsidiaries are those corporations or other entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights.

Investment in subsidiaries are stated at cost less any impairment losses. At each balance sheet date, the Bank assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 21 on impairment of non-financial assets.

### 4 INVESTMENT IN ASSOCIATES

Associates are those corporations or other entities in which the Group exercises significant influence but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in financial and operating policy decisions through representation on the Board but not the power to exercise control over those policies.

Investment in associates are stated at cost less any impairment losses. At each balance sheet date, the Bank assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 21 on impairment of non-financial assets.

### 5 GOODWILL

Goodwill arising on consolidation represents the excess of the purchase price over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities of subsidiaries and associates at the date of acquisition.

Goodwill is retained in the consolidated balance sheet and is stated at cost less any impairment loss and is tested at least annually for impairment. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose. See accounting policy Note 21 on impairment of non-financial assets.

### 6 SECURITIES

The Group and the Bank classify its securities portfolio into the following categories: held for trading securities, held-to-maturity securities or available-for-sale securities. Classification of the securities is determined at initial recognition.

#### (i) Held for trading securities

Securities are classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or it is part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. Securities held for trading are stated at fair value at initial recognition. Any gain or loss arising from a change in the fair value or arising from derecognition of such securities is recognised in the income statement.

# summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

## (A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 6 SECURITIES (CONTINUED)

#### (ii) Held-to-maturity securities

Held-to-maturity securities are securities with fixed or determinable payments and fixed maturity that the Group and the Bank have the positive intention and ability to hold to maturity. Securities held-to-maturity are measured at fair value at initial recognition and subsequently at amortised cost using the effective interest method. Any gain or loss is recognised in the income statement when the securities are derecognised or impaired and through the amortisation process.

Interest calculated using the effective interest method is recognised in the income statement.

#### (iii) Available-for-sale securities ('AFS')

Securities available-for-sale are financial assets that are not classified as held for trading or held-to-maturity securities. Securities available-for-sale are measured at fair value at initial recognition. Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost. Any gain or loss arising from a change in fair value is recognised directly in equity through the statement of changes in equity, except for impairment losses and foreign exchange gains and losses, until the financial assets are derecognised, at which time the cumulative gain or loss previously recognised in equity shall be transferred to the income statement.

Interest calculated using the effective interest method is recognised in the income statement.

Dividends on available-for-sale equity instruments are recognised in the income statement when the right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group and the Bank establish fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

For loans converted into debt or equity instrument/impaired securities, the Group and the Bank shall assess whether there is any objective evidence that the securities or group of securities arising from conversion scheme/other securities are impaired, and the impairment rules shall be applied. See accounting policy Note 20 on impairment of securities.

### 7 REPURCHASE AGREEMENTS

Securities purchased under resale agreements are securities which the Group and the Bank have purchased with a commitment to resell at a future date. The commitment to resell the securities is reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Bank have sold from its portfolio, with a commitment to repurchase at a future date. Such financing and the obligation to repurchase the securities is reflected as a liability on the balance sheet.

### 8 FORECLOSED PROPERTIES

Foreclosed properties are stated at cost. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 21 on impairment of non-financial assets.

# summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

## (A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 9 PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items.

Freehold land, buildings in progress, renovations in progress and computer software in progress are not depreciated. Other property, plant and equipment are depreciated on a straight-line basis to write down their cost to their residual values over the estimated useful lives. The principal annual rates of depreciation are as follows:

Buildings	2% to 3 1/3%
Renovations	7.5% to 10%
Office equipment and furniture	7.5% to 20%
Computer equipment and software	20% to 33 1/3%
Motor vehicles	20%

The assets residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

At each balance sheet date, the Group and the Bank assess whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 21 on impairment of non-financial assets.

### 10 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group and the Bank recognise profits on day one.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Bank designate certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or, (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criterias are met.

The Group and the Bank document, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group and the Bank also document its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

# summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

## (A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 10 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

#### (i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

#### (ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

#### (iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

### 11 BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent the Group and the Bank's own bills and acceptances rediscounted and outstanding in the market.

### 12 RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD ('CAGAMAS')

In the normal course of banking operations, the Group and the Bank sell loans to Cagamas but undertake to administer the loans on behalf of Cagamas and to buy back any loans which are regarded as defective based on prudence. Such financing transactions and the obligation to buy back the loans are reflected as a liability on the balance sheet.

For Islamic banking, the sale of Islamic debts to Cagamas is deemed as a sale and purchase transaction from Shariah point of view. Such financing transactions are net-off with the assets sold on the balance sheet and the obligations to buy back the loans are reflected as assets sold with recourse in the commitment and contingencies.



# summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

## (A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 13 LEASES – WHERE THE GROUP IS LESSEE

#### (i) Operating lease

Leases of assets under where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

The up-front payments made for leasehold land represent prepaid lease rentals and are amortised on straight line basis over the lease term.

Where an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period when termination takes place.

#### (ii) Finance lease

Leases of assets where the Group and the Bank assume substantially all the risks and benefits of ownership of the assets are classified as finance leases. The assets are capitalised under property, plant and equipment and subject to depreciation consistent with that of depreciable assets which are owned. The assets and the corresponding lease obligations are recorded at the lower of present value of the minimum lease payments or the fair value of the leased asset at the beginning of the lease term. Each lease payment is allocated between the liability and finance charges using effective yield basis. The corresponding rental obligations, net of finance charges, are included in the liabilities. The interest element of the finance charges is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease is depreciated over the shorter of the estimated useful life of the asset and the lease term.

### 14 LEASES – WHERE THE GROUP IS LESSOR

#### (i) Operating lease

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income is recognised over the term of the lease on a straight line basis.

#### (ii) Finance lease

When assets are leased out under a finance lease, the present value of the lease payment is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the 'sum-of-digits' method so as to reflect a constant periodic rate of return on the balance outstanding.

### 15 OTHER PROVISIONS

Provisions are recognised when all of the following conditions have been met:

- (i) The Group and the Bank have a present legal or constructive obligation as a result of past events;
- (ii) It is probable that an outflow of resources will be required to settle the obligation; and
- (iii) A reliable estimate of the amount can be made.

# summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

## (A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 16 BORROWINGS

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

### 17 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group and the Bank do not recognise a contingent liability but disclose its existence in the financial statements. A contingent liability is possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank. The Group and the Bank do not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

### 18 INCOME RECOGNITION

- (i) Interest income is recognised on an accruals basis. Income earned on hire purchase, block discounting and leasing business is recognised on the 'sum-of-digits' method.

Where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing are reversed out of income statement and set off against the accrued interest receivable account in the balance sheet. Subsequently the interest earned on non-performing loans shall be recognised as income on a cash basis instead of being accrued and suspended at the same time as prescribed previously.

- (ii) Dividends from all investments are recognised when the shareholders' right to receive payment is established.
- (iii) Loan arrangement fees and commissions are recognised as income when all conditions precedent is fulfilled.
- (iv) Guarantee fees are recognised as income upon issuance of the guarantees. Commitment fees are recognised as income based on time apportionment.
- (v) Income from the Islamic Banking is recognised on an accruals basis in accordance with the principles of Shariah.

### 19 ALLOWANCE FOR NON-PERFORMING DEBTS AND FINANCING

Specific allowances are made for non-performing debts and financing which have been individually reviewed and specifically identified as bad, doubtful or substandard.

A general allowance based on a percentage of the loan portfolio is also made to cover possible losses which are not specifically identified. These percentages are reviewed annually in the light of past experience and prevailing circumstances and an adjustment is made on the overall general allowance, if necessary.

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

# summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

## (A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 19 ALLOWANCE FOR NON-PERFORMING DEBTS AND FINANCING (CONTINUED)

The basis for classification of non-performing debts and financing follows the period of default for non-performing loans of 3 months. In line with the classification of non-performing debts and financing, the Group and the Bank's basis for specific allowance is also from default period of 3 months.

The Group and the Bank's allowance for non-performing debts and financing is in conformity with the minimum requirements of BNM's 'Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts (GP3)'; which is deemed as in conformity with the requirement on the allowance for loan impairment under the revised BNM/GP8. BNM has granted indulgence to the Group and the Bank from complying with the requirement on the impairment of loans under the revised BNM/GP8 if the allowance for non-performing debts and financing are computed based on BNM/GP3 requirements.

### 20 IMPAIRMENT OF SECURITIES

The Group and the Bank assess at each balance sheet date whether there is objective evidence that a security is impaired. A security is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the security that can be reliably estimated.

#### (i) Securities carried at amortised cost

If there is objective evidence that an impairment loss on held-to-maturity securities carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a held-to-maturity security has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

#### (ii) Securities carried at fair value

In the case of investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale securities, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

### 21 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flow/CGU. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statement.

# summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

## (A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 22 EMPLOYEE BENEFITS

#### (i) Short-term employee benefits

Wages, salaries, bonuses, paid annual leave and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group and the Bank.

#### (ii) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions to the national pension scheme, Employees' Provident Fund ('EPF'). The Group and the Bank's contributions to defined contribution plans are charged to the income statement in the year to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

#### (iii) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

### 23 INCOME TAXES

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group and the Bank operate and include all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries and arising from distribution of retained earnings to companies in the Group.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit and loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences or unused tax losses can be utilised.

Deferred tax related to the fair value measurement of securities AFS, which are charged or credited directly to equity, is also charged or credited directly to equity and is subsequently recognised in the income statement together with deferred gain or loss.

Deferred tax is determined using tax rate (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

### 24 CURRENCY CONVERSION AND TRANSLATION

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Ringgit Malaysia, which is the Bank's functional and presentation currency.

# summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

## (A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 24 CURRENCY CONVERSION AND TRANSLATION (CONTINUED)

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transaction at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as AFS are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held for trading are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as AFS are included in AFS reserve in equity.

#### (iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of transactions); and
- (c) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowing and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### 25 DIVIDENDS

Dividends on ordinary shares are recognised as liabilities when shareholders' right to receive the dividends are established.

### 26 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank balances and short term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

# summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

## (A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 27 SEGMENT REPORTING

Segment reporting is presented for enhanced assessment of the Group's risks and returns. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those components.

Segment revenue, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

## (B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group and the Bank make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### (a) Allowance for losses on loans and advances

The Group and the Bank make allowance for losses based on assessment of recoverability. Whilst management's judgement is guided by the relevant BNM guidelines, judgement is made about the future and other key factors in respect of the recovery of loans, advances and financing. Among the factors considered are the Group and the Bank's aggregate exposure to the borrower, the net realisable value of the underlying collateral value, the viability of the customer's business model and the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims.

### (b) Impairment of goodwill

The Group performs an impairment review on an annual basis to ensure that the carrying value of the goodwill does not exceed its recoverable amount from the CGU unit to which the goodwill is allocated. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercise judgement in estimating the future cash flows, growth rate and discount rate.

# notes to the financial statements

## for the financial year ended 31 December 2007

### 1 GENERAL INFORMATION

RHB Bank Berhad ('the Bank'), a limited liability company domiciled in Malaysia, is principally engaged in all aspects of banking and finance business and in the provision of related services.

The principal activities of the Bank's subsidiaries consist of Islamic banking business, leasing, offshore banking, offshore trust services, nominee services and property investment.

There have been no significant changes in the nature of these principal activities during the financial year, other than the acquisition of new subsidiaries by the Group as disclosed in Note 12 of the financial statements.

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

	Group		Bank	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
Cash and balances with banks and other financial institutions	<b>961,686</b>	381,043	<b>959,933</b>	359,750
Money at call and deposit placements maturing within one month	<b>16,282,899</b>	9,242,277	<b>14,349,888</b>	8,212,046
	<b>17,244,585</b>	9,623,320	<b>15,309,821</b>	8,571,796

### 3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
Licensed banks	<b>1,891,891</b>	817,331	<b>1,864,499</b>	872,776
Licensed investment banks	<b>200,000</b>	20,000	<b>200,000</b>	–
Bank Negara Malaysia	<b>1,200,000</b>	4,231,500	<b>900,000</b>	3,131,500
	<b>3,291,891</b>	5,068,831	<b>2,964,499</b>	4,004,276

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 4 SECURITIES HELD FOR TRADING

	Group		Bank	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
<b>At fair value</b>				
<b>Money market instruments:</b>				
<b>Quoted</b>				
Malaysian government securities	<b>78,538</b>	146,325	<b>78,538</b>	146,325
Khazanah bonds	<b>30,893</b>	170,205	<b>30,893</b>	170,205
Malaysian government investment issues	<b>99,948</b>	149,837	<b>99,948</b>	149,837
Singapore government securities	<b>103,306</b>	192,069	<b>103,306</b>	192,069
Cagamas bonds	<b>19,272</b>	–	<b>19,272</b>	–
<b>Unquoted</b>				
Malaysian government treasury bills	<b>19,657</b>	28,965	<b>19,657</b>	28,965
BNM notes	<b>396,106</b>	440,460	<b>342,793</b>	365,732
Fixed rate notes	<b>221,421</b>	229,710	<b>221,421</b>	229,710
Bankers' acceptances and Islamic accepted bills	–	69,212	–	–
Private debt securities	<b>747,773</b>	305,810	<b>438,195</b>	135,129
<b>Quoted securities:</b>				
<b>Outside Malaysia</b>				
Malaysian government investment issues	<b>105,256</b>	114,487	–	–
Private debt securities	<b>20,048</b>	98,682	–	–
<b>Total securities held for trading</b>	<b>1,842,218</b>	1,945,762	<b>1,354,023</b>	1,417,972



# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 5 SECURITIES AVAILABLE-FOR-SALE

	Group		Bank	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
<b>At fair value</b>				
<b>Money market instruments:</b>				
<b>Quoted</b>				
Malaysian government securities	100,385	50,190	100,385	50,190
Cagamas bonds and Cagamas mudharabah bonds	410,370	451,156	410,370	451,156
Malaysian government investment issues	18,257	5,058	–	–
Singapore government securities	81,010	103,952	81,010	103,952
Khazanah bonds	9,738	9,405	–	–
Private debt securities	137,548	–	137,548	–
<b>Unquoted</b>				
Malaysian government treasury bills	196,667	85,677	157,834	81,934
Singapore government treasury bills	285,910	85,890	285,910	85,890
BNM notes	1,618,338	401,056	1,560,962	401,056
Negotiable instruments of deposits	1,262,834	3,220,039	1,262,834	3,220,039
Bankers' acceptances and Islamic accepted bills	34,044	–	34,044	–
Structured notes	154,440	306,350	154,440	235,749
Private debt securities	2,288,803	484,151	2,268,414	484,151
	<b>6,598,344</b>	<b>5,202,924</b>	<b>6,453,751</b>	<b>5,114,117</b>
<b>Quoted securities:</b>				
<b>In Malaysia</b>				
Corporate loan stocks	68,744	54,813	68,744	54,813
Shares	9,045	13,751	5,825	11,878
<b>Outside Malaysia</b>				
Floating rate notes	156	292	–	–
Shares	11	129	–	–
	<b>77,956</b>	<b>68,985</b>	<b>74,569</b>	<b>66,691</b>
<b>Unquoted securities:</b>				
<b>In Malaysia</b>				
Corporate loan stocks	105,077	161,524	98,390	146,512
Shares	165,779	165,779	165,204	165,204
Private debt securities	68,316	65,507	68,316	65,507
<b>Outside Malaysia</b>				
Private debt securities	10,909	49,109	10,909	49,109
<b>Total securities available-for-sale</b>	<b>7,026,381</b>	<b>5,713,828</b>	<b>6,871,139</b>	<b>5,607,140</b>

Included in securities available-for-sale in 2007 was RM Nil (31.12.2006: RM3,539,529,000) being pledged to third parties in relation to securities sold under repurchase agreement.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 6 SECURITIES HELD-TO-MATURITY

	Group		Bank	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
<b>At amortised cost</b>				
<b>Money market instruments:</b>				
<b>Quoted</b>				
Malaysian government securities	1,309,707	2,069,764	1,309,707	2,069,764
Cagamas bonds and Cagamas mudharabah bonds	819,407	911,120	769,123	850,678
Khazanah bonds	516,481	521,752	-	-
Malaysian government investment issues	82,774	80,964	-	-
<b>Unquoted</b>				
Cagamas notes	-	98,157	-	98,157
Bankers' acceptances and Islamic accepted bills	-	99,065	-	99,065
Negotiable instruments of deposit	774,095	5,536,823	774,095	5,536,823
Prasarana bonds	1,879,776	1,881,558	1,879,776	1,881,558
Private debt securities	670,026	686,087	470,828	539,637
Structured notes	100,000	353,051	100,000	264,764
Other government securities	247,568	234,310	247,568	234,310
	<b>6,399,834</b>	12,472,651	<b>5,551,097</b>	11,574,756
<b>Quoted securities:</b>				
<b>In Malaysia</b>				
Floating rate notes	-	81,225	-	-
<b>Unquoted securities:</b>				
<b>In Malaysia</b>				
Bonds	27,178	29,047	860	860
Private debt securities	347,166	389,458	347,166	389,458
Corporate loan stocks	87,316	205,231	87,316	205,231
Shares	500	500	500	500
<b>Outside Malaysia</b>				
Floating rate notes	37,369	10,594	-	-
	<b>6,899,363</b>	13,188,706	<b>5,986,939</b>	12,170,805
Accumulated impairment losses	(164,522)	(168,026)	(164,522)	(168,026)
<b>Total securities held-to-maturity</b>	<b>6,734,841</b>	13,020,680	<b>5,822,417</b>	12,002,779

- (i) Unquoted shares consist of RM500,000 of a third party redeemable preference shares with a nominal value of RM1.00 each which were charged to another third party as part of a financing transaction facilitated by the Bank.
- (ii) Included in securities held-to-maturity in 2007 was RM Nil (31.12.2006: RM8,507,728,000) being pledged to third parties in relation to securities sold under repurchase agreement.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 7 LOANS, ADVANCES AND FINANCING

	Group		Bank	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
(i) By type				
Overdrafts	6,259,416	6,797,088	6,210,439	6,732,859
Term loans/financing				
– housing loans/financing	12,608,753	12,545,070	10,990,141	10,972,207
– syndicated term loans/financing	2,081,830	2,567,111	933,452	993,166
– hire purchase receivables	9,856,706	9,654,495	8,990,511	8,862,377
– lease receivables	264,807	281,120	–	–
– other term loans/financing	12,291,016	11,225,971	10,975,439	10,065,249
Bills receivable	2,282,049	1,877,730	1,488,514	1,456,467
Trust receipts	465,381	537,794	455,756	517,019
Claims on customers under acceptance credits	5,032,339	4,801,403	5,032,339	4,801,403
Staff loans/financing	386,351	406,298	376,847	400,058
Credit card receivables	1,630,493	1,288,406	1,630,493	1,288,406
Revolving credit	4,185,900	4,938,787	3,673,456	4,643,319
Floor stocking	6,816	8,308	6,816	8,308
	57,351,857	56,929,581	50,764,203	50,740,838
Less : Unearned interest and income	(1,453,768)	(1,563,244)	(1,335,500)	(1,456,814)
Gross loans, advances and financing	55,898,089	55,366,337	49,428,703	49,284,024
Less : Allowance for bad and doubtful debts and financing:				
– general	(984,181)	(965,782)	(861,815)	(843,614)
– specific	(1,210,801)	(1,658,949)	(1,096,365)	(1,561,079)
Net loans, advances and financing	53,703,107	52,741,606	47,470,523	46,879,331

Included in term loans are housing loans and hire purchase receivables sold to Cagamas with recourse amounting to RM1,854,873,000 (31.12.2006: RM2,879,284,000) for the Group and the Bank.

	Group		Bank	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
(ii) By type of customer				
Domestic non-bank financial institutions				
– Stock broking companies	231	1,857	231	1,857
– Others	601,898	831,683	573,953	797,331
Domestic business enterprises				
– Small medium enterprises	8,990,565	9,241,892	7,927,251	8,034,477
– Others	20,907,657	21,021,151	17,926,891	18,240,610
Government and statutory bodies	224,665	248,651	123,512	147,498
Individuals	24,443,737	23,318,568	22,481,664	21,690,649
Other domestic entities	89,503	57,746	75,081	41,841
Foreign entities	639,833	644,789	320,120	329,761
	55,898,089	55,366,337	49,428,703	49,284,024

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
(iii) By interest/profit rate sensitivity				
Fixed rate				
– Housing loans/financing	1,731,613	1,593,037	113,262	101,959
– Hire purchase receivables	8,430,436	8,129,916	7,666,882	7,426,139
– Other fixed rate loans/financing	3,492,899	3,499,775	1,875,971	1,625,851
Variable rate				
– Base Lending Rate plus	20,339,184	20,237,464	20,339,184	20,237,464
– Cost plus	16,550,007	16,576,213	15,763,123	16,233,182
– Other variable rates	5,353,950	5,329,932	3,670,281	3,659,429
	<b>55,898,089</b>	55,366,337	<b>49,428,703</b>	49,284,024
(iv) By purpose				
Purchase of securities	1,990,459	1,710,666	1,805,279	1,344,039
Purchase of transport vehicles	6,564,938	6,516,541	5,965,893	6,091,629
Purchase of landed property:				
– Residential	13,149,678	12,860,513	11,530,002	11,397,561
– Non-residential	2,199,437	1,574,474	2,219,292	1,634,612
Purchase of property, plant and equipment other than land and building	2,757,686	2,489,462	2,005,476	1,593,245
Personal use	2,152,428	1,950,507	2,128,582	1,913,855
Credit card	1,630,493	1,288,406	1,630,493	1,288,406
Purchase of consumer durables	92,947	114,206	92,623	113,829
Construction	1,517,401	2,172,003	1,314,001	1,967,546
Working capital	21,623,876	22,639,326	19,792,446	21,108,101
Other purposes	2,218,746	2,050,233	944,616	831,201
	<b>55,898,089</b>	55,366,337	<b>49,428,703</b>	49,284,024
(v) Movement in non-performing loans, advances and financing				
At beginning of year	4,080,226	4,151,770	3,774,831	3,484,877
Classified as non-performing during the year	3,467,477	4,059,982	3,070,763	3,653,161
Reclassified as performing during the year	(2,430,980)	(2,712,691)	(2,123,643)	(2,407,817)
Loans/financing converted to securities	(15,586)	(66,371)	(15,586)	(66,371)
Amount recovered	(981,653)	(560,013)	(943,697)	(514,999)
Amount written off	(1,076,665)	(787,600)	(1,029,424)	(749,844)
Amount novated from RHB Bank (L) Ltd	–	–	33,070	–
Amount vested over from RHB Delta Finance Bhd	–	–	–	375,910
Exchange difference	(1,109)	(4,851)	1,758	(86)
At end of the year	3,041,710	4,080,226	2,768,072	3,774,831
Specific allowance	(1,210,801)	(1,658,949)	(1,096,365)	(1,561,079)
Net non-performing loans, advances and financing	<b>1,830,909</b>	2,421,277	<b>1,671,707</b>	2,213,752
Ratio of net non-performing loans, advances and financing to net loans, advances and financing	<b>3.3%</b>	4.5%	<b>3.5%</b>	4.6%

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
(vi) Movement in allowance for bad and doubtful debts				
<b>General allowance</b>				
At beginning of year	965,782	909,527	843,614	676,608
Allowance made during the year	19,994	58,277	17,630	58,616
Amount vested over from RHB Delta Finance Bhd	-	-	-	107,790
Exchange difference	(1,595)	(2,022)	571	600
At end of year	984,181	965,782	861,815	843,614
As % of gross loans, advances and financing less specific allowance	1.8%	1.8%	1.8%	1.8%
<b>Specific allowance</b>				
At beginning of year	1,658,949	1,768,802	1,561,079	1,513,739
Allowance made during the year	1,060,741	920,750	987,958	890,579
Transferred to accumulated impairment losses for securities	(11,128)	(56,215)	(11,128)	(56,215)
Amount recovered	(401,004)	(235,109)	(391,533)	(228,855)
Amount written off	(1,096,339)	(736,414)	(1,051,844)	(701,689)
Amount vested over from RHB Delta Finance Bhd	-	-	-	142,534
Amount transferred from other debtors	-	788	-	788
Exchange difference	(418)	(3,653)	1,833	198
At end of year	1,210,801	1,658,949	1,096,365	1,561,079
(vii) Non-performing loans, advances and financing by purpose				
Purchase of securities	21,781	33,103	21,781	33,053
Purchase of transport vehicles	270,881	391,338	267,767	389,443
Purchase of landed property:				
– Residential	1,056,921	1,282,014	886,465	1,102,680
– Non-residential	146,271	133,866	142,207	130,764
Purchase of property, plant and equipment other than land and building	68,441	102,341	47,534	36,979
Personal use	125,543	171,153	120,244	163,448
Credit card	44,725	45,484	44,725	45,484
Purchase of consumer durables	6,605	10,558	6,604	10,558
Construction	120,605	334,982	118,435	329,174
Working capital	1,158,761	1,547,366	1,104,770	1,519,361
Other purposes	21,176	28,021	7,540	13,887
	3,041,710	4,080,226	2,768,072	3,774,831

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 8 OTHER ASSETS

	Note	Group		Bank	
		31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
Other debtors, deposits and prepayments		<b>360,541</b>	244,154	<b>302,296</b>	179,871
Accrued interest receivable		<b>151,818</b>	186,827	<b>142,427</b>	174,883
Amount due from immediate holding company	(i)	<b>47</b>	20,451	<b>47</b>	20,091
Amount due from subsidiaries	(ii)	–	–	<b>352,907</b>	146,438
Amount due from related companies	(ii)	<b>3,918</b>	5,335	<b>3,918</b>	5,322
		<b>516,324</b>	456,767	<b>801,595</b>	526,605

- (i) Amount due from immediate holding company is unsecured, bears interest at 5.8% (31.12.2006: 6.0%) per annum and has no fixed repayment terms.
- (ii) Amounts due from subsidiaries/related companies are unsecured, interest free and have no fixed terms of repayment.

## 9 DERIVATIVE ASSETS/(LIABILITIES)

	Group		Bank	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
Derivative assets	<b>105,401</b>	167,044	<b>102,102</b>	165,022
Derivative liabilities	<b>(117,820)</b>	(143,668)	<b>(109,427)</b>	(136,243)
	<b>(12,419)</b>	23,376	<b>(7,325)</b>	28,779

Group	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
<b>31.12.2007</b>			
Foreign exchange related contracts:			
– forwards/swaps	<b>8,637,933</b>	<b>74,092</b>	<b>83,297</b>
– options	<b>596,946</b>	<b>599</b>	<b>275</b>
– cross currency interest rate swaps	<b>934,930</b>	<b>2,047</b>	<b>1,634</b>
Interest rate related contracts:			
– swaps	<b>4,617,460</b>	<b>28,663</b>	<b>32,614</b>
		<b>105,401</b>	<b>117,820</b>
<b>31.12.2006</b>			
Foreign exchange related contracts:			
– forwards/swaps	13,686,801	107,946	81,428
– options	45,390	1,512	1,208
– cross currency interest rate swaps	683,017	21,798	20,996
Interest rate related contracts:			
– futures	100,000	139	–
– swaps	3,948,397	35,649	40,036
		167,044	143,668

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 9 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

Bank	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
<b>31.12.2007</b>			
Foreign exchange related contracts:			
– forwards/swaps	8,637,933	74,092	83,297
– options	596,946	599	275
– cross currency interest rate swaps	934,930	2,047	1,634
Interest rate related contracts:			
– swaps	4,299,553	25,364	24,221
		<b>102,102</b>	<b>109,427</b>
<b>31.12.2006</b>			
Foreign exchange related contracts:			
– forwards/swaps	13,686,262	107,946	81,428
– options	45,390	1,512	1,208
– cross currency interest rate swaps	683,017	21,798	20,996
Interest rate related contracts:			
– futures	100,000	139	–
– swaps	3,547,558	33,627	32,611
		165,022	136,243

## 10 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same authority. The following amounts determined after appropriate offsetting, are shown in the balance sheet:

	Group		Bank	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
Deferred tax assets	247,852	251,720	207,222	210,747
Deferred tax liabilities	(17)	(17)	–	–
	<b>247,835</b>	251,703	<b>207,222</b>	210,747

The deferred tax assets and liabilities have been adjusted to take into account the reduction in tax rate to 26% in Year of Assessment 2008 and 25% in Year of Assessment 2009 and thereafter, adjustments are made based on amounts of temporary differences expected to be reversed in the prospective years.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 10 DEFERRED TAXATION (CONTINUED)

The movements in deferred tax assets and liabilities during the financial year comprise the following:

### Deferred tax assets/(liabilities)

Group	Property, plant & equipment RM'000	Securities available- for-sale RM'000	Leasing business RM'000	Tax losses RM'000	General allowance on loans, advances and financing RM'000	Other temporary differences RM'000	Total RM'000
<b>31.12.2007</b>							
At beginning of year	(21,201)	238	16,516	4,544	241,918	9,688	251,703
Charged to income statement	9,260	-	(1,047)	-	(3,851)	(606)	3,756
Charged to equity	-	(7,615)	-	-	-	-	(7,615)
Exchange difference	-	-	-	(9)	-	-	(9)
At end of year	(11,941)	(7,377)	15,469	4,535	238,067	9,082	247,835

### 31.12.2006

At beginning of year	(26,636)	(3,295)	7,964	8,958	242,618	10,421	240,030
Charged to income statement	5,435	-	8,552	(4,518)	(700)	(733)	8,036
Charged to equity	-	3,533	-	-	-	-	3,533
Exchange difference	-	-	-	104	-	-	104
At end of year	(21,201)	238	16,516	4,544	241,918	9,688	251,703

Bank	Property, plant & equipment RM'000	Securities available- for-sale RM'000	Tax losses RM'000	General allowance on loans, advances and financing RM'000	Other temporary differences RM'000	Total RM'000
<b>31.12.2007</b>						
At beginning of year	(20,444)	395	4,544	219,340	6,912	210,747
Charged to income statement	8,706	-	-	(3,886)	(739)	4,081
Charged to equity	-	(7,597)	-	-	-	(7,597)
Exchange difference	-	-	(9)	-	-	(9)
At end of year	(11,738)	(7,202)	4,535	215,454	6,173	207,222

### 31.12.2006

At beginning of year	(25,162)	(3,142)	8,958	189,450	1,034	171,138
Amount vested over from RHB Delta Finance Bhd	(609)	(57)	-	30,185	6,379	35,898
Charged to income statement	5,327	-	(4,518)	(295)	(501)	13
Charged to equity	-	3,594	-	-	-	3,594
Exchange difference	-	-	104	-	-	104
At end of year	(20,444)	395	4,544	219,340	6,912	210,747



# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 10 DEFERRED TAXATION (CONTINUED)

	Group		Bank	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
Tax losses for which the related tax credit has not been recognised in the financial statements	<b>2,457,475</b>	2,485,966	<b>185,402</b>	213,893

## 11 STATUTORY DEPOSITS

	Group		Bank	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
Statutory deposits with BNM	<b>1,523,129</b>	1,760,929	<b>1,335,200</b>	1,590,500
Statutory deposits with Monetary Authority of Singapore	<b>76,531</b>	70,530	<b>76,531</b>	70,530
Statutory deposits with Ministry of Finance, Brunei	<b>4,619</b>	4,285	<b>4,619</b>	4,285
Statutory deposits with Labuan Offshore Financial Services Authority	<b>100</b>	–	–	–
	<b>1,604,379</b>	1,835,744	<b>1,416,350</b>	1,665,315

The non-interest bearing statutory deposits are maintained with BNM in compliance with Section 37(1) (c) of the Central Bank of Malaysia Act, 1958 (revised-1994), with the Ministry of Finance, Negara Brunei Darussalam in compliance with Section 6A of the Banking Act, with the Monetary Authority of Singapore in compliance with Banking Act, Cap. 19, Singapore Finance Companies Act, Cap. 108 and with Labuan Offshore Financial Services Authority in accordance with the Labuan Trust Companies (Amendment) Act, 2002. The amounts are determined by the respective authorities.

## 12 INVESTMENT IN SUBSIDIARIES

	Bank	
	31.12.2007 RM'000	31.12.2006 RM'000
Unquoted shares, at cost		
– in Malaysia	<b>856,315</b>	856,315
– outside Malaysia	<b>12,807</b>	12,807
	<b>869,122</b>	869,122
Amount due to subsidiaries	<b>(39,103)</b>	(39,103)
Impairment loss on investment in subsidiaries	<b>(1,063)</b>	(1,063)
	<b>828,956</b>	828,956

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The following are the subsidiaries of the Bank:

	Paid-up capital	Effective interest		Principal activities
		2007 %	2006 %	
RHB Bank (L) Ltd	US\$54,000,000	100	100	Offshore banking
– RHB International Trust (L) Ltd @	US\$40,000	100	–	Offshore trust company
– RHB Corporate Services Sdn Bhd	RM150,000	100	–	Corporate secretarial services
RHB Islamic Bank Berhad	RM523,424,002	100	100	Islamic Banking
RHB Capital Nominees (Tempatan) Sdn Bhd	RM10,000	100	100	Nominee services for Malaysian beneficial shareholders
– RHB Capital Nominees (Asing) Sdn Bhd	RM10,000	100	100	Nominee services for foreign beneficial shareholders
UMBC Sdn Bhd	RM499,999,818	100	100	Dormant company
RHB Investment Ltd *	S\$19,000,000	100	100	Property investment and rental
Banfora Pte Ltd *	S\$25,000,000	100	100	Property investment and rental
RHB Bank Nominees Pte Ltd *	S\$100,000	100	100	Nominee services
USB Nominees Sdn Bhd	RM10,000	100	100	Dormant company
USB Nominees (Tempatan) Sdn Bhd	RM10,000	100	100	Dormant company
USB Nominees (Asing) Sdn Bhd	RM10,000	100	100	Dormant company
RHB Delta Sdn Bhd	RM175,000,000	100	100	Dormant company
RHB Delta Nominees (Tempatan) Sdn Bhd	RM10,000	100	100	Dormant company
RHB Leasing Sdn Bhd	RM10,000,000	100	100	Leasing
INFB Jaya Sdn Bhd	RM50,000,000	100	100	Dormant company
RHB Trade Services Limited #	HK\$2.00	100	100	Processing of letters of credit reissuance favouring Hong Kong beneficiaries
RHB Capital Properties Sdn Bhd	RM21,800,000	100	100	Property investment
Utama Gilang Sdn Bhd	RM800,000,000	100	100	Dormant company
Utama Assets Sdn Bhd	RM2,300,000	100	100	Property investment
U.B. Nominees (Tempatan) Sdn Bhd	RM10,000	100	100	Dormant company

\* Subsidiaries companies audited by overseas firms associated with PricewaterhouseCoopers, Malaysia.

# Subsidiary not audited by PricewaterhouseCoopers.

@ On 15 May 2007, RHB Bank (L) Ltd acquired the entire shareholdings of the Company from RHB Capital Berhad, the immediate holding company of the Bank. With the said acquisition, the Company together with its wholly owned subsidiary, RHB Corporate Services Sdn Bhd have become a wholly owned subsidiaries of RHB Bank (L) Ltd.

All of the subsidiaries are incorporated in Malaysia except for RHB Investment Ltd, Banfora Pte Ltd and RHB Bank Nominees Pte Ltd which are incorporated in Singapore, and RHB Trade Services Limited which is incorporated in Hong Kong.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 13 INVESTMENT IN AN ASSOCIATE

	Group	
	31.12.2007 RM'000	31.12.2006 RM'000
Unquoted shares, at cost	3,315	3,315
Share of post acquisition profit	1,648	1,368
	<b>4,963</b>	4,683
Represented by:		
Share of net assets	6,988	6,708
Negative goodwill arising from acquisition	(2,025)	(2,025)
	<b>4,963</b>	4,683

The details of the associate are as follows:

Name of company	Country of incorporation	Paid-up share capital RM	Effective equity interest		Principal activity
			2007 %	2006 %	
CMS Trust Management Berhad*	Malaysia	6,765,300	49	49	Management of unit trust funds

\* Shareholding held by a subsidiary company, Utama Gilang Sdn Bhd.

Based on effective equity interest as of year end, the financial positions of the associate are as follows:

Name of company	Assets RM'000	Liabilities RM'000	Revenue RM'000	Profit after taxation RM'000
<b>2007</b>				
CMS Trust Management Berhad	19,460	14,497	7,090	280
<b>2006</b>				
CMS Trust Management Berhad	6,090	1,407	6,238	485

notes to the financial statements  
for the financial year ended 31 December 2007 (continued)

14 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
<b>31.12.2007</b>							
<b>Cost</b>							
Balance as at beginning of financial year	86,207	255,617	139,950	181,088	658,085	11,951	1,332,898
Amount arising from acquisition of subsidiaries	-	-	-	7	10	-	17
Additions	-	2,107	8,072	3,809	55,265	955	70,208
Disposals/written off	-	(5,181)	(178)	(2,770)	(7,991)	(1,943)	(18,063)
Exchange differences	(3)	(162)	(93)	155	57	76	30
Balance as at end of financial year	86,204	252,381	147,751	182,289	705,426	11,039	1,385,090
<b>Less: Accumulated depreciation</b>							
Balance as at beginning of financial year	-	42,712	94,669	164,140	517,819	8,888	828,228
Amount arising from acquisition of subsidiaries	-	-	-	4	9	-	13
Charge for the year	-	5,050	6,612	7,909	55,477	1,081	76,129
Disposals/written off	-	(1,035)	(56)	(2,764)	(7,970)	(1,628)	(13,453)
Exchange differences	-	(32)	(81)	155	112	25	179
Balance as at end of financial year	-	46,695	101,144	169,444	565,447	8,366	891,096
<b>Less: Impairment loss</b>							
Balance as at beginning of financial year	1,136	4,335	-	-	-	-	5,471
Exchange differences	-	(22)	-	-	-	-	(22)
Balance as at end of financial year	1,136	4,313	-	-	-	-	5,449
Net book value as at end of financial year	85,068	201,373	46,607	12,845	139,979	2,673	488,545

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land	Buildings	Renovations	Office equipment and furniture	Computer equipment and software	Motor vehicles	Total
31.12.2006	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>							
Balance as at beginning of financial year	86,790	284,760	126,325	164,291	621,886	13,953	1,298,005
Additions	-	2,472	8,302	1,513	53,631	1,343	67,261
Reclassifications	-	(22,772)	5,315	17,461	(4)	-	-
Disposals/written off	(602)	(9,397)	(27)	(2,336)	(17,620)	(3,364)	(33,346)
Exchange differences	19	554	35	159	192	19	978
<b>Balance as at end of financial year</b>	<b>86,207</b>	<b>255,617</b>	<b>139,950</b>	<b>181,088</b>	<b>658,085</b>	<b>11,951</b>	<b>1,332,898</b>
<b>Less: Accumulated depreciation</b>							
Balance as at beginning of financial year	-	38,671	89,236	157,895	471,196	11,137	768,135
Charge for the year	-	6,371	5,381	8,435	64,026	1,089	85,302
Reclassifications	-	(88)	88	-	-	-	-
Disposals/written off	-	(2,362)	(20)	(2,334)	(17,498)	(3,357)	(25,571)
Exchange differences	-	120	(16)	144	95	19	362
<b>Balance as at end of financial year</b>	<b>-</b>	<b>42,712</b>	<b>94,669</b>	<b>164,140</b>	<b>517,819</b>	<b>8,888</b>	<b>828,228</b>
<b>Less: Impairment loss</b>							
Balance as at beginning of financial year	-	3,495	-	-	-	-	3,495
Charge for the year	1,136	1,342	-	-	-	-	2,478
Disposals	-	(310)	-	-	-	-	(310)
Written back	-	(174)	-	-	-	-	(174)
Exchange differences	-	(18)	-	-	-	-	(18)
<b>Balance as at end of financial year</b>	<b>1,136</b>	<b>4,335</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,471</b>
<b>Net book value as at end of financial year</b>	<b>85,071</b>	<b>208,570</b>	<b>45,281</b>	<b>16,948</b>	<b>140,266</b>	<b>3,063</b>	<b>499,199</b>

notes to the financial statements  
for the financial year ended 31 December 2007 (continued)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank	Freehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
<b>31.12.2007</b>							
<b>Cost</b>							
Balance as at beginning of financial year	82,856	208,093	134,766	176,919	651,900	11,119	1,265,653
Additions/transfer	-	2,101	6,421	3,328	34,378	543	46,771
Disposals/written off	-	(2,045)	(80)	(2,663)	(7,784)	(1,846)	(14,418)
Exchange differences	(2)	(44)	(18)	220	126	82	364
Balance as at end of financial year	82,854	208,105	141,089	177,804	678,620	9,898	1,298,370
<b>Less: Accumulated depreciation</b>							
Balance as at beginning of financial year	-	36,374	93,197	160,750	514,699	8,632	813,652
Charge for the year	-	4,588	6,596	7,554	54,710	889	74,337
Transfer	-	-	-	-	2	-	2
Disposals/written off	-	-	(39)	(2,659)	(7,766)	(1,565)	(12,029)
Exchange differences	-	(15)	(6)	219	177	25	400
Balance as at end of financial year	-	40,947	99,748	165,864	561,822	7,981	876,362
<b>Less: Impairment loss</b>							
Balance as at beginning of financial year	-	1,694	-	-	-	-	1,694
Balance as at end of financial year	-	1,694	-	-	-	-	1,694
Net book value as at end of financial year	82,854	165,464	41,341	11,940	116,798	1,917	420,314

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank	Freehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
31.12.2006							
<b>Cost</b>							
Balance as at beginning of financial year	80,574	232,518	117,775	156,132	605,222	11,583	1,203,804
Amount vested over from RHB Delta Finance Bhd	2,867	2,526	4,450	4,050	10,694	1,488	26,075
Additions	–	2,352	7,136	1,368	53,326	1,241	65,423
Reclassifications	–	(22,772)	5,315	17,461	(4)	–	–
Disposals/written off	(602)	(6,805)	(27)	(2,296)	(17,614)	(3,215)	(30,559)
Exchange differences	17	274	117	204	276	22	910
Balance as at end of financial year	82,856	208,093	134,766	176,919	651,900	11,119	1,265,653
<b>Less: Accumulated depreciation</b>							
Balance as at beginning of financial year	–	31,605	86,128	151,715	462,261	9,889	741,598
Amount vested over from RHB Delta Finance Bhd	–	556	1,604	3,008	6,366	984	12,518
Charge for the year	–	5,874	5,330	8,126	63,386	947	83,663
Reclassifications	–	(88)	88	–	–	–	–
Disposals/written off	–	(1,681)	(20)	(2,295)	(17,492)	(3,207)	(24,695)
Exchange differences	–	108	67	196	178	19	568
Balance as at end of financial year	–	36,374	93,197	160,750	514,699	8,632	813,652
<b>Less: Impairment loss</b>							
Balance as at beginning of financial year	–	526	–	–	–	–	526
Charge for the year	–	1,342	–	–	–	–	1,342
Written back	–	(174)	–	–	–	–	(174)
Balance as at end of financial year	–	1,694	–	–	–	–	1,694
Net book value as at end of financial year	82,856	170,025	41,569	16,169	137,201	2,487	450,307

Included in the net book value of office equipment and furniture is an amount of RM561,373 (31.12.2006 : RM1,041,827) which is acquired under finance lease from subsidiaries.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group		Bank	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
<b>Accumulated depreciation and impairment loss</b>				
Balances as at beginning of financial year	833,699	771,630	815,346	742,124
Balances as at end of financial year	896,545	833,699	878,056	815,346

The above property, plant and equipment includes the following assets under construction/progress:

	Group		Bank	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
<b>Cost</b>				
Renovations	14,455	11,334	9,494	7,802
Computer equipment & software	34,392	34,554	12,612	32,530
	48,847	45,888	22,106	40,332

## 15 PREPAID LAND LEASE

Group	Leasehold Land		
	Less than 50 years RM'000	50 years or more RM'000	Total RM'000
<b>31.12.2007</b>			
<b>Cost</b>			
As previously reported	-	-	-
Effect of adoption FRS 117	1,047	125,039	126,086
As restated	1,047	125,039	126,086
Exchange difference	-	(193)	(193)
Balance as at end of financial year	1,047	124,846	125,893
<b>Less: Accumulated amortisation</b>			
As previously reported	-	-	-
Effect of adoption FRS 117	440	4,096	4,536
As restated	440	4,096	4,536
Charge for the year	27	463	490
Exchange difference	-	2	2
Balance as at end of financial year	467	4,561	5,028
<b>Less: Impairment loss</b>			
As previously reported	-	-	-
Effect of adoption FRS 117	-	21,960	21,960
As restated	-	21,960	21,960
Exchange difference	-	(41)	(41)
Balance as at end of financial year	-	21,919	21,919
Carrying amount as at end of financial year	580	98,366	98,946



notes to the financial statements  
for the financial year ended 31 December 2007 (continued)

15 PREPAID LAND LEASE (CONTINUED)

Bank	Less than 50 years RM'000	Leasehold Land 50 years or more RM'000	Total RM'000
<b>31.12.2007</b>			
<b>Cost</b>			
As previously reported	-	-	-
Effect of adoption FRS 117	879	26,005	26,884
As restated	879	26,005	26,884
Balance as at end of financial year	879	26,005	26,884
<b>Less: Accumulated amortisation</b>			
As previously reported	-	-	-
Effect of adoption FRS 117	354	2,783	3,137
As restated	354	2,783	3,137
Charge for the year	24	300	324
Balance as at end of financial year	378	3,083	3,461
<b>Less: Impairment loss</b>			
As previously reported	-	-	-
Effect of adoption FRS 117	-	2,160	2,160
As restated	-	2,160	2,160
Balance as at end of financial year	-	2,160	2,160
Carrying amount as at end of financial year	501	20,762	21,263

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 15 PREPAID LAND LEASE (CONTINUED)

Group	Less than 50 years RM'000	Leasehold Land 50 years or more RM'000	Total RM'000
31.12.2006			
Cost			
As previously reported	–	–	–
Effect of adoption FRS 117	1,047	128,831	129,878
As restated	1,047	128,831	129,878
Exchange difference	–	1,203	1,203
Disposals/written off	–	(4,995)	(4,995)
Balance as at end of financial year	1,047	125,039	126,086
Less: Accumulated amortisation			
As previously reported	–	–	–
Effect of adoption FRS 117	412	4,067	4,479
As restated	412	4,067	4,479
Charge for the year	28	407	435
Disposals/written off	–	(378)	(378)
Balance as at end of financial year	440	4,096	4,536
Less: Impairment loss			
As previously reported	–	–	–
Effect of adoption FRS 117	–	23,535	23,535
As restated	–	23,535	23,535
Exchange difference	–	252	252
Written back	–	(1,827)	(1,827)
Balance as at end of financial year	–	21,960	21,960
Carrying amount as at end of financial year	607	98,983	99,590
Bank			
Cost			
As previously reported	–	–	–
Effect of adoption FRS 117	879	31,000	31,879
As restated	879	31,000	31,879
Disposals/written off	–	(4,995)	(4,995)
Balance as at end of financial year	879	26,005	26,884
Less: Accumulated amortisation			
As previously reported	–	–	–
Effect of adoption FRS 117	330	2,809	3,139
As restated	330	2,809	3,139
Charge for the year	24	352	376
Disposals/written off	–	(378)	(378)
Balance as at end of financial year	354	2,783	3,137
Less: Impairment loss			
As previously reported	–	–	–
Effect of adoption FRS 117	–	3,987	3,987
As restated	–	3,987	3,987
Written back	–	(1,827)	(1,827)
Balance as at end of financial year	–	2,160	2,160
Carrying amount as at end of financial year	525	21,062	21,587

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 15 PREPAID LAND LEASE (CONTINUED)

Future amortisation of prepaid land lease are as follows:

Group	31.12.2007		31.12.2006	
	Less than 50 years RM'000	50 years or more RM'000	Less than 50 years RM'000	50 years or more RM'000
– Not later than 1 year	28	463	28	407
– Later than 1 year and not later than 5 years	111	1,855	110	1,628
– Later than 5 years	441	117,967	469	118,908
	<b>580</b>	<b>120,285</b>	607	120,943

Bank	31.12.2007		31.12.2006	
	Less than 50 years RM'000	50 years or more RM'000	Less than 50 years RM'000	50 years or more RM'000
– Not later than 1 year	23	300	24	352
– Later than 1 year and not later than 5 years	94	1,198	94	1,409
– Later than 5 years	384	21,424	407	21,461
	<b>501</b>	<b>22,922</b>	525	23,222

## 16 GOODWILL

	Group		Bank	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
Balance as at beginning of financial year	1,004,017	1,004,017	905,519	892,012
Acquisition of assets and liabilities of a subsidiary	–	–	–	13,507
Balance as at end of financial year	<b>1,004,017</b>	1,004,017	<b>905,519</b>	905,519

The carrying amount of goodwill allocated to the Group's cash generating units ('CGUs') are as follows:

	Group RM'000	Bank RM'000
<b>Cash generating units ('CGUs')</b>		
Wholesale banking	375,636	357,238
Retail banking	307,919	292,837
Treasury and money market	268,600	255,444
Islamic banking business	51,862	–
	<b>1,004,017</b>	905,519

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 16 GOODWILL (CONTINUED)

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets/forecasts approved by directors covering a three-year (2006: five-year) period. Cash flows beyond the three-year period are assumed to grow at 2.5% (2006: constant) to infinity.

The cash flow projection is derived based on a number of key factors including the past performance and the management's expectations of the market developments. The discount rate used in determining the recoverable amount of all CGUs within the business segment is 9.8% (2006: 10.1%). The discount rate used is pre-tax and computed based on industry information to reflect the risks of the CGUs.

No impairment charge was required for goodwill arising from all the business segments. Management believes that any reasonable possible change to the assumptions applied is not likely to cause the recoverable amount of all the business segments to be lower than its carrying amount.

## 17 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
Demand deposits	17,146,686	15,691,206	14,888,417	13,097,838
Savings deposits	5,153,557	4,861,397	4,632,954	4,375,173
Fixed/investment deposits	49,841,940	32,480,252	44,324,326	27,708,037
Negotiable instrument of deposits	561,296	2,752,461	470,000	2,610,050
	<b>72,703,479</b>	55,785,316	<b>64,315,697</b>	47,791,098

(i) The maturity structure of the fixed/investment deposits and negotiable instrument of deposits is as follows:

	Group		Bank	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
Due within six months	43,259,510	27,773,770	38,123,326	23,154,016
Six months to one year	6,736,150	7,044,135	6,329,207	6,846,323
One year to three years	189,541	191,526	131,534	103,496
Three years to five years	218,035	223,282	210,259	214,252
	<b>50,403,236</b>	35,232,713	<b>44,794,326</b>	30,318,087

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

	Group		Bank	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
Government and statutory bodies	4,477,888	3,889,695	2,764,671	2,224,873
Business enterprises	42,607,484	27,326,028	36,931,481	21,897,020
Individuals	23,473,921	22,674,291	22,668,519	21,916,491
Others	2,144,186	1,895,302	1,951,026	1,752,714
	<b>72,703,479</b>	55,785,316	<b>64,315,697</b>	47,791,098

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
Licensed banks	<b>3,087,638</b>	8,161,117	<b>2,912,351</b>	7,840,785
Licensed investment banks	<b>328,605</b>	71,286	<b>158,895</b>	2,500
BNM	<b>2,205,622</b>	1,185,713	<b>2,205,622</b>	1,185,471
Other financial institutions	<b>34,811</b>	458,377	<b>481</b>	304,080
	<b>5,656,676</b>	9,876,493	<b>5,277,349</b>	9,332,836

## 19 OTHER LIABILITIES

	Note	Group		Bank	
		31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
Accrued interest payable		<b>418,034</b>	423,386	<b>360,095</b>	391,560
Accruals for operational expenses		<b>212,589</b>	131,950	<b>206,031</b>	127,238
Amount due to holding company		<b>339</b>	400	<b>256</b>	341
Amount due to subsidiaries		-	-	<b>24,195</b>	24,723
Amount due to related companies		<b>2,061</b>	1,866	<b>1,938</b>	1,761
Amount due to BNM	(i)	-	296,129	-	296,129
Amount due to Danaharta	(ii)	<b>1,828</b>	1,725	<b>1,828</b>	1,725
Finance lease	(iii)	-	-	<b>666</b>	1,172
Prepaid instalment		<b>71,352</b>	61,889	<b>71,352</b>	61,889
Lessee deposits		<b>85,260</b>	82,778	<b>1,405</b>	650
Short term employee benefits		<b>110,811</b>	94,621	<b>98,612</b>	86,255
Other accruals and charges		<b>388,990</b>	446,562	<b>315,805</b>	296,171
		<b>1,291,264</b>	1,541,306	<b>1,082,183</b>	1,289,614

- (i) The 'Amount due to BNM' in 2006 mainly comprised collections on ex-Sime Bank's non-performing loans sold to BNM which are managed by the Bank. Amount due to BNM was subject to interest at rates ranging from 3.21% to 3.70% per annum. Amount owing to BNM was settled on 18 October 2007.
- (ii) The 'Amount due to Danaharta' mainly comprises collections on ex-Sime Bank's overseas branches non-performing loans sold to Danaharta which is managed by the overseas branches.
- (iii) The minimum lease payments of the Bank:

	Bank	
	31.12.2007 RM'000	31.12.2006 RM'000
Not later than 1 year	<b>579</b>	579
Later than 1 year and not later than 5 years	<b>120</b>	699
	<b>699</b>	1,278
Future finance charges	<b>(33)</b>	(106)
Present value	<b>666</b>	1,172

Finance lease are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

The effective interest rates of the finance leases at balance sheet date is 7.67% (31.12.2006: 7.67%) per annum.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 20 LONG TERM BORROWINGS

	Group and Bank	
	31.12.2007 RM'000	31.12.2006 RM'000
Term loan	<b>330,700</b>	282,400

On 7 April 2006, the Bank entered into an agreement with Japan Bank for International Cooperation (JBIC), to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 11 years. Disbursement of USD50 million and USD30 million were done on 29 June 2006 and 20 October 2006 respectively. Final disbursement of USD20 million was done on 31 January 2007. The said loan is repayable on 8 March and 8 September each year for 20 equal instalments commencing on 8 March 2008 until 8 September 2017 and bears a floating interest rate of British Bankers Association Interest Settlement Rate in USD (BBA LIBOR) plus 0.395% per annum. The average interest rates ranging from 5.69% to 5.96% (31.12.2006: 5.81% to 6.02%) per annum.

## 21 SUBORDINATED OBLIGATIONS

	Note	Group and Bank	
		31.12.2007 RM'000	31.12.2006 RM'000
USD150 million Subordinated Notes 2002/2013	(i)	<b>496,050</b>	529,500
RM Subordinated Notes 2007/2017	(ii)	<b>1,300,000</b>	–
RM Subordinated Notes 2007/2022	(ii)	<b>700,000</b>	–
RM Subordinated Bonds 2002/2012	(iii)	–	800,000
		<b>2,496,050</b>	1,329,500
Less : Unaccreted discount		<b>(1,050)</b>	(1,342)
		<b>2,495,000</b>	1,328,158

### (i) USD Subordinated Notes

On 27 December 2002, the Bank issued a USD150 million nominal value (RM570 million equivalent) 10 year Subordinated Notes ('USD Sub-Notes') due 2013, callable with step-up in 2008 at 6.625% maturing on 25 January 2013. The Bank may at its option, subject to prior written approval of Bank Negara Malaysia, redeem the USD Sub-Notes on 25 January 2008 at their principal amount plus accrued interest. In addition, the Bank may at its option, subject to prior written approval as aforesaid, redeem the USD Sub-Notes at any time at their principal amount plus accrued interest in the event of certain changes affecting taxation in Malaysia as described under the "Terms and Conditions of the Notes – Redemption and Purchase".

Interest on the Notes shall be accrued at 6.625% per annum from issue date to, but excluding 25 January 2008 and, thereafter, at rate per annum equal to the US Treasury Rate (as defined under "Terms and Conditions of the Notes – Interest") plus 6.475%. Interest is payable in arrears on 25 July and 25 January in each year, commenced on 25 July 2003.

The USD Sub-Notes constitute direct, unsecured and subordinated obligations of the Bank, and will rank *pari passu* without any preference among themselves.

Subsequent to the financial year end, the Bank has exercised its option to fully redeem the USD Sub-Notes on 25 January 2008.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 21 SUBORDINATED OBLIGATIONS (CONTINUED)

### (ii) RM Subordinated Notes 2007/2017 RM Subordinated Notes 2007/2022

On 30 November 2007, the Bank issued redeemable unsecured subordinated notes amounting RM2,000 million in nominal value as follows:

Tranche	Principal (RM)	Maturity Date	Interest Rate	Interest Payment
2007/2017	1,300,000,000	30 November 2017 (Callable with step-up on 2012)	5.0 % per annum chargeable to 30 November 2012 (but exclusive of payment date), thereafter on step-up coupon rate at 0.5% per annum	Accrued and payable semi- annually in arrears
2007/2022	700,000,000	30 November 2022 (Callable with step-up on 2017)	5.5% per annum chargeable to 30 November 2017 (but exclusive of payment date), thereafter on step-up coupon rate at 0.5% per annum	Accrued and payable semi- annually in arrears

The RM Subordinated Notes constitute direct unsecured obligations of the Bank, subordinated in right and priority of payment, to the extent and in the manner provided for in the RM Subordinated Notes, to all deposit liabilities and other liabilities of the Bank except all other present and future unsecured and subordinated obligations of the Bank which by their terms rank *pari passu* in right of and priority of payment with or subordinated to the RM Subordinated Notes.

### (iii) RM Subordinated Bonds

On 24 December 2002, the Bank issued a RM800 million nominal value 10 year redeemable unsecured Subordinated Bonds ('Sub-Bonds'). The Sub-Bonds are due in 2012. The Sub-Bonds may be redeemed at par at the option of the Bank on its fifth anniversary date ('First Redemption Date') or on each anniversary of the First Redemption Date up to the maturity date.

Interest on the Sub-Bonds shall be accrued at 6.85% per annum for the first five years ('Initial Coupon'). From the First Redemption Date onwards until maturity date, the coupon rate shall be increased by 1.5% above the Initial Coupon rate or be equivalent to the base lending rate of Malayan Banking Berhad prevailing as at the First Redemption Date plus 1.5% whichever is higher. Interest is payable semi-annually in arrears from the date of issuance until maturity date.

The Sub-Bonds constitute direct, unconditional, subordinated and unsecured obligations of the Bank, and will rank *pari passu* without any preference among themselves.

The Bank had on 24 December 2007, fully redeemed the above RM Subordinated Bonds.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 22 IRREDEEMABLE NON-CUMULATIVE CONVERTIBLE PREFERENCE SHARES ('INCPS')

	Number of shares		31.12.2007 RM'000	31.12.2006 RM'000
	31.12.2007 '000	31.12.2006 '000		
<b>Bank</b>				
Authorised:				
<b>Irredeemable non-cumulative convertible preference shares of RM1 each</b>				
As at beginning/end of financial year	2,000,000	2,000,000	2,000,000	2,000,000
Issued and fully paid:				
<b>Irredeemable non-cumulative convertible preference shares of RM1 each</b>				
As at beginning/end of financial year	1,368,099	1,368,099	1,368,099	1,368,099

The salient features of the Irredeemable Non-Cumulative Convertible Preference Shares ('INCPS') are:

- (i) A non-cumulative preferential dividend (less tax) at the following rates:
  - (a) for the period from the date of issue of INCPS to the day preceding the fifth anniversary date of issue of the INCPS, a non-cumulative preferential dividend at the rate of 8% (less tax) per annum; and
  - (b) thereafter, a non-cumulative preferential dividend at the rate of 10% (less tax) per annum.
- (ii) Save and except that the INCPS shall rank in priority to the Bank ordinary shares with regards to the preferential dividend, and with regards to the return of capital in the event of winding-up, the INCPS have no right to participate in the surplus assets and profits of the Bank.
- (iii) The INCPS carry no right to attend and vote at general meetings of the Bank unless the dividends on the INCPS are in arrears for more than 3 months or the general meeting is:
  - (a) for any resolution which varies or is deemed to vary the rights and privileges of such INCPS; or
  - (b) for any resolution for winding-up of the Bank.
- (iv) Holders of the INCPS have the option of converting the INCPS into new Bank ordinary shares in the first 5 years from the date of issue of the INCPS (Conditional Conversion Period) should:
  - (a) the Bank ceases to be a subsidiary of RHB Capital Berhad; or
  - (b) the risk weighted capital adequacy ratio of the Bank fall to a level at or below 8.5% and this is not remedied within 3 months from the occurrence of such event; or
  - (c) at any time the aggregate of dividends which are missed and not paid exceed 4% of the par value of the INCPS, or
  - (d) at any time after the Conditional Conversion Period, at the Optional Conversion Price. The Optional Conversion Price means the consolidated net assets per Bank ordinary share based on its consolidated management financial statements immediately preceding the date of conversion multiplied by 1.2 times. The Optional Conversion Price is subject to adjustments under certain circumstances in accordance with the terms of the INCPS.



# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 22 IRREDEEMABLE NON-CUMULATIVE CONVERTIBLE PREFERENCE SHARES ('INCPS') (CONTINUED)

- (v) In the event the Bank undertakes an initial public offering of shares for the purpose of seeking a listing on the Bursa Malaysia Securities Berhad, the outstanding INCPS will be mandatorily converted based on a specified price which would yield a return of 12% per annum on the INCPS.

## 23 ORDINARY SHARE CAPITAL

	Number of shares		31.12.2007 RM'000	31.12.2006 RM'000
	31.12.2007 '000	31.12.2006 '000		
<b>Group and Bank</b>				
Authorised:				
<b>Ordinary shares of 50 sen each</b>				
As at beginning/end of financial year	<b>8,000,000</b>	8,000,000	<b>4,000,000</b>	4,000,000
Issued and fully paid:				
<b>Ordinary shares of 50 sen each</b>				
As at beginning/end of financial year	<b>3,899,972</b>	3,899,972	<b>1,949,986</b>	1,949,986

## 24 RESERVES

The statutory reserves are maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989, and Section 18 of the Singapore Finance Companies (Amendment) Act, 1994, and are not distributable as cash dividends.

Subject to agreement by the Inland Revenue Board, the Bank has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt income under Section 12 of the Income Tax (Amendment) Act, 1999 to pay dividends out of its entire retained profits as at 31 December 2007.

A single tier company tax was introduced effective 1 January 2008. Under this single tier system, tax on a company's profits is a final tax, and dividends distributed to shareholders will be exempted from tax. Companies with Section 108 tax credit balance are given an option to elect to move to a single tier system immediately or allowed to use the Section 108 credit balance for the purpose of dividend distribution during a transitional period of 6 years until 31 December 2013.

The Bank has elected to use its Section 108 credit balance for the purpose of dividend distribution during a transitional period of 6 years until 31 December 2013. The Section 108 balance of the Bank as at 31 December 2007 will be frozen and can only be adjusted downwards for any tax discharged, remitted or refunded during the 6 years period.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 25 INTEREST INCOME

	Group		Bank	
	Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000	Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000
Loans, advances and financing				
– Interest income other than recoveries from NPLs	<b>3,003,838</b>	2,764,571	<b>2,873,029</b>	2,654,698
– Recoveries from NPLs	<b>191,043</b>	212,126	<b>186,382</b>	208,865
Money at call and deposit placements with banks and other financial institutions	<b>613,728</b>	427,383	<b>624,053</b>	423,838
Securities purchased under resale agreement	<b>105,592</b>	176,014	<b>105,592</b>	176,014
Securities held for trading	<b>44,803</b>	42,422	<b>35,235</b>	29,510
Securities available-for-sale	<b>341,288</b>	71,226	<b>338,002</b>	69,192
Securities held-to-maturity	<b>300,507</b>	555,098	<b>291,547</b>	541,065
Others	<b>13,534</b>	3,613	<b>13,534</b>	3,613
	<b>4,614,333</b>	4,252,453	<b>4,467,374</b>	4,106,795
Amortisation of premium less accretion of discount	<b>(15,767)</b>	(12,382)	<b>(15,767)</b>	(12,382)
Interest suspended	<b>(94,212)</b>	(100,814)	<b>(90,852)</b>	(99,841)
	<b>4,504,354</b>	4,139,257	<b>4,360,755</b>	3,994,572

## 26 INTEREST EXPENSE

	Group		Bank	
	Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000	Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000
Deposits and placements of banks and other financial institutions	<b>311,068</b>	297,096	<b>301,291</b>	296,762
Deposits from customers	<b>1,652,815</b>	1,221,401	<b>1,580,066</b>	1,146,459
Subordinated obligations	<b>97,432</b>	91,815	<b>97,432</b>	91,815
Recourse obligation on loans sold to Cagamas	<b>111,900</b>	150,589	<b>111,900</b>	150,589
Obligation on securities sold under repurchase agreements	<b>211,843</b>	431,206	<b>211,843</b>	431,206
Others	<b>55,459</b>	42,922	<b>55,528</b>	41,631
	<b>2,440,517</b>	2,235,029	<b>2,358,060</b>	2,158,462

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 27 OTHER OPERATING INCOME

	Group		Bank	
	Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000	Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000
<b>Fee income</b>				
Commission	123,381	113,112	120,394	111,844
Service charges and fees	154,461	143,921	151,703	136,892
Guarantee fees	41,753	37,260	41,753	37,260
Commitment fees	43,473	41,615	43,473	41,615
Underwriting fees	1,066	1,245	1,066	1,245
Other fees	11,325	12,495	11,769	12,845
	<b>375,459</b>	349,648	<b>370,158</b>	341,701
<b>Gain arising from sale/redemption of securities</b>				
Net gain/(loss) from sale of:				
– Securities held for trading	42,921	29,243	49,443	28,956
– Securities available-for-sale	(5,687)	(768)	(5,687)	(768)
Net gain from redemption of securities held-to-maturity	103	60	103	–
	<b>37,337</b>	28,535	<b>43,859</b>	28,188
<b>Gross dividend income</b>				
Securities available-for-sale	5,978	3,625	5,978	3,625
Subsidiaries	–	–	62,435	67,656
	<b>5,978</b>	3,625	<b>68,413</b>	71,281
<b>Unrealised gain/(loss) on revaluation</b>				
Securities held for trading	2,032	(2,991)	3,646	1,135
Derivatives	47	16,378	(262)	10,248
	<b>2,079</b>	13,387	<b>3,384</b>	11,383
<b>Other income</b>				
Foreign exchange gain/(loss)				
– realised	255,721	147,788	252,869	143,508
– unrealised	(35,842)	29,219	(35,842)	29,221
Gain on disposal of property, plant and equipment	665	3,874	646	4,142
Other operating income	37,535	32,325	36,847	31,595
Other non-operating income	8,793	9,119	8,022	7,821
	<b>266,872</b>	222,325	<b>262,542</b>	216,287
	<b>687,725</b>	617,520	<b>748,356</b>	668,840

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 28 INCOME FROM ISLAMIC BANKING BUSINESS

	Group	
	Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000
Income derived from investment of depositors' funds	372,443	330,642
Income derived from investment of shareholder's funds	107,023	88,259
Transfer from/(to) profit equalisation reserve	10,943	(1,563)
Total distributable income	490,409	417,338
Income attributable to depositors	(161,792)	(181,239)
Income from Islamic banking business	328,617	236,099

## 29 OTHER OPERATING EXPENSES

	Group		Bank	
	Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000	Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000
<b>Personnel cost</b>				
– Salaries, allowances and bonuses	543,688	496,081	510,371	464,966
– Contributions to EPF	79,789	71,766	75,052	67,473
– Other staff related cost	88,278	72,740	83,908	70,276
	711,755	640,587	669,331	602,715
<b>Establishment cost</b>				
– Property, plant and equipment				
– Depreciation	76,129	85,302	74,337	83,663
– Loss on disposal	–	77	–	77
– Written off	44	10	44	10
– Amortisation of prepaid land lease	490	435	324	376
– Rental of premises	40,877	41,042	40,317	41,235
– Rental equipment	11,349	9,719	11,115	9,478
– Insurance	20,491	19,517	18,973	18,767
– Water and electricity	15,333	14,809	14,450	13,696
– Repair and maintenance	43,374	40,673	42,226	39,651
– Information technology expenses	87,848	89,648	83,307	83,682
– Others	2,241	1,856	–	–
	298,176	303,088	285,093	290,635
<b>Marketing expenses</b>				
– Sales commission	28,632	20,094	28,592	20,056
– Advertisement and publicity	37,786	29,905	33,837	28,126
– Dealers' handling and warranty fees	24,416	40,492	24,412	40,424
– Others	53,968	49,206	45,186	47,876
	144,802	139,697	132,027	136,482
<b>Administration and general expenses</b>				
– Communication expenses	62,695	64,642	58,859	60,248
– Auditors' remuneration				
– PwC	2,493	2,424	2,119	2,112
– Other audit firms	60	–	42	–
– Others	65,640	58,443	18,787	18,761
	130,888	125,509	79,807	81,121
	1,285,621	1,208,881	1,166,258	1,110,953

Included in the personnel cost of the Group and the Bank are Directors' remuneration (exclude benefits-in-kind) totalling RM5,740,000 (31.12.2006: RM 5,323,000) and RM4,920,000 (31.12.2006: RM4,541,000) respectively, as disclosed in Note 30.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 29 OTHER OPERATING EXPENSES (CONTINUED)

	Group		Bank	
	Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000	Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000
(i) PricewaterhouseCoopers ('PwC') Malaysian Firm				
Statutory audit	1,162	1,149	920	920
Fee for other services				
– Limited reviews	280	250	250	250
– Other services	288	189	253	173
Affiliates of PwC Malaysian Firm (including overseas PwC Firms)				
Statutory audit	561	573	512	525
Fee for other services				
– Other services	202	263	184	244
	<b>2,493</b>	2,424	<b>2,119</b>	2,112

## 30 REMUNERATION OF CHIEF EXECUTIVE OFFICER ('CEO') AND DIRECTORS

Forms of remuneration in aggregate for the CEO and all directors charged to the income statement during the financial year are as follows:

	Group		Bank	
	Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000	Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000
Managing Director and CEO				
– Salary and other remuneration, including meeting allowance	1,934	1,800	1,934	1,800
– Benefits-in-kind (based on an estimated money value)	142	190	142	190
– Bonus	1,500	1,125	1,500	1,125
Non-Executive Directors				
– Fees	1,251	1,248	853	847
– Benefits-in-kind (based on an estimated money value)	65	65	65	65
– Others	1,055	1,150	633	769
	<b>5,947</b>	5,578	<b>5,127</b>	4,796

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 30 REMUNERATION OF CHIEF EXECUTIVE OFFICER ('CEO') AND DIRECTORS (CONTINUED)

The Directors of the Bank in office since the date of the last report are as follows:

### CEO and Managing Director

Michael Joseph Barrett (The CEO was appointed to the Board as Managing Director on 8 October 2007)

### Non-Executive Directors

Datuk Azlan Zainol (Chairman)  
 Dato' Abdullah Mat Noh (Relinquished the post of Deputy Chairman effective January 2008)  
 Tuan Haji Khairuddin Ahmad  
 Dato' Mohd Salleh Haji Harun  
 Dato' Othman Jusoh  
 Johari Abdul Muid  
 Ismael Fariz Ali  
 Ong Seng Pheow  
 Dato' Mohamed Khadar Merican (Ceased on 9 January 2008)  
 Dato' Vaseehar Hassan Abdul Razack (Resigned on 31 December 2007)  
 Prof Balachandran A.Shanmugam (Ceased on 3 March 2007)

The remuneration including benefits-in-kind of the CEO and all directors is within the following bands:

RM	Group		Bank	
	2007 Number of Directors	2006 Number of Directors	2007 Number of Directors	2006 Number of Directors
<b>Managing Director and CEO</b>				
3,100,001 – 3,150,000	-	1	-	1
3,550,001 – 3,600,000	1	-	1	-
<b>Non-Executive</b>				
0 – 50,000	-	1	1	1
50,001 – 100,000	-	2	-	2
100,001 – 150,000	4	2	5	5
150,001 – 200,000	3	2	4	2
200,001 – 250,000	1	2	1	-
250,001 – 300,000	-	1	-	1
300,001 – 350,000	2	-	-	-
350,001 – 400,000	-	1	-	-
400,001 – 450,000	-	-	-	-
450,001 – 500,000	1	-	-	-

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 31 ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	Group		Bank	
	Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000	Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000
Allowance for losses on loans and financing				
Specific allowance				
– Made during the financial year	<b>1,060,755</b>	920,750	<b>987,958</b>	890,579
– Written back	<b>(401,004)</b>	(235,109)	<b>(391,533)</b>	(228,855)
General allowance				
– Made during the financial year	<b>19,994</b>	58,277	<b>17,630</b>	58,616
Bad debts on loans and financing				
– Recovered	<b>(103,265)</b>	(76,502)	<b>(98,944)</b>	(76,381)
– Written off	<b>67</b>	(120)	–	–
	<b>576,547</b>	667,296	<b>515,111</b>	643,959

The Group and the Bank have evaluated its portfolio of non-performing debts that had been in default and remained uncollected for more than 7 years and also those non-performing debts in default for more than 5 years but less than 7 years. For the debts in default for more than 7 years, no value is assigned as the realisable value of collateral. For the debts in default for more than 5 years but less than 7 years, 50% of the realisable value of asset held has been assigned as collateral value. The effect of this exercise amounted to RM106,604,000 (31.12.2006: RM156,281,000) and RM104,682,000 (31.12.2006: RM126,104,000) for the Group and the Bank respectively.

## 32 ALLOWANCE FOR IMPAIRMENT LOSSES

	Group		Bank	
	Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000	Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000
Charged for the financial year				
– Securities available-for-sale	<b>75,505</b>	46,385	<b>75,505</b>	46,385
– Securities held-to-maturity	<b>14,500</b>	34,758	<b>14,500</b>	34,758
– Property, plant and equipment	–	2,478	–	1,342
Reversal for the financial year				
– Securities available-for-sale	<b>(26,133)</b>	(35,446)	<b>(26,133)</b>	(35,446)
– Securities held-to-maturity	<b>(16,267)</b>	(9,574)	<b>(16,267)</b>	(9,574)
– Property, plant and equipment	–	(2,001)	–	(2,001)
	<b>47,605</b>	36,600	<b>47,605</b>	35,464

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 33 INCPS DIVIDENDS

	<b>Group and Bank</b>	
	<b>Year ended 31.12.2007 RM'000</b>	<b>Year ended 31.12.2006 RM'000</b>
INCPS		
Annual gross dividend of 10% (31.12.2006: 10%)	<b>136,810</b>	136,810

The INCPS dividends are paid in accordance with the terms of the INCPS (refer to Note 22).

## 34 TAXATION

	<b>Group</b>		<b>Bank</b>	
	<b>Year ended 31.12.2007 RM'000</b>	<b>Year ended 31.12.2006 RM'000</b>	<b>Year ended 31.12.2007 RM'000</b>	<b>Year ended 31.12.2006 RM'000</b>
Malaysian income tax:				
– Current year	<b>318,386</b>	249,272	<b>284,016</b>	222,712
– (Over)/under provision in prior years	<b>(6,513)</b>	627	<b>(9,966)</b>	–
Overseas taxation:				
– Current year	<b>5,900</b>	1,451	<b>5,638</b>	1,410
– Under/(over) provision in prior years	<b>3,251</b>	(110)	<b>1,206</b>	(83)
Deferred taxation (note 10)	<b>(3,756)</b>	(8,036)	<b>(4,081)</b>	(13)
Tax on INCPS dividends	<b>(36,939)</b>	(38,307)	<b>(36,939)</b>	(38,307)
	<b>280,329</b>	204,897	<b>239,874</b>	185,719
<b>Current tax</b>				
Current year	<b>324,286</b>	250,723	<b>289,654</b>	224,122
(Over)/under provision in prior years	<b>(3,262)</b>	517	<b>(8,760)</b>	(83)
Tax on INCPS dividends	<b>(36,939)</b>	(38,307)	<b>(36,939)</b>	(38,307)
	<b>284,085</b>	212,933	<b>243,955</b>	185,732
<b>Deferred tax</b>				
Origination and reversal of temporary differences	<b>(13,054)</b>	(28,643)	<b>(11,796)</b>	(18,256)
Change in tax rate	<b>9,298</b>	16,089	<b>7,715</b>	13,725
Reversal of previously recognised deferred tax assets	–	4,518	–	4,518
	<b>(3,756)</b>	(8,036)	<b>(4,081)</b>	(13)



# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 34 TAXATION (CONTINUED)

The numerical reconciliation between the average effective tax rate and the applicable tax rate are as follows:-

	Group		Bank	
	Year ended 31.12.2007 %	Year ended 31.12.2006 %	Year ended 31.12.2007 %	Year ended 31.12.2006 %
Group and Bank average applicable tax rate	<b>27.0</b>	28.0	<b>27.0</b>	28.0
Tax effects in respect of: -				
Non allowable expenses	<b>1.2</b>	2.1	<b>1.3</b>	2.4
Non-taxable income	<b>(0.1)</b>	(0.5)	<b>(0.3)</b>	(1.0)
Effect of different tax rates in Labuan/other countries	<b>(1.1)</b>	(2.2)	<b>(0.2)</b>	(0.1)
Utilisation of unabsorbed business losses brought forward previously not recognised	<b>(0.5)</b>	(0.1)	<b>(0.6)</b>	(0.1)
Changes in tax rates	<b>0.9</b>	2.7	<b>0.9</b>	2.9
Other temporary differences not recognised in prior years	-	(1.1)	-	-
Under/(Over) provision in prior years	<b>(0.3)</b>	0.2	<b>(1.0)</b>	-
Average effective tax rate	<b>27.1</b>	29.1	<b>27.1</b>	32.1
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Tax losses:				
Tax savings as a result of the utilisation of tax losses brought forward from previous year for which the related credit is recognised during the financial year	<b>5,128</b>	5,103	<b>5,128</b>	5,103

## 35 EARNINGS PER ORDINARY SHARE

### (a) Basic earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the net profit for the financial year less INCPS dividends by the weighted average number of ordinary shares in issue during the financial year.

	Group		Bank	
	Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000	Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000
Earnings per ordinary share is calculated as follows:				
Basic:				
Net profit for the financial year	<b>753,547</b>	503,848	<b>645,393</b>	392,045
Weighted average number of ordinary shares in issue ('000)	<b>3,899,972</b>	3,899,972	<b>3,899,972</b>	3,899,972
Basic earnings per share (sen)	<b>19.3</b>	12.9	<b>16.5</b>	10.1

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 35 EARNINGS PER ORDINARY SHARE (CONTINUED)

### (b) Diluted earnings per ordinary share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group and the Bank have one category of dilutive potential ordinary shares which is INCPS.

The INCPS is assumed to have been converted into ordinary shares and net profit for the financial year is adjusted to eliminate the applicable dividend less the associated tax effect.

Diluted earnings per ordinary share is calculated as follows:

31.12.2007	Group RM'000	Bank RM'000
Profit attributable to equity holders	853,418	745,264
Weighted average number of ordinary shares (diluted) ('000)	4,644,004	4,700,595
Diluted earnings per share (sen)	18.4	15.9

In 2006, if the Bank's INCPS were to be converted into ordinary shares, the effect would be anti-dilutive and therefore, there was no effect on diluted earnings per share for the Group and the Bank.

## 36 DIVIDENDS OF ORDINARY SHARES

Dividend declared and proposed are as follows:

	Year ended 31.12.2007		Year ended 31.12.2006	
	Gross dividend per share sen	Amount of dividends, net of tax RM'000	Gross dividend per share sen	Amount of dividends, net of tax RM'000
Ordinary Shares				
First interim dividend	3.50	99,644	2.23	62,700
Special dividend	22.13	630,000	-	-
Final dividend – proposed	-	-	4.70	133,808
	<b>25.63</b>	<b>729,644</b>	6.93	196,508

The Directors do not propose any final dividend in respect of the current financial year at the forthcoming Annual General Meeting.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 36 DIVIDENDS OF ORDINARY SHARES (CONTINUED)

Dividend recognised as distribution to ordinary equity holders of the Bank:

	Year ended 31.12.2007		Year ended 31.12.2006	
	Gross dividend per share sen	Amount of dividends, net of tax RM'000	Gross dividend per share sen	Amount of dividends, net of tax RM'000
Ordinary Shares				
Final dividend for 2006 and 2005	4.70	133,808	2.05	57,564
First interim dividend	3.50	99,644	2.23	62,700
Special dividend	22.13	630,000	–	–
	<b>30.33</b>	<b>863,452</b>	4.28	120,264

## 37 SIGNIFICANT RELATED PARTY DISCLOSURES

### (a) Related parties and relationships

The related parties of, and their relationship with the Bank are as follows:

Related parties	Relationship
EPF	Ultimate holding body (effective 3 July 2007)*
RHB Capital Berhad	Immediate holding company
Subsidiaries of EPF as disclosed in its financial statements	Subsidiary companies of the ultimate holding body
Subsidiaries and associates of RHB Capital Berhad as disclosed in its financial statements	Subsidiary and associated companies of the holding company
Subsidiaries of the Bank as disclosed in Note 12	Subsidiaries
Key management personnel	The key management personnel of the Group and the Bank consists of: <ul style="list-style-type: none"> <li>– All Directors of the Bank, its key subsidiary and RHB Capital Berhad</li> <li>– RHB Capital Berhad Central Management Committee members</li> <li>– Key management personnel of EPF who are in charge of the RHB Capital Group</li> </ul>
Related parties of key management personnel (deemed as related to the Bank)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

\* Rashid Hussain Berhad ceased to be the Bank's parent of holding company effective 3 July 2007

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 37 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

### (b) Significant related party balances and transactions

In addition to related party disclosures mentioned in Note 8 and 19 in the financial statements, set out below are other significant related party transactions and balances.

Other related companies comprise the other companies in the EPF Group and RHB Capital Berhad Group.

Significant related party transactions and balances with EPF, the ultimate holding body, are disclosed from 3 July 2007, which is the effective date of the commencement of the relationship.

Significant related party transactions with Rashid Hussain Berhad (and its subsidiaries), which has ceased to be the Bank's parent of holding company effective 3 July 2007 are included as part of other related companies given that it is now a subsidiary of EPF.

Group	Ultimate holding body RM'000	Immediate holding company RM'000	Key management personnel RM'000	Other related companies RM'000
<b>31.12.2007</b>				
<b>Income</b>				
Interest on deposits and placements with other financial institutions	-	-	-	260
Income on securities available-for-sale	-	-	-	1,768
Income on securities held-to-maturity	-	-	-	4,190
Interest on loans, advances and financing	-	-	21	3
Other income	-	635	-	6,373
	-	635	21	12,594
<b>Expenditure</b>				
Interest on deposits and placements of banks and other financial institutions	-	-	-	1,378
Interest on deposits from customers	34,230	1,371	55	27,526
Interest on securities sold under repurchased agreements	-	113	-	507
Rental of premises	-	-	-	9,945
Management fee	-	-	-	928
Other expenses	-	-	-	20,135
	34,230	1,484	55	60,419
<b>Amount due from</b>				
Deposits and placements of banks and other financial institutions	-	-	-	200,000
Loans, advances and financing	-	-	812	-
Other assets	-	47	-	3,925
	-	47	812	203,925
<b>Amount due to</b>				
Current account and fixed deposits	1,735,561	476,944	5,964	1,415,278
Bills and acceptances payable	-	-	-	410,023
Other liabilities	1,309	339	-	4,356
Subordinated obligations	-	-	-	25,000
	1,736,870	477,283	5,964	1,854,657

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 37 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

### (b) Significant related party balances and transactions (continued)

Group	Rashid Hussain Berhad RM'000	Immediate holding company RM'000	Key management personnel RM'000	Other related companies RM'000
31.12.2006				
Income				
Interest on deposits and placements with other financial institutions	-	-	-	1,935
Income on securities held-to-maturity	2,919	-	-	11,901
Interest on loans, advances and financing	-	-	38	186
Other income	3,232	1,220	-	4,249
	6,151	1,220	38	18,271
Expenditure				
Interest on deposits and placements of banks and other financial institutions	-	-	-	215
Interest on deposits from customers	1,179	171	36	3,901
Interest on securities sold under repurchased agreements	305	2,851	-	2,662
Rental of premises	-	-	-	9,951
Management fee	-	-	-	1,918
Other expenses	22	-	-	22,457
	1,506	3,022	36	41,104
Amount due from				
Securities held-to-maturity	86,544	-	-	250,000
Loans, advances and financing	-	-	899	-
Other assets	40	20,411	-	5,335
	86,584	20,411	899	255,335
Amount due to				
Current account and fixed deposits	51,687	717	4,173	122,180
Securities sold under repurchased agreements	19,530	12,800	-	166,649
Deposits and placements of banks and other financial institutions	-	-	-	2,500
Other liabilities	49	351	-	1,866
	71,266	13,868	4,173	293,195

notes to the financial statements  
for the financial year ended 31 December 2007 (continued)

37 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant related party balances and transactions (continued)

Bank	Ultimate holding body RM'000	Immediate holding company RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
<b>31.12.2007</b>					
<b>Income</b>					
Interest on deposits and placements with other financial institutions	-	-	27,215	-	260
Income on securities available-for-sale	-	-	-	-	1,768
Income on securities held-to-maturity	-	-	-	-	4,190
Interest on loans, advances and financing	-	-	19,004	21	3
Other income	-	635	64,522	-	5,797
	-	635	110,741	21	12,018
<b>Expenditure</b>					
Interest on deposits and placements of banks and other financial institutions	-	-	1,955	-	1,378
Interest on deposits from customers	34,230	1,371	355	43	27,494
Interest on securities sold under repurchased agreements	-	113	81	-	506
Rental of premises	-	-	2,962	-	9,663
Management fee	-	-	387	-	916
Reimbursement of operating expenses from a subsidiary	-	-	(54,366)	-	-
Other expenses	-	-	51	-	20,059
	34,230	1,484	(48,575)	43	60,016
<b>Amount due from</b>					
Money at call and deposit placements	-	-	198,420	-	-
Deposits and placements with banks and other financial institutions	-	-	204,564	-	200,000
Loans, advances and financing	-	-	481,019	812	-
Other assets	-	47	352,908	-	3,925
	-	47	1,236,911	812	203,925
<b>Amount due to</b>					
Current account and fixed deposits	1,368,230	476,944	31,298	5,427	1,410,225
Deposits and placements of banks and other financial institutions	-	-	130,993	-	-
Finance lease	-	-	666	-	-
Bills and acceptances payable	-	-	-	-	410,023
Other liabilities	1,309	256	22,093	-	4,232
Subordinated obligations	-	-	-	-	25,000
	1,369,539	477,200	185,050	5,427	1,849,480

notes to the financial statements  
for the financial year ended 31 December 2007 (continued)

37 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant related party balances and transactions (continued)

	Rashid Hussain Berhad RM'000	Immediate holding company RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
Bank					
31.12.2006					
Income					
Interest on deposits and placements with other financial institutions	–	–	23,259	–	1,935
Income on securities held-to-maturity	2,919	–	–	–	11,901
Interest on loans, advances and financing	–	–	25,232	38	186
Other income	3,232	1,220	67,970	–	3,982
	6,151	1,220	116,461	38	18,004
Expenditure					
Interest on deposits and placements of banks and other financial institutions	–	–	9,643	–	215
Interest on deposits from customers	1,179	171	284	35	3,810
Interest on securities sold under repurchased agreements	305	2,851	127	–	2,662
Rental of premises	–	–	3,214	–	9,673
Management fee	–	–	400	–	1,905
Reimbursement of operating expenses from a subsidiary	–	–	(51,228)	–	–
Other expenses	22	–	59	–	22,343
	1,506	3,022	(37,501)	35	40,608
Amount due from					
Money at call and deposit placements	–	–	348,909	–	–
Deposits and placements with banks and other financial institutions	–	–	222,775	–	–
Loans, advances and financing	–	–	688,562	899	–
Securities held-to-maturity	86,544	–	–	–	250,000
Other assets	40	20,051	146,438	–	5,322
	86,584	20,051	1,406,684	899	255,322
Amount due to					
Current account and fixed deposits	51,687	717	30,359	3,872	112,202
Securities sold under repurchased agreements	19,530	12,800	–	–	166,649
Deposits and placements of banks and other financial institutions	–	–	77,841	–	2,500
Finance lease	–	–	1,172	–	–
Other liabilities	49	291	24,723	–	1,761
	71,266	13,808	134,095	3,872	283,112

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 37 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

### (b) Significant related party balances and transactions (continued)

	<b>Group and Bank</b>	
	<b>Year ended 31.12.2007 RM'000</b>	<b>Year ended 31.12.2006 RM'000</b>
The approved limit on loans, advances and financing for key management personnel	<b>2,421</b>	2,336

### (c) Key management personnel

The remuneration of key management personnel are as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>Year ended 31.12.2007 RM'000</b>	<b>Year ended 31.12.2006 RM'000</b>	<b>Year ended 31.12.2007 RM'000</b>	<b>Year ended 31.12.2006 RM'000</b>
Short-term employee benefits				
– Fees	<b>1,251</b>	1,248	<b>853</b>	847
– Salary and other remuneration	<b>6,940</b>	5,604	<b>6,097</b>	5,223
– Benefits-in-kind	<b>248</b>	256	<b>248</b>	256
	<b>8,439</b>	7,108	<b>7,198</b>	6,326

The above remuneration includes directors remuneration as disclosed in Note 30 to the financial statements.



# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 38 COMMITMENTS AND CONTINGENCIES

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

Risk weighted exposures of the Group are as follows:

	31.12.2007			31.12.2006		
	Principal Amount RM'000	Credit Equivalent Amount *	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount *	Risk Weighted Amount RM'000
Direct credit substitutes	<b>1,723,675</b>	<b>1,723,675</b>	<b>1,525,233</b>	1,404,457	1,404,457	1,236,516
Transaction-related contingent items	<b>1,805,531</b>	<b>902,765</b>	<b>595,828</b>	1,555,032	777,516	485,979
Short-term self-liquidating trade-related contingencies	<b>2,591,345</b>	<b>518,269</b>	<b>345,287</b>	2,555,148	511,030	328,886
Obligations under underwriting agreements	<b>427,240</b>	<b>213,620</b>	<b>213,620</b>	263,240	131,620	131,620
Housing financing sold to Cagamas with recourse	–	–	–	41,064	41,064	20,532
Irrevocable commitments to extend credit:						
– maturity more than one year	<b>3,768,029</b>	<b>1,884,015</b>	<b>1,692,804</b>	3,535,992	1,767,996	1,540,914
– maturity less than one year	<b>24,861,390</b>	–	–	21,642,939	–	–
Foreign exchange related contracts:						
– less than one year	<b>9,234,879</b>	<b>162,134</b>	<b>45,940</b>	14,028,126	239,098	66,916
– one year to less than five years	<b>8,970</b>	<b>1,153</b>	<b>412</b>	387,082	60,670	30,237
– more than five years	<b>925,960</b>	<b>161,555</b>	<b>66,503</b>	–	–	–
Interest rate related contracts:						
– less than one year	<b>1,457,590</b>	<b>4,923</b>	<b>1,135</b>	871,230	2,454	512
– one year to less than five years	<b>2,967,810</b>	<b>113,966</b>	<b>27,342</b>	2,654,566	83,805	19,169
– more than five years	<b>192,060</b>	<b>13,775</b>	<b>3,589</b>	522,601	33,981	17,334
Miscellaneous	<b>1,133,627</b>	–	–	747,208	–	–
<b>Total</b>	<b>51,098,106</b>	<b>5,699,850</b>	<b>4,517,693</b>	50,208,685	5,053,691	3,878,615

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 38 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Risk weighted exposures of the Bank are as follows:

	31.12.2007			31.12.2006		
	Principal Amount RM'000	Credit Equivalent Amount * RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount * RM'000	Risk Weighted Amount RM'000
Direct credit substitutes	1,449,613	1,449,613	1,251,171	1,290,602	1,290,602	1,122,837
Transaction-related contingent items	1,699,032	849,516	546,833	1,460,227	730,114	439,387
Short-term self-liquidating trade-related contingencies	2,392,176	478,435	305,629	2,341,434	468,287	286,465
Obligations under underwriting agreements	213,240	106,620	106,620	213,240	106,620	106,620
Irrevocable commitments to extend credit:						
– maturity more than one year	3,007,788	1,503,894	1,327,835	2,815,107	1,407,554	1,201,260
– maturity less than one year	23,252,668	–	–	19,702,207	–	–
Foreign exchange related contracts:						
– less than one year	9,234,879	162,134	45,940	14,027,587	239,090	66,912
– one year to less than five years	8,970	1,153	412	387,082	60,670	30,237
– more than five years	925,960	161,555	66,503	–	–	–
Interest rate related contracts:						
– less than one year	1,457,590	4,923	1,135	800,600	2,383	477
– one year to less than five years	2,669,745	101,722	21,220	2,548,621	81,686	18,110
– more than five years	172,218	12,386	2,895	298,337	20,110	10,398
Miscellaneous	1,115,486	–	–	729,664	–	–
<b>Total</b>	<b>47,599,365</b>	<b>4,831,951</b>	<b>3,676,193</b>	<b>46,614,708</b>	<b>4,407,116</b>	<b>3,282,703</b>

\* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines. Foreign exchange and interest rate related contracts are subject to market risk and credit risk.

The Bank has given a continuing guarantee to Bank Negara Malaysia to meet the liabilities and financial obligations and requirements of its subsidiary, RHB Bank (L) Ltd, arising from its offshore banking business in the Federal Territory of Labuan.

The Bank has also given a guarantee to Ministry of Finance of Negara Brunei Darussalam to undertake any liabilities which may be incurred in respect of its branch in Brunei. In addition, the Bank has issued a guarantee to Bangkok branch to undertake any liabilities which may arise from Bank Guarantees issued by the branch for its customers. The guarantee is a continuing guarantee and is irrevocable and to remain in full force and effect until the obligations and liabilities of Bangkok branch for the said Bank Guarantees are discharged and satisfied.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 39 OPERATING LEASE COMMITMENTS

The Group has lease commitments in respect of rented premises which are classified as operating leases. A summary of the non-cancellable long-term commitments, net of sub-leases, is as follows:

	Group		Bank	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
<b>Year</b>				
Within one year	20,555	29,487	20,555	29,487
Between one to five years	16,359	12,625	16,359	12,625
More than five years	9	35	9	35

## 40 CAPITAL COMMITMENTS

	Group		Bank	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
Capital expenditure for property, plant and equipment:				
Authorised and contracted for	26,675	25,927	26,675	25,627
Authorised but not contracted for	77,032	36,717	45,332	35,775
	103,707	62,644	72,007	61,402

## 41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### OVERVIEW AND ORGANISATION

Risk is inherent in banking business and sound risk management is the cornerstone of prudent and successful banking.

In compliance with best practices under the Malaysian Code of Corporate Governance, the Board of Directors ('Board' or 'BOD') through the Group Risk Management function ('GRM function') and Group Risk Management Committee ('GRMC'), is responsible for identifying principal risks and ensuring that there is an ongoing process to continuously manage the Bank's risks proactively.

The GRMC provides oversight and management of all risks in an integrated way. The GRM function is independent and reports directly to this Committee. The GRM function assists the GRMC and Board in formulating risk related policies, advises the Board on the risk impact of business strategies, and reviews compliance by the management to the risk policy framework that is approved by the Board.

The GRMC comprises non-executive directors with at least five (5) members. Members of the GRMC are directors who are exclusively non-executive in all of their directorships in the RHB Capital Bhd group.

Overriding Objectives of the GRMC:

- (i) To provide oversight and governance of risks at the RHB Banking Group ('Group');
- (ii) To oversee senior management's activities in managing credit, market, liquidity, operational, legal and other risks and to ensure that the risk management process of each entity in the Group is in place and functioning;
- (iii) To promote the management of the Group's risks in accordance with a risk-return performance management framework;
- (iv) To deliberate and make recommendations to the BODs of each relevant entity within the Group in respect of risk management matters of the respective entities.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### OVERVIEW AND ORGANISATION (CONTINUED)

Primary responsibility for managing risks, however, rests with business managers. They are best equipped to ensure that risk management and control are continuously focused on the way business is conducted. There is a continuous review of business activities and processes to identify significant risk areas and implement control procedures to operate within established corporate policies and limits. Additionally, the management of risks associated with financial instruments is continuously carried out in the organisation. The Board has set up policies and procedures to manage the risks that may arise in connection with the use of financial instruments.

### Major Areas of Risk

As a banking institution covering activities including retail, commercial and corporate banking and treasury products and services, the Bank is subject to business risks which are inherent in the financial services industry. Generally, these business risks can be broadly classified as follows:

- (i) *Market risk* – the risk of potential loss resulting from adverse movements in the level of market prices, interest rate and foreign currency exchange.
- (ii) *Liquidity risk* – the risk of the Bank being unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.
- (iii) *Credit risk* – the risk of potential loss due to changes in the quality of counter-parties and the market price for credit risk (collateral).
- (iv) *Operational risk* – the risk of loss resulting from inadequate or failed internal processes, people, systems or external events as well as the risk of breaches of applicable laws and regulatory requirements.

To counter the following business risks the Bank faces, it has put in place the following:

#### (a) Market Risk

- A framework of approved risk policies, measurement methodologies and limits, as approved by the Board, controls financial market activities as well as identifies potential risk areas early to mitigate any adverse effects from market volatility.
- The GRM function plays an independent role in the monitoring and assessing of risk exposures arising from these, and reports independently to the GRMC.
- Advanced risk measurement techniques and stress testing regimes are applied to the Bank's portfolio on a regular basis.
- For Currency Risk:
  - Approved position limits are applied for each currency and there is also an overall total limit. Trading loss limits are imposed on each trading desk and on each individual dealer. The levels of these exposures (including off-balance sheet items), by currency and overall total for both intra-day and overnight positions, are monitored daily for compliance with the approved limits. These limits are reviewed regularly and are in line with strategies set by the Asset and Liability Committee ('ALCO').
  - Foreign and overseas investments, which are funded by purchases with resultant open foreign exchange positions, are monitored and appropriate hedging strategies are undertaken in line with market trends.
- For Interest Rate Risk:
  - The ALCO monitors the balance sheet position and assesses it for profit and loss impacts arising from sensitivity to interest rate movements.
  - The ALCO also sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored monthly. Likewise, fixed rate assets, especially long term assets, are subject to various limit parameters.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (a) Market Risk (continued)

#### Interest/Profit Rate Risk

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

Group	Non-trading book						Trading book RM'000	Total RM'000	Effective interest/ profit rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
31.12.2007									
<b>Assets</b>									
Cash and short-term funds	16,282,899	–	–	–	–	961,686	–	17,244,585	3.55
Securities purchased under resale agreements	540,418	27,418	–	–	–	–	–	567,836	3.23
Deposits and placements with banks and other financial institutions	–	3,209,424	82,467	–	–	–	–	3,291,891	4.03
Securities held for trading	–	–	–	–	–	–	1,842,218	1,842,218	4.39
Securities available-for-sale	1,190,504	1,150,537	1,584,784	1,846,730	1,078,835	174,991	–	7,026,381	4.09
Securities held-to-maturity	156,192	209,471	813,011	4,212,111	1,508,078	(164,022) #	–	6,734,841	4.13
Loans, advances and financing									
– performing	31,865,603	6,287,921	4,978,156	7,121,171	2,603,422	106	–	52,856,379	6.86
– non-performing	–	–	–	–	–	846,728 *	–	846,728	
Other assets	–	–	–	–	–	516,324	–	516,324	–
Derivative assets	–	–	–	–	–	–	105,401	105,401	–
Tax recoverable	–	–	–	–	–	2,572	–	2,572	–
Deferred taxation assets	–	–	–	–	–	247,852	–	247,852	–
Statutory deposits	–	–	–	–	–	1,604,379	–	1,604,379	–
Investment in an associate	–	–	–	–	–	4,963	–	4,963	–
Property, plant and equipment	–	–	–	–	–	488,545	–	488,545	–
Prepaid land lease	–	–	–	–	–	98,946	–	98,946	–
Goodwill	–	–	–	–	–	1,004,017	–	1,004,017	–
<b>Total assets</b>	<b>50,035,616</b>	<b>10,884,771</b>	<b>7,458,418</b>	<b>13,180,012</b>	<b>5,190,335</b>	<b>5,787,087</b>	<b>1,947,619</b>	<b>94,483,858</b>	

# Consist of equity instruments less impairment loss.

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

notes to the financial statements  
for the financial year ended 31 December 2007 (continued)

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market Risk (continued)

Interest/Profit Rate Risk (continued)

Group	Non-trading book						Trading book RM'000	Total RM'000	Effective interest/ profit rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
31.12.2007									
<b>Liabilities</b>									
Deposits from customers	35,752,597	8,533,871	11,905,749	407,575	–	16,103,687	–	72,703,479	3.56
Deposits and placements of banks and other financial institutions	3,473,360	1,127,333	369,211	622,957	62,587	1,228	–	5,656,676	4.36
Bills and acceptances payable	1,480,031	1,544,020	722,161	2,523	–	211,208	–	3,959,943	3.74
Recourse obligation on loans sold to Cagamas Berhad	–	90,974	429,085	1,334,814	–	–	–	1,854,873	4.65
Other liabilities	–	–	–	–	–	1,291,264	–	1,291,264	–
Derivative liabilities	–	–	–	–	–	–	117,820	117,820	–
Provision for taxation	–	–	–	–	–	98,146	–	98,146	–
Deferred taxation liabilities	–	–	–	–	–	17	–	17	–
Long term borrowing	330,700	–	–	–	–	–	–	330,700	5.96
Subordinated obligations	495,000	–	–	–	2,000,000	–	–	2,495,000	5.46
	41,531,688	11,296,198	13,426,206	2,367,869	2,062,587	17,705,550	117,820	88,507,918	
									Effective dividend rate
INCPs	–	–	–	1,368,099	–	–	–	1,368,099	10.00
Shareholders' equity	–	–	–	–	–	4,607,841	–	4,607,841	–
Total liabilities and shareholders' equity	41,531,688	11,296,198	13,426,206	3,735,968	2,062,587	22,313,391	117,820	94,483,858	
Total interest-sensitivity gap	8,503,928	(411,427)	(5,967,788)	9,444,044	3,127,748				

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (a) Market Risk (continued)

#### Interest/Profit Rate Risk (continued)

Group	Non-trading book						Trading book RM'000	Total RM'000	Effective interest/ profit rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
31.12.2006									
<b>Assets</b>									
Cash and short-term funds	9,240,971	–	–	–	–	382,349	–	9,623,320	3.56
Securities purchased under resale agreements	1,034,585	1,656,956	–	–	–	–	–	2,691,541	3.81
Deposits and placements with banks and other financial institutions	–	4,457,523	611,308	–	–	–	–	5,068,831	3.63
Securities held for trading	–	–	–	–	–	–	1,945,762	1,945,762	3.71
Securities available-for-sale	2,571,387	1,378,385	715,024	698,397	170,686	179,949	–	5,713,828	3.66
Securities held-to-maturity	2,537,605	2,775,594	1,694,789	4,664,222	1,515,996	(167,526) #	–	13,020,680	3.75
Loans, advances and financing									
– performing	29,806,417	6,403,037	4,934,467	7,619,070	2,522,981	140	–	51,286,112	6.83
– non-performing	–	–	–	–	–	1,455,494*	–	1,455,494	
Other assets	11,904	–	–	–	–	444,863	–	456,767	5.92
Derivative assets	–	–	–	–	–	–	167,044	167,044	–
Tax recoverable	–	–	–	–	–	65	–	65	–
Deferred taxation assets	–	–	–	–	–	251,720	–	251,720	–
Statutory deposits	–	–	–	–	–	1,835,744	–	1,835,744	–
Investment in an associate	–	–	–	–	–	4,683	–	4,683	–
Property, plant and equipment	–	–	–	–	–	499,199	–	499,199	–
Prepaid land lease	–	–	–	–	–	99,590	–	99,590	–
Goodwill	–	–	–	–	–	1,004,017	–	1,004,017	–
<b>Total assets</b>	<b>45,202,869</b>	<b>16,671,495</b>	<b>7,955,588</b>	<b>12,981,689</b>	<b>4,209,663</b>	<b>5,990,287</b>	<b>2,112,806</b>	<b>95,124,397</b>	

# Consist of equity instruments less impairment loss.

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

notes to the financial statements  
for the financial year ended 31 December 2007 (continued)

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market Risk (continued)

Interest/Profit Rate Risk (continued)

Group	Non-trading book							Trading book RM'000	Total RM'000	Effective interest/ profit rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000				
31.12.2006										
Liabilities										
Deposits from customers	21,762,014	6,653,665	12,643,145	414,609	200	14,311,683	–	55,785,316	3.15	
Deposits and placements of banks and other financial institutionss	5,577,625	2,641,847	709,864	856,679	89,050	1,428	–	9,876,493	3.67	
Obligations on securities sold under repurchase agreements	11,118,986	2,245,825	–	–	–	–	–	13,364,811	3.37	
Bills and acceptances payable	1,272,468	1,493,303	605,157	–	–	407,830	–	3,778,758	3.88	
Recourse obligation on loans sold to Cagamas Berhad	122,267	–	658,771	1,882,468	215,778	–	–	2,879,284	4.52	
Other liabilities	296,129	–	–	–	–	1,245,177	–	1,541,306	3.66	
Derivative liabilities	–	–	–	–	–	–	143,668	143,668	–	
Provision for taxation	–	–	–	–	–	79,425	–	79,425	–	
Deferred taxation liabilities	–	–	–	–	–	17	–	17	–	
Long term borrowing	282,400	–	–	–	–	–	–	282,400	5.81	
Subordinated obligations	–	–	–	1,328,158	–	–	–	1,328,158	6.76	
	40,431,889	13,034,640	14,616,937	4,481,914	305,028	16,045,560	143,668	89,059,636		
										Effective dividend rate
INCPS	–	–	–	1,368,099	–	–	–	1,368,099	10.00	
Shareholders' equity	–	–	–	–	–	4,696,662	–	4,696,662	–	
Total liabilities and shareholders' equity	40,431,889	13,034,640	14,616,937	5,850,013	305,028	20,742,222	143,668	95,124,397		
Total interest-sensitivity gap	4,770,980	3,636,855	(6,661,349)	7,131,676	3,904,635					



notes to the financial statements  
for the financial year ended 31 December 2007 (continued)

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market Risk (continued)

Interest Rate Risk (continued)

Bank	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
31.12.2007									
<b>Assets</b>									
Cash and short-term funds	14,349,888	–	–	–	–	959,933	–	15,309,821	3.55
Securities purchased under resale agreements	540,418	27,418	–	–	–	–	–	567,836	3.23
Deposits and placements with banks and other financial institutions	–	2,717,149	82,000	–	165,350	–	–	2,964,499	4.08
Securities held for trading	–	–	–	–	–	–	1,354,023	1,354,023	4.58
Securities available-for-sale	1,190,503	1,150,537	1,478,838	1,816,804	1,063,428	171,029	–	6,871,139	4.10
Securities held-to-maturity	156,192	182,023	511,410	3,747,301	1,389,513	(164,022) #	–	5,822,417	4.13
Loans, advances and financing									
– performing	31,223,772	4,850,338	3,941,948	5,788,700	855,873	–	–	46,660,631	6.97
– non-performing	–	–	–	–	–	809,892 *	–	809,892	
Other assets	–	–	–	–	–	801,595	–	801,595	–
Derivative assets	–	–	–	–	–	–	102,102	102,102	–
Deferred taxation assets	–	–	–	–	–	207,222	–	207,222	–
Statutory deposits	–	–	–	–	–	1,416,350	–	1,416,350	–
Investment in subsidiaries	–	–	–	–	–	828,956	–	828,956	–
Property, plant and equipment	–	–	–	–	–	420,314	–	420,314	–
Prepaid land lease	–	–	–	–	–	21,263	–	21,263	–
Goodwill	–	–	–	–	–	905,519	–	905,519	–
<b>Total assets</b>	<b>47,460,773</b>	<b>8,927,465</b>	<b>6,014,196</b>	<b>11,352,805</b>	<b>3,474,164</b>	<b>6,378,051</b>	<b>1,456,125</b>	<b>85,063,579</b>	

# Consist of equity instruments less impairment loss.

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

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (a) Market Risk (continued)

#### Interest Rate Risk (continued)

Bank	Non-trading book							Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000				
31.12.2007										
<b>Liabilities</b>										
Deposits from customers	31,206,934	7,192,557	10,710,593	341,791	–	14,863,822	–	64,315,697	3.69	
Deposits and placements of banks and other financial institutions	3,178,904	1,061,193	369,211	604,226	62,587	1,228	–	5,277,349	4.40	
Bills and acceptances payable	1,480,031	1,544,020	715,276	2,523	–	207,991	–	3,949,841	3.74	
Recourse obligation on loans sold to Cagamas Berhad	–	90,974	429,085	1,334,814	–	–	–	1,854,873	4.65	
Other liabilities	–	–	–	–	–	1,082,183	–	1,082,183	–	
Derivative liabilities	–	–	–	–	–	–	109,427	109,427	–	
Provision for taxation	–	–	–	–	–	94,973	–	94,973	–	
Long term borrowings	330,700	–	–	–	–	–	–	330,700	5.96	
Subordinated obligations	495,000	–	–	–	2,000,000	–	–	2,495,000	5.46	
	36,691,569	9,888,744	12,224,165	2,283,354	2,062,587	16,250,197	109,427	79,510,043		
									Effective dividend rate	
INCPS	–	–	–	1,368,099	–	–	–	1,368,099	10.00	
Shareholders' equity	–	–	–	–	–	4,185,437	–	4,185,437	–	
Total liabilities and shareholders' equity	36,691,569	9,888,744	12,224,165	3,651,453	2,062,587	20,435,634	109,427	85,063,579		
Total interest-sensitivity gap	10,769,204	(961,279)	(6,209,969)	7,701,352	1,411,577					

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (a) Market Risk (continued)

#### Interest Rate Risk (continued)

Bank	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
31.12.2006									
<b>Assets</b>									
Cash and short-term funds	8,210,741	–	–	–	–	361,055	–	8,571,796	3.57
Securities purchased under resale agreements	1,034,585	1,656,956	–	–	–	–	–	2,691,541	3.81
Deposits and placements with banks and other financial institutions	–	3,216,700	611,076	–	176,500	–	–	4,004,276	3.64
Securities held for trading	–	–	–	–	–	–	1,417,972	1,417,972	3.64
Securities available-for-sale	2,532,303	1,378,385	679,762	668,922	170,686	177,082	–	5,607,140	3.65
Securities held-to-maturity	2,456,381	2,697,789	1,626,956	3,959,646	1,429,533	(167,526)#	–	12,002,779	3.74
Loans, advances and financing									
– performing	29,533,425	4,800,456	4,070,999	6,262,828	841,485	–	–	45,509,193	6.93
– non-performing	–	–	–	–	–	1,370,138*	–	1,370,138	–
Other assets	11,904	–	–	–	–	514,701	–	526,605	5.92
Derivative assets	–	–	–	–	–	–	165,022	165,022	–
Deferred taxation assets	–	–	–	–	–	210,747	–	210,747	–
Statutory deposits	–	–	–	–	–	1,665,315	–	1,665,315	–
Investment in subsidiaries	–	–	–	–	–	828,956	–	828,956	–
Property, plant and equipment	–	–	–	–	–	450,307	–	450,307	–
Prepaid land lease	–	–	–	–	–	21,587	–	21,587	–
Goodwill	–	–	–	–	–	905,519	–	905,519	–
<b>Total assets</b>	<b>43,779,339</b>	<b>13,750,286</b>	<b>6,988,793</b>	<b>10,891,396</b>	<b>2,618,204</b>	<b>6,337,881</b>	<b>1,582,994</b>	<b>85,948,893</b>	

# Consist of equity instruments less impairment loss.

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

notes to the financial statements  
for the financial year ended 31 December 2007 (continued)

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market Risk (continued)

Interest Rate Risk (continued)

Bank	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
31.12.2006									
Liabilities									
Deposits from customers	17,108,752	5,525,394	11,757,743	317,748	–	13,081,461	–	47,791,098	3.25
Deposits and placements of banks and other financial institutions	5,238,787	2,562,333	631,494	809,744	89,050	1,428	–	9,332,836	3.67
Obligations on securities sold under repurchase agreements	11,118,986	2,245,825	–	–	–	–	–	13,364,811	3.37
Bills and acceptances payable	1,272,468	1,493,303	600,122	–	–	396,323	–	3,762,216	3.88
Recourse obligation on loans sold to Cagamas Berhad	122,267	–	658,771	1,882,468	215,778	–	–	2,879,284	4.52
Other liabilities	296,129	–	–	–	–	993,485	–	1,289,614	3.66
Derivative liabilities	–	–	–	–	–	–	136,243	136,243	–
Provision for taxation	–	–	–	–	–	56,564	–	56,564	–
Long term borrowings	282,400	–	–	–	–	–	–	282,400	5.81
Subordinated obligations	–	–	–	1,328,158	–	–	–	1,328,158	6.76
	35,439,789	11,826,855	13,648,130	4,338,118	304,828	14,529,261	136,243	80,223,224	
									Effective dividend rate
INCPS	–	–	–	1,368,099	–	–	–	1,368,099	10.00
Shareholders' equity	–	–	–	–	–	4,357,570	–	4,357,570	–
Total liabilities and shareholders' equity	35,439,789	11,826,855	13,648,130	5,706,217	304,828	18,886,831	136,243	85,948,893	
Total interest-sensitivity gap	8,339,550	1,923,431	(6,659,337)	5,185,179	2,313,376				

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (b) Liquidity Risk

- ALCO plays a fundamental role in the asset/liability management of the Bank, and establishes strategies that assist in controlling and reducing any potential exposures to liquidity risk.
- Limits on the minimum portion of maturing funds available to meet obligations and the minimum level of inter-bank and other borrowing facilities are set to ensure adequate cover for withdrawals at unexpected levels of demand.
- Defined liquidity management ratios are maintained and monitored on an active basis.
- The Bank's liquidity framework is subject to periodic stress tests and the results are constantly reviewed to ensure constant compliance with BNM's Liquidity Framework.

### (c) Credit Risk

- The Bank abides strictly by a Board approved credit policy which supports the development of a strong credit culture with the objectives of maintaining a well diversified, evaluated and current portfolio, that is fully satisfied for credit risk, and which gives no concern for unexpected losses, and which ensures a reliable and satisfactory risk weighted return. Market best practices are incorporated into this policy.
- The Bank ensures stringent measures and processes are in place before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being independently evaluated by an independent credit evaluation and management function. The Central Credit Committee and the Central Loans Committee sanction credits beyond well established prudential threshold. The strict adherence to the discretionary powers sanctioned by the Board is monitored by the Central Compliance function.
- A risk rating system is used to categorize the risk of individual credits and determine whether the Bank is adequately compensated. Clients' accounts are reviewed at regular intervals and weakening credits are transferred to Loan Recovery for more effective management.
- Counter-party, industry and product exposure limits/directions are set and risk reward relationships are mapped with the aim of maintaining a diverse credit profile and track changing risk concentrations in response to market changes and external events.
- The Bank is moving towards the advanced Basel II approaches by implementing key program components which includes (i) enhancing the economic returns of the Bank using established and proven credit risk framework and methodologies, (ii) implementing and using empirical credit scoring models for consumer financing and credit grading for models business loans, and (iii) designing and implementing modelling of expected and unexpected losses. In addition, an economic capital management framework incorporating advanced risk based pricing and funds transfer pricing has been developed, which also facilitates the Bank in meeting the Pillar II requirements of the Basel II Accord Internal Ratings Based Approach.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (c) Credit Risk (continued)

Credit risk exposure analysed by industry in respect of the Group and the Bank's financial assets, including off-balance sheet financial instruments, are set out below:

Group	Cash and short-term funds and deposits and placements with financial institutions	Securities purchased under resale agreements	Securities held for trading	Securities available-for-sale@	Securities held-to-maturity	Loans, advances and financing#	Other financial assets*	On balance sheet total	Commitments and contingencies
31.12.2007	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	–	–	–	48,227	18,900	2,578,788	–	2,645,915	1,081,266
Mining and quarrying	–	–	–	–	–	160,691	–	160,691	257,078
Manufacturing	–	–	146,035	159,688	80,935	10,309,725	228	10,696,611	12,519,368
Electricity, gas and water	–	–	106,025	88,559	50,548	315,561	173	560,866	628,291
Construction	–	–	–	242,060	–	2,827,978	–	3,070,038	5,289,199
Real estate	–	–	–	29,662	–	907,834	290	937,786	874,992
Purchase of landed property	–	–	–	–	–	15,181,143	–	15,181,143	1,097,051
General commerce	–	–	–	36,676	70,962	6,073,724	–	6,181,362	5,510,629
Transport, storage and communication	–	–	471,073	403,095	2,088,197	2,108,737	–	5,071,102	3,188,785
Finance, insurance and business services	6,884,066	515,735	275,513	3,522,363	2,030,000	3,392,560	2,848	16,623,085	11,645,827
Government and government agencies	13,098,987	52,101	843,572	2,310,307	2,147,731	28,927	596	18,482,221	–
Purchase of securities	–	–	–	10,909	247,568	1,210,618	–	1,469,095	235,055
Purchase of transport vehicles	–	–	–	–	–	4,847,831	–	4,847,831	421,211
Consumption credit	–	–	–	–	–	3,804,118	–	3,804,118	5,160,259
Others	–	–	–	–	–	939,053	563,626	1,502,679	3,189,095
	19,983,053	567,836	1,842,218	6,851,546	6,734,841	54,687,288	567,761	91,234,543	51,098,106

# Excludes general allowance amounting to RM984,181,000.

@ Excludes equity instrument amounting to RM174,835,000.

\* Other financial assets comprise other receivables.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (c) Credit Risk (continued)

Group	Cash and short-term funds and deposits with financial institutions	Securities purchased under resale agreements	Securities held for trading	Securities available-for-sale@	Securities held-to-maturity	Loans, advances and financing#	Other financial assets*	On balance sheet total	Commitments and contingencies
31.12.2006	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	—	—	—	—	58,027	2,640,794	—	2,698,821	867,430
Mining and quarrying	—	—	—	—	—	76,585	—	76,585	93,879
Manufacturing	—	—	240,217	78,917	249,834	9,952,272	217	10,521,457	11,521,328
Electricity, gas and water	—	—	139,528	7,023	—	285,430	1,026	433,007	432,002
Construction	—	—	—	106,747	156,522	2,778,587	—	3,041,856	3,998,350
Real estate	—	—	48,736	114,926	15,555	988,130	402	1,167,749	633,397
Purchase of landed property	—	—	—	—	—	14,182,286	—	14,182,286	1,230,738
General commerce	—	—	—	23,030	15,326	6,241,379	—	6,279,735	6,262,658
Transport, storage and communication	—	—	24,936	—	1,960,906	2,696,420	156	4,682,418	1,000,005
Finance, insurance and business services	14,311,108	2,689,491	249,999	4,396,722	7,363,886	2,910,896	155,706	32,077,808	15,236,936
Government and government agencies	—	2,050	1,242,346	742,684	3,200,624	169,262	25,147	5,382,113	79,015
Purchase of securities	—	—	—	49,109	—	1,494,654	—	1,543,763	226,037
Purchase of transport vehicles	—	—	—	—	—	5,091,441	—	5,091,441	300,658
Consumption credit	—	—	—	—	—	3,334,387	—	3,334,387	4,089,784
Others	—	—	—	—	—	864,865	566,475	1,431,340	4,236,468
	14,311,108	2,691,541	1,945,762	5,519,158	13,020,680	53,707,388	749,129	91,944,766	50,208,685

# Excludes general allowance amounting to RM965,782,000.

@ Excludes equity instrument amounting to RM194,670,000.

\* Other financial assets comprise bank balances and other receivables.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (c) Credit Risk (continued)

Bank	Cash and short-term funds and deposits and placements with financial institutions	Securities purchased under resale agreements	Securities held for trading	Securities available-for-sale@	Securities held-to-maturity	Loans, advances and financing#	Other financial assets*	On balance sheet total	Commitments and contingencies
31.12.2007	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	–	–	–	48,227	18,900	2,097,544	–	2,164,671	915,857
Mining and quarrying	–	–	–	–	–	158,606	–	158,606	256,886
Manufacturing	–	–	–	159,531	80,935	8,772,351	–	9,012,817	11,762,375
Electricity, gas and water	–	–	–	88,559	–	154,679	–	243,238	459,422
Construction	–	–	–	242,060	–	2,565,747	–	2,807,807	4,790,472
Real estate	–	–	–	22,975	–	805,286	–	828,261	697,284
Purchase of landed property	–	–	–	–	–	13,411,438	–	13,411,438	1,024,041
General commerce	–	–	–	36,676	70,962	5,580,792	–	5,688,430	5,123,165
Transport, storage and communication	–	–	433,316	403,095	1,965,863	1,635,583	–	4,437,857	2,751,805
Finance, insurance and business services	6,850,881	515,735	245,572	3,501,974	1,966,261	2,718,825	344,315	16,143,563	11,062,686
Government and government agencies	10,865,977	52,101	675,135	2,186,104	1,471,928	–	–	15,251,245	–
Purchase of securities	–	–	–	10,909	247,568	1,210,618	–	1,469,095	235,055
Purchase of transport vehicles	–	–	–	–	–	4,847,786	–	4,847,786	421,211
Consumption credit	–	–	–	–	–	3,804,118	–	3,804,118	5,148,895
Others	–	–	–	–	–	568,965	515,450	1,084,415	2,950,211
	17,716,858	567,836	1,354,023	6,700,110	5,822,417	48,332,338	859,765	81,353,347	47,599,365

# Excludes general allowance amounting to RM861,815,000.

@ Excludes equity instruments amounting to RM171,029,000.

\* Other financial assets comprise other receivables.



# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (c) Credit Risk (continued)

Bank	Cash and short-term funds and deposits with financial institutions	Securities purchased under resale agreements	Securities held for trading	Securities available-for-sale@	Securities held-to-maturity	Loans, advances and financing #	Other financial assets *	On balance sheet total	Commitments and contingencies
31.12.2006	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	–	–	–	–	58,027	1,977,985	–	2,036,012	692,615
Mining and quarrying	–	–	–	–	–	72,511	–	72,511	93,687
Manufacturing	–	–	119,814	78,625	249,834	8,200,203	–	8,648,476	10,235,813
Electricity, gas and water	–	–	–	7,023	–	151,726	–	158,749	173,637
Construction	–	–	–	106,747	10,072	2,453,731	–	2,570,550	3,801,589
Real estate	–	–	–	114,926	15,555	973,663	–	1,104,144	576,908
Purchase of landed property	–	–	–	–	–	12,745,187	–	12,745,187	1,072,219
General commerce	–	–	–	23,030	15,326	5,775,298	–	5,813,654	5,711,105
Transport, storage and communication	–	–	–	–	1,907,933	2,263,910	–	4,171,843	910,843
Finance, insurance and business services	12,216,322	2,689,491	245,025	4,326,121	7,257,535	2,654,538	237,912	29,626,944	14,823,171
Government and government agencies	–	2,050	1,053,133	724,477	2,488,497	–	2,060	4,270,217	–
Purchase of securities	–	–	–	49,109	–	1,494,654	–	1,543,763	226,037
Purchase of transport vehicles	–	–	–	–	–	5,091,441	–	5,091,441	300,658
Consumption credit	–	–	–	–	–	3,334,387	–	3,334,387	4,089,784
Others	–	–	–	–	–	533,711	567,369	1,101,080	3,906,642
	12,216,322	2,691,541	1,417,972	5,430,058	12,002,779	47,722,945	807,341	82,288,958	46,614,708

# Excludes general allowance amounting to RM843,614,000.

@ Excludes equity instruments amounting to RM177,082,000.

\* Other financial assets comprise bank balances and other receivables.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (d) Operational Risk

- The GRM function is responsible for the development of bank-wide operational risk policies, frameworks and methodologies, and providing inputs to the business units on operational risk areas. The respective business units are primarily responsible for managing operational risk on a day-to-day basis.
- The Bank uses an operational risk management system. This system has integrated applications for supporting the entire operational risk management process for loss event data collection and management, loss event analysis, assessment and monitoring of the quality of the internal control environment, risk scenario analysis and measurement, comprehensive reporting of operational risks and internal control quality and tracking of risk mitigation and control improvement actions. This system facilitates the Bank's capabilities for the Advanced Measurement Approach of the Basel II Framework.
- The Bank has an ongoing and actively managed Business Continuity Planning ('BCP') programme for its major critical business operations and activities at the Head Office, data centre, and branches locations. The BCP programme is subject to regular testing to ensure efficacy, reliability and functionality.
- The Bank continually refines and strengthens existing policies, procedures and internal controls measures; and continually conduct internal reviews, compliance monitoring, and comprehensive audits to prevent or minimize unexpected losses.

## 42 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments comprise financial assets, financial liabilities and also off-balance sheet financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. The information presented herein represents estimates of fair values as at the balance sheet date.

Quoted and observable market prices, where available, are used as the measure of fair values. However, for a significant portion of the financial instruments, including loans and advances to customers, such market prices do not exist as there is currently no ready market wherein exchanges between willing parties occur.

Accordingly, various methodologies have been used to estimate what the approximate fair values of such instruments might be. These methodologies involve uncertainties and are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the uncertainties and assumptions could significantly affect these estimates and the resulting fair value estimates. Where these methodologies are not able to estimate the approximate fair values, such instruments are stated at carrying amount.

In addition, fair value information is not provided for non-financial instruments and financial instruments that are excluded from the scope of FRS 132 which requires fair value information to be disclosed. These include property, plant and equipment, investment in subsidiary and associated companies and intangibles.

Therefore, for a significant portion of the Group and the Bank's financial instruments, including loans and advances to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amount that the Group and the Bank could have realised in a sales transaction at the balance sheet date. The fair value information presented herein should also in no way be construed as representative of the Group and the Bank's underlying value as a going concern.

Furthermore, it is the Group and the Bank's intention to hold most of its financial instruments to maturity and, therefore, it is not probable that the fair value estimates shown will be realised.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 42 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The fair values are based on the following methodologies and assumptions:

### (i) Cash and short-term funds and deposits and placements with financial institutions

For cash and short-term funds and deposits and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

### (ii) Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using market rates for the remaining term to maturity.

### (iii) Securities held for trading, available-for-sale and held-to-maturity

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been assessed by reference to market indicative interest yields or net tangible asset backing of the investee. Where discounted cash flow technique is used, the estimated future cash flows are discounted using the prevailing market rates for a similar instrument at the balance sheet date.

### (iv) Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value.

For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risk and maturities.

The fair values of impaired floating and fixed rates loans are represented by their carrying value, net of specific allowance being the expected recoverable amount.

### (v) Other assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in "other assets and liabilities" are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

### (vi) Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposits with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

### (vii) Deposits and placements of banks and other financial institutions, obligations on securities held under repurchase agreements ('repos'), bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions, repos, bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 42 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

### (viii) Recourse obligation on loans sold to Cagamas Berhad

For amount due to Cagamas with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair values. For amount due to Cagamas with maturities of more than one year, fair value is estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

### (ix) Long term borrowings

The estimated fair values of other borrowings with maturities of less than six months approximate the carrying values. For other borrowings with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

### (x) Subordinated obligations

The estimated fair value of subordinated bonds is generally based on quoted and observable market prices at the balance sheet date.

### (xi) INCPS

The estimated fair value of the INCPS is based on comparable fixed income instruments as well as relevant equity valuation methods and also take into consideration recent transaction price.

### (xii) Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

### (xiii) Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Bank would receive or pay to terminate the contracts at the balance sheet date.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 42 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The above mentioned range of methodologies and assumptions had been used in deriving the fair values of the Group and the Bank's financial instruments at balance sheet date. The total fair value at each financial instrument approximates the total carrying value, except for the following:

31.12.2007	Group		Bank	
	Carrying value RM'000	Estimated fair value RM'000	Carrying value RM'000	Estimated fair value RM'000
<b>Financial assets</b>				
Loans, advances and financing	53,703,107	53,572,083@	47,470,523	47,349,786@
<b>Financial liabilities</b>				
Deposits from customers	72,703,479	72,496,072	64,315,697	64,122,701
Recourse obligation on loans sold to Cagamas Berhad	1,854,873	1,908,707	1,854,873	1,908,707
Subordinated obligations	2,495,000	2,497,264	2,495,000	2,497,264
INCPS	1,368,099	2,052,149	1,368,099	2,052,149
<hr/>				
31.12.2006				
Financial assets				
Loans, advances and financing	52,741,606	52,621,378@	46,879,331	46,770,622@
Financial liabilities				
Deposits from customers	55,785,316	55,507,072	47,791,098	47,515,714
Recourse obligation on loans sold to Cagamas Berhad	2,879,284	2,909,218	2,879,284	2,909,218
Subordinated obligations	1,328,158	1,354,849	1,328,158	1,354,849
INCPS	1,368,099	2,497,930	1,368,099	2,497,930

@ Loans, advances and financing are stated at cost and not at fair value but are subject to impairment in accordance with BNM/GP3. The Bank is of the view that there is no further impairment other than that already provided for.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 43 CAPITAL ADEQUACY

	Group		Bank	
	31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
<b>Tier I Capital</b>				
Paid-up ordinary share capital	1,949,986	1,949,986	1,949,986	1,949,986
Paid-up INCPs	1,368,099	1,368,099	1,368,099	1,368,099
Share premium	8,563	8,563	8,563	8,563
Retained profits	640,223	970,739	477,564	831,867
Other reserves	1,992,299	1,768,840	1,894,070	1,717,790
	<b>5,959,170</b>	6,066,227	<b>5,698,282</b>	5,876,305
Less: Goodwill	(1,004,017)	(1,004,017)	(905,519)	(905,519)
Deferred tax assets	(247,835)	(251,703)	(207,222)	(210,747)
Total Tier I capital	<b>4,707,318</b>	4,810,507	<b>4,585,541</b>	4,760,039
<b>Tier II Capital</b>				
Subordinated obligations	2,495,000	1,328,158	2,495,000	1,328,158
General allowance for bad and doubtful debts and financing	984,181	965,782	893,728	877,693
Total computed Tier II capital before restriction	<b>3,479,181</b>	2,293,940	<b>3,388,728</b>	2,205,851
Maximum allowable subordinated obligations#	2,353,659	1,328,158	2,292,771	1,328,158
General allowance for bad and doubtful debts and financing	984,181	965,782	893,728	877,693
Maximum allowable total Tier II capital	<b>3,337,840</b>	2,293,940	<b>3,186,499</b>	2,205,851
Less: Investment in subsidiaries	-	-	(628,640)	(628,640)
Holdings of other financial institutions capital instruments	(38,625)	(39,998)	(38,625)	(39,998)
Total capital base	<b>8,006,533</b>	7,064,449	<b>7,104,775</b>	6,297,252
<b>Capital ratios</b>				
Before proposed dividends:				
Core capital ratio	7.8%	8.2%	8.3%	8.8%
Risk-weighted capital ratio	13.4%	12.1%	12.8%	11.7%
After proposed dividends:				
Core capital ratio	7.8%	8.0%	8.3%	8.6%
Risk-weighted capital ratio	13.4%	11.8%	12.8%	11.5%

# Pursuant to BNM's guidelines on capital base for capital adequacy ratios, the maximum allowed for subordinated obligations is not more than 50% of Tier I capital.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 43 CAPITAL ADEQUACY (CONTINUED)

Group	31.12.2007		31.12.2006	
	Principal RM'000	Risk Weighted RM'000	Principal RM'000	Risk Weighted RM'000
The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:				
(i) Credit Risk				
0%	24,893,558	–	21,812,798	–
10%	109,096	10,910	785,414	78,541
20%	12,703,594	2,540,719	14,820,954	2,964,191
50%	12,065,970	6,032,985	11,779,164	5,889,582
100%	49,472,124	49,472,124	47,868,686	47,868,686
	<b>99,244,342</b>	<b>58,056,738</b>	<b>97,067,016</b>	<b>56,801,000</b>
(ii) Market Risk Capital Adequacy Framework #		<b>1,617,119</b>		<b>1,457,462</b>
Total risk-weighted assets		<b>59,673,857</b>		<b>58,258,462</b>

Bank	31.12.2007		31.12.2006	
	Principal RM'000	Risk Weighted RM'000	Principal RM'000	Risk Weighted RM'000
The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:				
(i) Credit Risk				
0%	21,716,460	–	18,447,830	–
10%	58,812	5,881	724,972	72,497
20%	12,576,396	2,515,279	14,596,022	2,919,204
50%	10,654,657	5,327,329	10,468,915	5,234,458
100%	45,699,685	45,699,685	43,963,456	43,963,456
	<b>90,706,010</b>	<b>53,548,174</b>	<b>88,201,195</b>	<b>52,189,615</b>
(ii) Market Risk Capital Adequacy Framework #		<b>1,533,761</b>		<b>1,406,004</b>
Total risk-weighted assets		<b>55,081,935</b>		<b>53,595,619</b>

# 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.

The Bank figures include the operations of RHB Bank (L) Ltd.

Pursuant to BNM circular, "Recognition of Deferred Tax Assets ('DTA') and Treatment of DTA for RWCR Purposes" dated 8 August 2003, deferred tax income/(expense) is excluded from the computation of Tier I capital and deferred tax assets are excluded from the calculation of risk weighted assets.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 44 SEGMENT INFORMATION

Segment information is presented in respect of the Group's business segment and geographical segment.

All inter-segment transactions are conducted on an arm's length basis and on normal commercial terms not more favourable than those generally available to the public.

### (i) Primary reporting format – by business segment

The Group's business segments can be organised into the following main segments reflecting the Group's internal reporting structure:

#### (a) Wholesale banking

Wholesale banking caters to funding or lending needs of corporate customers including public listed corporations and its related entities, multinational corporations (including Japanese), financial institutions, Government and state owned entities and small and medium sized enterprises. Included under Wholesale Banking are offshore banking activities carried out by RHB Bank (L) Ltd whose borrowing and lending facilities are offered in major currencies mainly to corporate customers. This segment also includes lease financing activities carried out by RHB Leasing Sdn Bhd which is predominantly middle market customers.

#### (b) Retail banking

Retail banking focuses on providing products and services to individual customers. The products and services offered to customers include credit facilities (mortgages, hire purchase financing, study loans and personal loans), credit cards, remittance services, deposit collection and investment products.

#### (c) Treasury and money market

Treasury and money market operations is involved in proprietary trading in fixed income and foreign exchange, derivatives trading and structuring, managing customer-based foreign exchange and money market transactions, funding and investment in ringgit and foreign currencies.

#### (d) Islamic banking

Islamic banking focuses on providing a full range of commercial banking products and services in accordance with the principles of Shariah to individual customers, corporate clients, Government and state owned entities and small and medium sized enterprises.

#### (e) Others

Other business segments in the Group include nominee services, property investment and rental, dormant operations and other related financial services, whose results are not material to the Group and therefore do not render separate disclosure in the financial statements and have been reported in aggregate.





# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 44 SEGMENT INFORMATION (CONTINUED)

Group	Wholesale Banking RM'000	Retail Banking RM'000	Treasury & Money Market RM'000	Islamic Banking RM'000	Others RM'000	Elimination RM'000	Total RM'000
<b>31.12.2007</b>							
<b>Other information</b>							
Segment assets	29,257,587	23,507,752	32,921,585	8,413,278	155,099	(724,325)	93,530,976
Deferred taxation assets							247,852
Tax recoverable							2,572
Investment in an associate							4,963
Unallocated assets							697,495
Total assets							94,483,858
Segment liabilities	24,384,520	22,139,191	31,625,377	7,668,769	155,002	(1,059,954)	84,912,905
Deferred taxation liabilities							17
Taxation							98,146
Subordinated obligations							2,495,000
Unallocated liabilities							1,001,850
							88,507,918
INCPs							1,368,099
<b>Other segment items</b>							
Capital expenditure	11,275	31,282	4,216	23,392	43	-	70,208
Amortisation of prepaid land lease	91	221	11	-	167	-	490
Depreciation	15,172	52,674	6,578	1,002	703	-	76,129
Impairment loss	35,605	-	12,000	-	-	-	47,605
Other non-cash expenses other than depreciation and impairment loss	309,374	304,258	19,496	57,111	16	-	690,255

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 44 SEGMENT INFORMATION (CONTINUED)

Group	Wholesale Banking RM'000	Retail Banking RM'000	Treasury & Money Market RM'000	Islamic Banking RM'000	Others RM'000	Elimination RM'000	Total RM'000
31.12.2006							
Other information							
Segment assets	29,721,650	22,801,820	34,453,028	8,122,541	158,016	(848,577)	94,408,478
Deferred taxation assets							251,720
Tax recoverable							65
Investment in an associate							4,683
Unallocated assets							459,451
<b>Total assets</b>							<b>95,124,397</b>
Segment liabilities	25,639,868	21,913,616	32,354,584	7,422,607	155,834	(974,221)	86,512,288
Deferred taxation liabilities							17
Taxation							79,425
Subordinated obligations							1,328,158
Unallocated liabilities							1,139,748
							<b>89,059,636</b>
<b>INCPs</b>							<b>1,368,099</b>
Other segment items							
Capital expenditure	18,009	43,980	3,614	1,448	210	–	67,261
Amortisation of prepaid land lease	110	253	13	–	59	–	435
Depreciation	16,205	61,004	6,541	783	769	–	85,302
Impairment loss	27,464	–	8,000	–	1,136	–	36,600
Other non-cash expenses other than depreciation and impairment loss	424,224	322,856	19,278	22,177	77	–	788,612 <sup>2</sup>

### Note :

1. Unallocated expenses are expenses incurred by Head Office Support Divisions which are not directly attributed to the business segments and cannot be allocated on a reasonable basis.
2. Included in other non-cash expense other than depreciation and impairment loss are loan loss and provisioning, interest-in-suspense and accretion of discount less amortisation of premium.
3. Revenue consists of interest income (net), other operating income and income from Islamic Banking Business.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 44 SEGMENT INFORMATION (CONTINUED)

### (ii) Secondary reporting format – by geographical segment

The geographical information is prepared based on the location of the assets.

Group	Year ended 31.12.2007 RM'000	Year ended 31.12.2006 RM'000
<b>Total revenue</b>		
Malaysia	5,259,770	4,756,730
Outside Malaysia	260,927	236,146
<b>Total</b>	<b>5,520,697</b>	4,992,876
	<b>As at 31.12.2007 RM'000</b>	<b>As at 31.12.2006 RM'000</b>
<b>Total assets</b>		
Malaysia	89,317,141	90,186,313
Outside Malaysia	5,166,717	4,938,084
<b>Total</b>	<b>94,483,858</b>	95,124,397
	<b>Year ended 31.12.2007 RM'000</b>	<b>Year ended 31.12.2006 RM'000</b>
<b>Capital expenditure</b>		
Malaysia	66,751	63,639
Outside Malaysia	3,457	3,622
<b>Total</b>	<b>70,208</b>	67,261

## 45 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (i) Acquisition of the entire shareholdings in RHB International Trust (L) Ltd ('RHBITLL') by RHB Bank (L) Ltd from RHB Capital Berhad

On 15 May 2007, RHB Bank (L) Ltd, a wholly-owned subsidiary of the Bank acquired the entire shareholdings of 20,000 ordinary shares of USD4.00 each (of which USD2.00 is partially paid up) ('Acquisition of Shares') in RHBITLL from RHB Capital Berhad, the holding company of the Bank for a total cash consideration of RM152,000. With the said Acquisition of Shares, RHBITLL has become a wholly-owned subsidiary of RHB Bank (L) Ltd.

# notes to the financial statements

for the financial year ended 31 December 2007 (continued)

## 45 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

- (ii) Issuance of RM2,000 million nominal value of RM Subordinated Notes under a Medium Term Note Programme of RM3,000 million

On 30 November 2007, the Bank issued redeemable unsecured subordinated notes amounting RM2,000 million in nominal value ('RM Sub-Notes'). The first is a RM1,300 million nominal value 10 year Subordinated Notes due 2017, at 5.0% with callable step-up rate in 2012 maturing 30 November 2017. The second is a RM700 million nominal value 15 year Subordinated Notes due 2022, at 5.5% with callable step-up rate in 2017 maturing 30 November 2022. The RM Sub-Notes may be redeemed at par at the option of the Bank either in part or in whole on the relevant callable dates ('Call Date') and at any anniversary dates of the Call Date up to maturity date.

The proceeds raised from the said issuance shall be utilised for the following:

- (a) Repayment of the Bank's existing RM800 million nominal value 10 year unsecured Subordinated Bonds 2002/2012; and  
(b) The balance for general working capital purposes of the Bank and its subsidiaries.

## 46 EFFECTS ON FINANCIAL STATEMENTS ON ADOPTION OF NEW FRS 117 - LEASES

The adoption of FRS 117 has resulted in a change in accounting policy relating to classification of leasehold land. The up-front payment made for leasehold land represents prepaid land lease and is amortised on a straight-line basis over the remaining lease term. Prior to 1 January 2007, leasehold land was classified as property, plant and equipment and is stated at cost less accumulated depreciation and impairment loss.

Upon the adoption of FRS 117, the unamortised carrying amount of leasehold land is classified as prepaid land lease in accordance with the transitional provisions of FRS 117. The reclassification of leasehold land as prepaid land lease has been accounted for retrospectively and the following comparative figures as at 31 December 2006 have been restated:

	Previously reported RM'000	FRS 117 RM'000	Restated RM'000
As at 31 December 2006			
Group			
Property, plant and equipment	598,789	(99,590)	499,199
Prepaid land lease	–	99,590	99,590
Bank			
Property, plant and equipment	471,894	(21,587)	450,307
Prepaid land lease	–	21,587	21,587

## 47 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 27 February 2008.

## statement by directors

pursuant to Section 169(15) of the Companies Act, 1965

We, Datuk Azlan Zainol and Michael Joseph Barrett, being two of the directors of RHB Bank Berhad state that, in the opinion of the directors, the financial statements set out on pages 41 to 133 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2007 and of the results and cash flows of the Group and of the Bank for the financial year ended on that date in accordance with the MASB approved accounting standards in Malaysia for entities other than private entities, together with the directives and guidelines issued by Bank Negara Malaysia and the provisions of the Companies Act, 1965.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors.

**DATUK AZLAN ZAINOL**  
Chairman

**MICHAEL JOSEPH BARRETT**  
Managing Director

Kuala Lumpur  
28 February 2008

## statutory declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, Rupert Koh Hock Joo, the officer primarily responsible for the financial management of RHB Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 41 to 133 are, in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

**RUPERT KOH HOCK JOO**

Subscribed and solemnly declared by the abovenamed Rupert Koh Hock Joo at Kuala Lumpur in Wilayah Persekutuan on 28 February 2008.

before me :

COMMISSIONER FOR OATHS  
Kuala Lumpur

# report of the auditors

## to the members of RHB Bank Berhad

We have audited the financial statements set out on pages 41 to 133. These financial statements are the responsibility of the Bank's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965, Bank Negara Malaysia Guidelines and the MASB approved accounting standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and the Bank as at 31 December 2007 and of the results and cash flows of the Group and the Bank for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Bank and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of the subsidiaries of which we have not acted as auditors are indicated in note 12 of the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

**PRICEWATERHOUSECOOPERS**  
(No. AF-1146)  
Chartered Accountants

**SOO HOO KHOON YEAN**  
(No. 2682/10/09 (J))  
Partner of the firm

Kuala Lumpur  
28 February 2008

# RHB Bank branches

## NORTHERN REGION

- 1) **2784 & 2785, Jln Chain Ferry, Prai**  
Ground Floor, 2784 & 2785  
Jalan Chain Ferry  
Taman Inderawasih  
13600 Prai, Pulau Pinang  
Tel : (04) 390 9255/9257/9258
- 2) **Bukit Mertajam**  
1244 & 1246, Jalan Padang Lallang  
Taman Desa Damai  
14000 Bukit Mertajam, Pulau Pinang  
Tel : (04) 539 1171/1176
- 3) **Butterworth**  
6774, 6775 & 6776, Jalan Kg Gajah  
12200 Butterworth, Pulau Pinang  
Tel : (04) 331 5871/5872
- 4) **Jalan Raja Uda, Penang**  
Ground & Mezzanine Floor  
6957 & 6958, Jalan Raja Uda  
Raja Uda Light Industrial Park  
12300 Butterworth, Pulau Pinang  
Tel : (04) 332 4937/4860/4837
- 5) **Jalan Tunku Ibrahim, Alor Setar**  
1519, Jalan Tunku Ibrahim  
P. O. Box No. 3  
05700 Alor Setar, Kedah  
Tel : (04) 731 6066/6144
- 6) **Jalan Bakar Arang, Sungai Petani**  
27 & 28, Jalan Bakar Arang  
08000 Sungai Petani, Kedah  
Tel : (04) 422 2151/2152
- 7) **Kangar**  
41 & 43, Persiaran Jubli Emas  
Taman Suriani,  
01000 Kangar, Perlis  
Tel : (04) 977 6864/6867
- 8) **Kuala Kedah**  
Ground & First Floor  
262 & 263, Block C  
Bangunan Peruda  
06600 Kuala Kedah, Kedah  
Tel : (04) 762 5367/5366
- 9) **Mergong, Alor Setar**  
97J, Seberang Jalan Putra  
05150 Alor Setar, Kedah  
Tel : (04) 733 9279/9304

- 10) **Padang Serai**  
11 & 12, Lorong Berkat Satu  
Taman Berkat  
09400 Padang Serai, Kedah  
Tel : (04) 485 5951/5952
- 11) **Pulau Langkawi**  
13 & 15, Jalan Pandak Mayah Satu  
07000 Langkawi, Kedah  
Tel : (04) 966 7511/7512
- 12) **Sungai Bakap**  
1433-1434, Jalan Besar  
Sungai Bakap, Seberang Prai Selatan  
14200 Sungai Jawi, Pulau Pinang  
Tel : (04) 582 3629/3630
- 13) **Taman Pekan Baru, Sg Petani**  
104, 105 & 106, Jalan Pengkalan  
Tmn Pekan Baru, Sg Petani Baru  
08000 Sungai Petani, Kedah  
Tel : (04) 421 0786/9090, 422 1600
- 14) **Taman Semarak, Kulim**  
43, Lorong Semarak 1  
Taman Semarak  
09000 Kulim, Kedah  
Tel : (04) 491 5912/5913

## PENANG RCB (CONSUMER)

- 1) **Ayer Itam**  
15, Jalan Pasar  
11500 Ayer Itam, Pulau Pinang  
Tel : (04) 828 3522/5168
- 2) **Bayan Baru**  
42 A, B, C, Jalan Tengah  
11950 Bayan Baru, Pulau Pinang  
Tel : (04) 642 1880/1882  
  
Including:  
**Penang International Airport**  
Lot CM 18  
Penang International Airport  
11900 Bayan Lepas  
Pulau Pinang  
Tel : (04) 643 4769
- 3) **Burmah House, Penang**  
Ground & Mezzanine Floor  
Suite G-02, Burmah House  
405, Jalan Burmah, Pulau Tikus  
10350 Pulau Pinang  
Tel : (04) 227 4367/4364

- 4) **Jelutong**  
112 & 114, Jalan Tan Sri Teh Ewe Lim  
11600, Pulau Pinang  
Tel : (04) 282 6922/6921
- 5) **Sungai Dua**  
4H & 4J, Desa Universiti Comm  
Complex  
Jalan Sungai Dua  
11700 Gelugor, Pulau Pinang  
Tel : (04) 658 5617/5620/5621
- 6) **Lebuh Pantai, Penang**  
44, Lebuh Pantai  
Georgetown, 10300 Pulau Pinang  
Tel : (04) 262 1144/1109

## PERAK RCB

- 1) **Air Tawar**  
33A & B, Jalan Besar  
32400 Air Tawar, Perak  
Tel : (05) 672 2385/4148
- 2) **Bagan Serai**  
243, Jalan Besar  
34300 Bagan Serai, Perak  
Tel : (05) 721 5715/5716
- 3) **Gopeng**  
Ground Floor  
67 & 69, High Street  
31600 Gopeng, Perak  
Tel : (05) 359 1169/4524/1291
- 4) **Gunung Rapat**  
57 & 59, Medan Gopeng 1  
Jalan Gopeng, Gunung Rapat  
31350 Ipoh, Perak  
Tel : (05) 312 3599/3851
- 5) **Jalan Tun Sambanthan, Ipoh**  
Lot 2, 4, 6 & 8  
Jalan Tun Sambanthan  
30000 Ipoh, Perak  
Tel : (05) 254 2135/2136
- 6) **Ipoh Garden South**  
12 & 14 Tingkat, Taman Ipoh 6  
Ipoh Garden South  
31400 Ipoh, Perak  
Tel : (05) 548 2532, 547 7888



**PERAK RCB (CONTINUED)**

- 7) **Jelapang**  
433 & 435, Jalan Silibin  
Taman Silibin, P. O Box No. 585  
30760 Ipoh, Perak  
Tel : (05) 526 6515/8518
- 8) **Kampar**  
81, 83 & 85, Jalan Gopeng  
31900 Kampar, Perak  
Tel : (05) 466 6202/6203  
(05) 465 1592/1599
- 9) **Kuala Kangsar**  
6 & 7, Jalan Daeng Selili  
33000 Kuala Kangsar, Perak  
Tel : (05) 776 3772/1762
- 10) **Kuala Kurau**  
Ground & First Floor  
19, Jalan Besar  
34350 Kuala Kurau, Perak  
Tel : (05) 727 7953/0939/7952
- 11) **Menglembu**  
Ground & First Floor  
50 & 52, Jalan Besar  
31450 Menglembu, Perak  
Tel : (05) 281 6011/6017
- 12) **Parit Buntar**  
44, Jalan Teh Peh Kong  
34200 Parit Buntar, Perak  
Tel : (05) 716 1626/1627
- 13) **Persiaran Greenhill, Ipoh**  
62, Persiaran Greenhill  
30450 Ipoh, Perak  
Tel : (05) 253 3355, 255 4195
- 14) **Simpang Empat, Hutan Melintang**  
Lots P.T. 1374 & 1375  
Jalan Hutan Melintang  
Taman Seri Perak, Simpang Empat  
36400 Hutan Melintang, Perak  
Tel : (05) 641 2363/2362
- 15) **Sitiawan**  
25C, Jalan Datuk Ahmad Yunus  
32000 Sitiawan, Perak  
Tel : (05) 691 1411/1412/4669
- 16) **Sungai Siput**  
139 & 140, Jalan Besar  
31100 Sungai Siput, Perak  
Tel : (05) 598 2233/2234/8922

- 17) **Sungkai**  
18 & 19, Jalan Besar  
35600 Sungkai, Perak  
Tel : (05) 438 6708/6710
- 18) **Taiping**  
68 & 70, Jalan Kota  
34000 Taiping, Perak  
Tel : (05) 807 3276/3257/4749
- 19) **Tasek**  
699 & 701, Jalan Tasek  
Taman Musim Bunga  
31400 Ipoh, Perak  
Tel : (05) 546 7363/7386/7370
- 20) **Teluk Intan**  
31 & 33, Jalan Intan 2  
Bandar Baru Teluk Intan  
36000 Teluk Intan, Perak  
Tel : (05) 622 1654/1655

**CENTRAL REGION**

- 1) **`1' Utama, Petaling Jaya**  
Lot F38 & F39 (1st Floor)  
`1' Utama Shopping Centre  
Lebuh Bandar Utama  
47800 Petaling Jaya, Selangor  
Tel : (03) 7728 3454/3470
- 2) **11,13 & 15, Jalan Niaga, Shah Alam**  
11, 13 & 15, Jalan Niaga 16/3A  
Section 16  
40000 Shah Alam, Selangor  
Tel : (03) 5510 3131/3135/6289/  
3931/3849
- 3) **48-50, Jalan SS15/4D, Subang Jaya**  
Lot 48-50 Jalan SS15/4D  
Subang Jaya  
47500 Selangor  
Tel : (03) 5634 4970/4976/4973
- 4) **Bandar Baru Sungai Buloh**  
391 & 392, Jalan 1A/1  
Bandar Baru Sungai Buloh  
47000 Sungai Buloh, Selangor  
Tel : (03) 6156 1712/1713/1711/ 4034/  
5707

- 5) **Bandar Sri Damansara**  
1 & 2, Jalan Tanjung SD 13/1  
52200 Bandar Sri Damansara  
Selangor  
Tel : (03) 6274 5287/5532/5576
- 6) **Jalan Meru, Kelang**  
147 & 149  
1 1/2 Miles, Jalan Meru  
41050 Kelang, Selangor  
Tel : (03) 3344 2751/2750
- 7) **Jalan SS21/39, Damansara Utama**  
2M & 2G Jalan SS 21/39  
Damansara Utama  
47400 Petaling Jaya, Selangor  
Tel : (03) 7726 2306/2307/2308
- 8) **Jalan Stesen, Kelang**  
24 & 26, Jalan Stesen  
41000 Kelang, Selangor  
Tel : (03) 3371 9669/9652, 3372 7242
- 9) **Jalan T. Amp Zabedah, Shah Alam**  
16 & 18, Ground & First Floor  
Jalan T. Amp Zabedah D9/D, Section 9  
40100 Shah Alam, Selangor  
Tel : (03) 5510 0559/5511/4127/4128,  
5512 9829
- including :-  
**Giant Shah Alam (Service Center)**  
Lot B26 - B27  
Giant Hypermarket, Shah Alam 2  
Persiaran Sukan, Seksyen 13  
40100 Shah Alam, Selangor  
Tel : (03) 5511 9085
- 10) **Kampung Baru Sungai Buloh**  
25, Jalan Public  
Kampung Baru Sungai Buloh  
47000 Sungai Buloh, Selangor  
Tel : (03) 6156 9301/9302/9344
- 11) **Meru**  
1, Lorong Pepauh 1A  
Taman Pekan Meru  
41050 Kelang, Selangor  
Tel : (03) 3392 4501/4502/4503
- 12) **Persiaran Sultan Ibrahim, Kelang**  
33, Persiaran Sultan Ibrahim  
41300 Kelang, Selangor  
Tel : (03) 3342 0433/0434/0435

**CENTRAL REGION (CONTINUED)**

- 13) **Port Klang**  
Persiaran Raja Muda Musa  
42000 Pelabuhan Kelang, Selangor  
Tel : (03) 3165 6720
- including:  
**Giant Bukit Tinggi**  
(Service Centre)  
(Formerly Pandamaran Branch)  
Lot A22 & A2, Persiaran Batu Nilam  
Bandar Bukit Tinggi 1  
Jalan Langat, 41200 Klang  
Sales Tel : (03) 3323 6682,  
6684/7278  
Operations Tel : (03) 3324 1892/  
3581
- 14) **Tanjong Karang**  
Lot 1 & 3, Jalan Satu  
Taman Tanjong Karang Baru  
45500 Tanjong Karang, Selangor  
Tel : (03) 3269 5039/8171/1812
- 15) **UEP Subang Jaya**  
47 & 49, Jalan USJ 10/1  
UEP Subang Jaya  
47620 Petaling Jaya, Selangor  
Tel : (03) 5637 3592/3593/3594
- 16) **53 & 55, Pasar Borong, Selayang, KL**  
53 & 55, Jalan 2/3A  
Off KM 12, Jalan Ipoh  
68100 Batu Caves, Kuala Lumpur  
Tel : (03) 6136 3284/3169/8975
- 17) **75 Jalan Tun H.S. Lee, KL**  
75, Jalan Tun H.S. Lee  
50000 Kuala Lumpur  
Tel : (03) 2070 0233, 2072 9072,  
2053 1485, 2070 6869
- Including:  
**Kota Raya Complex**  
Lot G17, Ground Floor  
Kota Raya Complex  
Jalan Cheng Lock  
50000 Kuala Lumpur  
Tel : (03) 2072 0881
- 18) **Bangsar Shopping Complex, KL**  
G129 Ground Floor  
Bangsar Shopping Centre  
285, Jalan Ma'arof Bangsar  
59100 Kuala Lumpur  
Tel : (03) 2284 6870/6872/6875
- 19) **Damansara Heights, KL**  
Lots C9 - C12, Block C  
Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur  
Tel : (03) 2095 7068/7069/7088
- 20) **Jalan Bukit Bintang, KL**  
58 - 60, Jalan Bukit Bintang  
55100 Kuala Lumpur  
Tel : (03) 2148 0901, 2144 0875,  
2142 3604/3396, 2143 1857
- 21) **Jalan Ipoh, KL**  
14 - 16, Jalan Ipoh  
51200 Kuala Lumpur  
Tel : (03) 4042 8068/8601/2573
- 22) **Jalan Pasar, KL**  
50 - 52, Jalan Pasar  
55100 Kuala Lumpur  
Tel : (03) 2141 4167, 2148 7301
- 23) **KLCC**  
Lot G 34, Ground Level  
Petronas Twin Towers  
Kuala Lumpur City Centre  
50088 Kuala Lumpur  
Tel : (03) 2164 4423/4125/4128
- 24) **Kuala Lumpur Main**  
Level 1, Tower Two  
RHB Centre  
426, Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : (03) 9281 3030  
101(CSM), 103-106(Remt)  
110-116(CA/SA), 117(CDC)  
118-121(PB), 108-109  
(Adms & Acct)  
122(SDB), 9280 6010
- Including:  
**Menara Yayasan Tun Razak**  
Kuala Lumpur Service Centre  
Ground Floor  
Menara Yayasan Tun Razak  
200, Jln Bukit Bintang  
55100 Kuala Lumpur W.P.  
Tel : (03) 2162 5068
- 25) **Plaza OSK, KL**  
Ground and Mezzanine Floor  
Podium Block, Plaza OSK  
Jalan Ampang  
50450 Kuala Lumpur  
Tel : (03) 2164 4326/4315/4339
- Including:  
**Ampang Park (Sales Kiosk)**  
114 - 116, Ampang Park Complex  
Jalan Ampang  
50450 Kuala Lumpur  
Tel : (03) 2163 2121
- 26) **Segambut, KL**  
42 & 42A, Jalan Segambut Tengah  
Segambut, 51200 Kuala Lumpur  
Tel : (03) 6257 8777/8999/6888
- 27) **Setapak, KL**  
257 & 259, Jalan Genting Kelang  
53300 Setapak Kuala Lumpur  
Tel : (03) 4023 7444/7476, 4025 4905
- 28) **Wisma UOA**  
Unit 50-G-02, Wisma UOA Damansara  
50 Jalan Dungun  
Damansara Heights  
50490 Kuala Lumpur  
Tel : (03) 2094 9840/2643
- 29) **Damansara Jaya**  
22 & 24, Jalan SS 22/25  
Damansara Jaya  
47400 Petaling Jaya, Selangor  
Tel : (03) 7729 5132/5137/3853
- 30) **Desa Sri Hartamas, KL**  
6, Jalan 24/ 70A  
Desa Sri Hartamas  
50480 Kuala Lumpur  
Tel : (03) 2300 2360/1754
- 31) **Jinjang Utara, KL**  
Ground Floor  
3471-A, Jalan Besar  
Jinjang Utara  
52000 Kuala Lumpur  
Tel : (03) 6257 7053/7808/6258 9757

**CENTRAL REGION (CONTINUED)**

- 32) **Jalan Maharajalela, KL**  
Unit 1, Ground Floor  
Bangunan Cheong Wing Chan  
41 - 51, Jalan Maharajalela  
50150 Kuala Lumpur  
Tel : (03) 2274 9820/0475, 2273 0993
- Including:  
**KL Sentral (Service Center) & Bdc**  
Unit 7, Level 1 (Arrival Hall)  
City Air Terminal  
KL Sentral Station  
50470 Kuala Lumpur  
Tel : (03) 2273 5000
- 33) **Kepong, KL (KVN 2)**  
321, Batu 7  
Jalan Kepong  
Kepong Baru  
52100 Kuala Lumpur  
Tel : (03) 6274 0022/0593/0463
- 34) **Mid Valley, KL**  
17-G and 17-1, The Boulevard  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel : (03) 2284 4339/4360/4353
- 35) **New Town, Petaling Jaya**  
1, 3 & 5, Jalan 52/18  
New Town Centre  
46200 Petaling Jaya, Selangor  
Tel : (03) 7956 9611/9612/1994
- 36) **Overseas Union Garden, KL**  
140 & 142 Jalan Mega Mendung  
Bandar Complex, Batu 41/2  
Jalan Kelang Lama  
58200 Kuala Lumpur  
Tel : (03) 7983 9863/9864/9861
- 37) **Rawang**  
Ground, First & Second Floor  
10 & 11, Jalan Maxwell  
48000 Rawang, Selangor  
Tel : (03) 6092 5035/5036
- 38) **Section 14, Petaling Jaya**  
1, Jalan 14/20  
46100 Petaling Jaya, Selangor  
Tel : (03) 7957 4742/4460
- 39) **Taman Megah, Petaling Jaya**  
11 - 15, Jalan SS 24/11  
Taman Megah  
47301 Petaling Jaya, Selangor  
Tel : (03) 7804 1258/7481/7090/9040
- 40) **SS2, PJ**  
157 & 159, Jalan SS2/24  
Sg Way / Subang  
47300 Petaling Jaya, Selangor  
Tel : (03) 7875 3724/ 7895/3259 ,  
7874 2994
- including:  
**Giant Kelana Jaya (Service Centre)**  
Lot F1, F2 and F3  
Tingkat 1  
Giant Hypermarket  
No. 33 Jalan SS 6/12  
SS 6 Kelana Jaya  
47301 Petaling Jaya, Selangor  
Tel : (03) 7804 3658
- 41) **Taman Tun Dr. Ismail, KL**  
15 & 17, Jalan Tun Mohd Fuad 3  
Taman Tun Dr. Ismail  
60000 Kuala Lumpur  
Tel : (03) 7722 1284, 7726 8995/4303
- 42) **Ampang Point**  
37 & 38, Jalan Memanda 7  
Taman Dato' Ahmad Razali  
Jalan Ampang  
68000 Ampang, Selangor  
Tel : (03) 4252 1753/1907
- 43) **Bandar Baru Ampang, Selangor**  
27G - 29G Ground Floor &  
29A First Floor,  
Jalan Wawasan Ampang 2/3  
Bandar Baru Ampang  
68000 Ampang, Selangor  
Tel : (03) 4270 2069/2068
- 44) **IOI Mall, Puchong**  
Lot G18A (Ground Floor), IOI Mall  
Batu 9, Jalan Puchong  
Bandar Puchong Jaya  
47100 Puchong, Selangor  
Tel : (03) 5882 0870/0874/0875/0879
- including:  
**TESCO PUCHONG**  
(Service Centre)  
Lot 4A, Tingkat 1  
Tesco Puchong , Jalan Bandar 3  
Pusat Bandar Puchong  
47100 Selangor  
Tel : (03) 8075 7980/8196
- 45) **Mines Shopping Fair, Selangor**  
G20, The Mines Shopping Fair  
Jalan Dulang, Off Jalan Balakong  
Mines Resort City  
43300 Seri Kembangan, Selangor  
Tel : (03) 8942 5055/5157
- 46) **Pandan Indah, Selangor**  
Ground & Mezzanine Floor  
7 & 9, Jalan Pandan Indah 4/2  
55100 Pandan Indah, Selangor  
Tel : (03) 4295 0981/2260
- 47) **Salak South, KL**  
178-180, Main Street  
Salak South  
57100 Kuala Lumpur  
Tel : (03) 7983 9177/9458/9306
- 48) **Seri Kembangan, Selangor**  
Lot 1484A & B, Jalan Besar  
43300 Seri Kembangan, Selangor  
Tel : (03) 8943 1455/1357/0276
- 49) **Taman Indah, Selangor**  
7 & 9, Jalan SS 2/1  
Off Jalan Balakong  
Taman Indah, Batu 11  
43200 Cheras, Selangor  
Tel : (03) 9074 0998/0997/1000
- 50) **Taman Midah, KL**  
18 & 20, Jalan Midah Satu  
Taman Midah  
56000 Kuala Lumpur  
Tel : (03) 9131 2826/2898, 9130 0991
- 51) **Taman Permata, Selangor**  
Lot 6 & 7, Ground Floor  
Giant Hypermarket Complex  
Jalan Changkat Permata,  
Tmn Permata  
53300 Selangor  
Tel : (03) 4106 9726/9308/9832

**CENTRAL REGION (CONTINUED)**

- 52) **Taman Shamelin, KL**  
38-1-5, Shamelin Business Center  
Jalan 4/91, Taman Shamelin Perkasa  
56100 Kuala Lumpur  
Tel : (03) 9282 7385/7386/7382
- 53) **Taman Sungai Besi, KL**  
30, Ground & First Floor  
Jalan 7/ 108C  
Taman Sungai Besi  
57100 Kuala Lumpur  
Tel : (03) 7983 2105, 7984 3014/ 3016
- 54) **Taman Suintex, Selangor**  
5 & 6, Jalan Kijang 1  
Taman Suintex, Batu 9  
43200 Cheras, Selangor  
Tel : (03) 9074 7888/7804
- 55) **Taman Taming Jaya, Selangor**  
1, Jalan Taming Kanan 2  
Taman Taming Jaya  
43300 Balakong, Selangor  
Tel : (03) 8961 1194//1195/1164
- 56) **Bahau**  
Ground & First Floor  
Lot 982 & 983,  
Wisma UMNO Jempol  
Jalan Gurney  
72100 Bahau, Negeri Sembilan  
Tel : (06) 454 1305/2722
- 57) **Bandar Baru Nilai**  
PT 7460 & 7461  
Jalan Bandar Baru Nilai 1/1A  
Putra Point, Bandar Baru Nilai  
71800 Nilai, Negeri Sembilan  
Tel : (06) 794 1006/1007/1008/1009
- 58) **Jenjarom**  
M38 & M40, Jalan Besar  
42600 Jenjarom, Selangor  
Tel : (03) 3191 3422/3433/3477
- 59) **Kajang**  
25, Jalan Raja Harun  
Taman Hijau  
43000 Kajang, Selangor  
Tel : (03) 8736 0599/0177/2050/0225

- 60) **KLIA**  
Unit 2A & 2B Block D3  
Jalan KLIA S3  
Southern Common Facilities  
KLIA Selatan, 64000  
Kuala Lumpur International Airport,  
Selangor  
Tel : (03) 8787 4799/4801
- 61) **Kuala Pilah**  
Lots P.T. 9 & 10, Jalan Melewar  
72000 Kuala Pilah, Negeri Sembilan  
Tel : (06) 481 1442/1513/3995
- 62) **Putrajaya (Precinct 8)**  
Blok C - T.00 - U.02 & U.03  
1, Jalan P 8 D  
62250 Putrajaya  
Tel : (03) 8889 2546/2548/2549
- 63) **Rantau**  
158 & 159, Jalan Besar  
71200 Rantau  
Negeri Sembilan  
Tel : (06) 694 1969/1589, 634 3371
- 64) **Seremban**  
10 & 11, Jalan Dato' Abdul Rahman  
70000 Seremban, Negeri Sembilan  
Tel : (06) 763 8623/8555, 762 5249
- 65) **Simpang Pertang**  
42 & 43, Taman Sri Pertang  
72300 Simpang Pertang, N Sembilan  
Tel : (06) 492 9520/9550/9540
- 66) **Sungai Pelek**  
76 & 77, Jalan Besar  
43950 Sungai Pelek, Selangor  
Tel : (03) 3141 1176/1394
- 67) **Tanjung Sepat**  
1 & 3, Jalan Senangin Satu  
Taman Tanjung  
P. O. Box No 201  
42809 Tanjung Sepat, Selangor  
Tel : (03) 3197 4035/4235/4788
- 68) **Taipan Senawang**  
No. 163 G & 164 G  
Taipan Senawang, Jalan Taman  
Komersil Senawang 1  
Taman Komersil Senawang  
70450 Seremban  
Negeri Sembilan  
Tel : (06) 678 1320/1318

Including:

**Giant Senawang (Sales Kiosk)**  
Lot B42 - B44, Giant Hypermarket  
Senawang  
1571, Jalan Senawang  
70450 Senawang, Negeri Sembilan  
Tel : (06) 678 7369/7618

**EAST COAST REGION**

- 1) **Bentong**  
Lot 13 & 14, Jalan Loke Yew  
28700 Bentong, Pahang  
Tel : (09) 222 1648/1649
- 2) **Jerantut**  
Lot 4360 & 4361, Jalan Kuantan  
27000 Jerantut, Pahang  
Tel : (09) 266 5900/5901
- 3) **Kemaman**  
K-156C, Jalan Sulaimani  
24000 Chukai, Terengganu  
Tel : (09) 859 2825/2824
- 4) **Kerteh**  
10B, Bandar Baru Kerteh  
24300 Kerteh, Terengganu  
Tel : (09) 826 1644/1645
- 5) **Ketereh**  
Lot PT 383 & PT 384  
Kedai Ketereh, Bandar Ketereh  
16450 Ketereh, Kelantan  
Tel : (09) 788 6377/6376
- 6) **Jalan Kebun Sultan, Kota Bharu**  
Lot 1182-1183, Jalan Kebun Sultan  
15350 Kota Bharu, Kelantan  
Tel : (09) 744 1776/1654
- 7) **Kuala Dungun**  
K231, Jalan Besar, Kuala Dungun  
23000 Dungun, Terengganu  
Tel : (09) 848 1416/1575
- 8) **Kuala Terengganu**  
59, Jalan Sultan Ismail  
20200 Kuala Terengganu Terengganu  
Tel : (09) 622 1478/6478
- 9) **Jalan Telok Sisek, Kuantan**  
45, Jalan Telok Sisek  
25000 Kuantan, Pahang  
Tel : (09) 516 4475/4517/3763

**EAST COAST REGION (CONTINUED)**

- 10) **Mentakab**  
Lot 94 & 95, Jalan Temerloh  
28400 Mentakab, Pahang  
Tel : (09) 278 1976/1971
- 11) **Pasir Mas**  
18A, Jalan Tengku Ahmad  
17000 Pasir Mas, Kelantan  
Tel : (09) 790 9088/8066
- 12) **Raub**  
Lot PT 16477 & 16478  
Pusat Perniagaan Indrapura  
Jalan Tras  
27600 Raub, Pahang  
Tel : (09) 355 5077/5515

**SOUTHERN REGION**

- 1) **Jalan Dedap, Taman Johor Jaya**  
7 & 9, Jalan Dedap 18  
Taman Johor Jaya  
81100 Johor Bahru, Johor  
Tel : (07) 355 5226/5327/0844/3277
- 2) **Jalan Bendahara 12**  
Taman Ungku Tun Aminah  
62, 64 & 66, Jalan Bendahara 12  
Taman Ungku Tun Aminah  
81300 Sekudai, Johor  
Tel : (07) 557 1477/1097/9926/1790
- 3) **Johor Bahru City Square**  
Lot J1-22 & J2-31  
Level 1 & 2, Johor Bahru City Square  
106 & 108, Jalan Wong Ah Fook  
80000 Johor Bahru, Johor  
Tel : (07) 224 5333/0333, 223 0573
- 4) **Permas Jaya, Johor**  
Ground Floor  
35 & 37, Jalan Permas 10/2  
Bandar Baru Permas Jaya  
81750 Johor Bahru, Johor  
Tel : (07) 388 6741/6744/6746
- 5) **Senai**  
180 & 181, Jalan Belimbing 1  
81400 Senai, Johor  
Tel : (07) 599 7154
- 6) **Taman Molek, Johor**  
56 & 58, Jalan Molek 2/2  
Taman Molek  
81100 Johor Bahru, Johor  
Tel : (07) 351 4643

**SOUTHERN REGION (CONTINUED)**

- 7) **Taman Pelangi, Johor**  
Suite 1-2, Level 1  
Menara Pelangi  
2, Jalan Kuning  
Taman Pelangi  
80400 Johor Bahru, Johor  
Tel : (07) 334 3476/3481
- 8) **Taman Sentosa, Johor**  
9 & 11, Jalan Sutera  
Taman Sentosa  
80150 Johor Bahru, Johor  
Tel : (07) 332 2243/2244/2246
- 9) **Jalan Bandar, Pasir Gudang**  
10A, Pusat Perdagangan  
Jalan Bandar  
81700 Pasir Gudang, Johor  
Tel : (07) 251 1578/1573/6292,  
2527717
- 10) **Kulai**  
4 & 5, Taman Seraya  
Kulai Besar  
81000 Kulai, Johor  
Tel : (07) 663 1911/1912
- 11) **Plentong, Johor**  
Lot A17, Ground Floor  
Giant Hypermarket  
3, Jalan Masai Lama  
Plentong 81750  
Johor Bahru, Johor  
Tel : (07) 352 7684, 358 2715/2716
- 12) **Pontian Kechil**  
192, Jalan Bakek  
Pontian Kechil  
82000 Pontian, Johor  
Tel : (07) 687 8368/8369/8123
- 13) **Simpang Renggam**  
8 & 9, Jalan Kijang  
86200 Simpang Renggam, Johor  
Tel : (07) 755 8531/8532/7366
- 14) **Tampoi**  
3, 3-01, 5, 5-01, Jalan Pembangunan  
Desa Rahmat, Tampoi  
81200 Johor Bahru, Johor  
Tel : (07) 234 0678/0729
- 15) **Ulu Tiram**  
1 & 2, Jalan Raya  
81800 Ulu Tiram, Johor  
Tel : (07) 861 3002/7609/3003
- 16) **9, Jalan Abdullah, Muar**  
9, Jalan Abdullah  
84000 Muar, Johor  
Tel : (06) 952 2234, 951 9080
- 17) **Batu Pahat**  
89, Jalan Rahmat  
83000 Batu Pahat, Johor  
Tel : (07) 431 7011/7022
- 18) **Bekok**  
G34 & G36, Jalan Wijaya  
86500 Bekok, Johor  
Tel : (07) 922 1639/1643
- 19) **Bukit Baru, Melaka**  
Ground Floor, 5 & 6, Jalan DR 1  
Taman Delima Raya  
Bukit Baru, 75150 Melaka  
Tel : (06) 232 1302/1298
- 20) **Jalan Dato' Rauf, Kluang**  
18 & 20, Jalan Dato' Rauf  
86000 Kluang, Johor  
Tel : (07) 772 4111/4112
- 21) **Jalan Hang Tuah, Melaka**  
477, Plaza Melaka  
Jalan Hang Tuah  
75300 Melaka  
Tel : (06) 284 0473/0476
- including :-  
**Tesco Melaka (Sales Kiosk)**  
Lot 7, Tingkat Bawah  
No. 1, Jalan Tun Razak  
75400 Peringgit Melaka  
Tel : (06) 283 5533
- 22) **Jementah**  
Ground Floor, MCA Building  
Jalan Muar  
85200 Jementah, Johor  
Tel : (07) 947 1578/1353
- 23) **Kota Melaka**  
No. 57&59, Prime Square  
Taman Melaka Raya  
75000 Melaka  
Tel : (06) 282 5030/5029
- 24) **Segamat**  
110 & 111, Jalan Genuang  
85000 Segamat, Johor  
Tel : (07) 931 1366/1367/5442/5379

**SOUTHERN REGION (CONTINUED)**

25) **Tangkak**  
351 & 352, Jalan Muar  
84900 Tangkak, Johor  
Tel : (06) 978 6588/6591

26) **Yong Peng**  
106, Jalan Besar  
83700 Yong Peng, Johor  
Tel : (07) 467 1006/1146

**SABAH REGION**

1) **Bandar Pasaraya, Sandakan**  
Lot 59 Ground Floor  
Bandar Pasaraya, Mile 4  
90000 Sandakan, Sabah  
Tel : (089) 208 101/102/104/100

2) **Inanam, Sabah**  
Ground & First Floor  
Lot 20 & 22, Block E  
Inanam New Township, Phase II  
89350 Inanam, Sabah  
Tel : (088) 422 883

3) **Jalan Gaya, Kota Kinabalu**  
81/83, Jalan Gaya  
88000 Kota Kinabalu, Sabah  
Tel : (088) 216 188, 213 982

4) **Jalan Tun Mustapha, Labuan**  
Lot 1 & 2, Jati Shop Houses  
Off Jalan Tun Mustapha  
87007 Labuan  
Wilayah Persekutuan Labuan  
Tel : (087) 414 822/810

5) **Lahad Datu, Sabah**  
Lot 1 & 2, Block A  
Metro Commercial Complex  
91100 Lahad Datu, Sabah  
Tel : (089) 886 159/418

6) **Tawau, Sabah**  
Ground & First Floor  
Lot 5 Block 27  
Fajar Complex, Jalan Mahkamah  
Town Extension II  
91000 Tawau, Sabah  
Tel : (089) 777 355/233

7) **Wisma Khoo, Sandakan**  
Sub Lot 1 - 7, Ground Floor  
Wisma Khoo Siak Chiew  
Lebuh Tiga, Jalan Sim Sim  
Mail Bag No 4  
90009 Sandakan, Sabah  
Tel : (089) 218 777

**SARAWAK REGION**

1) **Batu Kawah , Kuching**  
Bd 104/204 & 105/205  
Batu Kawah New Township  
Jalan Batu Kawa  
93250 Kuching, Sarawak  
Tel : (082) 455 650, 450 487

2) **Jalan Kulas, Kuching**  
Ground Floor Lot 363  
Section Jalan Kulas  
P. O. Box 2049  
93740 Kuching, Sarawak  
Tel : (082) 419 050, 426 586

3) **Jalan Padungan, Kuching**  
256, Jalan Padungan  
93100 Kuching, Sarawak  
Tel : (082) 423 216, 252 088

4) **Lundu, Sarawak**  
Lot 249-250  
Jalan Blacksmith  
Pekan Lundu  
94500 Lundu, Sarawak  
Tel : (082) 735 611

5) **Medan Raya, Kuching**  
Lot 4, Tingkat Bawah  
Bangunan MASJA  
Medan Raya, Petrajaya  
93050 Kuching, Sarawak  
Tel : (082) 442 741, 449 135,  
445 611

6) **Siburan, Sarawak**  
No 2, Siburan Bazaar  
17th Mile, Kuching Serian Road  
94200 Siburan, Sarawak  
Tel : (082) 862 808

7) **Simpang Tiga, Kuching**  
No 11, Jalan Simpang Tiga  
P. O. Box 3000  
93758 Kuching, Sarawak  
Tel : (082) 417 817, 411 817

Including:  
**Kuching International Airport**  
Arrival Hall  
Peti Surat 1070, 93722 Kuching  
Sarawak  
Tel : (082) 463 768

8) **Sri Aman, Sarawak**  
Lot 839, Jalan Sabu, 95000  
Sri Aman, Sarawak  
Tel : (083) 320 979/980

9) **Tabuan Jaya, Sarawak**  
891-892  
Lorong Bayor Bukit 2A  
Tabuan Jaya, Shopping Centre  
Jalan Wan Alwi  
93350 Kuching, Sarawak  
Tel : (082) 366 823/828

10) **UNIMAS**  
Bangunan Hal Ehwal Pelajar  
Campus Tetap Unimas  
KM 17, Kuching  
Kota Samarahan Expressway  
94300 Kota Samarahan  
Sarawak  
Tel : (082) 665 622/288

11) **Wisma Mahmud, Kuching**  
Level 1  
Wisma Mahmud  
Jalan Sungei Sarawak  
93100 Kuching, Sarawak  
Tel : (082) 345 345/610

12) **31, Jln Tunku Osman, Sibul**  
No 31, Jalan Tunku Osman  
P. O. Box 26  
96007 Sibul, Sarawak  
Tel : (084) 314 455

13) **Boulevard Centre, Miri**  
Ground Floor  
Lot 2469 & 2470  
Boulevard Commercial Centre  
Jalan Boulevard Utama  
98000 Miri, Sarawak  
Tel : (085) 429 880

14) **Dalat, Sarawak**  
Ground Floor  
Pejabat Daerah Dalat  
96300 Dalat, Sarawak  
Tel : (084) 864 841/842

15) **Jalan Masjid, Bintulu**  
Ground Floor & 1st Floor  
258 Taman Sri Dagang  
Jalan Masjid  
97000 Bintulu, Sarawak  
Tel : (086) 331 133



**SARAWAK REGION (CONTINUED)**

- 16) **Jalan Nakhoda Gampar, Miri**  
Lot 362, Block 9  
Jalan Nakhoda Gampar  
P. O. Box 1142  
98008 Miri, Sarawak  
Tel : (085) 411 882
- 17) **Kanowit, Sarawak**  
Lots 127 & 128  
No 65-66 Jalan Kubu  
Kanowit Town District  
96700 Kanowit, Sarawak  
Tel : (084) 752 700
- 18) **Kapit, Sarawak**  
Lot 504 Jalan Temenggong Jugah  
96800 Kapit, Sarawak  
Tel : (084) 797 771
- 19) **Lawas, Sarawak**  
Lot No 355  
Jalan Punang  
98850 Lawas  
Tel : (085) 285 657/659
- 20) **Marudi, Sarawak**  
Lot 29, Jalan Kapitan Lim Ching Kiat  
Marudi, 98050, Baram, Sarawak  
Tel : (085) 756 721/722
- 21) **Sarikei, Sarawak**  
Lot 1468  
Repok Road  
P. O. Box 738  
96108 Sarikei, Sarawak  
Tel : (084) 657 030
- 22) **Limbang, Sarawak**  
Lot 1563 Jalan Buangsiol  
98700 Limbang, Sarawak  
Tel : (085) 212 398/399

**RHB BUREAU DE CHANGE**

- 1) **Low Cost Carrier Terminal (LCCT)-KLIA**  
Lot LCIA 01  
International Arrival Hall  
Lost Cost Carrier Terminal, KLIA  
Tel : (03) 8787 4351
- 2) **KL International Airport (Departure)**  
Lot 13a Departure Level Main Terminal Building  
Kuala Lumpur International Airport  
64000, Selangor  
Tel : (03) 8787 3257

**RHB BUREAU DE CHANGE (CONTINUED)**

- 3) **KL International Airport (Arrival)**  
Lot No. ARR 5A  
Arrival Level Main Terminal Building  
Kuala Lumpur International Airport  
64000, Selangor  
Tel : (03) 8787 1562
- 4) **KL Sentral**  
Unit 7, Level 1 (Arrival Hall)  
City Air Terminal  
KL Sentral Station  
50470, W.P.Kuala Lumpur  
Tel : (03) 2273 5000
- 5) **Kota Raya Complex**  
Lot G 17, Ground Floor  
Jalan Cheng Lock  
50000 Kuala Lumpur  
Tel: (03) 2072 0881
- 6) **Penang International Airport**  
Lot CM 18  
Penang International Airport  
11900, Bayan Lepas  
Pulau Pinang  
Tel : (04) 643 4769
- 7) **Kuching International Airport**  
Arrival Hall Peti Surat 1070  
93722, Kuching  
Sarawak  
Tel : (082) 463 768

**LIST OF OVERSEAS BRANCHES**

- 1) **Brunei**  
RHB Bank Bhd  
Bandar Seri Begawan Branch  
Unit G.02, Ground Floor, Block D  
Kompleks Yayasan  
Sultan Haji Hassanal Bolkiah  
Bandar Seri Begawan  
Brunei Darussalam  
Tel : (673) 223 1325
- 2) **Thailand**  
RHB Bank Bhd, Bangkok Branch  
Level 10, Liberty Square, 287 Silom  
Road, Bangrak, Bangkok 10500  
Thailand  
Tel : (662) 631 2000
- 3) **Singapore**  
Executive Office, #05-00  
90 Cecil Street, Singapore  
Tel : (02) 6220 2736

**SINGAPORE OPERATIONS**

- 1) **Cecil Street Branch**  
#01-00, 90 Cecil Street Singapore  
Tel : (02) 6222 1059
- 2) **Bukit Merah Branch**  
Blk 131, Jalan Bukit Merah  
#01-1577/1579, Singapore  
Tel : (02) 6273 9168
- 3) **Bukit Timah Branch**  
440/442 Upper Bukit Timah Road The  
Rail Mall  
Singapore 678064  
Tel : (02) 6765 1678
- 4) **Geylang Branch**  
537 Geylang Road  
Singapore 389492  
Tel : (02) 6747 8969
- 5) **Jalan Besar Branch**  
10 Jalan Besar  
#01-03, Sim Lim Tower  
Singapore 208787  
Tel : (02) 6296 5842
- 6) **Katong Branch**  
14-18 East Coast Road  
Singapore 428741  
Tel : (02) 6344 5353
- 7) **Upper Serangoon Branch**  
1 Yio Chu Kang Road  
Singapore 545506  
Tel : (02) 6282 6778