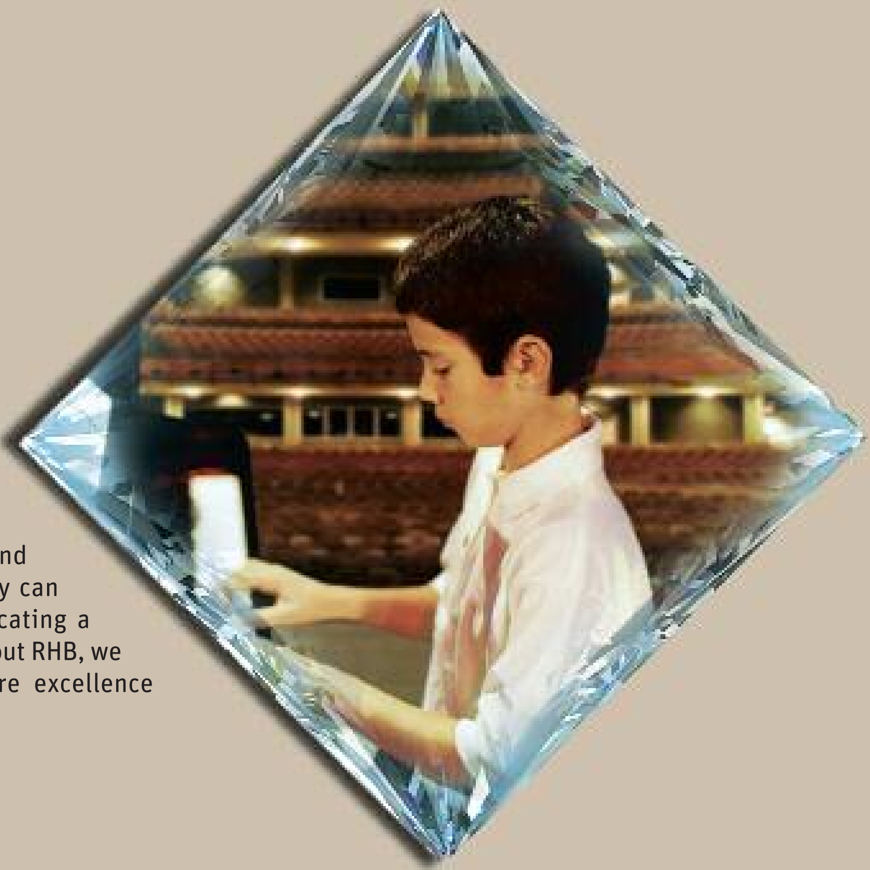
RHB Bank Berhad

Driven to Perform

ANNUAL REPORT 2010

Cover Rationale



Our people are passionate about what they do, and we continue to nurture and hone their skills and talents for the long run so that they can reach their full potential. By inculcating a performance-driven culture throughout RHB, we are creating an environment where excellence becomes second nature to all.

◆ **Marching to a New Beat**

RHB Islamic Bank Berhad

◆ **Delivering an Outstanding Performance**

RHB Investment Bank Berhad

◆ **Playing to a New Tune**

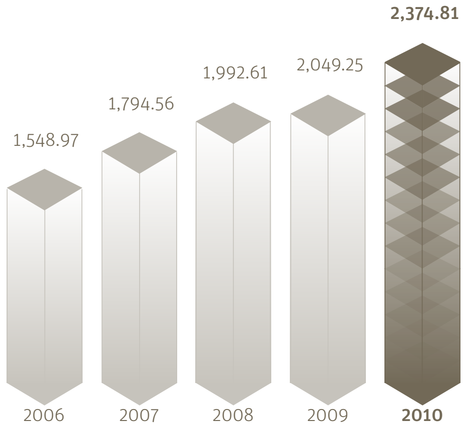
RHB Insurance Berhad

Contents

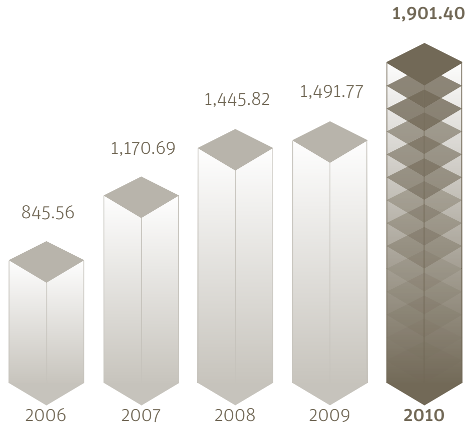
Group Financial Highlights

	2010	2009	2008	2007	2006
RESULTS (RM million)					
Operating profit	**2,374.81**	2,049.25	1,992.61	1,794.56	1,548.97
Profit before INCPS dividends and taxation	**1,901.40**	1,491.77	1,445.82	1,170.69	845.56
STATEMENTS OF FINANCIAL POSITION (RM million)					
Total assets	**119,455**	106,094	94,938	94,484	95,124
Gross loans advances and financing	**84,012**	69,846	62,639	55,898	55,366
Total deposits	**100,083**	88,221	77,765	78,360	65,662
Paid-up capital	**3,318**	3,318	3,318	1,950	1,950
INCPS and shareholder’s equity	**9,164**	7,832	6,828	5,976	6,065
ORDINARY DIVIDENDS (Paid)					
Gross dividend rate (%)	**9.80**	6.24	7.58	60.70	8.60
Net dividend (Paid) (RM million)	**244.07**	155.29	185.87	863.45	120.26
Final gross dividend in respect of the current financial year 2010 of 4.78 sen less 25% tax amounting RM238,000,000 will be proposed for shareholder's approval at the forthcoming Annual General Meeting.					
Net Preference Dividends (Paid) (RM million)	**–**	–	32.15	99.87	98.50
FINANCIAL RATIOS					
Net tangible assets backing per 50 sen ordinary share (sen)	**122.96**	102.89	87.76	92.41	94.68
Return on average shareholder’s equity (%)	**16.79**	16.21	18.16	16.20	11.15
Earnings per 50 sen ordinary share (sen)	**21.50**	17.90	17.30	19.30	12.90

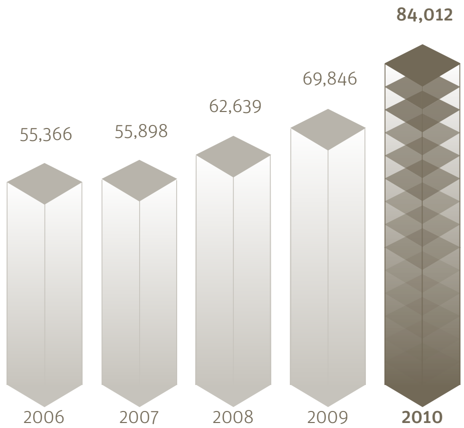
Group Financial Highlights



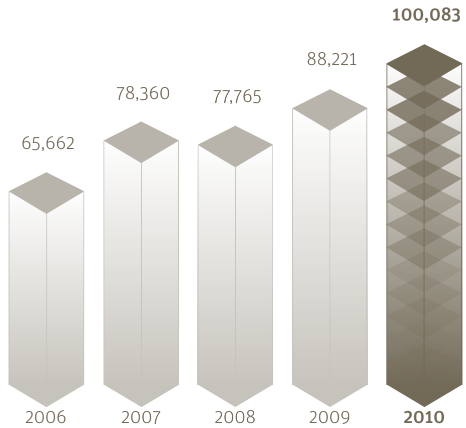
Operating Profit
(RM million)



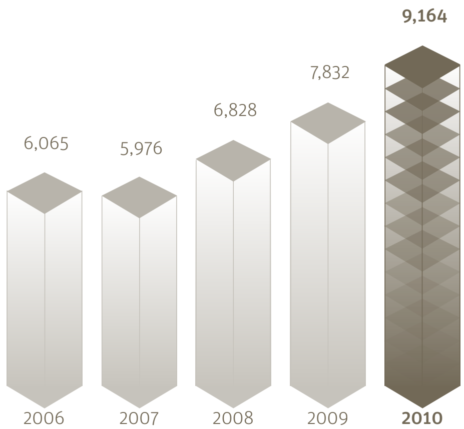
Profit Before INCPS Dividends and Taxation
(RM million)



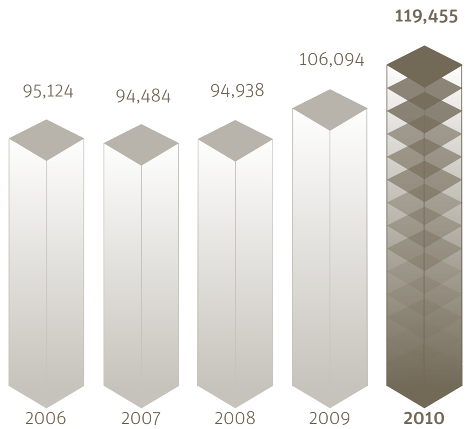
Gross Loans, Advances and Financing
(RM million)



Total Deposits
(RM million)



INCPS and Shareholder's Equity
(RM million)



Total Assets
(RM million)

Corporate Information

As at 10 February 2011

BOARD OF DIRECTORS

Tan Sri Azlan Zainol
Chairman
Non-Independent Non-Executive Director

Dato Abdullah Mat Noh
Senior Independent Non-Executive Director

Johari Abdul Muid
Non-Independent Non-Executive Director

Mohamed Ali Ahmed Hamad Al Dhaheri
Non-Independent Non-Executive Director

Haji Khairuddin Ahmad
Independent Non-Executive Director

Ong Seng Pheow
Independent Non-Executive Director

Choong Tuck Oon
Independent Non-Executive Director

Dato' Mohd Ali Mohd Tahir
Independent Non-Executive Director

Abdul Aziz Peru Mohamed
Independent Non-Executive Director

Dato' Tajuddin Atan
Managing Director

BOARD COMMITTEES

Group Audit Committee*

Ong Seng Pheow
Chairman

Dato' Othman Jusoh

Patrick Chin Yoke Chung

Haji Md Ja'far Abdul Carrim

Dato' Saw Choo Boon

Group Credit Committee*

Dato Abdullah Mat Noh
Chairman

Johari Abdul Muid

Dato' Mohamed Khadar Merican

Haji Khairuddin Ahmad

Group Recovery Committee *

Haji Khairuddin Ahmad
Chairman

Dato' Mohamed Khadar Merican

Dato Abdullah Mat Noh

Dato' Teo Chiang Liang

Group IT And Transformation Strategy Committee*

Choong Tuck Oon
Chairman

Ong Seng Pheow

Johari Abdul Muid

Dato' Mohd Ali Mohd Tahir

Dato' Tajuddin Atan

Group Risk Management Committee#

Haji Khairuddin Ahmad
Chairman

Patrick Chin Yoke Chung

Johari Abdul Muid

Haji Md Ja'far Abdul Carrim

Choong Tuck Oon

Group Nominating Committee#

Datuk Haji Faisal Siraj
Chairman

Johari Abdul Muid

Dato' Mohamed Khadar Merican

Dato' Saw Choo Boon

Dato' Teo Chiang Liang

Group Remuneration And Human Resource Committee#

Datuk Haji Faisal Siraj
Chairman

Johari Abdul Muid

Dato' Mohamed Khadar Merican

Dato' Saw Choo Boon

Dato' Teo Chiang Liang

SECRETARY

Azman Shah Md Yaman

SENIOR MANAGEMENT

Dato' Tajuddin Atan
Group Managing Director, RHB Capital Berhad/Managing Director, RHB Bank Berhad

Renzo Christopher Viegas
Director, Retail Banking

Chay Wai Leong
Director, Corporate & Investment Banking

Kellee Kam Chee Khiong
Director, Group Finance

Norazzah Sulaiman
Director, Group Corporate Services

Amy Ooi Swee Lian
Director, Business Banking

Michael Lim Kheng Boon
Director, Group Transaction Banking

Wan Mohd Fadzmi Wan Othman
Director, Global Financial Banking

Haji Abd Rani Lebai Jaafar^
Director, Islamic Banking

Koh Heng Kong
Head, Insurance

Sharifatul Hanizah Said Ali
Head, Investment Management

Datin Zaimah Zakaria
Director, Group Treasury (Acting)

Azaharin Abd Latiff
Director, Group Human Resource (Acting)

MANAGEMENT OF SUBSIDIARIES

RHB Islamic Bank Berhad
Haji Abd Rani Lebai Jaafar^
Managing Director, RHBIslamic Bank Berhad

RHB Bank (L) LTD
Toh Ay Leng
Head, Labuan

OVERSEAS LOCATIONS

Singapore
Jason Wong Hon Lurn
Head, Singapore Operations

Thailand, Bangkok
Lim Hun Joo
Head, Thailand Operations

Brunei, Bandar Seri Begawan
Apandi Klompot
Head, Brunei Operations

Vietnam
Leh Thiam Guan
Head, Vietnam Rep. Office

JAPANESE BUSINESS GROUP ADVISER

Akira Miyama
Head, Group Japanese Business

REGISTERED OFFICE

Level 10, Tower One
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel : (03) 9287 8888
Fax : (03) 9280 6507

BUSINESS ADDRESS

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Towers Two & Three
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Malaysia
Tel : (03) 9287 8888
Fax : (03) 9287 9000 (General)
Telex : MA32813 RHBANK
MA31032 RHBANK
MA30437 RHBANK
Swift : RHBBMYKL
Call Centre : (03) 9206 8118
(Peninsular Malaysia – 24 hours)
: (82) 276 118
(Sabah & Sarawak – 7 a.m. to 7 p.m.)

AUDITORS

PricewaterhouseCoopers
Chartered Accountants
Level 8-15, 1 Sentral
Jalan Travers
Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur
Malaysia
Tel : (03) 2173 1188
Fax : (03) 2173 1288

Notes:
* 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.
^ Appointed on 14 February 2011

Profile Of The Board Of Directors

TAN SRI AZLAN ZAINOL
(60 years of age – Malaysian)
Non-Independent Non-Executive Chairman

Tan Sri Azlan Zainol ("Tan Sri Azlan") is currently the Chief Executive Officer of the Employees Provident Fund Board. He has more than 29 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.

Tan Sri 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.

Tan Sri Azlan's other directorships in public companies include RHB Capital Berhad, RHB Investment Bank Berhad, Rashid Hussain Berhad (In Member's Voluntary Liquidation), Malaysian Resources Corporation Berhad (Chairman), Jardine Cycle & Carriage Limited (Singapore), MCL Land Limited (Singapore), ASIA Ltd (Singapore) and Commonwealth Africa Investments Limited.

Tan Sri 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.

JOHARI ABDUL MUID
(53 years of age - Malaysian)
Non-Independent Non-Executive Director

Johari Abdul Muid ("Encik Johari") has more than 30 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. Encik Johari joined EPF as the Chief Investment Officer heading the Equity Investment and Equity Research Departments. In 2007, he was promoted to Deputy Chief Executive Officer in charge of the Investment Division. He is currently the Deputy Chief Executive Officer of EPF in charge of Policy & Corporate Planning and Training. In addition, Encik Johari is overseeing Human Resource on behalf of the Chief Executive Officer.

Encik Johari is an Associate Member of the Chartered Institute of Management Accountants, United Kingdom.

Encik Johari's other directorships in public companies include RHB Capital Berhad, RHB Islamic Bank Berhad and Rashid Hussain Berhad (In Member's Voluntary Liquidation).

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 Group Credit Committee, Group Remuneration and Human Resource Committee, Group Nominating Committee, Group Risk Management Committee and Group IT and Transformation Strategy Committee.

MOHAMED ALI AHMED HAMAD AL DHAHERI
(38 years of age – United Arab Emirates)
Non-Independent Non-Executive Director

Mohamed Ali Ahmed Hamad Al Dhaheri ("Mr Al Dhaheri") is currently the Executive Director of Abu Dhabi Investment Council, responsible in overseeing the Accounting and Financial Services Department. He is also a Member of the Investment Committee, Administrative Committee and the Information Technology Projects Committee of Abu Dhabi Investment Council. Prior to this, Mr Al Dhaheri has held various positions in the Treasury Department of Abu Dhabi Investment Authority since May 1997. His last position in Abu Dhabi Investment Authority was as a Chief Operating Officer of Treasury Department.

Mr Al Dhaheri holds a Bachelor of Business Administration from the International University of America.

Mr Al Dhaheri's other directorships in public companies include RHB Capital Berhad, Abu Dhabi Commercial Bank, Abu Dhabi Investment Company, Al Hilal Takaful and The Securities And Commodities Authority.

Mr Al Dhaheri was appointed as a Director of RHB Bank on 2 June 2009.

DATO ABDULLAH MAT NOH
(69 years of age – Malaysian)
Senior Independent Non-Executive Director

Dato Abdullah Mat Noh ("Dato Abdullah") was formerly the President/Chief Executive Officer of Bank Utama (Malaysia) Berhad ("Bank Utama"). 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. Dato Abdullah is a Member of the Chartered Institute of Bankers and Chartered Institute of Secretaries.

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

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. 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. Dato Abdullah had further relinquished his Deputy Chairmanship and remained as an Independent Non-Executive Director of RHB Bank on 1 January 2008. Dato Abdullah also serves as the Chairman of the Group Credit Committee and a Member of Group Recovery Committee.

HAJI KHAIRUDDIN AHMAD
(68 years of age – Malaysian)
Independent Non-Executive Director

Haji Khairuddin Ahmad ("Haji Khairuddin") began his career in the banking industry and was previously with Citibank N.A., Sourthern Bank Berhad, Bank of Commerce Berhad and Arab Malaysian Finance Berhad.

Haji Khairuddin attended the Advance Management course at Columbia Business School in New York, USA.

Haji Khairuddin's other directorships in public companies include RHB Insurance Berhad (Chairman).

Haji Khairuddin was appointed as a Director of RHB Bank on 6 September 2001, representing Danamodal Nasional Berhad (Danamodal). 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 the Chairman of Group Recovery Committee and Group Risk Management Committee as well as a Member of the Group Credit Committee.

Profile Of The Board Of Directors

ONG SENG PHEOW
(62 years of age – Malaysian)
Independent Non-Executive Director

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 other 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 the Group Audit Committee as well as a Member of the Group IT and Transformation Strategy Committee.

CHOONG TUCK OON
(52 years of age – Malaysian)
Independent Non-Executive Director

Choong Tuck Oon (“Mr Choong”) was with Accenture for 23 years until his retirement in 2010 as Senior Partner in the Financial Services Asia-Pacific practice. Mr Choong has extensive experiences leading business transformation, organisation change, high performance strategy, process excellence, IT transformation and risk management for more than 20 large domestic, regional/global financial institutions across ASEAN and North Asia; including various national multi-banks collaborative initiatives. He has deep expertise in regional/global expansion including both in-country and cross-border Mergers and Acquisitions. He has also experiences with Oil & Gas, Telecommunication and Utilities industries. Mr Choong was also involved in voluntary non-governmental organization (NGO) activities, such as directing a core banking initiative to launch a bank-of-banks for micro-finance institutions across Indonesia for a consortium of international aid agencies and developing a new growth strategy across eleven countries in Asia Pacific for an international conservation fund. Prior to Accenture, Mr Choong was with Petronas for 7 years as a Management Executive.

Mr Choong holds a Bachelor of Science (First Class) from University of Malaya, a Masters of Science from the Asian Institute of Technology and an Executive Certification in Directorship from Singapore Institute of Directors and Singapore Management University.

Mr Choong’s other directorship in public companies include RHB Islamic Bank Berhad.

Mr Choong was appointed as a Director of RHB Bank on 1 April 2010. He also serves as the Chairman of Group IT and Transformation Strategy Committee as well as a Member of the Group Risk Management Committee.

DATO’ MOHD ALI MOHD TAHIR
(58 years of age – Malaysian)
Independent Non-Executive Director

Dato’ Mohd Ali Mohd Tahir (“Dato’ Ali”) was with HSBC Bank Malaysia Berhad (“HSBC Bank”) for 36 years until his retirement in 2008 as Chief Operating Officer. He was responsible for the entire banking operations that included processes for core banking products and services, property management, operational risk management, process design and development with six sigma discipline foundation, bank security and procurement. As a career banker, Dato’ Ali has extensive experience in regional and branch management and has developed a core competency in Corporate banking. During his tenure of service, he led the strategic bank-wide banking system conversion involving the change of the entire core operating system and hardware from mainframe to server technology.

Dato' Ali acquired his professional banking qualification from Institute of Bankers of United Kingdom and holds a Diploma in Investment Analysis from Malaysian Association of Productivity of Malaysia. He also attended the ICLIF Global Leadership Development Program under the auspices of Bank Negara Malaysia, held in Harvard University, Boston and Stanford School of Management, San Francisco.

Dato' Ali's other directorship in public companies include RHB Islamic Bank Berhad.

Dato' Ali was appointed as a Director of RHB Bank on 1 January 2011. Dato' Ali is also a Member of Group IT and Transformation Strategy Committee.

ABDUL AZIZ PERU MOHAMED
(62 years of age – Malaysian)
Independent Non-Executive Director

Abdul Aziz Peru Mohamed ("Encik Aziz Peru") is currently the Chief Executive Officer/Director of as-Salihin Trustee Berhad, a trust company specialized in Islamic estate planning. He held various Senior Management positions in the banking industry with almost 30 years accomplished career track spanning management of branch network and retail banking. He spent most of his working years at Malayan Banking Berhad, where his last position was General Manager, Consumer Banking Division. He was also formerly the Senior General Manager of AmBank Berhad from 2002 to 2005. During the years in the banking industry, he was appointed as the Chairman of Rules Committee of Association of Banks of Malaysia and has held several other key positions including a Board Member of Mayban Property Trust and Maybank Trustees Berhad.

Encik Aziz Peru attended various training programs at the Harvard Business School and Pacific Bankers Rim programs in United States.

Encik Aziz Peru was appointed as a Director of RHB Bank on 7 February 2011.

DATO' TAJUDDIN ATAN
(51 years of age – Malaysian)
Managing Director

Dato' Tajuddin Atan ("Dato' Tajuddin") commenced his career with Bank Bumiputra (M) Berhad ("BBMB") holding various senior positions over a period of more than sixteen years including a stint at the bank's New York Branch. His last designation with Bumiputra Commerce Bank, the merged banking entities of Bank of Commerce Berhad and BBMB, was at Treasury Division. He spent the next few years in the corporate arena where he gained valuable experience in financial restructuring, corporate strategic management and improvement of operational efficiency in various public listed companies in the areas of shipping, property development and construction and electronics. Dato' Tajuddin was subsequently appointed as the Chief Executive Officer of Bank Simpanan Nasional ("BSN") in October 2004 where he successfully led the transformation of BSN into a sustainable, profitable and efficiently governed community bank. Thereafter, he joined Bank Pembangunan Malaysia Berhad as its President/Group Managing Director and initiated a business improvement process to bring about operational finesse.

Dato' Tajuddin holds a Bachelor's Degree in Science (Agribusiness) from Universiti Putra Malaysia and a Masters Degree in Business Administration from Ohio University, USA.

Dato' Tajuddin's other directorships in public companies include Bursa Malaysia Berhad, RHB Bank (L) Ltd and RHB International Trust (L) Ltd (Chairman). He is a Board Member of Amanah Ikhtiar Malaysia and he currently chairs the Special Committee for the Urban Poor Micro Finance Program. He is also a Corporate Member of SME Corporation Malaysia and is an Adjunct Professor in Universiti Putra Malaysia as well as Universiti Utara Malaysia. He is a Council Member of the Association of Banks in Malaysia and the Institut Bank-Bank Malaysia.

Dato' Tajuddin was appointed as the Managing Director of RHB Bank on 1 May 2009. Dato' Tajuddin currently also serves as the Group Managing Director of RHB Capital Berhad since July 2009. Dato' Tajuddin is also a Member of Group IT & Transformation Strategy Committee.

RHB Banking Group Corporate Structure

As at 10 February 2011

RHB CAPITAL BERHAD

COMMERCIAL BANKING GROUP

RHB BANK BERHAD

- RHB Islamic Bank Berhad
- RHB Bank (L) Ltd
  - RHB International Trust (L) Ltd
    - RHB Corporate Services Sdn Bhd
- RHB Leasing Sdn Bhd
- RHB Capital Nominees (Tempatan) Sdn Bhd
  - RHB Capital Nominees (Asing) Sdn Bhd
- RHB Capital Properties Sdn Bhd
- Utama Assets Sdn Bhd
- RHB Bank Nominees Pte Ltd *(Singapore)*
- Banfora Pte Ltd *(Singapore)*
- RHB Investment Ltd *(Singapore)*
- RHB Trade Services Limited *(Hong Kong)*
- Utama Gilang Sdn Bhd
- UMBC Sdn Bhd
- RHB Delta Sdn Bhd

INVESTMENT BANKING GROUP

RHB INVESTMENT BANK BERHAD

- RHB Investment Management Sdn Bhd
  - RHB Islamic Asset Management Sdn Bhd
- RHB Research Institute Sdn Bhd
- RHB Merchant Nominees (Tempatan) Sdn Bhd
  - RHB Merchant Nominees (Asing) Sdn Bhd
- RHB Private Equity Holdings Sdn Bhd
  - RHB Private Equity Management Ltd
  - RHB Private Equity Fund Ltd *(Cayman Islands)*
- RHB Nominees Sdn Bhd
- RHB Nominees (Tempatan) Sdn Bhd
- RHB Nominees (Asing) Sdn Bhd
- RHB Excel Sdn Bhd
- RHB Progressive Sdn Bhd
- RHB Marketing Services Sdn Bhd
- RHB Unit Trust Management Berhad
- Vietnam Securities Corporation (49%)

OTHERS

- RHB Insurance Berhad (94.7%)
- RHB Equities Sdn Bhd [1]
  - KYB Sdn Bhd
- RHB Capital (Jersey) Limited *(Channel Island)*
  - Rashid Hussain Securities (Philippines), Inc. *(Philippines)* [2]
- RHB Hartanah Sdn Bhd
  - Positive Properties Sdn Bhd
  - RHB Property Management Sdn Bhd
- Straits Asset Holdings Sdn Bhd
  - SSSB Services (Melaka) Sdn Bhd
  - SFSB Services (Melaka) Sdn Bhd
- RHBF Sdn Bhd
  - KYF Sdn Bhd
- RHB Venture Capital Sdn Bhd
- RHB Kawal Sdn Bhd

Notes:

The subsidiary companies are wholly-owned unless otherwise stated.

Dormant Company

Jointly Controlled Entity

[1] With effect from 1 July 2001, the company's activities relate primarily to recovery of outstanding debts.

[2] The company has ceased operations from the close of business on 10 December 2001.

Country of incorporation is in Malaysia unless otherwise indicated in italics

Corporate Governance Statement

OUR COMMITMENT TO GOOD CORPORATE GOVERNANCE

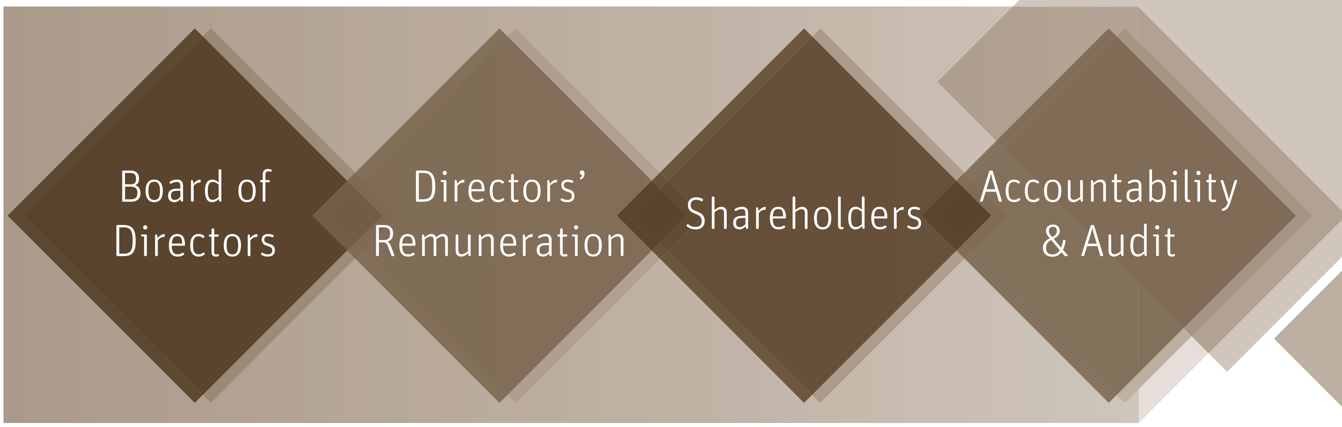
The Board of Directors ("Board") of RHB Bank Berhad ("RHB Bank" or "the Bank") recognises that good corporate governance is and has been fundamental to the success of our business. Not only has it helped establish the RHB Banking Group's credibility and bolster our corporate reputation, it has also enhanced our shareholder value, provided an assurance to investors, strengthened customers' trust in our businesses and improved the Group's competitive positioning. To ensure the highest standards of integrity, business ethics and professionalism are upheld across our organisation, we have adopted best market practices to establish accountability and transparency within the Bank as well as preserve the integrity of the Board and Management.

Our corporate governance structure is principally based on the Malaysian Code on Corporate Governance ("the Code"), the Guidelines on Corporate Governance for Licensed Institutions ("BNM's CG Guidelines") issued by Bank Negara Malaysia ("BNM") and international best practices. While stringent corporate governance practices and internal controls are already in place, we believe there is always room for improvement and are always exploring new avenues and measures to enhance the Bank's system of governance. In doing so, the Board not only pays attention to ethical conduct, value enrichment and the implementation of best practices, but also makes a significant effort to understand and manage stakeholders' expectations. Such understanding is essential to ensure that our position and reputation as a Bank is held in good stead. Moreover, this understanding enables us to fulfil the evolving needs of our stakeholders and supports the Group's efforts to compete at the global level.

As a testament to our strong corporate governance efforts, the RHB Banking Group was the proud recipient of a Merit Award and was named Second Runner-up in the Best Return to Shareholders Category at the 2010 Malaysian Business–CIMA Enterprise Governance Awards.

In addition, the Group was also named as Top 10 Best-Managed Company and Best Corporate Governance Company by FinanceAsia.

THE BASIC PRINCIPLES OF CORPORATE GOVERNANCE



BOARD OF DIRECTORS

Board Composition and Balance

The Board currently comprises a Non-Independent Non-Executive Chairman, six (6) Independent Non-Executive Directors ("Independent NEDs"), two (2) Non-Independent Non-Executive Directors ("NINEDs") and the Managing Director ("MD"). The structure and composition of the Board comply with the Code as well as the BNM's CG Guidelines. The presence of the six (6) Independent NEDs ensures there is an effective check and balance in the functioning of the Board. These Independent NEDs are not involved in the day-to-day management of the Bank, nor do they participate in any business dealings of the Bank. This ascertains that they remain free of any conflict of interest and can undertake their roles and responsibilities as Independent NEDs in an effective manner.

COMPOSITION OF THE BOARD

Directors' Qualifications and Experience

As a major financial services group, the Board recognises that its Members must have the appropriate mix of skills as well as the necessary knowledge, experience and commitment to effectively contribute towards the growth and expansion of the Group as a whole. Furthermore, being on the Board of a bank, Board Members are required to be responsive to the constantly changing global financial landscape. The Board regularly reviews the composition of its own Board as well as the Boards of its major subsidiaries and the Group's Board Committees to ensure that appropriate balance is maintained and that there is an adequate mix of skills and experience.

Our Directors bring on board a wealth of knowledge and experience in business, financial and risk management skills that are drawn from the relevant industry and regulatory environment in which the Group operates. A brief profile of each member of the Board outlining their qualifications, experience and skills is presented on pages 6 to 9 of this Annual Report.

Duties and Responsibilities of the Board

The Board is responsible for governing the administration of the Bank and for exercising all such powers pursuant to the Articles of Association of the Bank. In general, the Board is also responsible for:

- providing strategic leadership to the Bank and the Group;
- reviewing, approving and monitoring the implementation of the Bank's and Group's strategic business plans and policies;

Corporate Governance Statement

- ensuring the Bank and the Group maintains an effective system of internal controls and is able to identify and manage principal risks resulting in efficiency in operations and a stable financial environment;
- acting as a guardian of the Bank's and Group's corporate values and ethical principles in parallel with the goal to enhance shareholder's value;
- monitoring as well as evaluating the performance of the Management to ensure that the performance criteria remains dynamic; and
- ensuring the formulation of a succession plan for the Bank and the Group for long-term business continuity.

ROLES OF THE CHAIRMAN, MANAGING DIRECTOR/GROUP MANAGING DIRECTOR, NON-EXECUTIVE DIRECTORS AND SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Chairman

It is widely recognised that a Chairman should also be a NED and that the roles of the Chairman and the MD must be clearly demarcated. The Chairman is responsible for leading the Board and ensuring it performs in an effective manner.

The Chairman presides over Board and General Meetings of the Bank. He ensures that the Board is well informed and effective; that Members, individually and as a group, have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary for the proper operation of the Board and the Bank. Additionally, the Chairman has to ensure that General Meetings are conducted efficiently and that the shareholder has adequate opportunity to air its views and obtain answers to its queries.

In furtherance thereto, the Chairman is also responsible to:

- provide effective leadership in the determination of the Bank's and the Group's strategy and in the achievement of the Bank's and the Group's objectives;
- work with the Company Secretary to schedule Board and Committee meetings and ensure that Directors receive accurate, timely and clear information, in particular on the Bank's performance and issues arising, to enable the Board to make sound decisions, conduct effective monitoring and provide sensible advice in achieving the Bank's objectives;
- ensure that Board Committees are properly established and composed, with the appropriate terms of reference;
- ensure that all important agenda are appropriately discussed by the Board;
- ensure the independence of the Board in discharging its duties. This includes encouraging NEDs of the Board to meet regularly to deliberate on matters of concern and ensure that the Board engages independent advisors where required (subject to the proper approval process);
- ensure that the Board and individual Directors fully exercise their responsibilities and adhere to applicable laws, regulations, rules, directives, policies and guidelines;
- consider and address the development needs of individual Directors and the Board as a whole to maintain the necessary depth and breadth of knowledge and skills to enhance the effectiveness of the Board;
- promote effective relationships and open communication between the Board and Senior Management team in relation to corporate governance and corporate performance, and
- ensure effective relationships are maintained with all major stakeholders in the business.

Managing Director/Group Managing Director

The day-to-day management of the Bank is delegated to the MD who is responsible in managing the business and operations of the Bank and in ensuring the successful implementation of policies and directions as formulated by the Board. The distinct and separate duties and responsibilities of the MD and the Chairman ensure the balance of power and authority in relation to the establishment of a fully effective Board.

The MD of the Bank is also the Group MD of RHB Capital Berhad ("RHB Capital"). As the Group MD, his key responsibility is to steer and lead the Group's Strategic Business Groups ("SBGs") and Strategic Functional Groups ("SFGs") towards achieving the Group's visions and goals.

The Group MD's integral role is to implement the policies and decisions of the Board, oversee the operations as well as coordinate the development and implementation of business and corporate strategies. In addition thereto, he is also responsible for the following tasks:

- manage the business and operations and to put in place the policies and strategies adopted by the Board;
- ensuring that the financial results are accurate and not misleading as well as ensuring that the financial management practices of the Bank and the Group are carried out with the highest standards of integrity and transparency for the benefit of all stakeholders;

- ensuring that the business and affairs of the Bank and the Group are carried out in an ethical manner and in full compliance with the relevant laws and regulations;
- overseeing the internal control systems and the risk management processes and ensuring these are appropriate and effective;
- ensuring succession planning and talent management programs are in place in the interest of human capital development;
- maintaining effective relationship between the Management, the Board and other stakeholders; and
- developing and maintaining strong communication programmes and dialogue with the stakeholders.

In carrying out his tasks, the Group MD is supported by the Central Management Committee ("CMC") which comprises key Management Members of the Group. The CMC is governed by its terms of reference and has several objectives, which include the following:

- to provide strategic guidance to the SBGs and SFGs;
- to recommend key strategic business plans and policies to the Board of the holding company and other entities within the Group; and
- to assist the Board of the holding company and other entities within the Group to review the performance and business efficiency of the Group.

Non-Executive Directors

The roles of the NEDs are wide and varied. They provide considerable depth of knowledge collectively gained from their experience in a variety of public and private companies and other enterprises. The Independent Directors provide unbiased and independent views in ensuring that the strategies proposed by the Management are fully deliberated on and take into account the interests of its stakeholders. The independence of the Independent Directors is constantly reviewed and benchmarked against best practices and regulatory provisions.

A Senior Independent Non-Executive Director ("SINED") has the following additional responsibilities:

- to be available to shareholder if it has concerns relating to matters where contact through the normal channels of the Chairman or MD has failed to resolve issues, or for which such contact is inappropriate; and
- to maintain contact as required with the shareholder to have a balanced understanding of its issues and concerns.

BOARD CHARTER

The Board has developed a charter that sets out the key corporate governance principles adopted by the Board ("Charter"). In adhering to the responsibilities set out in the Charter, the Members of the Board are expected to perform their duties with integrity, honesty and professionalism within the ambit of the law to serve the interest of the Bank's shareholder and stakeholders.

CODE OF ETHICS AND BUSINESS CONDUCT

The Board has adopted a Code of Ethics and Business Conduct for Directors ("Code of Ethics"). The Code of Ethics was formulated to enhance the standard of corporate governance and promote ethical conduct of Directors with a view to achieving the following objectives:

- to establish a uniform ethical standard for Directors emphasising conduct free from conflicts of interest; and
- to uphold the spirit of corporate responsibility and accountability in line with the governing laws, regulations and guidelines.

The Group has in place a Group Code of Ethics and Conduct that is applicable to all its employees to ensure a high standard of ethical and professional conduct is upheld by all its employees in the performance of their duties and responsibilities.

Corporate Governance Statement

COMPANY SECRETARY

The Company Secretary serves and advises the Board on matters relating to the affairs of the Board and ensures that Board meetings are properly convened and an accurate and proper record of the proceedings and minutes of the meetings are kept. The Company Secretary assists the Chairman and Directors in the conduct of meetings and their governance obligations and responsibilities as Directors of the Bank. The Company Secretary also facilitates the communication of key decisions and policies between the Board, Board Committees and the Senior Management.

Apart from performing the duties and responsibilities of a named Secretary to the Board, the Company Secretary also undertakes the following roles:

- ensuring that the Board are kept well informed/updated on legal/regulatory requirements that affects the duties and responsibilities of Directors;
- ensures that the relevant companies within the Group complies with its statutory obligations under relevant laws and regulations;
- manages Board and shareholder processes group-wide;
- provides guidance to Directors and Senior Management on various corporate administration matters;
- assists in managing shareholder relations and resolving their enquiries;
- manages relationship with external share registrar; and
- acts as custodian of statutory records of the Group.

BOARD MEETINGS AND ACCESS TO INFORMATION

The Board meets on a monthly basis. Special meetings are held where any direction or decisions are required expeditiously from the Board between the scheduled meetings. Scheduled Board meetings are structured with a pre-set agenda.

The Board is provided with meeting papers in advance of the meeting dates to allow the Members of the Board to digest the issues at hand, seek clarification from the Management, if required and formulate opinions on matters to be deliberated at the meetings. In line with the best practices, Board materials/papers are circulated to Members of the Board at least seven days prior to the scheduled Board Meeting date. At each Meeting, the Board receives updates from the respective Chairmen/representatives of the Group Audit Committee and Group Risk Management Committee on matters that have been deliberated at both committees, as well as on matters that require attention. This practice also applies for the rest of the entities of the Group. The Board also reviews regular management reports and information on corporate and business issues to assess performance against business targets and objectives.

Each Member of the Board is required to apply independent judgement to decision making in their capacity as a Director. Where urgency prevails and if appropriate, decisions are also taken by way of a Directors' Circular Resolution in accordance with the Bank's Articles of Association.

The Board is able to seek clarifications and advice as well as request for information on matters pertaining to the Bank and the Group from the Senior Management and the Company Secretary. Should the need arise, the Directors may also seek independent professional advice, at the Bank's expense, when deemed necessary for the proper discharge of their duties.

The Group has in place a "Standard Procedures for Directors to Have Access to Independent Advice" which lays down the procedures for Directors seeking internal and/or external professional independent advice. The objectives of these guidelines among others are as follows:

- to ensure consistency throughout the RHB Banking Group on the procedures for Directors of the Group to have access to independent professional advice; and
- to enable Directors to have an enhanced perception of issues within the Group by allowing them to obtain independent opinion/advice/consultation from leading professionals in the relevant areas.

The adoption of the above guidelines is in line with the various regulatory requirements and best practices that the respective companies are obliged to adhere to.

The Board convened twelve (12) meetings for the financial year ended 31 December 2010. The attendance of each Director in office at the end of the financial year at the aforesaid Board meetings is set out below:

Name of Director	No. of Meetings Attended	Total Percentage of Attendance (%)
Tan Sri Azlan Zainol	12/12	100
Mohamed Ali Ahmed Hamad Al Dhaheri	10/12	83
Johari Abdul Muid	11/12	92
Dato Abdullah Mat Noh	11/12	92
Haji Khairuddin Ahmad	12/12	100
Ong Seng Pheow	11/12	92
Choong Tuck Oon[1]	9/9	100*
Dato' Tajuddin Atan	12/12	100

Notes:

1 Appointed as a Director on 1 April 2010.

* Based on the number of meetings attended since his appointment in 2010.

Pursuant to the BNM's CG Guidelines, individual directors must attend at least 75% of the Board meetings held in each financial year. For the year under review, all Directors complied with the attendance requirement as stipulated by BNM.

Dato' Mohd Ali Mohd Tahir and Abdul Aziz Peru Mohamed were appointed as Independent Non-Executive Directors on 1 January 2011 and 7 February 2011, respectively.

APPOINTMENTS AND RE-ELECTION TO THE BOARD

RHB Bank is governed by BNM's CG Guidelines in relation to the appointment of new Directors and the re-appointment of its existing Directors upon the expiry of their respective tenures of office as approved by BNM.

The Group Nominating Committee reviews and assesses the appointments/re-appointments of Directors. During such assessment, the Group Nominating Committee also refers to the results of the individual assessments conducted via the Board Effectiveness Evaluation. The recommendation of the Group Nominating Committee will thereafter be presented to the Board. Upon the approval by the Board, the application for the appointment/re-appointment of Directors will be submitted to BNM for approval.

The Group has in place an internal guideline on the Tenure of Appointment and Re-appointment of Independent Directors with the main objective of preserving the independence of Independent Directors. Independent Directors over seventy (70) years of age will not be eligible for appointment or re-appointment on the Board of any of the companies within the RHB Capital Group and shall retire at the next Annual General Meeting of the company concerned.

Article 100 of the Bank's Articles of Association provides that at least one-third of the Board is subject to retirement by rotation at each Annual General Meeting. Retiring Directors can offer themselves for re-election. Directors who are appointed during the financial year are subject to re-election by shareholders at the next Annual General Meeting held following their appointment.

TRAINING & DEVELOPMENT

The Directors continuously participate in various seminars, conferences and training programmes and in-house workshops to keep themselves abreast of the relevant regulatory framework, financial sector issues as well as current and future market developments.

The Group had adopted a guideline on the Standard Procedures on Directors' In-house Orientation and Continuing Education Programme for the RHB Banking Group, the objectives of which are as follows:

◆ to ensure consistency throughout the RHB Banking Group in developing an in-house orientation and continuing education programme for its Directors to familiarise themselves with the industry and the Bank/Group; and

Corporate Governance Statement

- to provide Directors with a better understanding of the nature of business, corporate strategy, risks of the business, financial overview, risk management strategy, legal requirements, duties, responsibilities and rights from the legal viewpoint, moral and ethical obligations as well as good corporate governance in the ever-changing economic climate.

The NEDs of the Bank and the Group also attend local and/or overseas training programmes organised by credible training organisations under the Board High Performance Programme ("BHPP"). This programme is intended to equip the Directors with the necessary knowledge and tools to effectively discharge their duties and responsibilities as well as provide the Directors with global business perspectives and skills that would engender organisational excellence.

Conferences, seminars and training programmes attended by the Directors of the Bank and the Group in 2010 encompassed various topics, including the following:

Board & Corporate Governance	• Directors' Duties & Governance Conference 2010: Towards Boardroom Excellence & Corporate Governance Best Practices • BNM Financial Institutions Director Education Programme (FIDE): Performance Pays - The Report On Non-Executive Directors Remuneration • Executive Duties, Compliance & Conscious Governance 2010 • Performance Management Workshop
Banking & Finance	• BNM FIDE Programme: Banking Insights: Everything You Wanted To Know About Banking But Didn't Dare Ask • Islamic Banking & Finance Fundamentals: Shariah Framework & Governance • BNM FIDE Programme: Financial Industry Conference 2010 • Updates on Malaysia Financial Reporting Standards • Briefing by PwC On Goods & Services Tax • Understanding FRS 139 and Revised BNM GP3 • Finance For Directors & Executive Management • Forum On The Challenges Of Implementing FRS 139
Management & Leadership	• Leadership Best Practices • ICLIF's Global Leadership Development Programme • MINDA's Chairman's Forum 2010: Leading Championship Strategies • 16th Senior Management Leadership Programme
Risk Management	• BNM FIDE Programme: Managing Risks in Financial Institutions • Composite Risk Rating Issues • Managing Risk At Board Level
Others	• Invest Malaysia 2010 • Global Exchanges Trend and Development • Advance Negotiations: Street Smart Tactics • IBM CEO Study Talk: Capitalising On Complexity • Oliver Wyman's Presentation On Annual State Of The Financial Services Industry 2010

BOARD PERFORMANCE EVALUATION

The Board has since 2006 undertaken the Board Effectiveness Evaluation ("BEE") exercise on the Board and Board Committees with the objective of assessing the effectiveness of the Board and Board Committees as a whole, as well as the individual Directors. The BEE is based on a combination of self and peer assessment methodologies performed via a customised questionnaire. The results of the BEE are presented to the Group Nominating Committee as well as the Board of the Bank for consideration. The BEE exercise conducted in 2010 produced very useful information to enhance the governance of the Board, among others.

GROUP BOARD COMMITTEES

Following the Group-wide transformation exercise undertaken in late 2007, the various Board Committees within the Group were consolidated to form Group Board Committees residing either at the RHB Capital or at RHB Bank level. The objective is to promote better efficiency and effectiveness in implementing holistic strategies for the benefit of the Group as a whole. The Group Board Committees currently residing at RHB Capital are as follows:

- **Group Nominating Committee;**
- **Group Remuneration and Human Resource Committee; and**
- **Group Risk Management Committee.**

In addition, the following Group Board Committees reside at the RHB Bank level and serve the relevant entities of the Group:

- **Group Audit Committee;**
- **Group Credit Committee;**
- **Group Recovery Committee; and**
- **Group IT & Transformation Strategy Committee**

The functions and terms of references of the Group Board Committees are clearly defined and comply with the relevant governing laws, regulations and guidelines among others the Code and the BNM's CG Guidelines. The members of the Group Board Committees comprise the Directors of the Bank and that of the operating entities within the Group to ensure a fair representation across the entities in pursuing the interests of the entities concerned.

The relevant minutes/extract minutes of meetings of all Group Board Committees are tabled before the respective Boards for notation.

BELOW ARE THE GROUP BOARD COMMITTEES THAT RESIDE AT RHB CAPITAL LEVEL

Group Nominating Committee

The Group Nominating Committee comprises NEDs, the majority of whom are independent.

Meetings of the Group Nominating Committee are held as and when required and at least once a year. The Group Nominating Committee met six (6) times during the financial year 2010. The composition of the Group Nominating Committee and the attendance of the members at meetings held in 2010 are as follows:

	Attendance at Meetings
Datuk Haji Faisal Siraj (Independent Non-Executive Director/Chairman)	6/6 (100%)
Johari Abdul Muid (Non-Independent Non-Executive Director)	5/6 (83%)
Dato' Mohamed Khadar Merican (Independent Non-Executive Director)	6/6 (100%)
Dato' Saw Choo Boon[1] (Independent Non-Executive Director)	3/3# (100%)
Dato' Teo Chiang Liang[2] (Independent Non-Executive Director)	2/2# (100%)
Datuk Tan Kim Leong[3] (Independent Non-Executive Director)	3/3* (100%)
Tan Sri Azlan Zainol[4] (Non-Independent Non-Executive Director)	4/4* (100%)

Notes:
1 Appointed as a Member on 20 May 2010
2 Appointed as a Member on 2 August 2010
3 Retired on 19 May 2010
4 Relinquished Membership on 1 August 2010
Based on the number of meetings attended since his appointment as a Member in 2010
* Based on the number of meetings attended during his tenure of appointment in 2010

The salient terms of reference of the Group Nominating Committee are as follows:

- to provide a documented, formal and transparent procedure for the appointment of Directors, Board Committee Members, Group Shariah Committee Members, Chief Executive Officers and key Senior Management Officers, as well as the assessment of effectiveness of individual Directors, the Board as a whole and the various Committees of the Board, the Chief Executive Officers and key Senior Management Officers of the Group;

Corporate Governance Statement

- to assist the Board in ensuring that appointments are made on merit against agreed upon criteria;
- 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; and
- to examine the size of the Board with a view to determining the impact the number of Members has upon its effectiveness.

Group Remuneration and Human Resource Committee

The Group Remuneration and Human Resource Committee comprises NEDs, the majority of whom are independent.

Meetings of the Group Remuneration and Human Resource Committee are held as and when required and at least once a year. The Committee met ten (10) times during the financial year 2010.

The composition of the Group Remuneration and Human Resource Committee and the attendance of the members at meetings held in 2010 are as follows:

	Attendance at Meetings
Datuk Haji Faisal Siraj[1] (Independent Non-Executive Director/Chairman)	10/10 (100%)
Johari Abdul Muid (Non-Independent Non-Executive Director)	9/10 (90%)
Dato' Mohamed Khadar Merican (Independent Non-Executive Director)	10/10 (100%)
Dato' Saw Choo Boon[2] (Independent Non-Executive Director)	6/6# (100%)
Dato' Teo Chiang Liang[3] (Independent Non-Executive Director)	4/4# (100%)
Datuk Tan Kim Leong[4] (Independent Non-Executive Director)	4/4* (100%)
Tan Sri Azlan Zainol[5] (Non-Independent Non-Executive Director)	6/6* (100%)

Notes:
1 Appointed as the Chairman on 20 May 2010
2 Appointed as a Member on 20 May 2010
3 Appointed as a Member on 2 August 2010
4 Retired on 19 May 2010
5 Relinquished Membership on 1 August 2010
Based on the number of meetings attended since his appointment as a Member in 2010
* Based on the number of meetings attended during his tenure of appointment in 2010

The salient terms of reference of the Committee are as follows:

- to provide a formal and transparent procedure for developing the remuneration policy for Directors, Board Committee Members, Chief Executive Officers, Group Shariah Committee Members and key Senior Management Officers of the Group and ensuring that their compensation is competitive and consistent with the Group's culture, objectives and strategy;
- to recommend to the Board the best policies, strategies and framework to be implemented for the RHB Capital Group in relation to staff remuneration, rewards and benefits;
- to oversee and review the scope and quality of human resource projects/programmes of the Group; and
- to oversee the disciplinary procedures, regulations and preventive measures as well as to ensure implementation and adherence to the disciplinary procedures.

Group Risk Management Committee

The Group Risk Management Committee comprises NEDs, the majority of whom are independent.

The Committee met fifteen (15) times during the financial year 2010.

The composition of the Committee and the attendance of the members at meetings held in 2010 are as follows:

	Attendance at Meetings
Haji Khairuddin Ahmad (Independent Non-Executive Director/Chairman)	15/15 (100%)
Patrick Chin Yoke Chung (Independent Non-Executive Director)	15/15 (100%)
Johari Abdul Muid (Non-Independent Non-Executive Director)	12/15 (80%)
Haji Md Ja'far Abdul Carrim (Independent Non-Executive Director)	15/15 (100%)
Choong Tuck Oon[1] (Independent Non-Executive Director)	10/10# (100%)
Datuk Tan Kim Leong[2] (Independent Non-Executive Director)	4/5* (80%)

Notes:
1 Appointed as a Member on 20 May 2010
2 Retired on 19 May 2010
Based on the number of meetings attended since his appointment as a Member in 2010.
* Based on the number of meetings attended during his tenure of appointment in 2010.

The salient terms of reference of the Committee are as follows:

- to provide oversight and governance of risks at the Group;
- 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;
- to promote the management of the Group's risk in accordance with a risk-return performance management framework; and
- to deliberate and make recommendations to the Board of Directors of each relevant entity within the Group in respect of risk management matters of the respective entities.

BELOW ARE THE GROUP BOARD COMMITTEES THAT RESIDE AT RHB BANK LEVEL

Group Audit Committee

The Group Audit Committee comprises NEDs, all of whom are independent.

The Group Audit Committee meets regularly with the internal auditors. The Group Audit Committee together with the Senior Management of the respective companies in the Group meet with the external auditors in reviewing 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. During the financial year, a total of twenty-three (23) Group Audit Committee meetings were held.

The Group Audit Committee also meets twice a year with the external auditors without the presence of the Management in compliance with the terms of reference.

The composition of the Group Audit Committee and the attendance of the Members thereof together with the terms of reference and activities of the Group Audit Committee during the financial year are set out in the Group Audit Committee Report at page 29 to page 35 of this Annual Report.

Group Credit Committee

The Group Credit Committee comprises NEDs, the majority of whom are independent.

The Committee met thirty-two (32) times during financial year 2010.

The composition of the Committee and the attendance of the Members at meetings held in 2010 are as follows:

	Attendance at Meetings
Dato Abdullah Mat Noh (Independent Non-Executive Director/Chairman)	30/32 (94%)
Johari Abdul Muid (Non-Independent Non-Executive Director)	27/32 (84%)
Dato' Mohamed Khadar Merican (Independent Non-Executive Director)	26/32 (81%)
Haji Khairuddin Ahamd (Independent Non-Executive Director)	32/32 (100%)

The salient terms of reference of the Committee are as follows:

- to affirm, veto or impose additional conditions on credits/debts and equity underwriting (excluding applications from Credit Recovery) for amounts above the defined thresholds of the Central Credit Committee;
- to ensure that credits and underwriting approved by Central Credit Committee adhere to the Group Credit Policy and the Underwriting Policy, Guidelines and Procedures of RHB Bank, RHB Bank (L) Ltd, RHB Investment Bank Bhd and RHB Islamic Bank Bhd; and
- to endorse all policy loans/financing and loans/financing required by BNM to be referred to the respective Boards for approval.

Group Recovery Committee

The Group Recovery Committee comprises NEDs, all of whom are independent.

The Committee met twenty-three (23) times during financial year 2010.

Corporate Governance Statement

The composition of the Committee and the attendance of the Members at meetings held in 2010 are as follows:

	Attendance at Meetings
Haji Khairuddin Ahamd (Independent Non-Executive Director/Chairman)	23/23 (100%)
Dato' Mohamed Khadar Merican (Independent Non-Executive Director)	17/23 (74%)
Dato Abdullah Mat Noh (Independent Non-Executive Director)	20/23 (87%)
Dato' Teo Chiang Liang[1] (Independent Non-Executive Director)	14/15[#] (93%)
Tan Sri Azlan Zainol[2] (Non-Independent Non-Executive Director)	11/13^ (85%)

Notes:

1 Appointed as a Member on 20 May 2010

2 Relinquished Membership on 1 August 2010

Based on the number of meetings attended since his appointment as a Member in 2010.

^ Based on the number of meetings attended during his tenure of appointment in 2010.

The salient terms of reference of the Committee are as follows:

- to affirm, veto or include additional conditions on credit applications under Non-Performing Loan (NPL)/Non-Performing Account (NPA) as well as all credit/renewal applications from Loan/Asset Recovery (including the equivalent unit from each of the entity within the RHB Banking Group) for amounts above the defined thresholds of the Central Credit Committee;
- to oversee the management of NPL/NPA as well as monitor the recovery of NPL/NPA to enhance the Committee's oversight of the loan/asset recovery functions;
- to oversee the performance of rescheduled and restructured accounts under NPL/NPA to minimize credit loss and maximize the recovery of such accounts;
- to endorse and recommend all write-offs to the respective Boards for approval; and
- to endorse all policy loans/financing and loans/financing required by BNM to be referred to the respective Boards for approval in relation to NPL/NPA.

Group IT & Transformation Strategy Committee

The Group IT & Transformation Strategy Committee comprises three (3) Independent NEDs, a Non-Independent NED and the Group MD.

The Committee met thirteen (13) times during financial year 2010.

The composition of the Committee and the attendance of the Members at meetings held in 2010 are as follows:

	Attendance at Meetings
Choong Tuck Oon[1] (Independent Non-Executive Director/Chairman)	6/6[#] (100%)
Ong Seng Pheow[2] (Independent Non-Executive Director)	13/13 (100%)
Johari Abdul Muid (Non-Independent Non-Executive Director)	9/13 (69%)
Dato' Tajuddin Atan (Group Managing Director)	12/13 (92%)
Kellee Kam Chee Khiong[3] (Director, Group Finance)	13/13 (100%)
Ho Sin Kheong[3] (Head, Information Technology)	13/13 (100%)
Dato' Mohd Ali Mohd Tahir[4] (Independent Non-Executive Director)	N/A

Notes:

1 Appointed as the Chairman/Member on 20 May 2010

2 Ceased as the Chairman on 20 May 2010

3 Ceased as a Member on 17 December 2010

4 Appointed as a Member on 1 February 2011

Based on the number of meetings attended since his appointment as the Chairman/Member in 2010.

The principal responsibility of the Committee is to provide guidance on the Group's planning and/or execution of programmes and initiatives within the realm of information technology and transformation management.

DIRECTORS' REMUNERATION

The remuneration of Directors is set at levels which enable the Group to effectively attract and retain Directors with the relevant experience and expertise required for stewardship of the Group. For the NEDs, the level of remuneration reflects the level of responsibilities undertaken by the particular NED concerned in the Bank. The remuneration strategy takes into consideration the remuneration level of Directors within the industry and is reviewed at least once every two years.

The remuneration package of the NEDs of the Group comprises the following:

i) **Annual Fees**
The NEDs are entitled to an annual Directors' fees. The annual Directors' fees are subject to shareholder's approval at the Annual General Meeting of the Bank.

ii) **Allowances**
NEDs are also entitled to meeting attendance allowances when they attend any Board/Board Committee meetings. In addition, NEDs who sit on Board Committees are entitled to receive Board Committee allowances which shall be paid on an annual basis at the end of each financial year.

iii) **Benefits-in-kind**
Benefits accorded to the Chairmen of the Group, consisting of the provision of a Company car, driver and petrol allowance.

The remuneration strategy for the MDs within the Group dictates that they be paid in a competitive manner through an integrated pay and benefits structure which rewards corporate and individual performance in line with contributions to the organisation. The Group MD is not paid a Director's fee nor is he entitled to receive any meeting attendance allowance for any of the Board and Board Committee meetings that he attends. His remuneration, which includes among others salary, bonus and benefits-in-kind, is solely derived from RHB Bank.

Further details on Directors' remuneration are disclosed under Note 28 of the Notes to the Financial Statements in this Annual Report.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Stakeholder Communications

The RHB Banking Group is committed to, and takes pride for being able to communicate effectively with our shareholders and investors to ensure that they are informed of all material business matters affecting the Group. As part of good corporate governance practices, the Group is also committed to maintaining transparency and accountability with all stakeholders apart from ensuring regulatory reporting requirements are met.

The Group places a strong emphasis on the clear, comprehensive, timely and equitable dissemination of information on the Group's business activities, the milestones achieved, the developments that have taken place and our financial performance. This information is released through various mediums including quarterly results, annual reports, press releases and announcements to Bursa Malaysia Securities Berhad as well as via company visits, annual general meetings and other company activities.

To help shareholders and investors to gain further insights into the RHB Banking Group's latest corporate and financial developments, all relevant information is posted on the Investor Relations section of the Groups' corporate website at www.rhb.com.my.

Investor Relations

As part of best investor relations practice, RHB Banking Group seeks to provide accurate, consistent and timely information about the Group, including our strategies and activities through a continuous and dynamic investor relations programme. The Group also maintains close rapport with analysts and fund managers, whose analysis and reports help investors make their investment decisions.

Corporate Governance Statement

Formal briefings are held on quarterly basis to coincide with the release of the Group's quarterly results to enable the Management to brief the investment community on the Group's financial performance and to provide them the opportunity to raise question or seek clarification. Through these briefings, the Group has also managed to obtain valuable feedback from the investing community.

RHB Banking Group's Management also regularly hold one-to-one meeting with analysts, fund managers and shareholders to provide updates on quarterly financial performance and regulatory developments. They also address any questions or clarify matters relating to the business or operations of the Group.

Participation in both foreign and local investment conferences and road shows was stepped up in 2010, with the aim of expanding investors' coverage. In 2010, the Group completed four (4) investment conference and/or non-deal road shows covering Singapore, Hong Kong and the United Kingdom. During these conferences and road shows, senior management representatives communicated details of the Group's strategy and operations as well as provided updates on various initiatives undertaken by RHB. Other investor relations activities carried out during the year included tours to "Easy by RHB" outlets to showcase the operations of the Group's simple, fast and paperless community banking services.

In 2010, the investor relations team met with close to 400 analysts, fund managers, shareholders and investors via formal briefings, face-to-face meetings, tele-conferencing, tours, conferences and road shows.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board ensures that shareholder is provided with a clear, balanced and meaningful assessment of the Bank's financial performance, position and its future prospects through the Annual Audited Financial Statements and quarterly reports.

A Directors' Responsibility Statement for the Annual Audited Financial Statements of the Bank is set out on page 36 of this Annual Report.

Internal Control

An overview of the Bank's systems of internal control is contained in the Statement on Internal Control set out on pages 25 to 28 of this Annual Report.

Relationship with External Auditors

The Board maintains a formal and transparent professional relationship with the External Auditors via the Group Audit Committee. The role of the Group Audit Committee in relation to the External Auditors is disclosed in the Group Audit Committee Report set out on pages 29 to 34 of this Annual Report.

COMPLIANCE WITH THE CODE

The Board is satisfied that the Bank has complied with the principles and best practices outlined in the Code as at 31 December 2010.

This Statement of Corporate Governance was approved by the Board of Directors on 27 January 2011.

Statement On Internal Control

INTRODUCTION

Pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad's Listing Requirements, a listed issuer must ensure that its Board of Directors ("Board") includes in its annual report a statement about the state of its internal control. The revised 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.

Although RHB Bank Berhad (the "Bank") is not a listed company, the Board has endeavoured to prepare its Internal Control Statement. Set out below is the Board's Statement on Internal Control, which has been prepared in accordance with the "Guidance for Directors of Public Listed Companies" issued by Bursa Malaysia Securities Berhad.

RESPONSIBILITY

The Board acknowledges that it has a responsibility for the Bank's system of internal controls and for reviewing the adequacy and integrity thereof. Such a system covers not only financial controls but also controls relating to governance, operations, risk management and compliance with applicable laws, regulations, rules, directives, guidelines as well as internal policies, processes and procedures.

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

The Board has established an ongoing process for identifying, evaluating, managing and reporting the significant risks that may affect the achievement of the Bank's business objectives. This covers the period throughout the financial year under review and up to the date of this report.

Management continuously assists the Board in the implementation of approved policies and procedures on risk and control for application/adherence across the Bank.

KEY INTERNAL CONTROL PROCESSES

The key processes that the Board has established in reviewing the adequacy and integrity of the system of internal controls include the following:-

◆ **Risk Management Framework**

The risk management process seeks to identify, measure, monitor and control risk. It also seeks to ensure that risk exposures are adequately managed and that the expected returns compensate the risks taken. This is all the more important given that the risks within the industry we operate in continually change and evolve. This process is regularly reviewed by the Board through its Group Risk Management Committee which ensures the proper management of risks and takes the appropriate measures to mitigate any identified weaknesses in the control environment.

The Group Risk Management Committee is delegated with oversight authority by the respective Boards of the Group. In discharging its overall duties and responsibilities, the Group Risk Management Committee is supported by the Group Risk Management function which monitors and evaluates the effectiveness of the Group's risk management system and operations on an ongoing basis.

Amongst the other committees set up in the Group to manage specific areas of risk are the Group Assets & Liabilities Management Committee, Central Credit Committee, Group Credit Committee, Group Recovery Committee, Group IT and Transformation Strategy Committee, and Group Basel II Steering Committee.

In line with regulatory requirements and industry best practices, the Group has instilled the principle that risk management is a core responsibility of the respective business and operating units. This is enshrined in the risk management framework of the Group.

Statement On Internal Control

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 entities in the Group as part of the risk management process. These entities are required to identify as well as document the controls and processes for managing the risks arising from their business activities as well as assess their effectiveness thereof.

Effective 1 July 2010, the Bank had fully migrated to the Internal Ratings-based ("IRB") approach for credit risk under the Risk-Weighted Capital Adequacy Framework. The adoption of the IRB approach will further enhance our Bank's ability to meet the challenges posed by the rapidly changing business environment, as the Basel II is designed to be a catalyst for more advanced risk management techniques, enterprise-wide cultures of risk management and improved corporate governance and public disclosure.

◆ Internal Audit Function

Group Internal Audit performs regular reviews of the Bank's operational processes and system of internal controls. Group Internal Audit adopts a risk-based approach in determining the auditable units and frequency of audits. The annual audit plan is reviewed and approved by the Group Audit Committee ("Group AC").

The results of the audits conducted by Group Internal Audit are reported to the Group AC while follow-up and review of the status of actions taken on the auditors' recommendations are carried out by the Management via the Management Audit Committee ("MAC") whose members comprise senior management. The minutes of meetings of MAC are tabled to the Group AC for notation.

The Group AC hold regular meetings to deliberate on findings and recommendations for improvement highlighted by both the internal and external auditors as well as regulatory authorities on the state of the Bank's internal control system. The minutes of meetings of the Group AC are subsequently tabled to the Board for notation.

Further details of the activities undertaken by the Group AC are set out in the Group AC Report.

◆ Group Compliance Framework

Compliance risk in RHB is defined as the risk of impairment to the Group's business model, reputation and financial condition from failure to meet laws and regulations, internal policies and expectations of stakeholders.

Compliance management is the collective responsibility of the Board, senior management and each and every employee of the Group. It is expected that each individual promotes self-regulation and be accountable for his/her own activities and maintains ethical principles and behaviour in everything that he/she does.

The Group's state of compliance with laws, regulations and internal policies and procedures are reported to Group Risk Management Committee and Board on a monthly basis. In addition, the Group has in place an incident escalation and reporting process wherein any incident affecting the reputation of the Group is escalated to the senior management and respective Boards within 24 hours of the incident occurring. This escalation process ensures adequate oversight and guidance is provided by the Board in managing reputational risk.

Compliance in collaboration with the business and operating units, continuously assesses and recommends improvements to controls by carrying out root cause analysis on common incidences of non-compliance, negligence and fraud (all of which are reported on a daily basis).

To mitigate compliance risk, briefings as well as various awareness and learning initiatives were conducted throughout the year to ensure continuous compliance with existing controls and to embed a compliance culture within the Group.

◆ **Board Committees**

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 and / or consider all matters within their scope of responsibilities and make recommendations to the Board for approval, if such is required.

◆ **Central Management Committee**

The Central Management Committee ("CMC"), comprising key management personnel of the Group and chaired by the Group Managing Director, manages the Group's strategic direction and provides strategic guidance to the Strategic Business Groups ("SBG") and Strategic Functional Groups ("SFG"). Being a forum where all strategic and operational matters are discussed, the CMC meets regularly and special meetings are convened to discuss urgent issues.

◆ **Authority Limits**

Delegation of authority including authorisation limits at various levels of Management in the Group are documented and designed to ensure accountability and responsibility.

◆ **Internal Policies and Procedures**

Policies, procedures and processes governing the Group's businesses and operations are documented and are made available to employees across the Group through the Group's myOnePortal. These policies, procedures and processes are reviewed and updated by the SBG and SFG through a structured process of review to cater to changes in laws and regulations as well as changes to the business and operational environment. Furthermore, a review of the policies, procedures and processes are also carried out to ensure that appropriate controls are in place to manage operational risks.

There is clear procedure for investment appraisal including equity investment or divestment and capital expenditure.

◆ **Budgeting Process**

A detailed budgeting process is established requiring all key operating companies in the Group to prepare budgets and business plans annually for approval by the respective Boards. The Group's budget and business plans as well as strategic initiatives are discussed by the Group's senior management and the Board at an annual business planning and budgetary session.

A reporting system on actual performance against approved budgets is in place and significant variances are followed up by the Management and reported to the Boards.

◆ **Performance Review**

Regular and comprehensive information is shared by the Management for monitoring of their performance against the strategic business plan approved by the Board, covering all key financial and operational indicators as well as key strategic initiatives undertaken by the Group during the year.

Statement On Internal Control

The Central Management Committee and the Board receive and review the monthly accounts and financial information reports at their monthly or regular meetings.

◆ Human Resource

The Group acknowledges that one of the key constituents of any internal control system is its people and that our system of internal controls is dependent on the responsibility, integrity and judgement that people apply to their work.

Hence, the Group has in place policies and procedures that govern recruitment and appointment, performance management, talent management, succession planning, compensation and reward, learning and human capital development as well as policies and procedures that govern discipline, termination and dismissal.

The Group places much emphasis on human capital development and talent management with the objective of ensuring that staff of all levels are adequately trained both from a technical perspective as well as equipped with management and leadership capabilities.

◆ Group Code of Ethics and Conduct

The Group Code of Ethics and Conduct ("the Code") sets out the standards of good and ethical banking practices, and aims to maintain confidence in the security and integrity of the Group's business practices.

It is a requirement that all employees of the Group understand and observe the Code and sign the Employee Declaration of Compliance Form.

◆ Suspicious Transaction Reporting and Whistle Blowing

There is an established process for reporting anyone found to be abusing or circumventing the processes and controls of the Group. Everyone is given the opportunity to report via the Suspicious Transaction Report or Whistle-Blowing mechanism knowing that it shall be dealt with confidentially and that the reporter's identity is duly protected.

◆ Anti-Money Laundering / Counter Financing of Terrorism (AML/CFT)

An AML/CFT Program was drawn up and put in place to meet the regulatory requirements as well as to combat money laundering and financing of terrorism activities. All employees are expected to carry out their functions with the highest ethical and professional standards, in accordance with the AML/CFT Program and be continuously vigilant against the Bank being used as a vehicle to launder money or finance illegal activities including terrorist financing.

◆ Incident Management Framework

To complement the Group's system of internal controls, a comprehensive incident reporting and incident management framework has been implemented to ensure proper escalation and management of incidents that have occurred. The framework also ensures the necessary steps are taken to effectively mitigate any potential risks that may arise. This enables decision makers to be kept up to date on the situation and effectively manage risks and undertake informed decision making.

Group Audit Committee Report

ACTIVITIES OF THE GROUP AUDIT COMMITTEE AND THE INTERNAL AUDIT FUNCTION DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

Group Audit Committee ("Group AC") - Composition And Attendance Of Meetings

The Group AC presently comprises five (5) Independent Non-Executive Directors of whom one (1) is the Chairman. During the financial year ended 31 December 2010 ("year"), a total of 23 Group AC meetings were held and details of attendance of each member at the Group AC meetings held during the year are as follows:-

	Composition Of The Group AC	No. Of Meetings Attended Whilst In Office
1.	Ong Seng Pheow (Chairman / Independent Non-Executive Director)	22 out of 23 meetings
2.	Dato' Othman Jusoh (Member / Independent Non-Executive Director)	23 out of 23 meetings
3.	Patrick Chin Yoke Chung (Member / Independent Non-Executive Director)	22 out of 23 meetings
4.	Tuan Haji Md Ja'far Abdul Carrim (Member / Independent Non-Executive Director)	23 out of 23 meetings
5.	Dato' Saw Choo Boon (Member / Independent Non-Executive Director) - Appointed as member on 20 May 2010	13 out of 13 meetings
6.	Datuk Tan Kim Leong (Member / Independent Non-Executive Director) - Retired as member on 19 May 2010	10 out of 10 meetings

Group Audit Committee Report

On 20 May 2010, Dato' Saw Choo Boon, an Independent Non-Executive Director, was appointed as a new member of the Group AC. Datuk Tan Kim Leong, an Independent Non-Executive Director, retired as a member of the Group AC on 19 May 2010.

The main activities undertaken by the Group AC during the year are summarised as follows:-

- Reviewed the unaudited quarterly and half-year financial results and the annual audited financial statements of RHB Bank Berhad and the Group prior to their approval by the Board. It also considered the accounting standards applicable in the preparation of the consolidated financial statements;
- Reviewed the related party transactions entered into by RHB Bank Berhad and its subsidiaries;
- Reviewed the audit plan of the external auditors, the audit strategy and scope of work for the year, as well as the results of their annual audit;
- Met twice with the external auditors for discussion without the presence of the management;
- Reviewed the non-audit services rendered by the external auditors and the related fees;
- Evaluated the performance of the external auditors and made recommendations to the Board for their appointment and audit fees;
- Reviewed and approved the annual internal audit plan to ensure adequacy of scope and coverage of the identified auditable areas including staffing requirements;
- Reviewed the status of completion of the internal audit plan, the internal audit reports, audit recommendations made and management's response to these recommendations as well as actions taken to improve the system of internal controls and procedures;
- Reviewed the inspection and examination reports issued by the regulatory authorities and the appropriate remedial actions taken in respect of any findings to satisfy itself that all matters highlighted in these reports have been adequately and promptly addressed by management;
- Tabled the minutes of each Group AC meeting to the Board for notation, and for further direction by the Board, where necessary;
- Reviewed the appointment of an external Quality Assurance Review ("QAR") service provider to perform an independent QAR on the Internal Audit function of the Group; and
- Reviewed the results of the external QAR on the Internal Audit function of the Group conducted by the appointed service provider.

During the year, the Group AC members have attended relevant training programmes, conferences and seminars on the following areas:-

(a) Banking and Finance
- Financial Industry Conference 2010
- Updates On Malaysian Financial Reporting Standards
- Composite Risk Rating Issues
- Managing Risk In Mortgage Financing
- Islamic Banking And Finance Fundamentals: Shariah Framework And Governance
- State of Financial Services
- Understanding Of The Financial Reporting Standard 139 - Financial Instruments: Recognition And Measurement; and Revised Bank Negara Malaysia GP3: Classification And Impairment Provisions For Loans / Financing
- Goods And Services Tax

(b) Board and Corporate Governance
- Chairman's Forum 2010 - "Leading Championship Strategies"
- Managing Risk At Board Level
- The Results Of The Board Effectiveness Evaluation For Year Of Assessment 2009

INTERNAL AUDIT FUNCTION

The Group has an in-house group internal audit function which is guided by its Group Internal Audit Charter and reports to the Group AC. Its primary role is to assist the Group AC to discharge its duties and responsibilities by independently reviewing and reporting on the adequacy and integrity of the Group's risk management, internal control and governance processes.

The Group AC approves the annual internal audit plan at the beginning of each financial year. The group 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 group 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 the management and the Group AC.

The group 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 the management.

TERMS OF REFERENCE OF THE GROUP AUDIT COMMITTEE

Objectives

1. To provide independent oversight over the management of the financial reporting and internal control system and ensuring checks and balances for entities within RHB Banking Group ("the Group"), namely RHB Bank Berhad, RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad.

2. To review the financial condition and performance of the Group.

3. To assist the Boards ("the Boards") of the respective entities in the discharge of their responsibilities by reviewing the effectiveness, adequacy and integrity of the Group's internal control systems and management information systems, including systems for risk management, governance processes and compliance with applicable laws, regulations, rules, directives and guidelines.

4. To reinforce the independence of the external auditors and thereby help assure that they will have free rein in the audit activities.

5. To provide, by way of regular meetings, a line of communication between the respective Boards and the external auditors.

6. To provide emphasis on the internal audit function by ensuring the objectivity and independence of the internal auditors and provide a forum for discussion that is among others independent of the management.

7. To review the quality of the audits conducted by the internal and external auditors.

8. To enhance the perceptions held by stakeholders (including shareholders, regulators, creditors and employees) of the credibility and objectivity of financial reports.

Group Audit Committee Report

DUTIES AND RESPONSIBILITIES

1. The Group Audit Committee (“the Committee”) is directly accountable to the Boards of the respective entities and the Boards will continue to be accountable for all matters relating to their respective entities.

2. To ensure that the internal audit department is distinct and has the appropriate status within the overall organisational structure for the internal auditors to effectively accomplish their audit objectives.

3. To review the effectiveness of internal controls and risk management processes, including the scope of the internal audit programme and the appropriateness of the risk assessment methodology employed to determine the frequency and scope of audits.

4. To ensure that the reporting relationships of the internal audit staff do not impede the exercise of independent judgement by the internal auditors. In particular, the reports of internal auditors should not be subject to the clearance of the managing director / chief executive officer or any executive directors.

5. To ensure that all findings and recommendations are resolved effectively and in a timely manner.

6. To make appropriate public disclosure of the terms of reference and the activities of the Committee in the respective licensed entities’ financial statements.

7. To review the respective entities’ quarterly results and year-end financial statements and to recommend the same to the respective Boards for approval whilst ensuring that they are prepared in a timely and accurate manner complying with all applicable accounting and regulatory requirements and are promptly published.

8. To review regularly the adequacy of provisions made and to recommend the same to the respective Boards for approval.

9. To review any related party transaction and conflict of interest situation that may arise within the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.

10. To review with the external and internal auditors whether the employees of the Group have given them appropriate assistance in discharging their duties.

11. To review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work.

12. To review and approve the internal audit plan, audit charter and the budget for the audit plan.

13. To ensure that internal audit staff receives necessary training to perform audit work. There shall be a programme of continuing education and training to enable the internal auditors to keep abreast of business trends and latest developments at both the institution and industry levels, as well as to enhance technical skills required to effectively support the audit function.

14. To appraise the performance of the head of internal audit and to review the appraisals of senior staff members of the internal audit function.

15. To approve any appointment or termination of the head of internal audit and senior staff members of the internal audit function and to review any resignations of internal audit staff members and provide resigning staff members an opportunity to submit reasons for resigning, where necessary.

16. To review with the external auditors, the nature and scope of their audit plan, their evaluation of the system of internal controls and their management letter and discuss any matter that the external auditors may wish to raise in the absence of management, where necessary.

17. To recommend to the respective Boards on the appointment and the annual reappointment of the external auditors and assessing their audit fee, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of their audit.

18. To discuss and review with the external auditors any proposal from them to resign as auditors.

19. To investigate reasons for any request made by management to dismiss the external auditors, or any resignation by the external auditors. The results of the investigation shall be disclosed to the respective full Board together with the recommendations on proposed actions to be taken.

20. To review the non-audit services rendered by the external auditors together with the related fees and thereafter approving or recommending the same to the respective Boards for approval (whichever relevant), in accordance with the Group Policy on Non-Audit Fees payable to the external auditors.

21. To review the co-ordination of audit activities between the external and internal auditors.

22. To review the effectiveness of the infrastructure for ensuring Shariah compliance.

23. To review inspection and examination reports issued by any regulatory authority and to ensure prompt and appropriate actions are taken in respect of any findings.

24. To review the following pertaining to RHB Insurance Berhad:-

    (i) The Chairman's statement, interim financial reports and preliminary announcements;

    (ii) Corporate governance disclosures made in the Directors' Report pursuant to the requirement in JPI/GPI 25: Prudential Framework of Corporate Governance for Insurers; and

    (iii) All representation letters signed by management, and be satisfied that the information provided is complete and appropriate.

25. To ensure that RHB Insurance Berhad complies with Section 95 of the Insurance Act which requires the Company to publish its accounts within fourteen (14) days of the laying of its accounts at its annual general meeting.

26. To perform any other functions as authorised by the respective Boards.

AUTHORITY

1. The Chairman of the Committee should engage on a continuous basis with senior management, such as the managing director / chief executive officer, the chief operating officer, the chief financial officer, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Group.

2. The Committee is authorised by the respective Boards to investigate any matter within its terms of reference, to obtain the resources which it needs, and to have full and unrestricted access to relevant 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.

Group Audit Committee Report

3. The Committee shall have direct communication channels with the external and internal auditors.

4. The Committee is authorised by the respective Boards to obtain independent professional or other advice 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 four (4) times a year and the frequency of meetings shall reflect the wider and increased responsibilities assumed. Meetings shall convene with a minimum quorum of two-thirds of the members and the majority of members present shall be independent non-executive directors.

2. The Committee should not convene any meeting to discuss specific issues of a particular entity without the presence of the representative of the said entity.

3. The head of internal audit shall be in attendance at meetings of the Committee. The Committee may invite the external auditors, the managing director / chief executive officer, the chief operating officer, 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.

4. At least twice a year, the Committee shall meet with the external auditors without the presence of the Management or any executive Board members 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 respective Boards or shareholders.

5. The Company Secretary shall act as Secretary of the Committee and shall be responsible for drawing up the agenda with the concurrence of the Chairman and circulating it, supported by explanatory documentation, to Committee members within a reasonable timeframe prior to each meeting.

6. The Company Secretary shall also be responsible for keeping the minutes of meetings of the Committee, their timely circulation to Committee members and other members of the Boards, and following up on outstanding matters in relation to the meetings.

7. The Chairman of the Committee shall provide reports to the respective Boards on the deliberations of the Committee on a regular basis. In addition, the Chairman shall also present summary of all significant matters (highlighting the risks and implications) and resolutions made by the Committee at the Board meetings.

8. The minutes of each Committee meeting shall be tabled to the respective Boards. Thereafter, a copy of the minutes of the Committee meeting pertaining to RHB Investment Bank Berhad shall be submitted to Bursa Malaysia Securities Berhad within thirty (30) days from the date of the minutes having been adopted by the Board.

MEMBERSHIP

1. The membership of the Committee, including the position of Chairman shall be approved by the respective Boards based on the recommendation made by the Group Nominating Committee.

2. The Committee shall comprise at least three (3) members and there should be a fair representative on the Committee, from each entity within the Group. All members of the Committee should be non-executive directors with majority of whom are independent.

3. The Chairman of the Committee shall be an independent non-executive director.

4. No Committee member shall be employed in an executive position in the Group, or otherwise have a relationship which in the opinion of the respective Boards will interfere with the exercise of independent judgement in carrying out the functions of the Committee. In addition, members of the Committee shall not be directly responsible for, or part of any committee involved in, the management functions within the Group.

5. No alternate director shall be appointed as a member of the Committee.

6. Disclosure of customers' information to the members of the Committee to be strictly on need to know basis and the members are to provide undertaking to preserve the confidentiality of the customers' information.

7. Collectively, the Committee shall have a wide range of necessary skills to undertake its duties and responsibilities and are expected to be familiar with the areas included in the scope of internal audit, including the area of risk management.

8. All members of the Committee shall be financially literate and at least one member shall be a member of an accounting association or body.

9. Details of the activities of Committee, the number of audit meetings held in a year, details of attendance of each member in respect of meetings, and the details of relevant training attended by each member should be documented in an informative way.

10. The term of office and performance of the Committee and each of its members must be reviewed by the respective Boards at least once every two (2) years.

11. 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 respective 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 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 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 at 31 December 2010 and of the financial results and cash flows of the Group and of the Bank for the financial year ended 31 December 2010.

The financial statements are prepared on the going concern basis and the directors have ensured that proper accounting records are kept, applied the appropriate accounting policies on a consistent basis and made accounting estimates that are reasonable and fair so as to enable the preparation of the financial statements of the Group and of the Bank 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, whether due to fraud or error.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out in page 184 of the financial statements.

Statutory Financial Statements

Directors' Report

The directors submit herewith their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

RHB Bank Berhad ('the Bank'), is a limited liability bank incorporated and domiciled in Malaysia.

The principal activities of the Bank are commercial banking and finance related business and the provision of related services. The Group is involved in commercial banking and finance related business, Islamic Banking business, leasing, offshore banking, offshore trust services, nominee services and property investment.

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

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit before taxation	1,901,403	1,740,757
Taxation	(474,849)	(446,320)
Net profit for the financial year	1,426,554	1,294,437

DIVIDENDS

The dividends paid by the Bank since 31 December 2009 were as follows:

	RM'000
In respect of the financial year ended 31 December 2009:	
Final dividend of 1.89 sen less 25% tax paid on 17 June 2010	94,068
In respect of the financial year ended 31 December 2010:	
Interim dividend of 3.01 sen less 25% tax paid on 17 September 2010	150,000

At the forthcoming Annual General Meeting, a final gross dividend in respect of the current financial year of 4.78 sen less 25% tax amounting to RM238,000,000 will be proposed for shareholder's approval. These financial statements do not reflect this final dividend which will be accounted for in the shareholder's equity as an appropriation of retained profits in the financial year ending 31 December 2011 when approved by the shareholder.

RESERVES AND PROVISIONS

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

Directors' Report (continued)

ISSUE OF SHARES

There were no issue of shares in the Bank during the financial year.

BAD AND DOUBTFUL 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 have been taken in relation to the writing off of bad debts and financing and the making of allowance for non-performing debts and financing, and satisfied themselves that all known bad debts and financing have been written off and adequate allowance had been made for non-performing debts and financing.

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 and financing 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 and financing, 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 METHOD

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 and 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 and 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 and 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.

Directors' Report (continued)

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 or inappropriate.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Bank for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature other than the changes in accounting policies as disclosed in Note 43 to the financial statements.

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 44 to the financial statements.

DIRECTORS OF THE BANK

The directors of the Bank in office since the date of the last report are:

Tan Sri Azlan Zainol	Non-Independent Non-Executive Chairman
Mohamed Ali Ahmed Hamad Al Dhaheri	Non-Independent Non-Executive Director
Johari Abdul Muid	Non-Independent Non-Executive Director
Dato Abdullah Mat Noh	Senior Independent Non-Executive Director
Haji Khairuddin Ahmad	Independent Non-Executive Director
Ong Seng Pheow	Independent Non-Executive Director
Choong Tuck Oon	Independent Non-Executive Director (appointed on 1 April 2010)
Dato' Mohd Ali Mohd Tahir	Independent Non-Executive Director (appointed on 1 January 2011)
Abdul Aziz Peru Mohamed	Independent Non-Executive Director (appointed on 7 February 2011)
Dato' Tajuddin Atan	Managing Director
Dato' Othman Jusoh	Independent Non-Executive Director (resigned on 1 April 2010)

In accordance with Article 100 of the Bank's Articles of Association, Tan Sri Azlan Zainol, Haji Khairuddin Ahmad and Ong Seng Pheow retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 104 of the Bank's Articles of Association, Dato' Mohd Ali Mohd Tahir and Abdul Aziz Peru Mohamed retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Pursuant to Section 129 of the Companies Act, 1965, Dato Abdullah Mat Noh will retire at the forthcoming Annual General Meeting and does not wish to offer himself for re-election.

Directors' Report (continued)

DIRECTORS' INTERESTS IN SECURITIES

According to the register of directors' shareholding, the directors in office at the end of the financial year holding securities of the Bank and its related corporations are as follows:

	Number of Ordinary Shares of RM1.00 each			
	As at 1.1.2010/date of appointment	Bought	Sold	As at 31.12.2010
Holding Company				
RHB Capital Berhad				
Haji Khairuddin Ahmad				
– Direct	18,000	–	–	18,000
Choong Tuck Oon				
– Direct	1,000	–	–	1,000

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Bank has received or become entitled to receive any benefit (other than directors' remuneration and benefits-in-kind as disclosed in Note 28 to 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 arrangements subsisted to which the Bank or its subsidiaries is a party, being arrangements with the object or objects of enabling the 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.

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 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 at 31 December 2010 and of the financial results and cash flows of the Group and of the Bank for the financial year ended 31 December 2010.

The financial statements are prepared on the going concern basis and the directors have ensured that proper accounting records are kept, applied the appropriate accounting policies on a consistent basis and made accounting estimates that are reasonable and fair so as to enable the preparation of the financial statements of the Group and of the Bank with reasonable accuracy.

Directors' Report (continued)

RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS (CONTINUED)

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, whether due to fraud or error.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out in page 184 of the financial statements.

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.

We set out below the abridged Corporate Governance Statement as required under Bank Negara Malaysia's ('BNM') requirements. The full version of the Corporate Governance Statement will be included in the Annual Report.

(A) BOARD OF DIRECTORS

Composition of the Board

The Board currently has ten (10) members, comprising a Non-Independent Non-Executive Chairman, two (2) Non-Independent Non-Executive Directors, six (6) Independent Non-Executive Directors and a Managing Director, details of which are as follows:

Name of Director	Designation
Tan Sri Azlan Zainol	Non-Independent Non-Executive Chairman
Mohamed Ali Ahmed Hamad Al Dhaheri	Non-Independent Non-Executive Director
Johari Abdul Muid	Non-Independent Non-Executive Director
Dato Abdullah Mat Noh	Senior Independent Non-Executive Director
Haji Khairuddin Ahmad	Independent Non-Executive Director
Ong Seng Pheow	Independent Non-Executive Director
Choong Tuck Oon	Independent Non-Executive Director
Dato' Mohd Ali Mohd Tahir	Independent Non-Executive Director
Abdul Aziz Peru Mohamed	Independent Non-Executive Director
Dato' Tajuddin Atan	Managing Director

Choong Tuck Oon was appointed as an Independent Non-Executive Director on 1 April 2010.

Dato' Othman Jusoh resigned as an Independent Non-Executive Director on 1 April 2010.

Dato' Mohd Ali Mohd Tahir and Abdul Aziz Peru Mohamed were appointed as Independent Non-Executive Directors on 1 January 2011 and 7 February 2011 respectively.

Directors' Report (continued)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Duties and responsibilities of the Board

The Board is responsible for governing the administration of the Bank and for exercising all such powers pursuant to the Articles of Association of the Bank. In general, the Board is also responsible for:

- providing strategic leadership to the Bank and the Group;
- reviewing, approving and monitoring the implementation of the Bank's and the Group's strategic business plans and policies;
- ensuring the Bank and the Group maintain an effective system of internal controls and is able to identify and manage principal risks resulting in efficiency in operations and a stable financial environment;
- acting as a guardian of the Bank's and the Group's corporate values and ethical principles in parallel with the goal to enhance shareholder's value;
- monitoring as well as evaluating the performance of the Management to ensure that the performance criteria remains dynamic; and
- ensuring the formulation of a succession plan for the Bank and the Group for long-term business continuity.

The day-to-day management of the Bank is delegated to the Managing Director ('MD') who is responsible in managing the business and operations of the Bank and in ensuring the successful implementation of policies and directions as formulated by the Board. The distinct and separate duties and responsibilities of the MD and the Chairman ensure the balance of power and authority in relation to the establishment of a fully effective Board.

The MD is also the Group MD of RHB Banking Group. As the Group MD, his key responsibility is to steer and lead the Group's Strategic Business Groups ('SBGs') and Strategic Functional Groups ('SFGs') towards achieving the Group's visions and goals.

In carrying out his tasks, the Group MD is supported by the Central Management Committee ('CMC') which comprises key Management Members of the Group. The CMC is governed by its terms of reference and has several objectives, which include the following:

- to provide strategic guidance to the SBGs and SFGs;
- to recommend key strategic business plans and policies to the Boards of the holding company and other entities within the Group; and
- to assist the Board of the holding company and other entities within the Group to review the performance and business efficiency of the Group.

Board Meetings

The Board meets on a monthly basis. Special meetings are held where any direction or decisions are required expeditiously from the Board between the scheduled meetings. Scheduled Board meetings are structured with a pre-set agenda.

The Board is provided with meeting papers in advance of the meeting dates to allow the Members of the Board to digest the issues at hand, seek clarification from the Management, if required and formulate opinions on matters to be deliberated at the meetings. In line with best practices, Board materials/papers are circulated to Members of the Board at least seven (7) days prior to the scheduled Board Meeting date. At each meeting, the Board receives updates from the respective Chairman/representatives of the Group Audit Committee and Group Risk Management Committee on matters that have been deliberated at both committees, as well as on matters that require attention. This practice also applies for the rest of the entities of the Group. The Board also reviews regular management reports and information on corporate and business issues to assess performance against business targets and objectives.

Directors' Report (continued)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Board Meetings (continued)

Each Member of the Board is required to apply independent judgement to decision making in their capacity as a Director. Where urgency prevails and if appropriate, decisions are also taken by way of a Directors' Circular Resolution in accordance with the Bank's Articles of Association.

The Board is able to seek clarifications, advice as well as request for information on matters pertaining to the Bank and the Group from the Senior Management and the Company Secretary. Should the need arise, the Directors may also seek independent professional advice, at the Bank's expense, when deemed necessary for the proper discharge of their duties.

The Group has in place a 'Standard Procedures for Directors to Have Access to Independent Advice' which lays down the procedures for Directors seeking internal and/or external professional independent advice.

The Board convened twelve (12) meetings for financial year ended 31 December 2010. The attendance of each Director in office at the end of the financial year at the aforesaid Board meetings is set out below:

Name of Director	Total Meetings Attended	Percentage of Attendance (%)
Tan Sri Azlan Zainol	12/12	100
Mohamed Ali Ahmed Hamad Al Dhaheri	10/12	83
Johari Abdul Muid	11/12	92
Dato Abdullah Mat Noh	11/12	92
Haji Khairuddin Ahmad	12/12	100
Ong Seng Pheow	11/12	92
Choong Tuck Oon[(1)]*	9/9	100
Dato' Tajuddin Atan	12/12	100

Notes:-

(1) Appointed on 1 April 2010
* Based on the number of meetings attended since his appointment in 2010

Pursuant to the Revised BNM/GP1, individual directors must attend at least 75% of the board meetings held in each financial year. For the year under review, all Directors complied with the attendance requirement as stipulated by BNM.

Directors' Report (continued)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

BOARD COMMITTEES

Group Audit Committee

The Group Audit Committee ('Group AC') comprises five (5) Independent Non-Executive Directors of whom one (1) is the Chairman. During the financial year ended 31 December 2010, a total of twenty three (23) meetings were held and the details of attendance of each member at the Group AC Meetings held during the financial year ended 31 December 2010 are as follows:

Name of Member	Total Meetings Attended	Percentage of Attendance (%)
Ong Seng Pheow (Chairman)	22/23	96
Dato' Othman Jusoh	23/23	100
Patrick Chin Yoke Chung	22/23	96
Haji Md Ja'far Abdul Carrim	23/23	100
Dato' Saw Choo Boon(1)*	13/13	100
Previous Member:		
Datuk Tan Kim Leong(2)^	10/10	100

Notes:

(1) Appointed as a member on 20 May 2010
(2) Retired on 19 May 2010
* Based on the number of meetings attended since his appointment as a member in 2010
^ Based on the number of meetings attended during his tenure of appointment in 2010

The Group AC meets regularly to provide independent oversight over the management of the financial reporting and internal control system and ensure checks and balances for the relevant entities within RHB Banking Group. The Management, Head of Central Finance, group 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 Group AC meets with the external auditors without the presence of the Management at least twice a year.

Directors' Report (continued)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Group Nominating Committee

The Group Nominating Committee ('Group NC') presently comprises four (4) Independent Non-Executive Directors of whom one (1) is the Chairman, and one (1) Non-Independent Non-Executive Director. During the financial year ended 31 December 2010, a total of six (6) meetings were held and the details of attendance of each member at the Group NC Meetings held during the financial year ended 31 December 2010 are as follows:

Name of Member	Total Meetings Attended	Percentage of Attendance (%)
Datuk Haji Faisal Siraj (Chairman)	6/6	100
Johari Abdul Muid	5/6	83
Dato' Mohamed Khadar Merican	6/6	100
Dato' Saw Choo Boon(1)*	3/3	100
Dato' Teo Chiang Liang(2)*	2/2	100
Previous Member:		
Tan Sri Azlan Zainol (3)^	4/4	100
Datuk Tan Kim Leong(4)^	3/3	100

Notes:

(1) Appointed as a member on 20 May 2010
(2) Appointed as a member on 2 August 2010
(3) Relinquished membership on 1 August 2010
(4) Retired on 19 May 2010
* Based on the number of meetings attended since his appointment as a member in 2010
^ Based on the number of meetings attended during his tenure of appointment in 2010

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 efficiently and effectively.

As a tool in assisting 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.

Directors' Report (continued)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Group Remuneration and Human Resource Committee

The Group Remuneration and Human Resource Committee ('Group RHRC') presently comprises four (4) Independent Non-Executive Directors of whom one (1) is the Chairman, and one (1) Non-Independent Non-Executive Director. During the financial year ended 31 December 2010, a total of ten (10) meetings were held and the details of attendance of each member at the Group RHRC Meetings held during the financial year ended 31 December 2010 are as follows:

Name of Member	Total Meetings Attended	Percentage of Attendance (%)
Datuk Haji Faisal Siraj (Chairman)(1)	10/10	100
Johari Abdul Muid	9/10	90
Dato' Mohamed Khadar Merican	10/10	100
Dato' Saw Choo Boon(2)*	6/6	100
Dato' Teo Chiang Liang(3)*	4/4	100
Previous Member:		
Tan Sri Azlan Zainol(4)^	6/6	100
Datuk Tan Kim Leong(5)^	4/4	100

Notes:

(1) Appointed as the Chairman on 20 May 2010
(2) Appointed as a member on 20 May 2010
(3) Appointed as a member on 2 August 2010
(4) Relinquished membership on 1 August 2010
(5) Retired on 19 May 2010
* Based on the number of meetings attended since his appointment as a member in 2010
^ Based on the number of meetings attended during his tenure of appointment in 2010

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 that the levels of the remuneration are sufficient to attract and retain the best directors and senior management to manage the Group effectively and efficiently.

Directors' Report (continued)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Group Risk Management Committee

The Group Risk Management Committee ('Group RMC') presently comprises four (4) Independent Non-Executive Directors of whom one (1) is the Chairman, and one (1) Non-Independent Non-Executive Director. During the financial year ended 31 December 2010, a total of fifteen (15) meetings were held and the details of attendance of each member at the Group RMC Meetings held during the financial year ended 31 December 2010 are as follows:

Name of Member	Total Meetings Attended	Percentage of Attendance (%)
Haji Khairuddin Ahmad (Chairman)	15/15	100
Patrick Chin Yoke Chung	15/15	100
Johari Abdul Muid	12/15	80
Haji Md Ja'far Abdul Carrim	15/15	100
Choong Tuck Oon(1)*	10/10	100
Previous Member:		
Datuk Tan Kim Leong(2)^	4/5	80

Notes:

(1) Appointed as a member on 20 May 2010
(2) Retired on 19 May 2010
* Based on the number of meetings attended since his appointment as a member in 2010
^ Based on the number of meetings attended during his tenure of appointment in 2010

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

Directors' Report (continued)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Group Credit Committee

The Group Credit Committee ('GCC') comprises three (3) Independent Non-Executive Directors of whom one (1) is the Chairman, and a Non-Independent Non-Executive Director. During the financial year ended 31 December 2010, a total of thirty two (32) meetings were held and the details of attendance of each member at the GCC Meetings held during the financial year ended 31 December 2010 are as follows:

Name of Member	Total Meetings Attended	Percentage of Attendance (%)
Dato Abdullah Mat Noh (Chairman)	30/32	94
Johari Abdul Muid	27/32	84
Dato' Mohamed Khadar Merican	26/32	81
Haji Khairuddin Ahmad	32/32	100

The GCC's main functions are affirming, imposing additional covenants or vetoing credits of RHB Banking Group which were duly approved by the Central Credit Committee.

Group Recovery Committee

The Group Recovery Committee ('GRC') comprises four (4) Independent Non-Executive Directors of whom one (1) is the Chairman. During the financial year ended 31 December 2010, a total of twenty three (23) meetings were held and the details of attendance of each member at the GRC Meetings held during the financial year ended 31 December 2010 are as follows:

Name of Member	Total Meetings Attended	Percentage of Attendance (%)
Haji Khairuddin Ahmad (Chairman)	23/23	100
Dato' Mohamed Khadar Merican	17/23	74
Dato Abdullah Mat Noh	20/23	87
Dato' Teo Chiang Liang(1)*	14/15	93
Previous Member:		
Tan Sri Azlan Zainol (2)^	11/13	85

Notes:

(1) Appointed as a member on 20 May 2010
(2) Relinquished membership on 1 August 2010
* Based on the number of meetings attended since his appointment as a member in 2010
^ Based on the number of meetings attended during his tenure of appointment in 2010

Directors' Report (continued)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Group Recovery Committee (continued)

The GRC's main functions are to oversee the management of non-performing loans/non-performing accounts ('NPL/NPA') and high risk accounts of RHB Banking Group as well as affirming, imposing additional covenants or vetoing credits under NPL/NPA from Credit Recovery for amounts above the defined thresholds of the Central Credit Committee.

Group IT & Transformation Strategy Committee

The Group IT & Transformation Strategy Committee ('GI&TSC') comprises three (3) Independent Non-Executive Directors of whom one (1) is the Chairman, a Non-Independent Non-Executive Director and the Group Managing Director.

The principal responsibility of the GI&TSC is to provide guidance on the Group's planning and/or execution of programmes and initiatives within the realm of information technology and transformation management.

(B) RISK MANAGEMENT FRAMEWORK

The RHB Banking Group has put in place a Group Risk Management Framework which governs the management of various types of risks in the banking group. The Framework operates on two interlocking layers. Firstly, it provides a holistic overview of the risk and control environment with the risk management going towards loss minimisation and protection against losses which may occur through, principally, the failure of effective checks and balances in the organisation, as well as deficiencies in risk management culture. Secondly, it sets out the strategic progression of risk management towards becoming a value creation enterprise. This is effected through building up capabilities and infrastructure in risk management sophistication, and using the improvement in risk quantification to optimise risk-adjusted (or economic) returns.

The Framework enshrines five fundamental principles that drive the philosophy of risk management. They are:

(i) Risk governance from the Board of Directors;
(ii) Clear understanding of risk management ownership;
(iii) Institutionalisation of a risk focused organisation;
(iv) Alignment of risk management to business strategies; and
(v) Optimisation of risk adjusted economic and financial returns

The Board of Directors ensures that an effective risk management strategy is in place and uniformly understood across the Bank. The structured framework supports the Board's oversight responsibilities. Risk management processes are a collective responsibility and cooperation of business and functional units, risk management functions, top management and the Board.

The business and functional units have a clear segregation of duties with sufficient check and balance to ensure that business processes are functioning effectively. There is appropriate accountability delegated to the appropriate authority to execute their respective authorities in meeting the business strategies without compromising the risk management strategies.

Directors' Report (continued)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(B) RISK MANAGEMENT FRAMEWORK (CONTINUED)

The Banking Group's Asset and Liabilities Committee ('ALCO') performs a critical role in the management of assets and liabilities. The ALCO meets regularly and is the forum where strategic and tactical decisions are made. Global and domestic economic data, information and events are synthesized at the ALCO which enables the Banking Group to determine its actions and reactions in the capital markets.

For effective control of operations, defined management action triggers and risk limits are established and actively monitored. Breaches of limits are not allowed. Should exposures or transactions set off pre-established triggers, management will deliberate and determine on course of actions required (whether remedial or otherwise) on a timely basis. Triggers and limits are determined based on the Bank's risk appetite and is advised by appropriate risk measures and attendant stress testing exercises.

The financial risk management objectives and policies of the Bank are set out in Note 39 to the financial statements.

(C) INTERNAL AUDIT AND INTERNAL CONTROL ACTIVITIES

The Group has an in-house group internal audit function which is guided by its Group Audit Charter and reports to the Group Audit Committee of RHB Bank Berhad. Its primary role is to assist the Group Audit Committee in the discharge of their duties and responsibilities by independently reviewing and reporting on the adequacy and effectiveness of the Group's risk management, internal control and governance processes.

The Group Internal Auditors perform regular reviews of the Bank's operational processes and system of internal controls. Auditable units of priority and frequency of review are determined by adopting a risk-based approach, and the annual internal audit plan is reviewed and approved by the Group Audit Committee. Results of the audits conducted by the Group Internal Auditors are reported to the Group Audit Committee while follow-up and review of the status of actions taken on the auditors' recommendations are carried out by the Management via the Management Audit Committee which comprises senior management. The minutes of the Management Audit Committee meetings are tabled to the Group Audit Committee for notation.

The Group Audit Committee holds regular meetings to deliberate on findings and recommendations for improvement highlighted by both the internal and external auditors as well as regulatory authorities on the state of the Bank's internal control system. The minutes of the Group Audit Committee meetings are subsequently tabled to the Board for notation.

In addition to audit assignments, the Group Internal Audit is invited to participate on a consultative basis in the development of new products and systems, and information technology related initiatives as well as in the review of operational manuals and guidelines.

(D) MANAGEMENT REPORTS

Annual business plans and financial budgets are prepared by the Bank's strategic business group and operating subsidiaries and are reviewed and approved by the Board. The performance of business group and operating subsidiaries are assessed and monitored against the approved budget and any significant variances are explained to the Board.

The Board also receives and reviews monthly financial accounts, financial information reports and monthly progress reports from management on a regular basis. In addition, matters such as key business strategies and business plans, major capital expenditure, material contracts, new operational guidelines and new policies and guidelines are approved by the Board prior to it being implemented. Furthermore, minutes of meeting of various Board Committees of the Bank and changes on regulatory requirements, are also tabled for the Board's notation.

Directors' Report (continued)

IMMEDIATE AND ULTIMATE HOLDING COMPANY/BODY

The directors regard RHB Capital Berhad, a company incorporated in Malaysia as the holding company.

The Employees Provident Fund Board ('EPF'), a statutory body established in Malaysia, ceased to be the ultimate holding body with effect from 3 December 2010.

BUSINESS REVIEW 2010

The year 2010 marks the first year of global recovery after a wave of global economic slowdown that had started since 2008. A combination of proactive measures taken by Bank Negara Malaysia and the Government through an accommodative monetary policy and economic stimulus packages helped build growth momentum in the domestic economy. The Overnight Policy Rate ('OPR') was raised, bringing the cumulative OPR adjustments for the year to date to 75 basis points to normalise monetary conditions.

A major highlight of the year was the Group's restructuring of its strategic business units in as part of enhancing its operations. While market uncertainty provided opportunities for the Banking Group to offer customers solutions to manage uncertainty and reduce financial risks through hedging solutions, there was greater competitiveness in the marketplace as consumers become more sophisticated coupled with strong competition from existing and new entry financial institutions.

The Group continued to build strength and further enhances the competitiveness of its franchise in 2010. Following the launch of its community banking services, "EASY by RHB" in 2009, "EASY" outlets grew from the initial 14 outlets to 110 outlets in 2010 with assets generated over RM1.2 billion in just one year. The exclusive partnership with Tokio Marine Life Insurance Malaysia Berhad formed during the financial year will strengthen the Group's propositions as new opportunities are identified in the Asia Pacific region. The Group also signed an exclusive agreement with Paypal, the leading global online payment platform to be the first bank to provide customers with new innovative payment services in Malaysia.

In May 2010, RHB Islamic Bank Berhad remodeled its business model so as to streamline its operations in order to enhance efficiency and effectiveness as well as the standardization of methodologies and best practices, leveraging on the Group's strength and infrastructure in achieving optimum productivity and cost efficiency.

Notwithstanding the challenging operating environment in 2010, the Group continued its growth in profitability and improvement in its financial performance in comparison to the previous year.

BUSINESS STRATEGY AND PROSPECT 2011

The recovery in the domestic economy is expected to remain robust, with the potential for relatively strong growth to be sustained. The domestic economy has demonstrated resilience, showing a steady growth path to recovery. Amid the favourable growth prospects, the Banking sector is expected to face new business trends due to further normalisation in the monetary policy, shift to debt markets and rising consumer debt level. The retail activities will continue to be active in the coming year and with the infrastructure being put in place, the Group is well poised to reap the benefits of the continued economic growth in the country. The Group will continue to focus on building up its respective market shares in its core businesses with Islamic Banking and Global Financial Banking continue to grow in size and form an even larger part of the Group's financial performance.

Directors' Report (continued)

BUSINESS STRATEGY AND PROSPECT 2011 (CONTINUED)

In the Retail Banking space, the introduction of "EASY by RHB" (RHB's simple, fast and paperless community banking initiative) has progressed well, and with over 130 outlets opened to date which enabled the Group to successfully further penetrate the retail market and gain traction in its domestic market position. In addition, the Group has recently launched the RHB-Pos Malaysia Shared Banking Services which will provide banking services for its customers at selected Pos Malaysia outlets nationwide. This partnership is expected to increase RHB's market share in the domestic market.

The Group will continue to compete successfully in an increasingly competitive and liberalised environment and achieve a better performance in 2011.

RATINGS BY RATING AGENCIES

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

Agencies	Date accorded	Ratings
RAM Rating Services Berhad ('RAM')	2 November 2010	Long Term Financial Institution Rating – AA2 Short Term Financial Institution Rating – P1
Standard & Poor's	15 December 2010	Long Term Counterparty Credit Rating – BBB+ Short Term Counterparty Credit Rating – A-2 ASEAN-scale Long Term Rating – axA+ ASEAN-scale Short Term Rating – axA-1 Bank Fundamental Strength Rating – C+
Moody's Investors Service	20 July 2009	Long Term Bank Deposits Rating – A3 Short Term Bank Deposits Rating – P-1 Bank Financial Strength Rating – D

DESCRIPTION OF THE RATINGS ACCORDED

RAM

Long term financial institution rating

AA A financial institution rated 'AA' has a strong capacity to meet its financial obligations. The financial institution is resilient against adverse changes in circumstances, economic conditions and/or operating environments.

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.

Short term financial institution rating

P1 A financial institution rated 'P1' has a strong capacity to meet its short term financial obligations. This is the highest short term financial institution rating assigned by RAM Ratings.

Directors' Report (continued)

DESCRIPTION OF THE RATINGS ACCORDED (CONTINUED)

Standard and Poor's

Long term counterparty credit rating

BBB+ An obligation 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.

The 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 counterparty 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.

ASEAN-scale long term rating

axA An obligor rated 'axA' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher-rated obligors. Still, the obligor has a moderately strong capacity to meet its financial commitments relative to that of other ASEAN (The Association of South-East Asian Nations) obligors.

The ratings from 'axAA' to 'axCCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative strength within the rating category.

ASEAN-scale short term rating

axA-1 A short term obligation rated in the highest category on Standard & Poor's ASEAN regional scale. The obligor's capacity to meet its commitments on the obligation, relative to other ASEAN obligors, is strong.

The rating may be modified by the addition of a plus (+) or minus (-) sign to show relative strength within the rating category.

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.

The ratings from 'B' to 'E' may be modified by the addition of a plus (+) sign to show the higher relative standing within the rating categories.

Moody's Investors Service

Long term bank deposits rating

A Obligations rated 'A' are considered upper-medium grade and are subject to low credit risk.

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

Directors' Report (continued)

DESCRIPTION OF THE RATINGS ACCORDED (CONTINUED)

Moody's Investors Service (continued)

Short term bank deposits rating

P-1 Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

Bank financial strength rating

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 the higher and lower ends, respectively, of the generic rating category.

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.

TAN SRI AZLAN ZAINOL
NON-INDEPENDENT NON-EXECUTIVE
CHAIRMAN

DATO' TAJUDDIN ATAN
MANAGING DIRECTOR

Kuala Lumpur
28 February 2011

Statements Of Financial Position

As At 31 December 2010

		Group		Bank	
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	2	**12,981,081**	15,308,992	**11,093,561**	12,790,568
Securities purchased under resale agreements		**276,407**	1,594,210	**276,407**	1,594,210
Deposits and placements with banks and other financial institutions	3	**824,071**	1,713,101	**1,539,648**	1,937,762
Financial assets held-for-trading	4	**348,511**	123,681	**129,583**	92,749
Financial investments available-for-sale	5	**9,933,578**	6,565,352	**8,143,221**	5,367,804
Financial investments held-to-maturity	6	**10,674,245**	10,766,923	**9,558,312**	9,651,635
Loans, advances and financing	7	**81,531,003**	67,127,117	**71,125,558**	59,116,696
Other assets	8	**195,687**	454,096	**204,452**	621,862
Derivative assets	9	**298,389**	203,868	**298,148**	198,913
Statutory deposits	10	**426,304**	282,865	**321,064**	213,525
Tax recoverable		**27**	17,591	**–**	–
Deferred tax assets	11	**260,089**	263,182	**220,303**	234,070
Investment in subsidiaries	12	**–**	–	**822,972**	822,982
Property, plant and equipment	13	**701,158**	669,455	**540,483**	497,178
Goodwill	14	**1,004,017**	1,004,017	**905,519**	905,519
TOTAL ASSETS		**119,454,567**	106,094,450	**105,179,231**	94,045,473

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

Statements Of Financial Position

As At 31 December 2010 (continued)

		Group		Bank	
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
LIABILITIES AND EQUITY					
Deposits from customers	15	**92,402,813**	81,867,854	**80,567,577**	71,589,904
Deposits and placements of banks and other financial institutions	16	**7,680,309**	6,353,224	**6,158,453**	5,466,744
Bills and acceptances payable		**3,536,140**	3,802,522	**3,524,016**	3,777,294
Other liabilities	17	**1,002,387**	1,270,753	**868,165**	1,073,407
Derivative liabilities	9	**240,161**	206,137	**238,984**	199,477
Recourse obligation on loans sold to Cagamas Berhad		**818,503**	1,168,826	**818,503**	1,168,826
Taxation		**167,338**	37,419	**163,133**	34,061
Deferred tax liabilities	10	**6**	6	**–**	–
Long term borrowings	18	**819,362**	958,720	**819,362**	958,720
Subordinated obligations	19	**3,018,157**	2,000,000	**3,018,157**	2,000,000
Hybrid Tier I Capital Securities	20	**605,407**	596,996	**605,407**	596,996
TOTAL LIABILITIES		**110,290,583**	98,262,457	**96,781,757**	86,865,429
Share capital	21	**3,318,085**	3,318,085	**3,318,085**	3,318,085
Reserves	22	**5,845,899**	4,513,908	**5,079,389**	3,861,959
TOTAL EQUITY		**9,163,984**	7,831,993	**8,397,474**	7,180,044
TOTAL LIABILITIES AND EQUITY		**119,454,567**	106,094,450	**105,179,231**	94,045,473
COMMITMENTS AND CONTINGENCIES	36	**68,003,150**	64,755,922	**66,370,586**	61,329,469

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

Income Statements

For The Financial Year Ended 31 December 2010

		Group		Bank	
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	23	**4,576,676**	3,931,416	**4,530,637**	3,858,157
Interest expense	24	**(1,822,712)**	(1,492,485)	**(1,811,153)**	(1,467,667)
Net interest income		**2,753,964**	2,438,931	**2,719,484**	2,390,490
Other operating income	25	**738,776**	681,501	**722,818**	674,408
		3,492,740	3,120,432	**3,442,302**	3,064,898
Income from Islamic Banking business	26	**333,996**	326,443	**–**	–
		3,826,736	3,446,875	**3,442,302**	3,064,898
Other operating expenses	27	**(1,451,929)**	(1,397,625)	**(1,302,007)**	(1,242,554)
Operating profit before allowances		**2,374,807**	2,049,250	**2,140,295**	1,822,344
Allowance for impairment on loans, advances and financing	29	**(419,212)**	(586,586)	**(349,737)**	(491,490)
(Impairment losses)/write-back on other assets	30	**(54,192)**	29,104	**(49,801)**	26,490
Profit before taxation		**1,901,403**	1,491,768	**1,740,757**	1,357,344
Taxation	31	**(474,849)**	(303,932)	**(446,320)**	(277,628)
Net profit for the financial year		**1,426,554**	1,187,836	**1,294,437**	1,079,716
Earnings per share (sen)					
– Basic	32	**21.5 sen**	17.9 sen	**19.5 sen**	16.3 sen

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

Statements Of Comprehensive Income

For The Financial Year Ended 31 December 2010

		Group		Bank	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Net profit for the financial year		**1,426,554**	1,187,836	**1,294,437**	1,079,716
Other comprehensive income/(loss):					
Currency translation differences		**(65,933)**	3,553	**(25,189)**	9,626
Financial investments available-for-sale:					
– Unrealised net gain/(loss) on revaluation		**108,993**	(24,622)	**102,639**	(20,444)
– Net transfer to income statements on disposal or impairment		**(42,625)**	(18,445)	**(36,995)**	(6,308)
Income tax relating to components of other comprehensive (loss)/income	33	**(16,518)**	10,843	**(16,411)**	6,641
Other comprehensive (loss)/income for the financial year, net of tax		**(16,083)**	(28,671)	**24,044**	(10,485)
Total comprehensive income for the financial year		**1,410,471**	1,159,165	**1,318,481**	1,069,231

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

Statements Of Changes In Equity

For The Financial Year Ended 31 December 2010

Group	Note	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
Balance as at 1 January 2010								
As previously stated		3,318,085	8,563	2,588,710	(13,818)	(16,005)	1,946,458	7,831,993
Effect of adoption of FRS 139	43	–	–	–	(64)	109,357	56,295	165,588
As restated		3,318,085	8,563	2,588,710	(13,882)	93,352	2,002,753	7,997,581
Net profit for the financial year		–	–	–	–	–	1,426,554	1,426,554
Other comprehensive income/(loss) for the financial year:								
Currency translation differences		–	–	–	(65,933)	–	–	(65,933)
Financial investments available-for-sale ('AFS')								
– Unrealised net gain on revaluation		–	–	–	–	108,993	–	108,993
– Net transfer to income statements on disposal or impairment		–	–	–	–	(42,625)	–	(42,625)
Income tax relating to components of other comprehensive income	33	–	–	–	–	(16,518)	–	(16,518)
Total comprehensive income/(loss) for the financial year		–	–	–	(65,933)	49,850	1,426,554	1,410,471
Transfer to statutory reserves		–	–	357,354	–	–	(357,354)	–
Ordinary dividends	34	–	–	–	–	–	(244,068)	(244,068)
Balance as at 31 December 2010		3,318,085	8,563	2,946,064	(79,815)	143,202	2,827,885	9,163,984
Balance as at 1 January 2009		3,318,085	8,563	2,286,753	(17,371)	16,219	1,215,865	6,828,114
Net profit for the financial year		–	–	–	–	–	1,187,836	1,187,836
Other comprehensive income/(loss) for the financial year:								
Currency translation differences		–	–	–	3,553	–	–	3,553
Financial investments AFS								
– Unrealised net loss on revaluation		–	–	–	–	(24,622)	–	(24,622)
– Net transfer to income statements on disposal or impairment		–	–	–	–	(18,445)	–	(18,445)
Income tax relating to components of other comprehensive loss	33	–	–	–	–	10,843	–	10,843
Total comprehensive income/(loss) for the financial year		–	–	–	3,553	(32,224)	1,187,836	1,159,165
Transfer to statutory reserves		–	–	301,957	–	–	(301,957)	–
Ordinary dividends	34	–	–	–	–	–	(155,286)	(155,286)
Balance as at 31 December 2009		3,318,085	8,563	2,588,710	(13,818)	(16,005)	1,946,458	7,831,993

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

Statements Of Changes In Equity

For The Financial Year Ended 31 December 2010 (continued)

			← Non distributable			→	Distributable	
Bank	**Note**	**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**
Balance as at 1 January 2010								
As previously stated		**3,318,085**	**8,563**	**2,390,971**	**25,585**	**(23,595)**	**1,460,435**	**7,180,044**
Effect of adoption of FRS 139	43	**–**	**–**	**–**	**–**	**109,357**	**33,660**	**143,017**
As restated		**3,318,085**	**8,563**	**2,390,971**	**25,585**	**85,762**	**1,494,095**	**7,323,061**
Net profit for the financial year		**–**	**–**	**–**	**–**	**–**	**1,294,437**	**1,294,437**
Other comprehensive income/(loss) for the financial year:								
Currency translation differences		**–**	**–**	**–**	**(25,189)**	**–**	**–**	**(25,189)**
Financial investments AFS								
– Unrealised net gain on revaluation		**–**	**–**	**–**	**–**	**102,639**	**–**	**102,639**
– Net transfer to income statements on disposal or impairment		**–**	**–**	**–**	**–**	**(36,995)**	**–**	**(36,995)**
Income tax relating to components of other comprehensive income	33	**–**	**–**	**–**	**–**	**(16,411)**	**–**	**(16,411)**
Total comprehensive income/(loss) for the financial year		**–**	**–**	**–**	**(25,189)**	**49,233**	**1,294,437**	**1,318,481**
Transfer to statutory reserves		**–**	**–**	**323,609**	**–**	**–**	**(323,609)**	**–**
Ordinary dividends	34	**–**	**–**	**–**	**–**	**–**	**(244,068)**	**(244,068)**
Balance as at 31 December 2010		**3,318,085**	**8,563**	**2,714,580**	**396**	**134,995**	**2,220,855**	**8,397,474**
Balance as at 1 January 2009		3,318,085	8,563	2,121,042	15,959	(3,484)	805,934	6,266,099
Net profit for the financial year		–	–	–	–	–	1,079,716	1,079,716
Other comprehensive income/(loss) for the financial year:								
Currency translation differences		–	–	–	9,626	–	–	9,626
Financial investments AFS								
– Unrealised net loss on revaluation		–	–	–	–	(20,444)	–	(20,444)
– Net transfer to income statements on disposal or impairment		–	–	–	–	(6,308)	–	(6,308)
Income tax relating to components of other comprehensive loss	33	–	–	–	–	6,641	–	6,641
Total comprehensive income/(loss) for the financial year		–	–	–	9,626	(20,111)	1,079,716	1,069,231
Transfer to statutory reserves		–	–	269,929	–	–	(269,929)	–
Ordinary dividends	34	–	–	–	–	–	(155,286)	(155,286)
Balance as at 31 December 2009		3,318,085	8,563	2,390,971	25,585	(23,595)	1,460,435	7,180,044

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

Statements Of Cash Flows

For The Financial Year Ended 31 December 2010

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	**1,901,403**	1,491,768	**1,740,757**	1,357,344
Adjustments for:				
Property, plant and equipment:				
– depreciation	**86,921**	72,711	**77,572**	65,736
– impairment loss	**24,945**	–	**–**	–
– gain on disposal	**(6,769)**	(2,858)	**(6,769)**	(2,597)
– written off	**10**	–	**4**	–
– write-back of allowance for impairment loss	**(20,577)**	–	**–**	–
Allowance for impairment loss – foreclosed properties	**511**	571	**511**	571
Write-back of allowance for impairment loss – foreclosed properties	**(330)**	(313)	**(330)**	(313)
Loss/(gain) on liquidation of subsidiaries	**–**	–	**10**	(1,625)
Financial investments AFS:				
– net (gain)/loss on sale	**(42,626)**	(8,677)	**(36,995)**	845
– interest income	**(277,790)**	(219,838)	**(277,790)**	(219,670)
– investment income	**(61,785)**	(41,185)	**–**	–
– dividend income	**(5,935)**	(7,285)	**(5,932)**	(7,285)
– allowance for impairment loss	**51,192**	–	**51,169**	–
– write-back of allowance for impairment loss	**(1,624)**	(9,767)	**(1,624)**	(7,153)
Financial investments held-to-maturity:				
– net gain from early redemption	**(1,044)**	–	**(1,044)**	–
– interest income	**(365,294)**	(344,022)	**(363,881)**	(336,533)
– investment income	**(43,877)**	(39,653)	**–**	–
– allowance for impairment loss	**8,512**	–	**8,512**	–
– write-back of allowance for impairment loss	**(8,437)**	(19,595)	**(8,437)**	(19,595)
Dividend income from subsidiary companies	**–**	–	**–**	(10,516)
Allowance for losses on loans and financing	**602,442**	748,314	**525,002**	648,495
Interest suspended clawback	**–**	130,314	**–**	103,116
Accretion of discount less amortisation of premium	**(7,687)**	22,857	**(7,098)**	29,956
Amortisation of discount for Hybrid Tier I Capital Securities	**229**	–	**229**	–
Unrealised gain on revaluation of derivatives	**(38,833)**	(2,529)	**(38,703)**	(1,857)
Unrealised exchange (gain)/loss	**(21,025)**	15,208	**(21,025)**	15,208
Operating profit before working capital changes	**1,772,532**	1,786,021	**1,634,138**	1,614,127
(Increase)/decrease in operating assets:				
Securities purchased under resale agreements	**1,313,350**	(1,485,858)	**1,313,350**	(1,485,858)
Deposits and placements with banks and other financial institutions	**889,024**	(1,273,856)	**398,114**	(1,089,392)
Financial assets held-for-trading	**(226,974)**	2,512,241	**(38,978)**	2,138,709
Loans, advances and financing	**(15,004,957)**	(7,817,138)	**(12,562,281)**	(7,207,528)
Other assets	**298,631**	4,751	**455,578**	(93,364)
Statutory deposits	**(146,485)**	1,240,428	**(110,585)**	1,110,229
	(12,877,411)	(6,819,432)	**(10,544,802)**	(6,627,204)

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

Statements Of Cash Flows

For The Financial Year Ended 31 December 2010 (continued)

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)				
Increase/(decrease) in operating liabilities:				
Deposits from customers	**10,643,528**	10,781,704	**9,086,242**	9,922,069
Deposits and placements of banks and other financial institutions	**1,355,243**	(415,941)	**719,867**	(804,052)
Bills and acceptances payable	**(266,103)**	(1,133,137)	**(252,999)**	(1,123,579)
Other liabilities	**(226,011)**	110,740	**(163,228)**	94,337
Recourse obligation on loans sold to Cagamas Berhad	**(350,322)**	(4,928)	**(350,322)**	(4,928)
	11,156,335	9,338,438	**9,039,560**	8,083,847
Cash generated from operations	**51,456**	4,305,027	**128,896**	3,070,770
Taxation paid	**(403,445)**	(361,874)	**(375,569)**	(338,165)
Net cash (used in)/generated from operating activities	**(351,989)**	3,943,153	**(246,673)**	2,732,605
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(132,793)**	(113,854)	**(128,027)**	(104,539)
Proceeds from disposal of property, plant and equipment	**13,424**	6,343	**13,424**	4,695
Financial investments AFS:				
– net purchase	**(3,234,703)**	(2,014,515)	**(2,645,077)**	(1,548,302)
– interest received	**247,429**	207,861	**247,429**	207,693
– investment income received	**59,954**	35,909	**–**	–
– dividend income	**5,854**	6,462	**5,850**	6,462
Financial investments held-to-maturity:				
– net sale/(purchase)	**119,401**	(1,328,719)	**116,310**	(1,562,464)
– interest received	**364,458**	334,554	**363,045**	327,065
– interest income received	**42,859**	38,237	**–**	–
Dividend income from subsidiary companies	**–**	–	**–**	7,275
Capital repayment upon liquidation of subsidiaries	**–**	–	**–**	7,599
Net cash used in investing activities	**(2,514,117)**	(2,827,722)	**(2,027,046)**	(2,654,516)

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

Statements Of Cash Flows

For The Financial Year Ended 31 December 2010 (continued)

		Group		Bank	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of subordinated obligations		**1,000,000**	–	**1,000,000**	–
Proceeds from issuance of Hybrid Tier I Capital Securities		**–**	596,996	**–**	596,996
Repayment of long term borrowings		**(47,835)**	(36,095)	**(47,835)**	(36,095)
Drawdown of long term borrowings		**–**	342,400	**–**	342,400
Principal repayment of finance lease		**–**	–	**–**	(119)
Dividends paid to shareholder		**(244,068)**	(155,286)	**(244,068)**	(155,286)
Net cash generated from financing activities		**708,097**	748,015	**708,097**	747,896
Net (decrease)/increase in cash and cash equivalents		**(2,158,009)**	1,863,446	**(1,565,622)**	825,985
Effects of exchange rate differences		**(169,902)**	(6,399)	**(131,385)**	1,023
Cash and cash equivalents brought forward		**15,308,992**	13,451,945	**12,790,568**	11,963,560
Cash and cash equivalents carried forward		**12,981,081**	15,308,992	**11,093,561**	12,790,568
ANALYSIS OF CASH AND CASH EQUIVALENTS:					
Cash and short-term funds	2	**12,981,081**	15,308,992	**11,093,561**	12,790,568

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 2010

(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, unless otherwise stated.

1 Basis of preparation of the financial statements

The financial statements of the Group and the Bank have been prepared 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 directives and guidelines issued by Bank Negara Malaysia ('BNM') and comply with the provisions of the Companies Act, 1965.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The financial statements of the Group incorporate those activities relating to the 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 in conformity with Financial Reporting Standards requires the use of certain critical accounting 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 financial year. It also requires directors to exercise their judgement in the process of applying the Group's and the Bank's accounting policies. Although these estimates and judgement 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 higher degree of judgement and complexity are disclosed in Section (B).

(a) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank and are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and the Bank's financial year beginning on or after 1 January 2010 are as follows:

- FRS 7 'Financial Instruments: Disclosures' and the related amendments
- FRS 8 'Operating Segments'
- FRS 101 (revised) 'Presentation of Financial Statements'
- FRS 123 'Borrowing Costs'
- FRS 139 'Financial Instruments: Recognition and Measurement' and the related amendments
- Amendments to FRS 1 'First-time Adoption of Financial Reporting Standards' and FRS 127 'Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'
- Amendments to FRS 132 'Financial Instruments: Presentation' and FRS 101 (revised) 'Presentation of Financial Statements' - Puttable financial instruments and obligations arising on liquidation
- IC Interpretation 9 'Reassessment of Embedded Derivatives' and the related amendments
- IC Interpretation 10 'Interim Financial Reporting and Impairment'
- IC Interpretation 13 'Customer Loyalty Programmes'
- IC Interpretation 14 'FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction'
- Improvements to FRSs (2009)

A summary of the impact of the new accounting standards, amendments and improvements to published standards and interpretations on the financial statements of the Group and the Bank is set out in Note 43.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1 Basis of preparation of the financial statements (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective

The Group and the Bank will apply the following new standards, amendments to standards and interpretations from annual period beginning on 1 January 2011 or later periods:

- The revised FRS 3 'Business Combinations', (effective prospectively from 1 July 2010) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

- The revised FRS 124 'Related Party Disclosures' (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:

    - The name of the government and the nature of their relationship;
    - The nature and amount of each individually significant transactions; and
    - The extent of any collectively significant transactions, qualitatively or quantitatively.

- The revised FRS 127 'Consolidated and Separate Financial Statements' (applies prospectively to transactions with non-controlling interests from 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. When this standard is effective, all earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

- Amendments to FRS 7 'Financial Instruments: Disclosures' and FRS 1 'First-time Adoption of Financial Reporting Standards' (effective from 1 January 2011) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

    The Group and the Bank have applied the transitional provision which exempts entities from disclosing the possible impact arising from the initial application of this amendment on the financial statements of the Group and the Bank.

- Amendment to FRS 132 'Financial Instruments: Presentation' on classification of rights issues (effective from 1 March 2010) addresses accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity instruments instead of as derivative liabilities, regardless of the currency in which the exercise price is denominated. Currently, these issues are accounted for as derivative liabilities.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1 Basis of preparation of the financial statements (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (continued)

- IC Interpretation 4 'Determining Whether an Arrangement Contains a Lease' (effective from 1 January 2011) requires the Group to identify any arrangement that does not take the legal form of a lease, but conveys a right to use an asset in return for a payment or series of payments. This interpretation provides guidance for determining whether such arrangements are, or contain, leases. The assessment is based on the substance of the arrangement and requires assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. If the arrangement contains a lease, the requirements of FRS 117 'Leases' should be applied to the lease element of the arrangement.

Improvements to FRSs:

- FRS 3 (effective from 1 January 2011)
  - Clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by FRS.
  - Clarifies that the amendments to FRS 7, FRS 132 and FRS 139 that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of FRS 3 (2010). Those contingent consideration arrangements are to be accounted for in accordance with the guidance in FRS 3 (2005).
- FRS 101 'Presentation of Financial Statements' (effective from 1 January 2011) clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.
- FRS 138 'Intangible Assets' (effective from 1 July 2010) clarifies that a group of complementary intangible assets acquired in a business combination may be recognised as a single asset if each asset has similar useful lives.
- IC Interpretation 9 (effective from 1 July 2010) clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture.

The adoption of the above standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank is not expected to have any significant financial impact on the results of the Group and the Bank.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2 Basis of consolidation

Subsidiaries

Subsidiaries are those corporations or other entities in which the Bank has the 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.

Subsidiaries are consolidated using the acquisition method of accounting except for certain business combinations which were accounted for using the merger method as follows:

- internal group reorganisations, as defined in FRS 122_{2004}, 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.

- 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_{2004} 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 acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases. The cost of an acquisition is measured as the 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, 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 interests. The excess of the cost of acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities at the acquisition date is reflected as goodwill. Refer to accounting policy Note 4 on goodwill. If the cost of acquisition is less than the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities at the acquisition date, the difference is recognised directly in the profit or loss.

All material inter-company and intra-group transactions and balances have been eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

The gain or loss on disposal of a subsidiary, which is the difference between the net disposal proceeds and the Group's share of its net assets together with the carrying amount of goodwill on the date of disposal, is recognised in the profit or loss attributable to the parent.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3 Investment in subsidiaries

In the Bank's separate financial statements, investment in subsidiaries are stated at cost less accumulated impairment losses. At the end each reporting period, the Group 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. Refer to accounting policy Note 22 on impairment of non-financial assets.

On disposal of investment in subsidiaries, the difference between disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

4 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's share of the net fair value of the identifiable net assets at the date of acquisition.

Goodwill is stated at cost less accumulated impairment loss and is tested at least annually for impairment. Impairment loss on goodwill is not reversed. Gains or losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary 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, identified according to operating segment. Refer to accounting policy Note 22 on impairment of non-financial assets.

5 Financial assets

(a) Classification

The Group and the Bank classify their financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets were required. Management determines the classification at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held-for-trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held-for-trading unless they are designated as hedges (see Note 8).

(ii) Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(iii) Financial investments held-to-maturity

Financial investments held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of financial investments held-to-maturity, the whole category would be tainted and reclassified as available-for-sale.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5 Financial assets (continued)

(a) Classification (continued)

(iv) Financial investments available-for-sale

Financial investments available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories.

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the settlement date, the date that an asset is delivered to or by the Group and the Bank.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(c) Subsequent measurement – gains and losses

Financial investments available-for-sale and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and financial investments held-to-maturity are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise. Changes in the fair value of financial investments available-for-sale are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 20) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on financial investments available-for-sale are recognised separately in profit or loss. Interest on financial investments available-for-sale calculated using the effective interest method is recognised in profit or loss. Dividends income on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

(d) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

When financial investments available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5 Financial assets (continued)

Changes in accounting policy

The Group and the Bank have changed their accounting policy for financial assets upon adoption of FRS 139 on 1 January 2010. All unquoted equity securities which were previously carried at cost are now measured at fair value, with the changes in fair value recognised in available-for-sale reserves.

Upon adoption of FRS 139, interest receivable previously classified under other assets is now reclassified into the respective category of financial assets.

The Group and the Bank have applied the new policy according to the transitional provisions by re-measuring all financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained profits or, if appropriate, another category of equity, of the current financial year. Comparatives of these financial assets have not been adjusted and therefore the corresponding balances are not comparable.

Refer to Note 43 for the impact of these changes in accounting policy.

6 Repurchase agreements

Securities purchased under resale agreements are securities which the Group and the Bank have purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the statements of financial position.

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 future dates. Such financing and the obligation to repurchase the securities is reflected as a liability on the statement of financial position.

The difference between sale and repurchase price as well as purchase and resale price are amortised as interest income and interest expense respectively on an effective yield method.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7 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. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised as expense in profit or loss during the financial period in which they are incurred.

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

Leasehold land	Amortised over the period of the lease*
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% to 25%

* The remaining period of the lease range from 7 to 883 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in non-interest income in profit or loss.

At the end of the reporting period, 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 written down to its recoverable amount. Refer to accounting policy Note 22 on impairment of non-financial assets.

8 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contracts are 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 option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are 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.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions
For The Financial Year Ended 31 December 2010 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8 Derivative financial instruments and hedge accounting (continued)

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 criteria 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 on-going 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.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss, together with any changes in the fair value of the hedged assets or liabilities 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 the 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.

(b) 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 profit or loss.

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 profit or loss.

(c) 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 profit or loss.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9 Financial liabilities

The Group's and the Bank's holding in financial liabilities is in financial liabilities at fair value through profit or loss (including financial liabilities held-for-trading and those that are designated at fair value) and financial liabilities at amortised cost. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial liabilities are derecognised when extinguished.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities held-for-trading. A financial liability is 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 if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated as hedges (see Note 8).

(b) Other liabilities measured at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from banks or customers, bills and acceptances payable, recourse obligation on loans sold to Cagamas, long term borrowings, subordinated obligations and Hybrid Tier I Capital Securities.

Changes in accounting policy

Upon adoption of FRS 139, interest payable previously classified under other liabilities is now reclassified into the respective class of financial liabilities.

The Group and the Bank have applied the new policy according to the transitional provisions by re-measuring all financial liabilities, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained profits. Comparatives of these financial liabilities have not been adjusted and therefore the corresponding balances are not comparable.

Refer to Note 43 for the impact of these changes in accounting policy.

10 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 statements of financial position.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11 Leases – where the Group is lessee

(a) Operating lease

Leases of assets 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.

(b) Finance lease

Leases of assets where the Group and the Bank assume substantially all the risks and rewards 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 and the fair value of the leased assets 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 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 leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Change in accounting policy

Following the adoption of the improvement to FRS 117 'Leases', leasehold land in which the Group and the Bank have substantially all the risks and rewards incidental to ownership has been reclassified retrospectively from operating lease to finance lease. Previously, leasehold land was classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term.

Refer to Note 43 for the impact of this change in accounting policy.

12 Leases – where the Group is lessor

(a) Operating lease

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

(b) 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 'net investment' method so as to reflect a constant periodic rate of return.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13 Provisions

Provisions are recognised when the Group and the Bank have a present legal or constructive obligation, as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Where the Group and the Bank expect a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between initial recognised amount and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

15 Financial guarantee contract

Financial guarantee contracts are contracts that require the Group or the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised.

The liability is subsequently recognised at the higher of the amount determined in accordance with FRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantee is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Group and the Bank for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16 Contingent liabilities and contingent assets

The Group and the Bank do not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a 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 or 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 their existence where inflows of economic benefits are probable, but not virtually certain.

17 Dividends payable

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

18 Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and short term deposits maturing within one month.

The statements of cash flows show the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities. The cash flows from operating activities are determined by using the indirect method. Consolidated net income is therefore adjusted by non-cash items, such as measurement gains or losses, changes in provisions, as well as changes from receivables and liabilities. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated.

The cash flows from investing and financing activities are determined by using the direct method. The Group's assignment of the cash flows to operating, investing and financing category depends on the Bank's business model (management approach).

19 Revenue recognition

(a) Interest income is recognised using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to its carrying amount. The calculation includes significant fees and transaction costs that are integral to the effective interest rate, as well as premiums or discounts.

When a loan and receivable is impaired, the Group and the Bank reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

(b) Loan arrangement fees, commissions and placement fees are recognised as income when all conditions precedent are fulfilled.

(c) Guarantee fees are recognised as income upon issuance of guarantees.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

19 Revenue recognition (continued)

(d) Commitment fees are recognised as income based on time apportionment.

(e) Income from Islamic Banking business is recognised on accruals basis in accordance with the principles of Shariah.

(f) Dividends from all investments are recognised when the shareholders' right to receive payment is established.

Change in accounting policy

The Group and the Bank have changed their accounting policy for interest income recognition upon adoption of FRS 139 on 1 January 2010. Previously, interest income is recognised based on contractual interest rate. Upon adoption of FRS 139, interest income is now recognised using the effective interest method, which is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instruments, or when appropriate, a shorter period to the net carrying amount.

The Group and the Bank have applied the new policy according to the transitional provision by recognising and measuring the financial instruments as at 1 January 2010 and recording any adjustments to opening retained profits. Comparative of interest income has not been adjusted and therefore the corresponding balance is not comparable.

Refer to Note 43 for the impact of this change in accounting policy.

20 Impairment of financial assets

(a) Assets carried at amortised cost

The Group and the Bank assess at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred 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) have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group and the Bank use to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions
For The Financial Year Ended 31 December 2010 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or a 'held-to-maturity investment' have 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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

For loans, advances and financing, the Group and the Bank first assess whether objective evidence of impairment exists individually for loans, advances and financing that are individually significant, and individually or collectively for loans, advances and financing that are not individually significant. If the Group and the Bank determine that no objective evidence of impairment exists for individually assessed loans, advances and financing, whether significant or not, it includes the asset in a group of loans, advances and financing with similar credit risk characteristics and collectively assess them for impairment.

(i) Individually impairment allowance

The Group and the Bank determine the allowance appropriate for each individual significant loans, advances and financing on an individual basis. The allowances are established based primarily on estimates of the realisable value of the collateral to secure the loans, advances and financing and are measured as the difference between the carrying amount of the loans, advances and financing and the present value of the expected future cash flows discounted at the original effective interest rate of the loans, advances and financing. All other loans, advances and financing that have been individually evaluated, but not considered to be individually impaired, are assessed collectively for impairment.

(ii) Collective impairment allowance

For the purposes of a collective evaluation of impairment under FRS 139, loans, advances and financing are grouped on the basis of similar credit risk characteristics, taking into account the historical loss experience of such loans.

In accordance with the transitional provisions under the Amendments to FRS 139, the financial services sector is granted a transitional period for the purpose of complying with the collective assessment of impairment required under FRS 139. Consequently, BNM may prescribe the use of an alternative basis for collective assessment of impairment for banking institutions for a transitional period.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20 Impairment Of financial assets (continued)

(a) Assets carried at amortised cost (continued)

(ii) Collective impairment allowance (continued)

This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010, whereby banking institutions are required to maintain collective allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowances under the transitional provisions in the guidelines.

The Group and the Bank have adopted the transitional provisions under the Amendments to FRS 139 and the collective assessment impairment allowance of the Group and the Bank have been determined based on the transitional arrangement issued by BNM.

(b) Assets classified as available-for-sale

The Group and the Bank assess at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group and the Bank use criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. 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 profit or loss.

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss that is reclassified to profit or loss is 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. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

Changes in accounting policy

The Group and the Bank have changed its accounting policy for impairment of financial assets upon adoption of FRS 139 and BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010.

Prior to the adoption of FRS 139, the Group's and the Bank's loan loss allowance was in conformity with the minimum requirements of BNM/GP3 Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts ('BNM/GP3'). The basis of classification of non-performing loans and financing followed the period of default for non-performing loans of 3 months. In line with the classification of non-performing loans and financing, the Group's and the Bank's basis for specific allowance was also from default period of 3 months.

The Group and the Bank have applied the new policy according to the transitional provisions by re-measuring all financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained profits or, if appropriate, another category of equity, of the current financial year. Comparatives have not been adjusted and therefore the corresponding balances are not comparable.

Refer to Note 43 for the impact of these changes in accounting policy.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21 Employee benefits

(a) Short-term employee benefits

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

(b) Defined contribution plans

A defined contribution plan is a pension plan under which the Group and the Bank pay fixed contributions to the national pension scheme, Employees' Provident Fund. The Group's and the Bank's contributions to defined contribution plans are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Bank have no further legal or constructive obligations.

(c) 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.

22 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Non-financial 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 non-financial assets exceeds its recoverable amount.

The recoverable amount is the higher of a non-financial assets' fair value less costs to sell and value in use. For the purpose of assessing impairment, non-financial assets are grouped at the lowest levels 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 period.

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

23 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

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 distributions 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 the transaction affects neither accounting nor taxable profit or loss.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

23 Current and deferred income taxes (continued)

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

Deferred tax is recognised on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the date of statement of financial position 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

(a) 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.

(b) 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 transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses are presented in profit or loss within non-interest income.

For translation differences on financial assets and liabilities held at fair value through profit or loss and available-for-sale financial assets, refer to Note 5(c).

(c) 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:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statements of financial position;

(ii) income and expenses for each statement of comprehensive income 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

(iii) all resulting exchange differences are recognised as a separate component of other comprehensive income.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

24 Currency conversion and translation (continued)

(c) Group companies (continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is partially disposed of or sold, a proportionate share of such exchange differences is recognised in the profit or loss 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 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments of an entity.

Change in accounting policy

The Group has adopted FRS 8 'Operating Segment' from 1 January 2010. FRS 8 replaces FRS 114 'Segment Reporting' and is applied retrospectively. The adoption of FRS 8 resulted in additional disclosures in segment reporting disclosures. Comparatives have been restated.

Refer to Note 42 for the disclosure of segment reporting.

(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.

Allowance for impairment of financial assets

In determining impairment of financial assets, management considers objective evidence of impairment and exercises judgement in estimating cash flow and collateral value.

The Group and the Bank make allowance for losses based on assessment of recoverability. Whilst management's judgement is guided by the relevant BNM's guidelines, judgement is made in estimation of the amount and timing of future cash flows in assessing allowance for impairment of financial assets. Among the factors considered are the Group's 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, the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims. The actual amount of the future cash flows and their timing may differ from the estimates used by management and consequently may cause actual losses differ from the impairment made.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010

1 GENERAL INFORMATION

RHB Bank Berhad ('the Bank'), is a limited liability bank incorporated and domiciled in Malaysia.

The principal activities of the Bank are commercial banking and finance related business and the provision of related services. The Group is involved in commercial banking and finance related business, Islamic Banking business, leasing, offshore banking, offshore trust services, nominee services and property investment.

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

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	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and balances with banks and other financial institutions	**903,494**	997,338	**816,836**	819,812
Money at call and deposit placements maturing within one month	**12,077,587**	14,311,654	**10,276,725**	11,970,756
	12,981,081	15,308,992	**11,093,561**	12,790,568

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Licensed banks/Islamic banks	**824,071**	1,465,331	**1,539,648**	1,689,992
Licensed investment banks	–	22,770	–	22,770
Bank Negara Malaysia	–	225,000	–	225,000
	824,071	1,713,101	**1,539,648**	1,937,762

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

4 FINANCIAL ASSETS HELD-FOR-TRADING

	Group		Bank	
	2010	2009	2010	2009
At fair value	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Malaysian Government Investment Issues	**10,066**	–	**–**	–
Bank Negara Malaysia Monetary Notes	**173,815**	–	**–**	–
Thailand Government bonds	**10,216**	–	**10,216**	–
Singapore Government Treasury Bills	**119,367**	92,749	**119,367**	92,749
Unquoted securities:				
In Malaysia				
Private debt securities	**35,047**	30,932	**–**	–
	348,511	123,681	**129,583**	92,749

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At fair value				
Money market instruments:				
Malaysian Government Securities	**3,199,222**	1,837,447	**3,199,222**	1,837,447
Malaysian Government Investment Issues	**2,306,237**	879,113	**1,066,701**	150,156
Cagamas bonds	**591,416**	444,542	**591,416**	444,542
Negotiable instruments of deposits	**108,163**	109,672	**108,163**	109,672
Singapore Government Treasury Bills	**26,258**	134,262	**26,258**	134,262
Singapore Government Securities	**128,444**	83,610	**128,444**	83,610
Thailand Government bonds	**112,140**	20,755	**112,140**	20,755
1 Malaysia Sukuk	**86,032**	–	**86,032**	–
Bankers' acceptances and Islamic accepted notes	**93,868**	–	**–**	–
Quoted securities:				
In Malaysia				
Corporate loan stocks	**14,126**	14,678	**14,126**	14,678
Shares	**4,287**	5,659	**1,213**	3,326
Outside Malaysia				
Shares	**17**	11	**–**	–
Unquoted securities:				
In Malaysia				
Corporate loan stocks	**108,972**	112,604	**108,972**	112,604
Shares	**342,046**	166,272	**341,471**	165,697
Private debt securities	**2,800,982**	2,680,680	**2,347,695**	2,215,008
Outside Malaysia				
Private debt securities	**11,368**	53,318	**11,368**	53,318
Structured notes	**–**	22,729	**–**	22,729
	9,933,578	6,565,352	**8,143,221**	5,367,804

The carrying value of financial investments available-for-sale as at 31 December 2010, which was transferred from financial assets held-for-trading in previous financial year, for the Group and the Bank are RM1,086,048,000 (2009: RM1,520,236,000) and RM1,075,951,000 (2009: RM1,499,951,000) respectively.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At amortised cost				
Money market instruments:				
Malaysian Government Securities	**2,948,345**	2,343,020	**2,948,345**	2,343,020
Malaysian Government Investment Issues	**1,371,160**	1,327,616	**781,992**	761,045
Cagamas bonds and Cagamas Mudharabah bonds	**773,644**	779,550	**589,750**	604,350
Khazanah bonds	**52,632**	34,935	**52,632**	–
Negotiable instruments of deposits	**1,103,432**	1,800,000	**1,103,432**	1,800,000
Singapore Government Securities	**120,730**	121,748	**120,730**	121,748
Singapore Government Treasury Bills	**9,549**	–	**9,549**	–
Thailand Government Securities	**223,230**	237,187	**223,230**	237,187
Sukuk (Brunei) Incorporation	**23,873**	41,538	**23,873**	41,538
Unquoted securities:				
In Malaysia				
Bonds	**25,114**	25,013	**860**	860
Prasarana bonds	**1,760,514**	1,753,591	**1,760,514**	1,753,591
Private debt securities	**2,252,216**	2,291,301	**1,952,119**	2,025,655
Corporate loan stocks	**81,108**	60,507	**81,108**	60,507
Outside Malaysia				
Private debt securities	**18,520**	20,364	**–**	–
Floating rate notes	**–**	28,419	**–**	–
Structured notes	**32,564**	33,059	**32,564**	33,059
	10,796,631	10,897,848	**9,680,698**	9,782,560
Accumulated impairment losses	**(122,386)**	(130,925)	**(122,386)**	(130,925)
	10,674,245	10,766,923	**9,558,312**	9,651,635

The carrying value of financial investments held-to-maturity as at 31 December 2010, which was transferred from financial assets held-for-trading in previous financial year, for the Group and the Bank are RM26,038,000 (2009: RM28,806,000) and RM7,672,000 (2009: RM8,442,000) respectively. The fair value of these financial investments as at 31 December 2010 for the Group and the Bank are RM27,350,000 (2009: RM29,011,000) and RM7,672,000 (2009: RM8,442,000) respectively.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

7 LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(i) By type				
At amortised cost				
Overdrafts	**6,092,693**	5,989,096	**5,976,569**	5,905,150
Term loans/financing				
– housing loans/financing	**18,277,358**	15,510,118	**15,908,732**	13,635,744
– syndicated term loans/financing	**2,033,986**	2,899,403	**835,588**	1,183,871
– hire purchase receivables	**10,956,570**	9,693,483	**9,322,667**	8,609,305
– lease receivables	**146,399**	180,650	**–**	–
– other term loans/financing	**33,791,023**	22,179,938	**29,854,443**	20,063,952
Bills receivable	**1,507,021**	1,238,462	**1,418,203**	1,126,324
Trust receipts	**343,170**	381,389	**325,177**	348,602
Claims on customers under acceptance credits	**4,632,725**	4,909,187	**4,130,205**	4,421,097
Staff loans/financing	**348,021**	367,261	**336,528**	354,103
Credit card receivables	**1,644,995**	1,580,368	**1,644,465**	1,580,368
Revolving credit	**4,235,981**	4,913,737	**3,491,071**	4,266,950
Floor stocking	**1,569**	2,609	**1,569**	2,609
Gross loans, advances and financing	**84,011,511**	69,845,701	**73,245,217**	61,498,075
Allowance for impaired loans and financing				
– individual impairment allowance	**(854,899)**	–	**(682,522)**	–
– collective impairment allowance	**(1,625,609)**	–	**(1,437,137)**	–
– general allowance	**–**	(953,855)	**–**	(829,732)
– specific allowance	**–**	(1,764,729)	**–**	(1,551,647)
Net loans, advances and financing	**81,531,003**	67,127,117	**71,125,558**	59,116,696

Included in term loans are housing loans and hire purchase receivables sold to Cagamas with recourse amounting to RM818,503,000 (2009: RM1,168,826,000) for the Group and the Bank.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(ii) By type of customer				
Domestic non-bank financial institutions:				
– Others	**315,707**	377,356	**271,672**	356,703
Domestic business enterprises:				
– Small medium enterprises	**11,044,473**	11,342,280	**10,204,438**	10,470,732
– Others	**22,491,236**	20,019,990	**18,672,173**	16,285,728
Government and statutory bodies	**9,204,927**	3,764,664	**7,688,340**	3,652,478
Individuals	**36,427,343**	29,493,939	**32,597,448**	26,805,244
Other domestic entities	**8,324**	12,609	**7,898**	11,933
Foreign entities:				
– Malaysian operations	**876,700**	1,190,059	**380,437**	326,119
– Singapore operations	**3,191,218**	3,068,090	**3,003,249**	3,012,448
– Thailand operations	**297,308**	414,566	**266,403**	414,542
– Brunei operations	**154,275**	162,148	**153,159**	162,148
	84,011,511	69,845,701	**73,245,217**	61,498,075
(iii) By geographical distribution				
In Malaysia	**80,368,710**	66,200,897	**69,822,406**	57,908,937
Outside Malaysia:				
– Singapore operations	**3,191,218**	3,068,090	**3,003,249**	3,012,448
– Thailand operations	**297,308**	414,566	**266,403**	414,542
– Brunei operations	**154,275**	162,148	**153,159**	162,148
	84,011,511	69,845,701	**73,245,217**	61,498,075
(iv) By interest/profit rate sensitivity				
Fixed rate:				
– Housing loans/financing	**1,523,367**	1,501,691	**280,144**	84,512
– Hire purchase receivables	**10,956,595**	9,703,885	**9,322,691**	8,621,200
– Other fixed rate loans/financing	**14,156,353**	8,067,170	**10,992,848**	6,274,183
Variable rate:				
– BLR/BFR plus	**32,736,627**	27,386,891	**30,150,104**	26,045,031
– Cost-plus	**20,299,568**	18,468,875	**19,187,232**	17,388,631
– Other variable rates	**4,339,001**	4,717,189	**3,312,198**	3,084,518
	84,011,511	69,845,701	**73,245,217**	61,498,075

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(v) By purpose				
Purchase of securities	**3,958,677**	2,350,804	**3,946,408**	2,310,777
Purchase of transport vehicles	**9,567,339**	8,225,293	**7,785,528**	6,953,525
Purchase of landed property:				
– Residential	**18,838,783**	15,999,626	**16,398,769**	14,151,162
– Non-residential	**4,761,379**	3,943,025	**4,681,507**	3,875,849
Purchase of property, plant and equipment other than land and building	**3,336,170**	3,757,180	**2,310,062**	2,592,594
Personal use	**3,535,354**	2,749,034	**3,521,269**	2,735,243
Credit card	**1,644,995**	1,580,368	**1,644,465**	1,580,368
Purchase of consumer durables	**54,295**	61,414	**54,215**	61,305
Construction	**2,593,596**	2,218,554	**1,741,635**	1,568,295
Working capital	**21,046,790**	22,489,695	**18,782,989**	19,696,768
Merger and acquisition	**2,432,562**	19,945	**2,432,562**	19,945
Other purposes	**12,241,571**	6,450,763	**9,945,808**	5,952,244
	84,011,511	69,845,701	**73,245,217**	61,498,075
(vi) By remaining contractual maturities				
Maturing within one year	**28,945,514**	20,765,504	**26,693,967**	18,636,326
One year to three years	**4,692,280**	4,831,983	**3,608,248**	3,689,914
Three years to five years	**10,023,250**	8,217,166	**8,671,749**	7,024,373
Over five years	**40,350,467**	36,031,048	**34,271,253**	32,147,462
	84,011,511	69,845,701	**73,245,217**	61,498,075

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

(vii) Impaired loans, advances and financing

	Note	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
(a) Movement in impaired loans, advances and financing					
Balance as at the beginning of the financial year					
– As previously stated		**3,260,995**	2,773,693	**2,786,641**	2,439,233
– Effect of adoption of FRS 139	43	**1,375,390**	–	**1,272,812**	–
– As restated		**4,636,385**	2,773,693	**4,059,453**	2,439,233
Amount vested over from RHB Investment Bank Berhad		**–**	75,958	**–**	75,958
Classified as impaired during the financial year		**3,881,193**	3,868,086	**3,292,163**	3,395,364
Reclassified as non-impaired during the financial year		**(2,789,203)**	(2,502,944)	**(2,492,252)**	(2,256,431)
Amount recovered		**(961,049)**	(395,205)	**(894,802)**	(346,827)
Amount written off		**(1,084,148)**	(559,943)	**(1,033,573)**	(522,607)
Exchange difference		**(11,920)**	1,350	**(3,965)**	1,951
Balance as at the end of the financial year		**3,671,258**	3,260,995	**2,927,024**	2,786,641
(b) By purpose					
Purchase of securities		**82,558**	4,476	**82,558**	4,476
Purchase of transport vehicles		**241,331**	180,867	**149,281**	173,430
Purchase of landed property:					
– Residential		**1,163,245**	1,088,996	**961,155**	899,216
– Non-residential		**251,257**	167,975	**224,437**	165,285
Purchase of property, plant and equipment other than land and building		**203,251**	114,830	**121,115**	95,190
Personal use		**90,835**	92,830	**85,865**	90,620
Credit card		**78,954**	69,677	**78,954**	69,677
Purchase of consumer durables		**2,983**	3,745	**2,983**	3,745
Construction		**174,628**	105,533	**173,098**	93,176
Working capital		**1,370,284**	1,384,067	**1,038,976**	1,143,851
Other purposes		**11,932**	47,999	**8,602**	47,975
		3,671,258	3,260,995	**2,927,024**	2,786,641

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Note	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
(vii) Impaired loans, advances and financing (continued)					
(c) By geographical distribution					
In Malaysia		**3,515,643**	3,080,320	**2,803,485**	2,640,029
Outside Malaysia:					
– Singapore operations		**127,892**	164,374	**95,816**	130,335
– Thailand operations		**22,371**	8,896	**22,371**	8,872
– Brunei operations		**5,352**	7,405	**5,352**	7,405
		3,671,258	3,260,995	**2,927,024**	2,786,641
(d) Movement in allowance for impaired loans, advances and financing					
Individual impairment allowance					
Balance as at the beginning of the financial year					
– As previously stated		**–**	–	**–**	–
– Effect of adoption of FRS 139	43	**1,350,111**	–	**1,184,796**	–
– As restated		**1,350,111**	–	**1,184,796**	–
Allowance made		**256,812**	–	**176,396**	–
Amount recovered		**(73,489)**	–	**(56,430)**	–
Amount written off		**(672,015)**	–	**(621,024)**	–
Exchange difference		**(6,520)**	–	**(1,216)**	–
Balance as at the end of the financial year		**854,899**	–	**682,522**	–
Collective impairment allowance					
Balance as at the beginning of the financial year					
– As previously stated		**–**	–	**–**	–
– Effect of adoption of FRS 139	43	**1,613,437**	–	**1,437,941**	–
– As restated		**1,613,437**	–	**1,437,941**	–
Allowance made		**677,250**	–	**655,710**	–
Amount recovered		**(258,131)**	–	**(250,674)**	–
Amount written off		**(403,104)**	–	**(405,032)**	–
Exchange difference		**(3,843)**	–	**(808)**	–
Balance as at the end of the financial year		**1,625,609**	–	**1,437,137**	–

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Note	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
(vii) Impaired loans, advances and financing (continued)					
(d) Movement in allowance for impaired loans, advances and financing (continued)					
Specific allowance					
Balance as at the beginning of the financial year					
– As previously stated		**1,764,729**	1,413,048	**1,551,647**	1,279,234
– Effect of adoption of FRS 139	43	**(1,764,729)**	–	**(1,551,647)**	–
– As restated		–	1,413,048	–	1,279,234
Amount vested over from RHB Investment Bank Berhad		–	22,882	–	22,882
Allowance made		–	1,161,868	–	1,013,223
Amount recovered		–	(268,832)	–	(237,633)
Amount written off		–	(563,488)	–	(526,889)
Exchange difference		–	(749)	–	830
Balance as at the end of the financial year		–	1,764,729	–	1,551,647
General allowance					
Balance as at the beginning of the financial year					
– As previously stated		**953,855**	1,098,400	**829,732**	956,085
– Effect of adoption of FRS 139	43	**(953,855)**	–	**(829,732)**	–
– As restated		–	1,098,400	–	956,085
Net allowance written back		–	(144,722)	–	(127,095)
Exchange difference		–	177	–	742
Balance as at the end of the financial year		–	953,855	–	829,732
As % of gross loans, advances and financing less loans exempted from general allowance by Bank Negara Malaysia and specific allowance		–	1.5%	–	1.5%

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

8 OTHER ASSETS

		Group		Bank	
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
Other debtors, deposits and prepayments		**172,657**	275,038	**130,629**	240,458
Accrued interest receivable		**–**	173,273	**–**	147,020
Amount due from holding company	(i)	**1,024**	–	**1,024**	–
Amount due from subsidiaries	(i)	**–**	–	**50,793**	228,599
Amount due from related companies	(i)	**22,006**	5,785	**22,006**	5,785
		195,687	454,096	**204,452**	621,862

(i) Amounts due from holding company/subsidiaries/related companies are unsecured, interest free and receivable within the normal credit period.

9 DERIVATIVES ASSETS/(LIABILITIES)

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments are used by the Group and the Bank for economic hedges and also transacted in these instruments for proprietary trading purposes. The default classification for derivative financial instruments is trading, unless designated in a hedge relationship and are in compliance with the stringent requirements of hedge accounting mentioned in the Group's and Bank's accounting policies.

The table below shows the Group's and the Bank's derivative financial instruments as at the date of statements of financial position. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative financial asset) and gross negative (derivative financial liability) fair values at the date of statements of financial position are analysed below.

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Derivative assets	**298,389**	203,868	**298,148**	198,913
Derivative liabilities	**(240,161)**	(206,137)	**(238,984)**	(199,477)
	58,228	(2,269)	**59,164**	(564)

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

9 DERIVATIVES ASSETS/(LIABILITIES) (CONTINUED)

Group	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
2010			
Foreign exchange related contracts:			
– forwards/swaps	**14,015,055**	**159,624**	**(148,040)**
– options	**190,715**	**797**	**(760)**
– cross currency interest rate swaps	**1,245,502**	**12,860**	**(11,121)**
Interest rate related contracts:			
– swaps	**12,047,782**	**125,108**	**(80,240)**
Commodity contracts:			
– forwards	**17,628**	**–**	**–**
		298,389	**(240,161)**
2009			
Foreign exchange related contracts:			
– forwards/swaps	9,967,871	54,823	(64,269)
– options	167,251	701	(660)
– cross currency interest rate swaps	1,378,209	22,534	(20,695)
Interest rate related contracts:			
– swaps	9,392,976	125,810	(120,513)
		203,868	(206,137)

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

9 DERIVATIVES 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
2010			
Foreign exchange related contracts:			
– forwards/swaps	**14,016,586**	**159,624**	**(148,040)**
– options	**190,715**	**797**	**(760)**
– cross currency interest rate swaps	**1,245,502**	**12,860**	**(11,121)**
Interest rate related contracts:			
– swaps	**12,697,782**	**124,867**	**(79,063)**
Commodity contracts:			
– forwards	**17,628**	**–**	**–**
		298,148	**(238,984)**
2009			
Foreign exchange related contracts:			
– forwards/swaps	9,966,524	54,823	(64,269)
– options	167,251	701	(660)
– cross currency interest rate swaps	1,378,209	22,534	(20,695)
Interest rate related contracts:			
– swaps	9,372,432	120,855	(113,853)
		198,913	(199,477)

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

10 STATUTORY DEPOSITS

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Statutory deposits with BNM	**288,140**	150,960	**183,000**	81,720
Statutory deposits with Monetary Authority of Singapore	**128,178**	122,924	**128,178**	122,924
Statutory deposits with Ministry of Finance, Brunei	**9,886**	8,881	**9,886**	8,881
Statutory deposits with Labuan Offshore Financial Services Authority	**100**	100	**–**	–
	426,304	282,865	**321,064**	213,525

The non-interest bearing statutory deposits are maintained with BNM in compliance with Section 26(2) (c) of the Central Bank of Malaysia Act, 2009. 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 Section 61(2)(b)(ii) of the Labuan Financial Services and Securities Act 2010. The amounts are determined by the respective authorities.

11 DEFERRED TAX ASSETS/LIABILITIES

Deferred income 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 set off, are shown in the statements of financial position:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deferred tax assets	**260,089**	263,182	**220,303**	234,070
Deferred tax liabilities	**(6)**	(6)	**–**	–
	260,083	263,176	**220,303**	234,070
Deferred tax assets				
– settled more than 12 months	**208,764**	235,956	**175,317**	208,172
– settled within 12 months	**51,325**	27,226	**44,986**	25,898
Deferred tax liabilities				
– settled more than 12 months	**(6)**	(6)	**–**	–
	260,083	263,176	**220,303**	234,070

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

11 DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

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

Group	Note	Property, plant and equipment RM'000	Financial investments AFS RM'000	Tax losses RM'000	Loans, advances and financing RM'000	Other liabilities RM'000	Other temporary differences RM'000	Total RM'000
2010								
Balance as at the beginning of the financial year								
– As previously stated		(22,450)	5,558	4,823	236,670	30,347	8,228	263,176
– Effect of adoption of FRS 139	43	–	(36,452)	–	(18,374)	–	–	(54,826)
– As restated		(22,450)	(30,894)	4,823	218,296	30,347	8,228	208,350
Transfer (to)/from income statement	31	(17,269)	–	11,047	48,176	25,179	1,229	68,362
Transfer to equity		–	(16,518)	–	–	–	–	(16,518)
Exchange difference		–	–	(111)	–	–	–	(111)
Balance as at the end of the financial year		(39,719)	(47,412)	15,759	266,472	55,526	9,457	260,083
2009								
Balance as at the beginning of the financial year		(17,996)	(5,285)	4,744	278,391	–	8,290	268,144
Transfer (to)/from income statement	31	(4,454)	–	–	(41,721)	30,347	(62)	(15,890)
Transfer from equity		–	10,843	–	–	–	–	10,843
Exchange difference		–	–	79	–	–	–	79
Balance as at the end of the financial year		(22,450)	5,558	4,823	236,670	30,347	8,228	263,176

11 DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

The movements in deferred tax assets and liabilities during the financial year comprise the following (continued)

Bank	Note	Property, plant and equipment RM'000	Financial investments available-for-sale RM'000	Tax losses RM'000	Loans, advances and financing RM'000	Other liabilities RM'000	Other temporary differences RM'000	Total RM'000
2010								
Balance as at the beginning of the financial year								
– As previously stated		(22,247)	7,865	4,823	207,434	30,347	5,848	234,070
– Effect of adoption of FRS 139	43	–	(36,452)	–	(11,221)	–	–	(47,673)
– As restated		(22,247)	(28,587)	4,823	196,213	30,347	5,848	186,397
Transfer (to)/from income statement	31	(20,572)	–	11,047	41,853	18,649	(549)	50,428
Transfer to equity		–	(16,411)	–	–	–	–	(16,411)
Exchange difference		–	–	(111)	–	–	–	(111)
Balance as at the end of the financial year		(42,819)	(44,998)	15,759	238,066	48,996	5,299	220,303
2009								
Balance as at the beginning of the financial year		(17,793)	1,224	4,744	239,022	–	5,919	233,116
Transfer (to)/from income statement	31	(4,454)	–	–	(31,588)	30,347	(71)	(5,766)
Transfer from equity		–	6,641	–	–	–	–	6,641
Exchange difference		–	–	79	–	–	–	79
Balance as at the end of the financial year		(22,247)	7,865	4,823	207,434	30,347	5,848	234,070

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

11 DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

Deferred income tax assets have not been recognised on the following as it is not probable that the relevant subsidiaries will generate sufficient future taxable profits available against which the deductible temporary differences can be utilised:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unabsorbed tax losses carried forward	**735,124**	958,435	**–**	223,311
Unabsorbed capital allowances carried forward	**–**	38,691	**–**	–
	735,124	997,126	**–**	223,311

12 INVESTMENT IN SUBSIDIARIES

	Bank	
	2010 RM'000	2009 RM'000
Unquoted shares, at cost		
– in Malaysia	**810,909**	810,919
– outside Malaysia	**12,807**	12,807
	823,716	823,726
Accumulated impairment losses	**(744)**	(744)
	822,972	822,982

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The following are the subsidiaries of the Bank:

Name of the company	Paid-up capital	Effective interest 2010 %	Effective interest 2009 %	Principal activities
RHB Bank (L) Ltd.	US$54,000,000	**100**	100	Offshore banking
– RHB International Trust (L) Ltd.	US$40,000	**100**	100	Offshore trust company
– RHB Corporate Services Sdn Bhd	RM150,000	**100**	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 Delta Sdn Bhd	RM175,000,000	**100**	100	Dormant company
RHB Leasing Sdn Bhd	RM10,000,000	**100**	100	Leasing
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
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
RHB Trade Services Limited #	HK$2.00	**100**	100	Processing of letters of credit reissuance favouring Hong Kong beneficiaries
RHB Delta Nominees (Tempatan) Sdn Bhd+	RM10,000	**–**	100	Dormant company

* Subsidiaries audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers, Malaysia.

Subsidiary audited by a firm other than member firms of PricewaterhouseCoopers International Limited.

+ The Company has commenced Member's Voluntary Winding-Up on 13 July 2009 and has been accordingly dissolved on 7 December 2010.

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 2010 (continued)

13 PROPERTY, PLANT AND EQUIPMENT

Group 2010	Note	Freehold land RM'000	Leasehold land Less than 50 years RM'000	Leasehold land 50 years or more 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
Cost										
Balance as at the beginning of the financial year										
– As previously stated		82,954	–	–	253,757	194,806	193,594	856,793	10,561	1,592,465
– Effect of adoption of FRS 117 Improvement	43	–	1,426	130,841	–	–	–	–	–	132,267
– As restated		82,954	1,426	130,841	253,757	194,806	193,594	856,793	10,561	1,724,732
Disposals/written off		(1,387)	–	(6,016)	(3,220)	–	(1,999)	(12,869)	(1,904)	(27,395)
Additions		–	–	–	–	52,704	6,328	72,925	836	132,793
Reclassifications		456	–	–	(456)	(4,760)	4,387	373	–	–
Exchange difference		(36)	–	(2,320)	(1,299)	(388)	(368)	(738)	(41)	(5,190)
Balance as at the end of the financial year		81,987	1,426	122,505	248,782	242,362	201,942	916,484	9,452	1,824,940
Accumulated depreciation										
Balance as at the beginning of the financial year										
– As previously stated		–	–	–	56,589	119,163	179,608	658,227	9,313	1,022,900
– Effect of adoption of FRS 117 Improvement	43	–	644	5,511	–	–	–	–	–	6,155
– As restated		–	644	5,511	56,589	119,163	179,608	658,227	9,313	1,029,055
Charge for the year		–	35	466	5,004	13,523	5,602	61,592	699	86,921
Disposals/written off		–	–	(740)	(1,044)	–	(1,993)	(12,864)	(1,890)	(18,531)
Exchange difference		–	–	(8)	(345)	(304)	(336)	(552)	(30)	(1,575)
Balance as at the end of the financial year		–	679	5,229	60,204	132,382	182,881	706,403	8,092	1,095,870
Accumulated impairment loss										
Balance as at the beginning of the financial year										
– As previously stated		–	–	–	3,047	–	–	–	–	3,047
– Effect of adoption of FRS 117 Improvement	43	–	–	23,175	–	–	–	–	–	23,175
– As restated		–	–	23,175	3,047	–	–	–	–	26,222
Disposals/written off		–	–	(2,160)	(39)	–	–	–	–	(2,199)
Charge for the year		–	–	–	–	–	–	24,945	–	24,945
Written back		–	–	(20,577)	–	–	–	–	–	(20,577)
Exchange difference		–	–	(438)	(41)	–	–	–	–	(479)
Balance as at the end of the financial year		–	–	–	2,967	–	–	24,945	–	27,912
Net book value as at the end of the financial year		81,987	747	117,276	185,611	109,980	19,061	185,136	1,360	701,158

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group			Leasehold land				Office equipment	Computer equipment		
2009	Note	Freehold land RM'000	Less than 50 years RM'000	50 years or more RM'000	Buildings RM'000	Renovations RM'000	and furniture RM'000	and software RM'000	Motor vehicles RM'000	Total RM'000
Cost										
Balance as at the beginning of the financial year										
– As previously stated		86,271	–	–	254,344	173,915	184,077	776,932	11,130	1,486,669
– Effect of adoption of FRS 117 Improvement	43	–	1,426	129,186	–	–	–	–	–	130,612
– As restated		86,271	1,426	129,186	254,344	173,915	184,077	776,932	11,130	1,617,281
Disposals/written off		(3,343)	–	–	(3,671)	(28)	(811)	(1,145)	(642)	(9,640)
Additions		–	–	–	2,238	27,192	3,663	80,728	33	113,854
Reclassifications		–	–	–	–	(6,438)	6,438	–	–	–
Exchange difference		26	–	1,655	846	165	227	278	40	3,237
Balance as at the end of the financial year		82,954	1,426	130,841	253,757	194,806	193,594	856,793	10,561	1,724,732
Accumulated depreciation										
Balance as at the beginning of the financial year										
– As previously stated		–	–	–	52,234	108,158	174,367	609,557	8,971	953,287
– Effect of adoption of FRS 117 Improvement	43	–	609	5,036	–	–	–	–	–	5,645
– As restated		–	609	5,036	52,234	108,158	174,367	609,557	8,971	958,932
Charge for the year		–	35	470	5,044	10,909	5,832	49,461	960	72,711
Disposals/written off		–	–	–	(912)	(25)	(810)	(1,137)	(642)	(3,526)
Exchange difference		–	–	5	223	121	219	346	24	938
Balance as at the end of the financial year		–	644	5,511	56,589	119,163	179,608	658,227	9,313	1,029,055
Accumulated impairment loss										
Balance as at the beginning of the financial year										
– As previously stated		1,324	–	–	4,347	–	–	–	–	5,671
– Effect of adoption of FRS 117 Improvement	43	–	–	22,828	–	–	–	–	–	22,828
– As restated		1,324	–	22,828	4,347	–	–	–	–	28,499
Disposals		(1,324)	–	–	(1,304)	–	–	–	–	(2,628)
Exchange difference		–	–	347	4	–	–	–	–	351
Balance as at the end of the financial year		–	–	23,175	3,047	–	–	–	–	26,222
Net book value as at the end of the financial year		82,954	782	102,155	194,121	75,643	13,986	198,566	1,248	669,455

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank 2010	Note	Freehold land RM'000	Leasehold land Less than 50 years RM'000	Leasehold land 50 years or more 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
Cost										
Balance as at the beginning of the financial year										
– As previously stated		82,012	–	–	208,633	180,882	184,563	811,258	8,943	1,476,291
– Effect of adoption of FRS 117 Improvement	43	–	879	26,005	–	–	–	–	–	26,884
– As restated		82,012	879	26,005	208,633	180,882	184,563	811,258	8,943	1,503,175
Disposals/written off		(1,387)	–	(6,016)	(3,220)	–	(1,873)	(12,582)	(1,861)	(26,939)
Net transfer from a subsidiary company		–	–	–	–	–	1	146	–	147
Additions		–	–	–	–	50,290	6,170	71,121	446	128,027
Reclassifications		456	–	–	(456)	(4,760)	4,387	373	–	–
Exchange difference		(34)	–	–	(528)	(252)	(210)	(570)	(32)	(1,626)
Balance as at the end of the financial year		81,047	879	19,989	204,429	226,160	193,038	869,746	7,496	1,602,784
Accumulated depreciation										
Balance as at the beginning of the financial year										
– As previously stated		–	–	–	50,205	116,347	174,541	649,898	8,349	999,340
– Effect of adoption of FRS 117 Improvement	43	–	424	3,683	–	–	–	–	–	4,107
– As restated		–	424	3,683	50,205	116,347	174,541	649,898	8,349	1,003,447
Charge for the year		–	24	298	4,606	12,698	4,628	54,907	411	77,572
Disposals/written off		–	–	(740)	(1,044)	–	(1,872)	(12,576)	(1,847)	(18,079)
Net transfer from a subsidiary company		–	–	–	–	–	–	103	–	103
Exchange difference		–	–	–	(248)	(189)	(199)	(434)	(23)	(1,093)
Balance as at the end of the financial year		–	448	3,241	53,519	128,856	177,098	691,898	6,890	1,061,950
Accumulated impairment loss										
Balance as at the beginning of the financial year										
– As previously stated		–	–	–	390	–	–	–	–	390
– Effect of adoption of FRS 117 Improvement	43	–	–	2,160	–	–	–	–	–	2,160
– As restated		–	–	2,160	390	–	–	–	–	2,550
Disposals/written off		–	–	(2,160)	(39)	–	–	–	–	(2,199)
Balance as at the end of the financial year		–	–	–	351	–	–	–	–	351
Net book value as at the end of the financial year		81,047	431	16,748	150,559	97,304	15,940	177,848	606	540,483

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank 2009	Note	Freehold land RM'000	Leasehold land Less than 50 years RM'000	Leasehold land 50 years or more 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
Cost										
Balance as at the beginning of the financial year										
– As previously stated		82,917	–	–	209,137	162,199	178,289	734,804	9,532	1,376,878
– Effect of adoption of FRS 117 Improvement	43	–	879	26,005	–	–	–	–	–	26,884
– As restated		82,917	879	26,005	209,137	162,199	178,289	734,804	9,532	1,403,762
Additions		–	–	–	2,238	22,716	2,444	77,132	9	104,539
Net transfer to a subsidiary company		–	–	–	–	–	–	(39)	–	(39)
Disposals/written off		(929)	–	–	(3,119)	(28)	(547)	(1,080)	(638)	(6,341)
Reclassification		–	–	–	–	(4,174)	4,174	–	–	–
Exchange difference		24	–	–	377	169	203	441	40	1,254
Balance as at the end of the financial year		82,012	879	26,005	208,633	180,882	184,563	811,258	8,943	1,503,175
Accumulated depreciation										
Balance as at the beginning of the financial year										
– As previously stated		–	–	–	46,051	106,513	170,326	604,814	8,315	936,019
– Effect of adoption of FRS 117 Improvement	43	–	401	3,383	–	–	–	–	–	3,784
– As restated		–	401	3,383	46,051	106,513	170,326	604,814	8,315	939,803
Charge for the year		–	23	300	4,627	9,725	4,566	45,849	646	65,736
Net transfer to a subsidiary company		–	–	–	–	–	–	(46)	–	(46)
Disposals/written off		–	–	–	(649)	(25)	(547)	(1,081)	(638)	(2,940)
Exchange difference		–	–	–	176	134	196	362	26	894
Balance as at the end of the financial year		–	424	3,683	50,205	116,347	174,541	649,898	8,349	1,003,447
Accumulated impairment loss										
Balance as at the beginning of the financial year										
– As previously stated		–	–	–	1,694	–	–	–	–	1,694
– Effect of adoption of FRS 117 Improvement	43	–	–	2,160	–	–	–	–	–	2,160
– As restated		–	–	2,160	1,694	–	–	–	–	3,854
Disposals		–	–	–	(1,304)	–	–	–	–	(1,304)
Balance as at the end of the financial year		–	–	2,160	390	–	–	–	–	2,550
Net book value as at the end of the financial year		82,012	455	20,162	158,038	64,535	10,022	161,360	594	497,178

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Accumulated depreciation and impairment loss				
Balances as at the beginning of the financial year	**1,055,277**	987,431	**1,005,997**	943,657
Balances as at the end of the financial year	**1,123,782**	1,055,277	**1,062,301**	1,005,997

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

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cost				
Renovations	**18,280**	17,258	**12,742**	13,565
Computer equipment and software	**13,689**	46,059	**8,075**	34,395
	31,969	63,317	**20,817**	47,960

14 GOODWILL

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Balance as at the beginning/end of the financial year	**1,004,017**	1,004,017	**905,519**	905,519

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

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CGUs				
Corporate and investment banking	**200,859**	200,859	**182,461**	182,461
Retail banking	**307,919**	482,696	**292,837**	467,614
Business banking	**174,777**	–	**174,777**	–
Treasury and money market	**268,600**	268,600	**255,444**	255,444
Islamic banking business	**51,862**	51,862	**–**	–
	1,004,017	1,004,017	**905,519**	905,519

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

14 GOODWILL (CONTINUED)

The Group has adopted FRS 8 'Operating segments' from 1 January 2010. The adoption of FRS 8 has resulted in an increase in the number of reportable segments presented. As goodwill is allocated by management to CGUs according to the operating segment, the change in reportable segments has resulted in re-allocation of goodwill of RM174,777,000 from the Retail Banking operating segment to the newly identified operating segment Business Banking. Comparatives have not been restated. This reallocation of goodwill has been accounted for prospectively in accordance with the transitional provisions of the amendments to FRS 136 'Impairment of Assets'.

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 four-year (2009: four-year) period. Cash flows beyond the four-year period are assumed to grow at 3.0% (2009: 3.0%) to perpetuity.

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 6.3% (2009: 8.5%). The discount rate used is pre-tax and is computed based on industry information to reflect the risks of the CGUs.

Impairment was not 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.

15 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(i) By type of deposits				
Demand deposits	**19,586,179**	18,643,096	**17,754,994**	16,586,285
Savings deposits	**5,832,118**	5,663,371	**5,259,209**	5,099,883
Fixed/investment deposits	**66,735,221**	57,244,978	**57,309,056**	49,592,081
Negotiable instrument of deposits	**249,295**	316,409	**244,318**	311,655
	92,402,813	81,867,854	**80,567,577**	71,589,904
(ii) By type of customer				
Government and statutory bodies	**8,204,293**	6,421,045	**5,812,370**	4,659,229
Business enterprises	**52,811,960**	47,692,150	**46,174,305**	40,535,823
Individuals	**27,507,468**	25,372,763	**26,381,770**	24,454,489
Others	**3,879,092**	2,381,896	**2,199,132**	1,940,363
	92,402,813	81,867,854	**80,567,577**	71,589,904

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

15 DEPOSITS FROM CUSTOMERS (CONTINUED)

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
(iii) By maturity structure of the fixed/investment deposits and negotiable instrument of deposits				
Due within six months	**56,684,715**	48,803,931	**48,475,102**	41,874,203
Six months to one year	**9,821,293**	8,105,949	**8,750,259**	7,394,931
One year to three years	**449,560**	645,883	**299,814**	629,956
Three years to five years	**28,948**	5,382	**28,199**	4,646
Over five years	**–**	242	**–**	–
	66,984,516	57,561,387	**57,553,374**	49,903,736

16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Licensed banks/Islamic banks	**5,228,464**	5,214,833	**3,809,608**	4,676,253
Licensed investments banks	**253,475**	100,000	**150,475**	100,000
BNM	**2,197,885**	690,006	**2,197,885**	690,006
Others	**485**	348,385	**485**	485
	7,680,309	6,353,224	**6,158,453**	5,466,744

17 OTHER LIABILITIES

	Note	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Accrued interest payable		**–**	289,333	**–**	258,194
Amount due to holding company	(i)	**106**	1,882	**–**	1,716
Amount due to subsidiaries	(i)	**–**	–	**23,345**	16,886
Amount due to related companies	(i)	**2,954**	4,658	**2,639**	4,471
Amount due to Danaharta	(ii)	**1,796**	1,824	**1,796**	1,824
Prepaid instalment		**77,670**	76,602	**77,670**	76,602
Lessee deposits		**64,930**	73,941	**–**	–
Short term employee benefits		**122,859**	147,868	**112,732**	139,762
Other creditors and accruals		**732,072**	674,645	**649,983**	573,952
		1,002,387	1,270,753	**868,165**	1,073,407

(i) Amounts due to holding company, subsidiaries and related companies are unsecured, interest free and repayable within the normal credit period.

(ii) 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.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

18 LONG TERM BORROWINGS

	Group and Bank	
	2010 RM'000	2009 RM'000
Unsecured:		
Term loans	**819,362**	958,720
Scheduled repayment of long term borrowings are as follows:		
Repayable within one year	**83,177**	51,360
One year to three years	**200,427**	201,160
Three years to five years	**200,427**	333,840
Over five years	**335,331**	372,360
	819,362	958,720

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 was 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 range from 0.78% to 1.11% (2009: 1.11% to 3.51%) per annum.

On 24 March 2008, the Bank entered into another agreement with JBIC to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 10 years. Disbursement of USD100 million was done on 30 May 2008. The said loan is repayable on 8 March and 8 September each year for 20 equal instalments commencing 8 September 2010 to 8 March 2020 and bears a floating interest rate of BBA LIBOR plus 0.315% per annum. The average interest rates range from 0.70% to 1.03% (2009: 1.03% to 3.43%) per annum.

On 28 May 2009, the Bank entered into the third agreement with JBIC to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 8 years. Disbursement of USD100 million was done on 28 July 2009. The said loan is repayable on 10 April and 10 October each year for 16 equal instalments commencing 10 October 2011 to 10 April 2019 and bears a floating interest rate of BBA LIBOR plus 0.80% per annum. The average interest rates range from 1.25% to 1.40% per annum (2009: 1.40% to 1.75%) per annum.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

19 SUBORDINATED OBLIGATIONS

		Group and Bank 2010 RM'000	Group and Bank 2009 RM'000
5.0% RM1,300 million Subordinated Notes 2007/2017	(i)	**1,305,699**	1,300,000
5.5% RM700 million Subordinated Notes 2007/2022	(i)	**703,375**	700,000
5.0% RM700 million Subordinated Notes 2010/2020	(ii)	**706,137**	–
5.6% RM300 million Subordinated Notes 2010/2025	(ii)	**302,946**	–
		3,018,157	2,000,000

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

Tranche	Principal RM'million	Maturity Date	Interest Rate	Interest Payment
2007/2017	1,300	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	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.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

19 SUBORDINATED OBLIGATIONS (CONTINUED)

(ii) On 29 April 2010, the Bank issued RM1.0 billion nominal value of Subordinated Notes, being the remaining balance of the issuance of RM3.0 billion in nominal value of Subordinated Notes and/or Senior Notes under a Medium Term Note Programme. The RM1.0 billion Subordinated Notes comprises:

Tranche	Principal RM'million	Maturity Date	Interest Rate	Interest Payment
2010/2020	700	29 April 2020 (Callable with step-up on 2015)	5.0 % per annum chargeable to 29 April 2015 (but exclusive of payment date), thereafter on step-up coupon rate at 0.5% per annum	Accrued and payable semi-annually in arrears
2010/2025	300	29 April 2025 (Callable with step-up on 2020)	5.6% per annum chargeable to 29 April 2020 (but exclusive of payment date), thereafter on step-up coupon rate of 0.5% per annum	Accrued and payable semi-annually in arrears

20 HYBRID TIER I CAPITAL SECURITIES

		Group and Bank	
		2010 RM'000	2009 RM'000
RM370 million Hybrid Tier I Capital Securities due in 2039, callable with step-up in 2019	(i)	**374,769**	366,996
RM230 million Hybrid Tier I Capital Securities due in 2039, callable with step-up in 2019	(ii)	**230,638**	230,000
		605,407	596,996

(i) On 31 March 2009, the Bank had completed the first issuance of RM370 million nominal value of Hybrid Tier I Capital Securities ('HT1 Capital Securities') out of its RM600 million Hybrid Tier I Capital Securities Programme. The RM370 million HT1 Capital Securities will mature in 2039 and is callable in 2019. The HT1 Capital Securities bears interest at the rate of 8.0% per annum commencing from the first issue date and thereafter at a stepped up rate of 9.0% per annum from 2019 if not called. The interest is payable semi-annually in arrears.

(ii) On 17 December 2009, the Bank issued the remaining RM230 million nominal value of HTI Capital Securities which will mature in 2039 and is callable in 2019. The second issuance of HTI Capital Securities bears interest at the rate of 6.75% per annum commencing from the first issue date and thereafter at a stepped up rate of 7.75% per annum from 2019 if not called. The interest is payable semi-annually in arrears.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

21 ORDINARY SHARE CAPITAL

	Number of shares			
	2010	2009	2010	2009
	'000	'000	RM'000	RM'000
Bank				
Ordinary shares of 50 sen each				
Authorised:				
Balance as at the beginning/end of the financial year	**8,000,000**	8,000,000	**4,000,000**	4,000,000
Issued and fully paid:				
Balance as at the beginning/end of the financial year	**6,636,170**	6,636,170	**3,318,085**	3,318,085

22 RESERVES

		Group		Bank	
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
Retained profits	(i)	**2,827,885**	1,946,458	**2,220,855**	1,460,435
Share premium		**8,563**	8,563	**8,563**	8,563
Statutory reserves	(ii)	**2,946,064**	2,588,710	**2,714,580**	2,390,971
AFS reserves	(iii)	**143,202**	(16,005)	**134,995**	(23,595)
Translation reserves	(iv)	**(79,815)**	(13,818)	**396**	25,585
		5,845,899	4,513,908	**5,079,389**	3,861,959

(i) 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.

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 2010.

(ii) 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.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

22 RESERVES (CONTINUED)

(iii) Available-for-sale reserves arise from a change in the fair value of financial investment classified as available-for-sale. The unrealised gains or losses are transferred to the income statement upon disposal, derecognition or impairment of such securities.

(iv) Translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations and subsidiaries.

23 INTEREST INCOME

	Group		Bank	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Loans, advances and financing	**3,654,896**	3,211,013	**3,602,423**	3,129,063
Money at call and deposit placements with banks and other financial institutions	**250,613**	263,053	**258,460**	275,623
Securities purchased under resale agreement	**6,857**	6,040	**6,857**	6,040
Financial assets held-for-trading	**8,212**	16,917	**8,212**	16,917
Financial investments available-for-sale	**238,206**	185,699	**238,206**	185,530
Financial investments held-to-maturity	**411,976**	346,042	**410,563**	340,717
Others	**5,916**	7,383	**5,916**	7,383
	4,576,676	4,036,147	**4,530,637**	3,961,273
Interest suspended	**–**	(104,731)	**–**	(103,116)
	4,576,676	3,931,416	**4,530,637**	3,858,157
Of which:				
Interest income accrued on impaired financial assets	**25,433**	–	**25,433**	–

24 INTEREST EXPENSE

	Group		Bank	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Deposits and placements of banks and other financial institutions	**83,140**	61,114	**84,332**	62,526
Deposits from customers	**1,444,950**	1,206,451	**1,432,199**	1,180,219
Subordinated obligations	**138,554**	103,500	**138,554**	103,500
Recourse obligation on loans sold to Cagamas	**52,022**	43,572	**52,022**	43,572
Hybrid Tier I Capital Securities	**45,354**	23,182	**45,354**	23,182
Borrowings	**8,883**	16,624	**8,883**	16,624
Others	**49,809**	38,042	**49,809**	38,044
	1,822,712	1,492,485	**1,811,153**	1,467,667

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

25 OTHER OPERATING INCOME

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Fee income:				
Commission	**114,459**	120,533	**110,816**	116,175
Service charges and fees	**166,111**	147,847	**159,051**	142,626
Guarantee fees	**35,572**	36,709	**35,572**	36,709
Commitment fees	**52,456**	48,702	**52,456**	48,702
Underwriting fees	**1,213**	286	**1,213**	286
Other fees	**13,903**	11,443	**14,381**	11,927
	383,714	365,520	**373,489**	356,425
Net gain arising from financial assets held-for-trading	**30,220**	53,693	**30,220**	53,693
Net gain on revaluation of derivatives	**38,833**	2,529	**38,703**	1,857
Net gain/(loss) arising from financial investments available-for-sale				
– net gain/(loss) on disposal	**36,950**	(845)	**36,995**	(845)
– gross dividend income	**5,935**	7,285	**5,932**	7,285
	42,885	6,440	**42,927**	6,440
Net gain arising from financial investments held-to-maturity				
– net gain on redemption	**1,044**	–	**1,044**	–
Gross dividend income from a subsidiary	**–**	–	**–**	10,516
Other income:				
Foreign exchange gain/(loss)				
– realised	**163,038**	202,154	**159,788**	201,136
– unrealised	**21,025**	(15,208)	**21,025**	(15,208)
Gain/(loss) on liquidation of subsidiaries	**–**	–	**(10)**	1,625
Gain on disposal of property, plant and equipment	**6,769**	2,858	**6,769**	2,597
Other operating income	**46,170**	48,890	**45,661**	43,801
Other non-operating income	**5,078**	14,625	**3,202**	11,526
	242,080	253,319	**236,435**	245,477
	738,776	681,501	**722,818**	674,408

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

26 INCOME FROM ISLAMIC BANKING BUSINESS

	Group	
	2010 RM'000	2009 RM'000
Income derived from investment of depositors' funds	**493,365**	434,256
Income derived from investment of shareholder's funds	**55,381**	48,449
Transfer (to)/from Profit Equalisation Reserve	**(201)**	1,409
Total distributable income	**548,545**	484,114
Income attributable to depositors	**(214,549)**	(157,671)
	333,996	326,443
Of which:		
Financing income earned on impaired financing and advances	**7,119**	–

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

27 OTHER OPERATING EXPENSES

		Group		Bank	
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
Personnel cost					
– Salaries, allowances and bonuses		**655,970**	598,806	**598,175**	545,806
– Contributions to EPF		**98,943**	90,944	**89,920**	82,523
– Other staff related costs		**76,551**	60,868	**70,237**	53,974
		831,464	750,618	**758,332**	682,303
Establishment cost					
– Property, plant and equipment					
– Depreciation		**86,921**	72,711	**77,572**	65,736
– Written off		**10**	–	**4**	–
– Rental of premises		**55,724**	50,613	**53,239**	48,236
– Rental equipment		**9,825**	11,853	**9,493**	11,446
– Insurance		**22,628**	34,261	**20,974**	28,675
– Water and electricity		**19,283**	18,608	**17,780**	17,066
– Repair and maintenance		**48,704**	41,242	**46,051**	39,562
– Information technology expenses		**105,063**	80,497	**97,060**	70,735
– Others		**2,246**	808	**–**	–
		350,404	310,593	**322,173**	281,456
Marketing expenses					
– Sales commission		**9,714**	31,130	**9,100**	30,267
– Advertisement and publicity		**49,069**	36,707	**44,532**	30,406
– Dealers' handling and warranty fees		**5**	14,486	**–**	12,506
– Others		**52,780**	60,533	**50,689**	54,943
		111,568	142,856	**104,321**	128,122
Administration and general expenses					
– Communication expenses		**74,750**	77,490	**68,853**	71,946
– Auditors' remuneration	(i)	**3,020**	2,318	**2,558**	1,975
– Legal and professional fee		**13,379**	18,466	**11,969**	16,448
– Others		**67,344**	95,284	**33,801**	60,304
		158,493	193,558	**117,181**	150,673
		1,451,929	1,397,625	**1,302,007**	1,242,554

Included in the personnel cost of the Group and the Bank are Managing Director's remuneration (exclude benefits-in-kind) totalling RM2,181,000 (2009: RM3,803,000), as disclosed in Note 28.

Included in administration and general expenses of the Group and the Bank are other directors' remuneration (exclude benefits-in-kind) totalling RM1,113,000 (2009: RM1,124,000) and RM1,005,000 (2009: RM1,030,000) respectively, as disclosed in Note 28.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

27 OTHER OPERATING EXPENSES (CONTINUED)

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(i) Auditors' remuneration				
(a) Audit				
– Statutory audit				
– Malaysia	**1,276**	927	**1,035**	730
– Overseas	**554**	591	**492**	510
– Limited review	**275**	250	**275**	250
– Other audit related	**180**	140	**125**	95
	2,285	1,908	**1,927**	1,585
(b) Non-audit				
– Malaysia	**637**	410	**553**	390
– Overseas	**98**	–	**78**	–
	735	410	**631**	390
	3,020	2,318	**2,558**	1,975

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

28 DIRECTORS' REMUNERATION

The details remuneration of the Directors and Managing Director of the Group and the Bank are as follows:

2010	Salary and other remuneration RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
Group and Bank				
Managing Director				
Dato' Tajuddin Atan	1,501	53	680	2,234

	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Others RM'000	Total RM'000
Group				
Non-Executive Directors				
Tan Sri Azlan Zainol (Chairman)	120	25	18	163
Mohamed Ali Ahmed Hamad Al Dhaheri	80	–	15	95
Johari Abdul Muid	98	–	105	203
Dato Abdullah Mat Noh	90	27	77	194
Haji Khairuddin Ahmad	80	24	144	248
Ong Seng Pheow	80	–	60	140
Choong Tuck Oon	68	–	49	117
Dato' Othman Jusoh	20	–	9	29
	636	76	477	1,189
Bank				
Non-Executive Directors				
Tan Sri Azlan Zainol (Chairman)	120	25	18	163
Mohamed Ali Ahmed Hamad Al Dhaheri	80	–	15	95
Johari Abdul Muid	80	–	70	150
Dato Abdullah Mat Noh	80	27	52	159
Haji Khairuddin Ahmad	80	24	144	248
Ong Seng Pheow	80	–	60	140
Choong Tuck Oon	60	–	37	97
Dato' Othman Jusoh	20	–	9	29
	600	76	405	1,081

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

28 DIRECTORS' REMUNERATION (CONTINUED)

The details remuneration of the Directors and Managing Director of the Group and the Bank are as follows (continued):

2009	Salary and other remuneration RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
Group and Bank				
Managing Director				
Dato' Tajuddin Atan	788	24	–	812
Michael Joseph Barrett (Resigned on 1 May 2009)	1,080	108	1,935	3,123
	1,868	132	1,935	3,935

Group	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Others RM'000	Total RM'000
Non-Executive Directors				
Tan Sri Azlan Zainol (Chairman)	120	25	24	169
Mohamed Ali Ahmed Hamad Al Dhaheri	47	–	9	56
Johari Abdul Muid	96	–	90	186
Dato Abdullah Mat Noh	87	–	55	142
Haji Khairuddin Ahmad	80	–	112	192
Ong Seng Pheow	80	–	55	135
Dato' Mohd Salleh Hj Harun	80	–	52	132
Dato' Othman Jusoh	80	–	40	120
Eirvin Bee Knox	13	–	4	17
	683	25	441	1,149
Bank				
Non-Executive Directors				
Tan Sri Azlan Zainol (Chairman)	120	25	24	169
Mohamed Ali Ahmed Hamad Al Dhaheri	47	–	9	56
Johari Abdul Muid	80	–	61	141
Dato Abdullah Mat Noh	80	–	39	119
Haji Khairuddin Ahmad	80	–	112	192
Ong Seng Pheow	80	–	55	135
Dato' Mohd Salleh Hj Harun	70	–	37	107
Dato' Othman Jusoh	80	–	39	119
Eirvin Bee Knox	13	–	4	17
	650	25	380	1,055

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

29 ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Individual impairment allowance	**183,323**	–	**119,966**	–
Collective impairment allowance	**419,119**	–	**405,036**	–
Specific allowance	**–**	893,036	**–**	775,590
General allowance	**–**	(144,722)	**–**	(127,095)
Impaired loans and financing recovered	**(183,230)**	(161,728)	**(175,265)**	(157,005)
	419,212	586,586	**349,737**	491,490

30 IMPAIRMENT LOSSES/(WRITE-BACK) ON OTHER ASSETS

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Charge for the financial year				
– Financial investments:				
– available-for-sale	**51,192**	–	**51,169**	–
– held-to-maturity	**8,512**	–	**8,512**	–
– Foreclosed properties	**511**	571	**511**	571
– Property, plant and equipment	**24,945**	–	**–**	–
Reversal for the financial year				
– Financial investments:				
– available-for-sale	**(1,624)**	(9,767)	**(1,624)**	(7,153)
– held-to-maturity	**(8,437)**	(19,595)	**(8,437)**	(19,595)
– Foreclosed properties	**(330)**	(313)	**(330)**	(313)
– Property, plant and equipment	**(20,577)**	–	**–**	–
	54,192	(29,104)	**49,801**	(26,490)

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

31 TAXATION

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysian income tax:				
– Current year	**522,562**	351,319	**478,253**	334,261
– Under/(over) provision in prior years	**17,162**	(67,275)	**15,100**	(66,284)
Overseas taxation:				
– Current year	**3,001**	4,363	**2,801**	3,950
– Under/(over) provision in prior years	**486**	(365)	**594**	(65)
Deferred taxation (Note 11)	**(68,362)**	15,890	**(50,428)**	5,766
	474,849	303,932	**446,320**	277,628
Current year				
Current year	**525,563**	355,682	**481,054**	338,211
Under/(over) provision in prior years	**17,648**	(67,640)	**15,694**	(66,349)
	543,211	288,042	**496,748**	271,862
Deferred tax				
Origination and reversal of temporary differences	**(68,362)**	15,890	**(50,428)**	5,766
	(68,362)	15,890	**(50,428)**	5,766
	474,849	303,932	**446,320**	277,628

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

31 TAXATION (CONTINUED)

The numerical reconciliation between the effective tax rate and the applicable statutory income tax rate are as follows:

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	%	**%**	**%**	**%**
Tax at Malaysia statutory tax rate	**25.0**	25.0	**25.0**	25.0
Tax effects in respect of:				
Non allowable expenses	**1.0**	1.1	**0.8**	1.1
Non-taxable income	**(0.3)**	(0.1)	**(0.1)**	(0.3)
Effect of different tax rates in Labuan/other countries	**0.1**	(1.0)	**0.7**	(0.2)
Recognition of deferred tax on unabsorbed tax losses not previously recognised	**(0.6)**	–	**(0.6)**	–
Utilisation of unabsorbed business losses brought forward previously not recognised	**(0.6)**	(0.6)	**(0.6)**	(0.7)
Other temporary differences not recognised	**(0.6)**	0.5	**(0.5)**	0.4
Under/(over) provision in prior years	**1.0**	(4.5)	**0.9**	(4.9)
Effective tax rate	**25.0**	20.4	**25.6**	20.4
	RM'000	**RM'000**	**RM'000**	**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	**9,966**	9,620	**9,966**	9,620

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

32 EARNINGS PER SHARE

(a) Basic earnings per share

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

	Group		Bank	
	2010	**2009**	**2010**	**2009**
Net profit for the financial year (RM'000)	**1,426,554**	1,187,836	**1,294,437**	1,079,716
Weighted average number of ordinary shares in issue ('000)	**6,636,170**	6,636,170	**6,636,170**	6,636,170
Basic earnings per share (sen)	**21.5**	17.9	**19.5**	16.3

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding as at 31 December 2010 and 31 December 2009.

33 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2010			2009		
	Before tax RM'000	**Tax expenses RM'000**	**Net of tax amount RM'000**	**Before tax RM'000**	**Tax benefits RM'000**	**Net of tax amount RM'000**
Group						
Financial investments available-for-sale – net fair value gain/(loss) and amount transfer to income statements	**66,368**	**(16,518)**	**49,850**	(43,067)	10,843	(32,224)
Bank						
Financial investments available-for-sale – net fair value gain/(loss) and amount transfer to income statements	**65,644**	**(16,411)**	**49,233**	(26,752)	6,641	(20,111)

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

34 ORDINARY DIVIDENDS

Dividend declared and proposed are as follows:

	2010		2009	
	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				
Interim dividend for 2010	**3.01**	**150,000**	–	–
Final dividend for 2010/2009	**4.78**	**238,000**	1.89	94,068
	7.79	**388,000**	1.89	94,068

At the forthcoming Annual General Meeting, a final gross dividend in respect of the current financial year of 4.78 sen less 25% tax amounting to RM238,000,000 will be proposed for shareholder's approval. These financial statements do not reflect this final dividend which will be accounted for in the shareholder's equity as an appropriation of retained profits in the financial year ending 31 December 2011 when approved by the shareholder.

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

	2010		2009	
	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				
Interim dividend for 2010	**3.01**	**150,000**	–	–
Final dividend for 2009	**1.89**	**94,068**	–	–
Final dividend for 2008	**–**	**–**	3.12	155,286
	4.90	**244,068**	3.12	155,286

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

35 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	Former holding body
RHB Capital Berhad	Holding company
Subsidiaries of EPF as disclosed in its financial statements	Subsidiaries of the former holding body
Subsidiaries of RHB Capital Berhad as disclosed in its financial statements	Subsidiaries 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: – All Directors of the Bank, its key subsidiaries and RHB Capital Berhad – RHB Capital Berhad Central Management Committee members – Key management personnel of EPF who are in charge of the RHB Capital Group
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

(b) Significant related party balances and transactions

In addition to related party disclosures mentioned in Notes 8 and 17, set out below are other significant related party transactions and balances.

Other related companies comprise the other companies in RHB Capital Berhad Group. EPF ceased to be the ultimate holding body of the Bank with effect from 3 December 2010.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

35 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Group	Former ultimate holding body RM'000	Holding company RM'000	Key management personnel RM'000	Other related companies RM'000
2010				
Income				
Interest on deposits and placements with other financial institutions	–	–	–	481
Interest on loans, advances and financing	–	11,148	93	2,579
Other income	–	–	2	1,989
	–	11,148	95	5,049
Expenditure				
Interest on deposits and placements of banks and other financial institutions	–	–	–	7,382
Interest on deposits from customers	65,816	250	386	6,506
Rental of premises	–	–	–	12,988
Management fee	–	–	–	2,291
Other expenses	–	–	–	26,432
	65,816	250	386	55,599
Amount due from				
Deposits and placements of banks and other financial institutions	–	–	–	–
Derivative assets	–	–	–	2,489
Loans, advances and financing	–	352,800	2,670	–
Other assets	–	1,024	–	22,006
	–	353,824	2,670	24,495
Amount due to				
Deposits from customers	–	345,970	25,534	269,436
Deposits and placements of banks and other financial institutions	–	–	–	100,033
Derivative liabilities	–	–	–	4,102
Other liabilities	–	106	–	2,954
Hybrid Tier I Capital Securities	–	–	–	5,000
	–	346,076	25,534	381,525

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

35 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Group	Ultimate holding body RM'000	Immediate holding company RM'000	Key management personnel RM'000	Other related companies RM'000
2009				
Income				
Interest on deposits and placements with other financial institutions	–	–	–	348
Interest on loans, advances and financing	–	9,724	219	–
Other income	–	–	–	10,089
	–	9,724	219	10,437
Expenditure				
Interest on deposits and placements of banks and other financial institutions	–	–	–	2,584
Interest on deposits from customers	57,252	452	956	3,265
Rental of premises	–	–	–	11,064
Management fee	–	–	–	1,123
Other expenses	–	–	–	19,183
	57,252	452	956	37,219
Amount due from				
Deposits and placements of banks and other financial institutions	–	–	–	22,770
Derivative assets	–	–	–	3,377
Loans, advances and financing	–	264,184	5,713	54
Other assets	–	–	–	5,785
	–	264,184	5,713	31,986
Amount due to				
Deposits from customers	3,003,687	102,606	12,574	172,450
Derivative liabilities	–	–	–	5,048
Other liabilities	–	1,882	–	4,658
Hybrid Tier I Capital Securities	–	–	–	5,000
	3,003,687	104,488	12,574	187,156

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

35 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank	Former ultimate holding body RM'000	Holding company RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
2010					
Income					
Interest on deposits and placements with other financial institutions	–	–	12,286	–	481
Interest on loans, advances and financing	–	11,148	1,564	93	2,579
Other income	–	–	423	2	1,677
	–	11,148	14,273	95	4,737
Expenditure					
Interest on deposits and placements of banks and other financial institutions	–	–	1,280	–	7,382
Interest on deposits from customers	65,816	250	186	380	6,506
Rental of premises	–	–	4,215	–	12,988
Management fee	–	–	–	–	2,291
Reimbursement of operating expenses from a subsidiary	–	–	(49,236)	–	–
Other expenses	–	–	8	–	25,594
	65,816	250	(43,547)	380	54,761
Amount due from					
Money at call and deposit placements	–	–	31,790	–	–
Deposits and placements with banks and other financial institutions	–	–	972,032	–	–
Derivative assets	–	–	1,265	–	2,489
Loans, advances and financing	–	352,800	141,803	2,670	–
Other assets	–	1,024	50,793	–	22,006
	–	353,824	1,197,683	2,670	24,495
Amount due to					
Deposits from customers	–	345,970	40,768	25,227	264,539
Deposits and placements of banks and other financial institutions	–	–	16,197	–	100,033
Derivative liabilities	–	–	1,248	–	4,102
Other liabilities	–	–	23,345	–	2,639
Hybrid Tier I Capital Securities	–	–	–	–	5,000
	–	345,970	81,558	25,227	376,313

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

35 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Group	Ultimate holding body RM'000	Immediate holding company RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
2009					
Income					
Interest on deposits and placements with other financial institutions	–	–	16,630	–	348
Interest on loans, advances and financing	–	9,724	4,265	219	–
Other income	–	–	7,920	–	9,661
	–	9,724	28,815	219	10,009
Expenditure					
Interest on deposits and placements of banks and other financial institutions	–	–	4,211	–	2,584
Interest on deposits from customers	57,215	452	177	929	3,265
Interest on finance lease	–	–	1	–	–
Rental of premises	–	–	3,922	–	10,975
Management fee	–	–	–	–	1,123
Reimbursement of operating expenses from a subsidiary	–	–	(50,322)	–	–
Other expenses	–	–	263	–	18,641
	57,215	452	(41,748)	929	36,588
Amount due from					
Deposits and placements with banks and other financial institutions	–	–	1,077,752	–	22,770
Derivative assets	–	–	3,252	–	3,377
Loans, advances and financing	–	264,184	207,631	5,713	54
Other assets	–	–	228,599	–	5,785
	–	264,184	1,517,234	5,713	31,986
Amount due to					
Deposits from customers	2,786,229	102,606	42,711	10,026	170,627
Deposits and placements of banks and other financial institutions	–	–	470,620	–	–
Derivative liabilities	–	–	–	–	5,048
Other liabilities	–	1,716	16,886	–	4,471
Hybrid Tier I Capital Securities	–	–	–	–	5,000
Bank guarantee	–	–	61,345	–	–
	2,786,229	104,322	591,562	10,026	185,146

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

35 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

	Group and Bank	
	2010 RM'000	2009 RM'000
The approved limit on loans, advances and financing for key management personnel	**6,883**	8,664

(c) Key management personnel

The remuneration of key management personnel are as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Short-term employee benefits				
– Fees	**636**	683	**600**	650
– Salary and other remuneration	**9,550**	9,742	**8,965**	7,972
– Benefits-in-kind	**181**	219	**178**	187
	10,367	10,644	**9,743**	8,809

(d) Credit exposures arising from transactions with connected parties

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

	Group		Bank	
	2010	2009	2010	2009
Outstanding credit exposure with connected parties (RM'000)	**4,841,103**	4,158,898	**4,579,349**	3,781,226
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	**5.15%**	5.22%	**5.58%**	5.39%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	**0.08%**	0.05%	**0.09%**	0.05%

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

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

36 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:

		2010	
Group	**Principal amount RM'000**	**Credit equivalent amount* RM'000**	**Risk weighted amount RM'000**
Direct credit substitutes	2,366,972	2,301,345	2,575,444
Transaction-related contingent items	1,905,733	929,964	963,854
Short-term self-liquidating trade-related contingencies	825,269	162,953	125,968
Obligations under underwriting agreements	29,000	14,500	14,500
Irrevocable commitments to extend credit:			
– maturity more than one year	4,388,740	1,302,224	1,079,891
– maturity less than one year	30,970,754	1,582,218	955,370
Foreign exchange related contracts:			
– less than one year	14,267,825	306,554	157,387
– one year to less than five years	1,183,447	564,225	300,962
Interest rate related contracts:			
– less than one year	2,386,825	10,333	2,840
– one year to less than five years	9,245,957	277,524	73,253
– more than five years	415,000	41,611	8,322
Commodity contracts:			
– less than one year	17,628	–	–
Total	68,003,150	7,493,451	6,257,791

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

With effect from 1 July 2010, the credit equivalent amount ('CE') and risk weighted amount ('RWA') of the Group are an aggregate of CE and RWA of the Bank, which is computed in accordance with BNM's Guidelines on Risk Weighted Capital Adequacy Framework: IRB Approach for Credit Risk, Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk (Basel II) and the CE and RWA of its Islamic bank subsidiary, which is computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (CAFIB): Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

36 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Risk weighted exposures of the Group are as follows (continued):

Group	Principal amount RM'000	2009 Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes	2,251,758	2,251,758	2,014,053
Transaction-related contingent items	2,197,336	1,098,668	842,297
Short-term self-liquidating trade-related contingencies	1,671,689	334,338	222,581
Obligations under underwriting agreements	283,240	141,620	141,620
Irrevocable commitments to extend credit:			
– maturity more than one year	5,496,800	2,654,036	2,039,726
– maturity less than one year	29,417,909	310,873	310,873
Foreign exchange related contracts:			
– less than one year	10,094,034	143,085	46,885
– one year to less than five years	1,419,297	185,127	63,620
Interest rate related contracts:			
– less than one year	1,618,766	8,798	1,759
– one year to less than five years	7,023,858	319,373	74,014
– more than five years	750,352	74,978	18,838
Miscellaneous	2,530,883	–	–
Total	64,755,922	7,522,654	5,776,266

* 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.

As at 31 December 2009, the CE and RWA of the Group were an aggregate of CE and RWA of the Bank, which was computed in accordance with BNM's Guidelines on Risk Weighted Capital Adequacy Framework for Credit and Market (Basel I), and the CE and RWA of its Islamic bank subsidiary, which was computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (CAFIB): Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk (Basel II).

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

36 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Risk weighted exposures of the Bank are as follows:

Bank	Principal amount RM'000	2010 Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes	2,170,663	2,105,036	2,379,135
Transaction-related contingent items	1,750,541	852,367	925,554
Short-term self-liquidating trade-related contingencies	785,946	155,088	117,929
Irrevocable commitments to extend credit:			
– maturity more than one year	3,938,118	1,076,912	887,601
– maturity less than one year	29,557,105	1,361,312	734,464
Foreign exchange related contracts:			
– less than one year	14,269,356	306,593	157,427
– one year to less than five years	1,183,447	564,225	300,962
Interest rate related contracts:			
– less than one year	2,386,825	10,333	2,840
– one year to less than five years	9,895,957	303,524	86,253
– more than five years	415,000	41,611	8,322
Commodity contracts:			
– less than one year	17,628	–	–
Total	66,370,586	6,777,001	5,600,487

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

With effect from 1 July 2010, the CE and RWA of the Bank are computed in accordance with BNM's Guidelines on Risk Weighted Capital Adequacy Framework: IRB Approach for Credit Risk, Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk (Basel II).

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

36 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Risk weighted exposures of the Bank are as follows (continued):

Bank	Principal amount RM'000	2009 Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes	2,047,701	2,047,701	1,809,996
Transaction-related contingent items	2,012,509	1,006,255	770,343
Short-term self-liquidating trade-related contingencies	1,567,375	313,475	201,718
Obligations under underwriting agreements	213,240	106,620	106,620
Irrevocable commitments to extend credit:			
– maturity more than one year	4,849,471	2,424,736	1,818,450
– maturity less than one year	27,267,721	–	–
Foreign exchange related contracts:			
– less than one year	10,092,687	142,875	46,679
– one year to less than five years	1,419,297	185,127	63,620
Interest rate related contracts:			
– less than one year	1,618,766	8,798	1,759
– one year to less than five years	7,023,858	318,280	72,149
– more than five years	729,808	70,087	16,392
Miscellaneous	2,487,036	–	–
Total	61,329,469	6,623,954	4,907,726

* 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.

As at 31 December 2009, the CE and RWA of the Bank were computed in accordance with BNM's Guidelines on Risk Weighted Capital Adequacy Framework for Credit and Market (Basel I).

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 Bank of Thailand to provide support to meet any legal liabilities which may be incurred in respect of its branch in Bangkok.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

37 OPERATING LEASE COMMITMENTS

The Group and the Bank have 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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Within one year	**36,465**	38,225	**38,579**	41,289
Between one to five years	**38,589**	53,133	**33,005**	50,219
More than five years	**2,246**	2,798	**2,246**	2,798
	77,300	94,156	**73,830**	94,306

38 CAPITAL COMMITMENTS

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Capital expenditure for property, plant and equipment:				
Authorised and contracted for	**71,444**	58,308	**62,211**	46,421
Authorised but not contracted for	**102,168**	102,660	**84,679**	89,136
	173,612	160,968	**146,890**	135,557
Proposed acquisition of Bank Mestika (refer to Note 44 (c))	**1,163,126**	–	**1,163,126**	–
	1,336,738	160,968	**1,310,016**	135,557

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

39 FINANCIAL INSTRUMENTS

(a) 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 actively.

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 within the RHB Banking Group.

Overriding objectives of the GRMC:

(i) To provide oversight and governance of risks of 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 deliberate and make recommendations to the Board of each relevant entity within the Group in respect of risk management matters of the respective entities.

The 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's key activities covering retail, business banking, corporate banking and treasury products and services, the Group and the Bank are 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 Group and the Bank being unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due and transact at a reasonable cost.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

39 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies (continued)

Major Areas of Risk (continued)

(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 breach in of applicable laws and regulatory requirements.

To counter the following business risks that the Group and the Bank, GRMC has put in place the following:

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 and reports independently to the GRMC.

- Risk measurement techniques and stress testing are applied to the Bank's portfolio on a regular basis.

- For Currency Risk:

  – Approved overall position limits are applied for foreign exchange spot trading portfolio. Trading loss limits are imposed on each trading desk. The levels of these exposures (including off-balance sheet items), by 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 Group 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 and reviews limits on the level of mismatch of interest rate re-pricing that may be undertaken. 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 2010 (continued)

39 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Liquidity Risk

- The 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.

- The Bank has established a comprehensive Group Liquidity Policy Statement. In addition, detailed plans to manage any potential adverse liquidity incidences have also been put in place; and can be implemented on a timely basis so that appropriate actions can be taken to remedy any unexpected market developments.

Credit Risk

- The Bank abides to the Board approved credit policy which supports the development of a strong credit culture with the objectives of maintaining a well diversified portfolio, that addresses credit risk, and mitigates concern for unexpected losses, and which ensures a reliable and satisfactory risk weighted return. Market best practices are incorporated into this policy.

- The Bank also ensures that 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 Group Credit Committee sanction credits beyond established prudential threshold. The 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 the changing risk concentrations in response to market changes and external events.

- The Bank had, in June 2010, obtained BNM's approval to apply the Internal Ratings Based (IRB) approach for credit risk, whereby more advanced Basel II approaches and key program components are implemented, 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 models for 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 2010 (continued)

39 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

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 in the future.

- 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 branch locations. The BCP programme is subject to regular testing to ensure efficacy, reliability and functionality.

- The Bank continually refine and strengthen existing policies, procedures and internal controls measures; and continually conduct internal review, compliance monitoring, and comprehensive audit to prevent and minimise unexpected losses.

Capital Management

Capital

Capital risk is defined as the risk that the Group has insufficient capital to provide sufficient resources to absorb a predetermined level of losses or that the capital structure is inefficient.

Risk Appetite

Capital risk appetite is set by the Board and reported through various metrics that enable the Group to manage capital constraints and shareholder expectations. The ALCO regularly review actual performance against risk appetite.

Exposure

A capital exposure arises where the Group has insufficient regulatory capital resources to support its strategic objectives and plans, and to meet external shareholders' requirements and expectations. The Group's capital management policy is focused on optimising value for its shareholders.

Capital Management and Basel II

The infrastructure implementations that has been completed has yielded significant benefits to the Group and put the businesses on an advanced footing to:

- enhance our economic capital management;
- refine risk based pricing methods for our products and services; and
- improve asset quality across the businesses of the Group. RHB Group continue to develop sustainable capabilities for continuous improvement in the use and adoption of the advanced approaches of the Basel II capital accord. In June 2010, RHB Bank obtained BNM's approval to apply the Internal Ratings Based ('IRB') approach for Credit Risk.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

39 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Basel II Implementation

In 2004, BNM announced a two-phased approach for implementing the standards recommended by the Bank of International Settlements set out in "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" (Basel II) in Malaysia. In the first phase, banking institutions are required to adopt the Standardised Approach ('SA') for credit risk by the end of 2008. In the second phase, qualified banking institutions are allowed to migrate directly to the Internal Ratings-Based approach ('IRB') beginning from 2010.

The RHB Banking Group places great importance to Basel II and views it as a group-wide initiative in meeting international best practices for credit, market and operational risk management. A dedicated Basel II Steering Committee ('B2SC') was set up since October 2004 to oversee the implementation of Basel II initiatives throughout the Group and to ensure that it is on track in meeting regulatory requirements as outlined in the Risk-Weighted Capital Adequacy Framework ('RWCAF') for banking institutions and the Capital Adequacy Framework for Islamic Banks ('CAFIB) issued by BNM.

For the purpose of complying with regulatory requirements, the approaches adopted by the respective entities in the Group are as follows:

Entity	Credit Risk	Market Risk	Operational Risk
RHB Bank Berhad	Internal Ratings Based Approach	Standardised Approach	Basic Indicator Approach
RHB Islamic Bank Berhad	Standardised Approach	Standardised Approach	Basic Indicator Approach

For purpose of credit risk measurement, the Bank has applied the IRB principles for credit risk since January 2010, following preliminary approval by BNM in December 2009 for the Bank to migrate directly to the IRB approach. Upon approval from BNM, the Bank has migrated to IRB for credit risk in July 2010. For RHB Islamic Bank Berhad, the SA has been adopted for credit risk since 2009.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

39 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial instruments by category

Group 2010	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Total RM'000
Assets as per statements of financial position					
Cash and short-term funds	12,981,081	–	–	–	**12,981,081**
Securities purchased under resale agreements	276,407	–	–	–	**276,407**
Deposits and placements with banks and other financial institutions	824,071	–	–	–	**824,071**
Financial assets held-for-trading	–	348,511	–	–	**348,511**
Financial investments available-for-sale	–	–	9,933,578	–	**9,933,578**
Financial investments held-to-maturity	–	–	–	10,674,245	**10,674,245**
Loans, advances and financing	81,531,003	–	–	–	**81,531,003**
Other financial assets	117,062	–	–	–	**117,062**
Derivative assets	–	298,389	–	–	**298,389**
	95,729,624	**646,900**	**9,933,578**	**10,674,245**	**116,984,347**

	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities RM'000	Total RM'000
Liabilities as per statements of financial position			
Deposits from customers	–	92,402,813	**92,402,813**
Deposits and placements of banks and other financial institutions	–	7,680,309	**7,680,309**
Bills and acceptances payable	–	3,536,140	**3,536,140**
Other financial liabilities	–	811,377	**811,377**
Derivative liabilities	240,161	–	**240,161**
Recourse obligation on loans sold to Cagamas Berhad	–	818,503	**818,503**
Long term borrowings	–	819,362	**819,362**
Subordinated obligations	–	3,018,157	**3,018,157**
Hybrid Tier I Capital Securities	–	605,407	**605,407**
	240,161	**109,692,068**	**109,932,229**

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

39 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial instruments by category (continued)

Bank 2010	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Total RM'000
Assets as per statements of financial position					
Cash and short-term funds	11,093,561	–	–	–	**11,093,561**
Securities purchased under resale agreements	276,407	–	–	–	**276,407**
Deposits and placements with banks and other financial institutions	1,539,648	–	–	–	**1,539,648**
Financial assets held-for-trading	–	129,583	–	–	**129,583**
Financial investments available-for-sale	–	–	8,143,221	–	**8,143,221**
Financial investments held-to-maturity	–	–	–	9,558,312	**9,558,312**
Loans, advances and financing	71,125,558	–	–	–	**71,125,558**
Other financial assets	152,140	–	–	–	**152,140**
Derivative assets	–	298,148	–	–	**298,148**
	84,187,314	**427,731**	**8,143,221**	**9,558,312**	**102,316,578**

	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities RM'000	Total RM'000
Liabilities as per statements of financial position			
Deposits from customers	–	80,567,577	**80,567,577**
Deposits and placements of banks and other financial institutions	–	6,158,453	**6,158,453**
Bills and acceptances payable	–	3,524,016	**3,524,016**
Other financial liabilities	–	702,993	**702,993**
Derivative liabilities	238,984	–	**238,984**
Recourse obligation on loans sold to Cagamas Berhad	–	818,503	**818,503**
Long term borrowings	–	819,362	**819,362**
Subordinated obligations	–	3,018,157	**3,018,157**
Hybrid Tier I Capital Securities	–	605,407	**605,407**
	238,984	**96,214,468**	**96,453,452**

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

39 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Market Risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates and foreign currency rates, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group and the Bank as at 31 December 2010.

The scenarios used are simplified whereby it is assumed that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables. In reality, the Group and the Bank proactively seeks to ensure that the interest rate risk profile is managed to minimise losses and optimise net revenues.

(i) Interest/profit rate sensitivity analysis

The following profit table shows the sensitivity of the Group's and the Bank's profit after tax and its equity to an immediate up and down +/-50 basis points ('bps') parallel shift in the interest rate.

	Group		Bank	
2010	**Impact on profit after tax RM'000**	**Impact on equity RM'000**	**Impact on profit after tax RM'000**	**Impact on equity RM'000**
+50 bps	19,264	(139,128)	30,085	(115,952)
-50 bps	(19,257)	143,587	(30,089)	119,732

The results above represent financial assets and liabilities that have been prepared on the following basis:

Impact on the profit after tax is the sum of valuation changes on fixed income instruments held in the trading portfolio and earnings movement for all short term interest rate sensitive assets and liabilities (with maturity or re-pricing tenure of up to one year) that is not held in the trading portfolio. Earnings movement for the short term interest rate sensitive assets and liabilities uses a set of risk weights with its respective time band to simulate the 50 basis point interest rate change impact. For assets and liabilities with non fix maturity e.g. current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of these interest bearing assets and liabilities.

Impact on equity represents the changes in fair values of fixed income instruments held in the available-for-sale portfolio arising from the shift in the interest rate.

ii) Foreign currency sensitivity analysis

The foreign currency sensitivity represents the effect of the appreciation or depreciation of the foreign currency rates on the consolidated currency position, while other variables remain constant.

2010	**Group Impact on profit after tax RM'000**	**Bank Impact on profit after tax RM'000**
+5%	(657)	(832)
-5%	657	832

39 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Market Risk (continued)

Interest/Profit Rate Risk

The table below summarises the Group's exposure to interest/profit rate risk. The carrying amount of assets and liabilities (include non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates.

Group	Non-trading book								
2010	Up to 1 month RM'000	> 1-3 months RM'000	> 3-6 months RM'000	> 6-12 months RM'000	> 1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Assets									
Cash and short-term funds	12,069,245	–	–	–	–	–	911,836	–	**12,981,081**
Securities purchased under resale agreements	276,398	–	–	–	–	–	9	–	**276,407**
Deposits and placements with banks and other financial institutions	–	763,081	60,128	247	–	–	615	–	**824,071**
Financial assets held-for-trading	–	–	–	–	–	–	–	348,511	**348,511**
Financial investments available-for-sale	192,607	453,840	305,255	446,049	1,280,309	6,805,106	450,412	–	**9,933,578**
Financial investments held-to-maturity	401,498	1,039,546	232,274	2,288,662	2,314,733	4,432,493	(34,961)#	–	**10,674,245**
Loans, advances and financing									
– performing	43,661,627	6,593,770	3,660,590	2,028,091	5,858,189	18,372,363	165,623	–	**80,340,253**
– impaired	–	–	–	–	–	–	1,190,750*	–	**1,190,750**
Other assets	–	–	–	–	–	–	195,687	–	**195,687**
Derivative assets	–	–	–	–	–	–	–	298,389	**298,389**
Statutory deposits	–	–	–	–	–	–	426,304	–	**426,304**
Tax recoverable	–	–	–	–	–	–	27	–	**27**
Deferred tax assets	–	–	–	–	–	–	260,089	–	**260,089**
Property, plant and equipment	–	–	–	–	–	–	701,158	–	**701,158**
Goodwill	–	–	–	–	–	–	1,004,017	–	**1,004,017**
TOTAL ASSETS	**56,601,375**	**8,850,237**	**4,258,247**	**4,763,049**	**9,453,231**	**29,609,962**	**5,271,566**	**646,900**	**119,454,567**

Consist of impairment loss.

* This represents outstanding impaired loans after deducting individual impairment allowance and collective impairment allowance.

39 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Market Risk (continued)

Interest/Profit Rate Risk (continued)

The table below summarises the Group's exposure to interest/profit rate risk. The carrying amount of assets and liabilities (include non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates (continued).

	←			Non-trading book			→		
Group **2010**	**Up to 1 month RM'000**	**> 1-3 months RM'000**	**> 3-6 months RM'000**	**> 6-12 months RM'000**	**> 1-3 years RM'000**	**Over 3 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Liabilities									
Deposits from customers	39,079,852	16,060,605	8,935,926	9,848,250	447,470	28,948	18,001,762	–	**92,402,813**
Deposits and placements of banks and other financial institutions	4,014,838	2,319,495	573,760	163,457	379,509	204,977	24,273	–	**7,680,309**
Bills and acceptances payable	1,166,999	1,723,270	444,264	–	–	–	201,607	–	**3,536,140**
Other liabilities	–	–	–	–	–	–	1,002,387	–	**1,002,387**
Derivative liabilities	–	–	–	–	–	–	–	240,161	**240,161**
Recourse obligation on loans sold to Cagamas Berhad	147,030	–	–	–	170,092	500,000	1,381	–	**818,503**
Taxation	–	–	–	–	–	–	167,338	–	**167,338**
Deferred tax liabilities	–	–	–	–	–	–	6	–	**6**
Long term borrowings	–	508,777	–	308,350	–	–	2,235	–	**819,362**
Subordinated obligations	–	–	–	–	1,300,000	1,700,000	18,157	–	**3,018,157**
Hybrid Tier I Capital Securities	–	–	–	–	–	597,227	8,180	–	**605,407**
TOTAL LIABILITIES	**44,408,719**	**20,612,147**	**9,953,950**	**10,320,057**	**2,297,071**	**3,031,152**	**19,427,326**	**240,161**	**110,290,583**
Total equity	–	–	–	–	–	–	9,163,984	–	**9,163,984**
TOTAL LIABILITIES AND EQUITY	**44,408,719**	**20,612,147**	**9,953,950**	**10,320,057**	**2,297,071**	**3,031,152**	**28,591,310**	**240,161**	**119,454,567**
On-balance sheet interest sensitivity gap	12,192,656	(11,761,910)	(5,695,703)	(5,557,008)	7,156,160	26,578,810			
Off-balance sheet interest sensitivity gap	(367,894)	(113)	(180,564)	761,270	(25,835)	45,688			
TOTAL INTEREST-SENSITIVITY GAP	**11,824,762**	**(11,762,023)**	**(5,876,267)**	**(4,795,738)**	**7,130,325**	**26,624,498**			

39 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Market Risk (continued)

Interest Rate Risk

The table below summarises the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (include non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates.

Bank	Non-trading book								
2010	Up to 1 month RM'000	> 1-3 months RM'000	> 3-6 months RM'000	> 6-12 months RM'000	> 1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Assets									
Cash and short-term funds	10,270,874	–	–	–	–	–	822,687	–	**11,093,561**
Securities purchased under resale agreements	276,398	–	–	–	–	–	9	–	**276,407**
Deposits and placements with banks and other financial institutions	–	777,779	–	–	154,175	601,283	6,411	–	**1,539,648**
Financial assets held-for-trading	–	–	–	–	–	–		129,583	**129,583**
Financial investments available-for-sale	184,797	363,790	137,696	420,769	1,018,217	5,583,758	434,194	–	**8,143,221**
Financial investments held-to-maturity	401,498	1,039,546	172,037	2,220,744	2,094,785	3,676,165	(46,463)#	–	**9,558,312**
Loans, advances and financing									
– performing	41,799,454	6,125,651	3,168,677	1,648,132	4,370,651	13,060,133	145,495	–	**70,318,193**
– impaired	–	–	–	–	–	–	807,365*	–	**807,365**
Other assets	–	–	–	–	–	–	204,452	–	**204,452**
Derivative assets	–	–	–	–	–	–	–	298,148	**298,148**
Statutory deposits	–	–	–	–	–	–	321,064	–	**321,064**
Deferred tax assets	–	–	–	–	–	–	220,303	–	**220,303**
Investment in subsidiaries	–	–	–	–	–	–	822,972	–	**822,972**
Property, plant and equipment	–	–	–	–	–	–	540,483	–	**540,483**
Goodwill	–	–	–	–	–	–	905,519	–	**905,519**
TOTAL ASSETS	**52,933,021**	**8,306,766**	**3,478,410**	**4,289,645**	**7,637,828**	**22,921,339**	**5,184,491**	**427,731**	**105,179,231**

Consist of impairment loss.
* This represents outstanding impaired loans after deducting individual impairment allowance and collective impairment allowance.

39 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Market Risk (continued)

Interest Rate Risk (continued)

The table below summarises the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (include non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates (continued).

	Non-trading book								
Bank **2010**	**Up to 1 month RM'000**	**> 1-3 months RM'000**	**> 3-6 months RM'000**	**> 6-12 months RM'000**	**> 1-3 years RM'000**	**Over 3 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Liabilities									
Deposits from customers	34,027,255	12,850,394	7,614,950	8,777,933	297,724	28,199	16,971,122	–	**80,567,577**
Deposits and placements of banks and other financial institutions	3,109,665	2,169,495	115,759	163,457	379,509	204,977	15,591	–	**6,158,453**
Bills and acceptances payable	1,166,999	1,723,270	444,264	–	–	–	189,483	–	**3,524,016**
Other liabilities	–	–	–	–	–	–	868,165	–	**868,165**
Derivative liabilities	–	–	–	–	–	–	–	238,984	**238,984**
Recourse obligation on loans sold to Cagamas Berhad	147,030	–	–	–	170,092	500,000	1,381	–	**818,503**
Taxation	–	–	–	–	–	–	163,133	–	**163,133**
Long term borrowings	–	508,777	–	308,350	–	–	2,235	–	**819,362**
Subordinated obligations	–	–	–	–	1,300,000	1,700,000	18,157	–	**3,018,157**
Hybrid Tier I Capital Securities	–	–	–	–	–	597,227	8,180	–	**605,407**
TOTAL LIABILITIES	**38,450,949**	**17,251,936**	**8,174,973**	**9,249,740**	**2,147,325**	**3,030,403**	**18,237,447**	**238,984**	**96,781,757**
Total equity	–	–	–	–	–	–	8,397,474	–	**8,397,474**
TOTAL LIABILITIES AND EQUITY	**38,450,949**	**17,251,936**	**8,174,973**	**9,249,740**	**2,147,325**	**3,030,403**	**26,634,921**	**238,984**	**105,179,231**
On-balance sheet interest sensitivity gap	14,482,072	(8,945,170)	(4,696,563)	(4,960,095)	5,490,503	19,890,936			
Off-balance sheet interest sensitivity gap	(429,831)	(38,371)	(357,751)	715,612	35,972	64,189			
TOTAL INTEREST-SENSITIVITY GAP	**14,052,241**	**(8,983,541)**	**(5,054,314)**	**(4,244,483)**	**5,526,475**	**19,955,125**			

39 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity Risk (continued)

Liquidity risk is defined as the current and prospective risk arising from the inability of the Group and the Bank to meet its contractual or regulatory obligations when they come due without incurring substantial losses. Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds at maturity, extensions of credit and working capital needs. The Group and the Bank seek to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 31 December 2010 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8:

Group 2010	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	8,334,480	4,646,601	–	–	–	–	–	**12,981,081**
Securities purchased under resale agreements	276,407	–	–	–	–	–	–	**276,407**
Deposits and placements with banks and other financial institutions	–	–	763,606	60,218	247	–	–	**824,071**
Financial assets held-for-trading	119,374	80	99,448	99,194	–	30,415	–	**348,511**
Financial investments available-for-sale	31,034	183,642	477,009	326,821	451,496	8,463,576	–	**9,933,578**
Financial investments held-to-maturity	1,043	386,918	1,082,771	246,403	2,266,083	6,691,027	–	**10,674,245**
Loans, advances and financing	1,871,803	4,788,934	5,241,753	3,260,276	2,319,655	64,048,582	–	**81,531,003**
Other assets	31,809	28,074	7	18,684	3	18,608	98,502	**195,687**
Derivative assets	22,615	65,723	39,682	36,839	27,284	106,246	–	**298,389**
Statutory deposits	–	–	–	–	–	–	426,304	**426,304**
Tax recoverable	–	–	–	–	–	–	27	**27**
Deferred tax assets	–	–	–	–	–	–	260,089	**260,089**
Property, plant and equipment	–	–	–	–	–	–	701,158	**701,158**
Goodwill	–	–	–	–	–	–	1,004,017	**1,004,017**
TOTAL ASSETS	**10,688,565**	**10,099,972**	**7,704,276**	**4,048,435**	**5,064,768**	**79,358,454**	**2,490,097**	**119,454,567**

39 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 31 December 2010 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8 (continued):

Group 2010	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	39,293,030	17,526,401	16,174,369	8,936,037	9,982,558	490,418	–	**92,402,813**
Deposits and placements of banks and other financial institutions	1,078,870	2,806,331	2,806,899	327,033	75,355	585,821	–	**7,680,309**
Bills and acceptances payable	463,826	904,780	1,723,270	444,264	–	–	–	**3,536,140**
Other liabilities	55,012	156,271	42,269	39,757	137,542	425,136	146,400	**1,002,387**
Derivative liabilities	19,279	43,877	38,629	37,484	20,512	80,380	–	**240,161**
Recourse obligation on loans sold to Cagamas Berhad	–	147,030	–	1,381	–	670,092	–	**818,503**
Taxation	–	–	25	–	–	–	167,313	**167,338**
Deferred tax liabilities	–	–	–	–	–	–	6	**6**
Long term borrowings	–	–	32,197	873	50,107	736,185	–	**819,362**
Subordinated obligations	–	–	–	18,157	–	3,000,000	–	**3,018,157**
Hybrid Tier I Capital Securities	–	–	7,542	638	–	597,227	–	**605,407**
TOTAL LIABILITIES	**40,910,017**	**21,584,690**	**20,825,200**	**9,805,624**	**10,266,074**	**6,585,259**	**313,719**	**110,290,583**
Total equity	–	–	–	–	–	–	9,163,984	**9,163,984**
TOTAL LIABILITIES AND EQUITY	**40,910,017**	**21,584,690**	**20,825,200**	**9,805,624**	**10,266,074**	**6,585,259**	**9,477,703**	**119,454,567**

39 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 31 December 2010 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8 (continued):

Bank 2010	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	6,832,370	4,261,191	–	–	–	–	–	**11,093,561**
Securities purchased under resale agreements	276,407	–	–	–	–	–	–	**276,407**
Deposits and placements with banks and other financial institutions	–	–	782,462	–	–	757,186	–	**1,539,648**
Financial assets held-for-trading	119,374	–	–	–	–	10,209	–	**129,583**
Financial investments available-for-sale	27,943	175,832	393,391	152,675	426,194	6,967,186	–	**8,143,221**
Financial investments held-to-maturity	1,043	386,817	1,082,771	185,954	2,198,164	5,703,563	–	**9,558,312**
Loans, advances and financing	1,590,421	3,094,258	4,765,359	2,759,109	1,915,023	57,001,388	–	**71,125,558**
Other assets	6,387	15,251	–	18,678	48,519	18,504	97,113	**204,452**
Derivative assets	22,615	64,217	39,682	36,839	27,284	107,511	–	**298,148**
Statutory deposits	–	–	–	–	–	–	321,064	**321,064**
Deferred tax assets	–	–	–	–	–	–	220,303	**220,303**
Investment in subsidiaries	–	–	–	–	–	–	822,972	**822,972**
Property, plant and equipment	–	–	–	–	–	–	540,483	**540,483**
Goodwill	–	–	–	–	–	–	905,519	**905,519**
TOTAL ASSETS	**8,876,560**	**7,997,566**	**7,063,665**	**3,153,255**	**4,615,184**	**70,565,547**	**2,907,454**	**105,179,231**

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

39 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 31 December 2010 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8 (continued):

Bank 2010	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	35,394,493	15,357,629	13,055,303	7,506,528	8,907,994	345,630	–	**80,567,577**
Deposits and placements of banks and other financial institutions	588,028	2,620,769	2,171,095	117,385	75,355	585,821	–	**6,158,453**
Bills and acceptances payable	451,702	904,780	1,723,270	444,264	–	–	–	**3,524,016**
Other liabilities	43,224	145,687	39,234	52,630	124,523	348,356	114,511	**868,165**
Derivative liabilities	19,279	43,663	38,629	35,273	20,512	81,628	–	**238,984**
Recourse obligation on loans sold to Cagamas Berhad	–	147,030	–	1,381	–	670,092	–	**818,503**
Taxation	–	–	–	–	–	–	163,133	**163,133**
Long term borrowings	–	–	32,197	873	50,107	736,185	–	**819,362**
Subordinated obligations	–	–	–	18,157	–	3,000,000	–	**3,018,157**
Hybrid Tier I Capital Securities	–	–	7,542	638	–	597,227	–	**605,407**
TOTAL LIABILITIES	**36,496,726**	**19,219,558**	**17,067,270**	**8,177,129**	**9,178,491**	**6,364,939**	**277,644**	**96,781,757**
Total equity	–	–	–	–	–	–	8,397,474	**8,397,474**
TOTAL LIABILITIES AND EQUITY	**36,496,726**	**19,219,558**	**17,067,270**	**8,177,129**	**9,178,491**	**6,364,939**	**8,675,118**	**105,179,231**

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

39 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the cash outflows for the Group's financial liabilities by remaining contractual maturities on undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

Group 2010	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities							
Deposits from customers	56,906,257	25,316,224	10,107,553	463,657	34,023	–	**92,827,714**
Deposits and placements of banks and other financial institutions	3,916,859	3,116,330	80,085	391,855	205,732	16,588	**7,727,449**
Bills and acceptances payable	1,368,605	2,167,535	–	–	–	–	**3,536,140**
Other liabilities	192,313	97,129	120,282	325,981	25,849	49,823	**811,377**
Derivative liabilities							
– Gross settled derivatives							
– Inflow	(4,382,957)	(1,944,163)	(321,027)	14,860	6,556	2,419	**(6,624,312)**
– Outflow	4,445,595	2,031,110	350,213	4,662	2,017	657	**6,834,254**
– Net settled derivatives	10,205	16,446	20,677	54,445	27,111	15,635	**144,519**
Recourse obligation on loans sold to Cagamas Berhad	150,999	17,087	20,504	214,332	522,750	–	**925,672**
Long term borrowings	–	32,865	53,965	213,403	209,465	342,050	**851,748**
Subordinated obligations	–	77,650	77,650	1,545,600	863,100	1,152,600	**3,716,600**
Hybrid Tier I Capital Securities	–	22,563	22,563	90,250	90,250	765,700	**991,326**
TOTAL FINANCIAL LIABILITIES	**62,607,876**	**30,950,776**	**10,532,465**	**3,319,045**	**1,986,853**	**2,345,472**	**111,742,487**

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

39 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the cash outflows for the Bank's financial liabilities by remaining contractual maturities on undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

Bank 2010	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities							
Deposits from customers	50,841,606	20,736,218	9,013,778	307,037	33,149	–	**80,931,788**
Deposits and placements of banks and other financial institutions	3,209,258	2,296,649	80,085	391,855	205,732	1,823	**6,185,402**
Bills and acceptances payable	1,356,481	2,167,535	–	–	–	–	**3,524,016**
Other liabilities	169,940	106,967	107,263	258,076	22,874	37,873	**702,993**
Derivative liabilities							
– Gross settled derivatives							
– Inflow	(4,382,957)	(1,944,163)	(321,027)	14,860	6,556	2,419	**(6,624,312)**
– Outflow	4,445,588	2,031,076	350,173	4,622	2,017	657	**6,834,133**
– Net settled derivatives	10,116	13,845	17,989	43,695	16,361	15,635	**117,641**
Recourse obligation on loans sold to Cagamas Berhad	150,999	17,087	20,504	214,332	522,750	–	**925,672**
Long term borrowings	–	32,865	53,965	213,403	209,465	342,050	**851,748**
Subordinated obligations	–	77,650	77,650	1,545,600	863,100	1,152,600	**3,716,600**
Hybrid Tier I Capital Securities	–	22,563	22,563	90,250	90,250	765,700	**991,326**
TOTAL FINANCIAL LIABILITIES	**55,801,031**	**25,558,292**	**9,422,943**	**3,083,730**	**1,972,254**	**2,318,757**	**98,157,007**

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

39 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the contractual expiry by maturity of the Group's and Bank's commitments and contingencies:

Group	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
2010			
Direct credit substitutes	2,366,972	–	**2,366,972**
Transaction-related contingent items	1,905,733	–	**1,905,733**
Short-term self-liquidating trade-related contingencies	825,269	–	**825,269**
Obligations under underwriting agreements	29,000	–	**29,000**
Irrevocable commitments to extend credit	30,970,754	4,388,740	**35,359,494**
TOTAL COMMITMENTS AND CONTINGENCIES	**36,097,728**	**4,388,740**	**40,486,468**

Bank	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
2010			
Direct credit substitutes	2,170,663	–	**2,170,663**
Transaction-related contingent items	1,750,541	–	**1,750,541**
Short-term self-liquidating trade-related contingencies	785,946	–	**785,946**
Irrevocable commitments to extend credit	29,557,105	3,938,118	**33,495,223**
TOTAL COMMITMENTS AND CONTINGENCIES	**34,264,255**	**3,938,118**	**38,202,373**

Undrawn loans commitments are recognised at activation stage and include commitments which are unconditionally cancellable by the Group and the Bank. The Group and the Bank expect that not all of the contingent liabilities and undrawn loan commitments will be drawn before expiry.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

39 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Credit Risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk at the statements of financial position is the amounts on the statements of financial position as well as off balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers. The table below shows the maximum exposure to credit risk for the Group and the Bank:

2010	**Group RM'000**	**Bank RM'000**
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds (exclude cash in hand)	12,484,907	10,633,112
Securities purchased under resale agreements	276,407	276,407
Deposits and placements with banks and other financial institutions	824,071	1,539,648
Financial assets and investments portfolios (exclude shares)		
– Held-for-trading	348,511	129,583
– Available-for-sale	9,587,228	7,800,537
– Held-to-maturity	10,674,245	9,558,312
Loans, advances and financing	81,531,003	71,125,558
Other assets	117,062	152,140
Derivative assets	298,389	298,148
	116,141,823	**101,513,445**
Credit risk exposure relating to off-balance sheet items:		
Commitments and contingencies	40,486,468	38,202,373
Total maximum credit risk exposure	**156,628,291**	**139,715,818**

(ii) Collaterals

The main types of collateral obtained by the Group and the Bank are as follows:

(a) Fixed deposits, Mudharabah General Investment Account, negotiable instrument of deposits, foreign currency deposits and cash deposits/margins
(b) Land and buildings
(c) Vessels and automobiles
(d) Quoted shares, unit trusts, Malaysian Government Bonds and securities and private debt securities
(e) Endowment life policies with cash surrender value
(f) Other tangible business assets, such as inventory and equipment

The Group and the Bank also accept non-tangible securities such as support, guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract payments, which are subject to internal guidelines on eligibility.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

39 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Credit Risk (continued)

(iii) Credit quality

The Group and the Bank assess credit quality of loans and advances using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers judgement.

Loans, advances and financing

Internal ratings	Description
– Investment Grade	Strong(est) credit quality which associated with general standards of investment grade as per defined by international rating agency such as Standard and Poor's (S&P), Moody's, Fitch and Japan Credit Rating Agency (JCR).
– Lower investment Grade	Lower credit quality which associated with general standards of investments grade as per defined by international rating agency such as Standard and Poor's (S&P), Moody's, Fitch and Japan Credit Rating Agency (JCR).
– Non-investment Grade	Weaker credit quality which associated with general standards of non-investment grade as per defined by international rating agency such as Standard and Poor's (S&P), Moody's, Fitch and Japan Credit Rating Agency (JCR).

The credit quality of financial assets other than loans, advances and financing are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other international rating agencies as defined below:

– AAA to AA3
– A1 to A3
– Baa1 to Baa3
– P1 to P3

(a) Loans, advances and financing

Loans, advances and financing are summarised as follows:

2010	Group RM'000	Bank RM'000
Neither past due nor impaired	75,236,598	65,305,450
Past due but not impaired	5,103,655	5,012,743
Individually impaired	3,671,258	2,927,024
Gross loans, advances and financing	84,011,511	73,245,217
Less: Individual impairment allowance	(854,899)	(682,522)
Collective impairment allowance	(1,625,609)	(1,437,137)
Net loans, advances and financing	**81,531,003**	**71,125,558**

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

39 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Credit Risk (continued)

(iii) Credit quality (continued)

(a) Loans, advances and financing (continued)

(i) Loans, advances and financing neither past due nor impaired

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group's and the Bank's internal credit grading system is as follows:

2010	Group RM'000	Bank RM'000
Investment Grade	51,009,874	46,443,934
Lower investment Grade	5,924,440	4,945,630
Non-investment Grade	8,003,924	7,966,636
Non-rated	10,298,360	5,949,250
Neither past due nor impaired	**75,236,598**	**65,305,450**

Loans, advances and financing classified as non-rated mainly comprise of loans under the standardised approach for credit risk including Amanah Saham Bumiputera ('ASB'), Islamic housing financing and Islamic hire purchase.

(ii) Loans, advances and financing past due but not impaired

Analysis of ageing of loans, advances and financing that are past due but not impaired is as follows:

2010	Group RM'000	Bank RM'000
Past due up to 30 days	1,322,560	1,302,342
Past due 31 to 60 days	2,621,829	2,552,832
Past due 61 to 90 days	1,159,266	1,157,569
Past due but not impaired	**5,103,655**	**5,012,743**

The fair value of collateral held as security in respect of loans, advances and financing past due but not impaired is not disclosed by the Group and the Bank as it is not practicable to do so.

(iii) Loans, advances and financing that are individually determined to be impaired as at 31 December 2010 are as follows:

2010	Group RM'000	Bank RM'000
Individually impaired loans	3,671,258	2,927,024

The fair value of collateral held as security in respect of impaired loans, advances and financing is not disclosed by the Group and the Bank as it is not practicable to do so.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

39 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Credit Risk (continued)

(iii) Credit quality (continued)

(b) Short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets

Short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets are summarised as follows:

2010	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Derivative assets RM'000
Group							
Neither past due nor impaired	13,308,978	276,407	348,511	9,387,732	10,637,095	117,062	298,389
Impaired	–	–	–	199,496	159,536	–	–
Less: Impairment losses	–	–	–	–	(122,386)	–	–
	13,308,978	**276,407**	**348,511**	**9,587,228**	**10,674,245**	**117,062**	**298,389**
Bank							
Neither past due nor impaired	12,172,760	276,407	129,583	7,601,041	9,521,162	152,140	298,148
Impaired	–	–	–	199,496	159,536	–	–
Less: Impairment losses	–	–	–	–	(122,386)	–	–
	12,172,760	**276,407**	**129,583**	**7,800,537**	**9,558,312**	**152,140**	**298,148**

The amount of short-term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios, other assets and derivative assets that are past due but not impaired is not material.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

39 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Credit Risk (continued)

(iii) Credit quality (continued)

(b) Short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets (continued)

(i) Analysis of short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets that are neither past due nor impaired by rating agency designation as at 31 December 2010 are as follows:

Group 2010	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Derivative assets RM'000
AAA to AA3	163,544	276,076	129,508	2,183,843	3,938,905	–	130,666
A1 to A3	351,641	331	–	624,024	1,538,181	–	79,249
Baa1 to Baa3	308,638	–	10,216	214,784	241,750	–	2,438
P1 to P3	5,081,877	–	24,906	109,589	–	–	–
Non-rated	7,403,278	–	183,881	6,255,492	4,918,259	117,062	86,036
of which:							
– Bank Negara Malaysia	7,008,453	–	173,815	–	–	–	–
– Malaysian Government Securities	–	–	–	3,199,222	2,948,345	–	–
– Malaysian Government Investment Issues	–	–	10,066	2,306,237	1,371,160	–	–
– Private Debt Securities	–	-	–	570,280	521,867	–	–
– Others	394,825	–	–	179,753	76,887	117,062	86,036
	13,308,978	**276,407**	**348,511**	**9,387,732**	**10,637,095**	**117,062**	**298,389**

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

39 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Credit Risk (continued)

(iii) Credit quality (continued)

(b) Short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets (continued)

(i) Analysis of short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets that are neither past due nor impaired by rating agency designation as at 31 December 2010 are as follows (continued):

Bank 2010	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Derivative assets RM'000
AAA to AA3	972,028	276,076	119,367	1,950,359	3,570,319	–	131,931
A1 to A3	351,641	331	–	536,227	1,468,167	–	79,249
Baa1 to Baa3	215,979	–	10,216	214,784	223,230	–	2,438
P1 to P3	4,272,649	–	–	109,589	–	–	–
Non-rated	6,360,463	–	–	4,790,082	4,259,446	152,140	84,530
of which:							
– Bank Negara Malaysia	6,008,273	–	–	–	–	–	–
– Malaysian Government Securities	–	–	–	3,199,222	2,948,345	–	–
– Malaysian Government Investment Issues	–	–	–	1,066,701	781,992	–	–
– Private Debt Securities	–	–	–	438,126	476,476	–	–
– Others	352,190	–	–	86,033	52,633	152,140	84,530
	12,172,760	**276,407**	**129,583**	**7,601,041**	**9,521,162**	**152,140**	**298,148**

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

39 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Credit Risk (continued)

(iv) Renegotiated financial assets

The carrying amount of financial assets that would have been past due or impaired had they not been renegotiated during the financial year is as follows:

2010	Group RM'000	Bank RM'000
Loans, advances and financing	457,204	425,110

(v) Collateral and other credit enhancements obtained

The carrying amount of assets held by the Group and the Bank as at 31 December 2010 as a result of taking possession of collaterals held as securities is as follows:

2010	Group and Bank RM'000
Residential Properties	3,724

Repossessed properties are made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. The Group and the Bank generally do not occupy the premises repossessed for its business use.

39 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Credit Risk (continued)

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

Group 2010	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale@ RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing# RM'000	Other financial assets* RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Agriculture	–	–	–	9,496	–	2,415,893	–	2,425,389	789,087
Mining and quarrying	–	–	–	–	–	127,176	–	127,176	155,118
Manufacturing	–	–	–	128,792	36,803	8,946,342	–	9,111,937	8,067,499
Electricity, gas and water	–	–	24,906	182,085	128,028	702,678	–	1,037,697	1,611,720
Construction	–	–	–	37,369	–	3,454,737	–	3,492,106	5,175,282
Real estate	–	–	–	63,902	35,723	1,085,249	–	1,184,874	909,095
Purchase of landed property	–	–	–	–	–	23,322,504	–	23,322,504	4,160,660
General commerce	–	–	–	23,560	47,750	5,575,577	–	5,646,887	5,339,941
Transport, storage and communication	–	–	–	95,508	412,213	5,455,044	3	5,962,768	1,938,899
Finance, insurance and business services	6,334,732	31,448	183,956	2,949,232	5,047,314	5,193,333	–	19,740,015	1,489,779
Government and government agencies	6,974,246	244,959	139,649	6,097,284	4,966,414	14,985	–	18,437,537	–
Purchase of securities	–	–	–	–	–	3,744,731	–	3,744,731	1,244,967
Purchase of transport vehicles	–	–	–	–	–	6,641,427	–	6,641,427	877,191
Consumption credit	–	–	–	–	–	5,456,048	–	5,456,048	6,444,870
Others	–	–	–	–	–	11,020,888	415,448	11,436,336	2,282,360
	13,308,978	**276,407**	**348,511**	**9,587,228**	**10,674,245**	**83,156,612**	**415,451**	**117,767,432**	**40,486,468**

Excludes collective impairment allowance amounting to RM1,625,609,000.

@ Excludes equity instrument amounting to RM346,350,000.

* Other financial assets include other assets amounting to RM155,653,000 and derivative assets amounting to RM298,389,000.

39 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Credit Risk (continued)

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

Bank 2010	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale@ RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing# RM'000	Other financial assets* RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Agriculture	–	–	–	9,496	–	1,986,321	–	1,995,817	757,994
Mining and quarrying	–	–	–	–	–	100,319	–	100,319	155,118
Manufacturing	–	–	–	128,792	36,803	7,820,903	–	7,986,498	7,876,759
Electricity, gas and water	–	–	–	114,751	60,945	286,549	–	462,245	1,478,535
Construction	–	–	–	37,369	–	2,862,527	–	2,899,896	4,792,338
Real estate	–	–	–	47,647	–	1,091,678	–	1,139,325	846,822
Purchase of landed property	–	–	–	–	–	20,707,015	–	20,707,015	3,916,145
General commerce	–	–	–	18,512	47,750	4,862,867	–	4,929,129	4,844,965
Transport, storage and communication	–	–	–	55,076	324,893	3,335,155	–	3,715,124	1,830,210
Finance, insurance and business services	6,164,486	31,448	–	2,672,943	4,751,517	4,719,404	48,519	18,388,317	1,349,218
Government and government agencies	6,008,273	244,959	129,583	4,715,951	4,336,404	–	–	15,435,170	–
Purchase of securities	–	–	–	–	–	3,732,462	–	3,732,462	1,244,967
Purchase of transport vehicles	–	–	–	–	–	6,641,427	–	6,641,427	877,191
Consumption credit	–	–	–	–	–	5,456,048	–	5,456,048	6,439,771
Others	–	–	–	–	–	8,960,020	401,769	9,361,789	1,792,340
	12,172,759	**276,407**	**129,583**	**7,800,537**	**9,558,312**	**72,562,695**	**450,288**	**102,950,581**	**38,202,373**

Excludes collective impairment allowance amounting to RM1,437,137,000.

@ Excludes equity instrument amounting to RM342,683,000.

* Other financial assets include other assets amounting to RM162,646,000 and derivative assets amounting to RM298,148,000.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

40 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's and Bank's statements of financial position at their fair values:

	Group		Bank	
2010	**Carrying value RM'000**	**Fair value RM'000**	**Carrying value RM'000**	**Fair value RM'000**
Financial assets				
Financial investments held-to-maturity	**10,674,245**	**10,801,377**	**9,558,312**	**9,664,386**
Loans, advances and financing	**81,531,003**	**81,693,151**	**71,125,558**	**71,177,558**
Financial liabilities				
Deposits from customers	**92,402,813**	**92,409,966**	**80,567,577**	**80,571,881**
Deposits and placements of banks and other financial institutions	**7,680,309**	**7,646,332**	**6,158,453**	**6,124,476**
Recourse obligation on loans sold to Cagamas Berhad	**818,053**	**782,525**	**818,503**	**782,525**
Hybrid Tier I Capital Securities	**605,407**	**684,333**	**605,407**	**684,333**
Subordinated obligations	**3,018,157**	**3,097,047**	**3,018,157**	**3,097,047**
2009				
Financial assets				
Financial investments held-to-maturity	10,766,923	10,878,950	9,651,635	9,751,388
Loans, advances and financing	67,127,117	66,849,415	59,116,696	59,020,519
Financial liabilities				
Deposits from customers	81,867,854	79,506,433	71,589,904	69,227,826
Deposits and placements of banks and other financial institutions	6,353,224	6,315,213	5,466,744	5,428,733
Recourse obligation on loans sold to Cagamas Berhad	1,168,826	1,139,854	1,168,826	1,139,854
Hybrid Tier I Capital Securities	596,996	635,312	596,996	635,312
Subordinated obligations	2,000,000	2,009,310	2,000,000	2,009,310

40 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) Financial investments held-to-maturity

The fair value for financial investments held-to-maturity is 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 statements of financial position 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 impairment allowance.

(v) Other assets and liabilities

The carrying value less any estimated impairment 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, bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions, 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 2010 (continued)

40 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

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

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 obligations is generally based on quoted and observable market prices at the date of statements of financial position.

(xi) Hybrid Tier I Capital Securities

The estimated fair value of hybrid capital securities is generally based on quoted and observable market prices at the date of statements of financial position.

(xii) Credit related commitments 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 date of statement of financial position.

41 CAPITAL ADEQUACY

With effect from 1 July 2010, the capital ratios of the Bank are computed based on Bank Negara Malaysia's ('BNM') Guidelines on Risk Weighted Capital Adequacy Framework: IRB Approach for Credit Risk, Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk (Basel II). Comparatives have not been restated. As at 31 December 2009, the capital ratios of the Bank were computed based on BNM's Guidelines on Risk Weighted Capital Adequacy Framework for Credit and Market (Basel I).

The Bank has applied paragraph 7.2 of Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3) dated 5 February 2010, where the Bank is exempted from disclosing comparative figures in the previous reporting period.

The capital ratios of RHB Islamic Bank Berhad ('RHB Islamic Bank') are computed based on BNM's Capital Adequacy Framework for Islamic Banks (CAFIB): Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

41 CAPITAL ADEQUACY (CONTINUED)

	RHB Bank *		RHB Islamic Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Tier I Capital				
Paid-up ordinary share capital	**3,318,085**	3,318,085	**523,424**	523,424
Hybrid Tier I Capital Securities	**597,227**	596,996	**–**	–
Share premium	**8,563**	8,563	**–**	–
Retained profits	**2,492,142**	1,696,589	**222,371**	167,172
Other reserves	**2,673,342**	2,397,969	**231,484**	197,739
	9,089,359	8,018,202	**977,279**	888,335
Less: Goodwill	**(905,519)**	(905,519)	**–**	–
Deferred tax assets	**(265,300)**	(234,070)	**(33,269)**	(17,046)
Total Tier I capital	**7,918,540**	6,878,613	**944,010**	871,289
Tier II Capital				
Subordinated obligations	**3,000,000**	2,000,000	**–**	–
Collective impairment allowance^	**263,786**	–	**103,037**	–
General allowance	**–**	862,725	**–**	88,984
Total Tier II capital	**3,263,786**	2,862,725	**103,037**	88,984
Less: Investment in subsidiaries	**(622,656)**	(622,666)	**–**	–
Excess of total expected loss over total eligible provision under the IRB approach	**(199,127)**	–	**–**	–
Other deduction #	**(3,190)**	(3,230)	**(102)**	(12)
Eligible Tier II capital	**2,438,813**	2,236,829	**102,935**	88,972
Total capital base	**10,357,353**	9,115,442	**1,046,945**	960,261
Capital ratios				
Before proposed dividends:				
Core capital ratio	**10.79%**	10.55%	**12.23%**	12.50%
Risk-weighted capital ratio	**14.11%**	13.99%	**13.56%**	13.78%
After proposed dividends:				
Core capital ratio	**10.46%**	10.41%	**12.23%**	12.50%
Risk-weighted capital ratio	**13.79%**	13.84%	**13.56%**	13.78%

* The Bank figures include the operations of RHB Bank (L) Ltd. The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank and from its wholly-owned offshore banking subsidiary company, RHB Bank (L) Ltd.

^ Excludes collective assessment impairment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on "Classification and Impairment Provisions for Loans/Financing" issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

41 CAPITAL ADEQUACY (CONTINUED)

Pursuant to Basel II Market Risk para 5.19 & 5.20 - Valuation Adjustments/Reserves, the RWCR computation shall account for the ageing, liquidity and holding back adjustments/reserves on its trading portfolio.

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.

	Group	
	2010 RM'000	**2009 RM'000**
Tier I Capital		
Paid-up ordinary share capital	**3,318,085**	3,318,085
Hybrid Tier I Capital Securities	**597,227**	596,996
Share premium	**8,563**	8,563
Retained profits	**2,827,885**	1,946,457
Other reserves	**2,866,249**	2,574,893
	9,618,009	8,444,994
Less: Goodwill	**(1,004,017)**	(1,004,017)
Net deferred tax assets	**(307,495)**	(263,176)
Total Tier I capital	**8,306,497**	7,177,801
Tier II Capital		
Subordinated obligations	**3,000,000**	2,000,000
Collective impairment allowance^	**368,224**	–
General allowance	**–**	953,856
Total Tier II capital	**3,368,224**	2,953,856
Less: Excess of total expected loss over total eligible provision under the IRB approach	**(196,278)**	–
Other deduction #	**(3,292)**	(3,243)
Eligible Tier II capital	**3,168,654**	2,950,613
Total capital base	**11,475,151**	10,128,414
Capital ratios		
Before proposed dividends:		
Core capital ratio	**10.27%**	10.03%
Risk-weighted capital ratio	**14.19%**	14.15%
After proposed dividends:		
Core capital ratio	**9.97%**	9.90%
Risk-weighted capital ratio	**13.89%**	14.02%

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

41 CAPITAL ADEQUACY (CONTINUED)

	Group	
	2010	2009
	RM'000	RM'000
The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:		
Credit risk	**72,460,531**	70,388,516
Market risk	**1,255,271**	1,144,757
Operational risk	**7,162,161**	–
Total risk-weighted assets	**80,877,963**	71,533,273

^ Excludes collective assessment impairment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on "Classification and Impairment Provisions for Loans/Financing" issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010.

Pursuant to Basel II Market Risk para 5.19 & 5.20 - Valuation Adjustments/Reserves, the RWCR computation shall account for the ageing, liquidity and holding back adjustments/reserves on its trading portfolio.

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 2010 (continued)

41 CAPITAL ADEQUACY (CONTINUED)

	RHB Bank*		RHB Islamic Bank	
	Principal RM'000	Risk-weighted assets RM'000	Principal RM'000	Risk-weighted assets RM'000
The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:				
2010				
(i) Credit risk	**112,016,830**	**65,571,292**	**13,568,190**	**7,124,858**
(ii) Market risk		**1,232,084**		**30,513**
(iii) Operational risk		**6,559,217**		**566,538**
Total risk-weighted assets		**73,362,593**		**7,721,909**
2009				
(i) Credit risk	104,926,037	64,025,583	11,972,425	6,401,766
(ii) Market risk		1,118,776		9,114
(iii) Operational risk		–		558,743
Total risk-weighted assets		65,144,359		6,969,623

* The Bank figures include the operations of RHB Bank (L) Ltd. The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank and from its wholly-owned offshore banking subsidiary company, RHB Bank (L) Ltd.

42 SEGMENT REPORTING

In the financial year ended 31 December 2010, segment reporting by the Group has been prepared for the first time in accordance with FRS 8 'Operating Segments'. Segment information for 2009, that is reported as comparative information for 2010 has been restated to conform with the requirements of FRS 8. Following the management approach of FRS 8, operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.

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.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

42 SEGMENT REPORTING (CONTINUED)

The business segment results are prepared based on the Group's internal management reporting, which reflect the organisation's management reporting structure. Internal allocation of costs for example back office support, centralised cost, funding centre and the application of transfer pricing, where appropriate, has been used in preparing the segmental reporting.

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

(a) Corporate and Investment banking

Corporate and Investment banking caters to funding or lending needs of corporate customers including public listed corporations and its related entities, multinational corporations (including Japanese), financial institutions and Government and state owned entities. Included under Corporate 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.

(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, lease financing and personal loans), credit cards, remittance services, deposit collection and investment products.

(c) Business banking

Business banking caters to funding or lending needs to small and medium sized enterprises.

(d) 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. This segment also includes Funding Centre of the Bank.

(e) Islamic banking business

Islamic banking business 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.

(f) Global financial banking

Global financial banking focuses on providing banking related products and services tailored to the specific needs in foreign countries. Currently, the Group has established foreign operations in Singapore, Brunei and Thailand.

(g) 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 2010 (continued)

42 SEGMENT REPORTING (CONTINUED)

Group 2010	Corporate and Investment Banking RM'000	Retail Banking RM'000	Business Banking RM'000	Treasury and Money Market RM'000	Islamic Banking Business RM'000	Global Financial Banking RM'000	Others RM'000	Elimination RM'000	Total RM'000
External revenue	615,901	1,562,252	662,567	695,901	267,782	186,487	19,754	–	4,010,644
Inter-segment revenue	(2,828)	–	–	13,366	(9,401)	2,711	785	(4,633)	–
Segment revenue[1]	613,073	1,562,252	662,567	709,267	258,381	189,198	20,539	(4,633)	4,010,644
Overhead expenses	(80,234)	(551,070)	(266,476)	(39,579)	(76,609)	(101,545)	(11,538)	4,633	(1,122,418)
of which:									
Depreciation of property, plant and equipment	(3,469)	(12,371)	(54,811)	(3,653)	(8,371)	(4,050)	(196)	–	(86,921)
Allowance for impairment on loans, advances and financing	28,260	(285,758)	(86,638)	–	(67,379)	(7,697)	–	–	(419,212)
Impairment losses on other assets	(4,820)	(181)	150	(44,660)	(24,945)	20,264	–	–	(54,192)
Profit before unallocated expenses	556,279	725,243	309,603	625,028	89,448	100,220	9,001	–	2,414,822
Unallocated expenses[2]									(329,511)
Profit after unallocated expenses									2,085,311
Subordinated obligations									(138,554)
Hybrid Tier I Capital Securities									(45,354)
Profit before taxation									1,901,403
Taxation									(474,849)
Net profit for the financial year									1,426,554

Note:

1. Total segment revenue comprise of net interest income (excluding interest expense on subordinated obligations and Hybrid Tier I Capital Securities amounting to RM183,908,000), other operating income and income from Islamic Banking business.

2. 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.

42 SEGMENT REPORTING (CONTINUED)

Group 2009	Corporate and Investment Banking RM'000	Retail Banking RM'000	Business Banking RM'000	Treasury and Money Market RM'000	Islamic Banking Business RM'000	Global Financial Banking RM'000	Others RM'000	Elimination RM'000	Total RM'000
External revenue	461,517	1,455,119	589,256	545,914	266,083	212,156	43,512	–	3,573,557
Inter-segment revenue	(3,534)	–	–	15,974	(11,052)	2,458	791	(4,637)	–
Segment revenue[1]	457,983	1,455,119	589,256	561,888	255,031	214,614	44,303	(4,637)	3,573,557
Overhead expenses of which:	(83,045)	(545,742)	(251,985)	(40,025)	(86,086)	(114,110)	(27,354)	4,637	(1,143,710)
Depreciation of property, plant and equipment	(3,538)	(9,554)	(44,111)	(5,114)	(6,111)	(4,078)	(205)	–	(72,711)
Allowance for impairment on loans, advances and financing	(173,414)	(184,404)	(102,000)	–	(83,028)	(43,740)	–	–	(586,586)
Impairment losses on other assets	25,818	(258)	61	3,483	–	–	–	–	29,104
Profit before unallocated expenses	227,342	724,715	235,332	525,346	85,917	56,764	16,949	–	1,872,365
Unallocated expenses[2]									(253,915)
Profit after unallocated expenses									1,618,450
Subordinated obligations									(103,500)
Hybrid Tier I Capital Securities									(23,182)
Profit before taxation									1,491,768
Taxation									(303,932)
Net profit for the financial year									1,187,836

Note:

1. Total segment revenue comprise of net interest income (excluding interest expense on subordinated obligations and Hybrid Tier I Capital Securities amounting to RM126,682,000), other operating income and income from Islamic Banking business.

2. 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.

42 SEGMENT REPORTING (CONTINUED)

Group 2010	Corporate and Investment Banking RM'000	Retail Banking RM'000	Business Banking RM'000	Treasury and Money Market RM'000	Islamic Banking Business RM'000	Global Financial Banking RM'000	Others RM'000	Elimination RM'000	Total RM'000
Segment assets	26,684,355	35,521,093	10,372,414	30,257,266	8,904,619	7,697,003	37,699	(1,088,674)	118,385,775
Deferred tax assets									260,089
Tax recoverable									27
Unallocated assets									808,676
TOTAL ASSETS									119,454,567
Segment liabilities	16,118,579	24,596,143	5,994,511	42,223,840	10,380,520	6,533,822	2,093	(1,252,614)	104,596,894
Taxation									167,338
Deferred tax liabilities									6
Subordinated obligations									3,018,157
Hybrid Tier I Capital Securities									605,407
Long term borrowings									819,362
Unallocated liabilities									1,083,419
									110,290,583
Other segment items									
Capital expenditure	1,648	116,107	6,590	805	4,228	3,415	–	–	132,793

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

42 SEGMENT REPORTING (CONTINUED)

Group 2009	Corporate and Investment Banking RM'000	Retail Banking RM'000	Business Banking RM'000	Treasury and Money Market RM'000	Islamic Banking Business RM'000	Global Financial Banking RM'000	Others RM'000	Elimination RM'000	Total RM'000
Segment assets	21,627,055	29,855,742	9,164,595	32,017,373	6,440,555	7,636,944	38,854	(1,653,296)	105,127,822
Deferred tax assets									263,182
Tax recoverable									17,591
Unallocated assets									685,855
TOTAL ASSETS									106,094,450
Segment liabilities	13,747,888	21,479,698	5,670,828	39,211,915	8,927,953	6,460,832	2,655	(1,890,301)	93,611,468
Taxation									37,419
Deferred tax liabilities									6
Long term borrowings									958,720
Subordinated obligations									2,000,000
Hybrid Tier I Capital Securities									596,996
Unallocated liabilities									1,057,848
									98,262,457
Other segment items									
Capital expenditure	5,665	68,545	20,972	4,172	7,851	6,649	–	–	113,854

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

42 SEGMENT REPORTING (CONTINUED)

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

Group	2010 RM'000	2009 RM'000
Segment revenue		
Malaysia	**3,824,053**	3,362,955
Outside Malaysia	**186,591**	210,602
Total	**4,010,644**	3,573,557
Segment assets		
Malaysia	**111,757,564**	98,428,252
Outside Malaysia	**7,697,003**	7,666,198
Total	**119,454,567**	106,094,450

	2010 RM'000	2009 RM'000
Capital expenditure		
Malaysia	**129,378**	107,205
Outside Malaysia	**3,415**	6,649
Total	**132,793**	113,854

43 CHANGES IN ACCOUNTING POLICIES

During the financial year, the Group and the Bank change the following accounting policies upon adoption of new accounting standards, amendments and improvements to published standards and interpretations:

- Leasehold land
- Financial assets
- Financial liabilities
- Revenue recognition
- Impairment of financial assets

Refer to summary of significant accounting policies for the details of the changes in accounting policies.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

43 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The impact of such changes on the financial statements of the Group and the Bank are set out below.

(i) Impact on the Group's and the Bank's statements of financial position:

	Balance as at 31 December 2008		
	As previously reported RM'000	Improvement to FRS 117 RM'000	As restated RM'000
Group			
Property, plant and equipment	527,711	102,139	629,850
Prepaid land lease	102,139	(102,139)	–
Bank			
Property, plant and equipment	439,165	20,940	460,105
Prepaid land lease	20,940	(20,940)	–

	Balance as at 31 December 2009		
	As previously reported RM'000	Improvement to FRS 117 RM'000	As restated RM'000
Group			
Property, plant and equipment	566,518	102,937	669,455
Prepaid land lease	102,937	(102,937)	–
Bank			
Property, plant and equipment	476,561	20,617	497,178
Prepaid land lease	20,617	(20,617)	–

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

43 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The impact of such changes on the financial statements of the Group and the Bank are set out below (continued).

(i) Impact on the Group's and the Bank's statements of financial position (continued):

Group	Balance as at 31 December 2009 RM'000	FRS 139 RM'000	Balance as at 1 January 2010 RM'000
Retained profits	1,946,458	56,295	2,002,753
Translation reserves	(13,818)	(64)	(13,882)
AFS reserves	(16,005)	109,357	93,352
Financial investments available-for-sale	6,565,352	145,810	6,711,162
Loans, advances and financing:			
– Gross loans, advances and financing	69,845,701	319,696	70,165,397
– Individual impairment allowance	–	1,350,111	1,350,111
– Collective impairment allowance	–	1,613,437	1,613,437
– Specific allowance	1,764,729	(1,764,729)	–
– General allowance	953,855	(953,855)	–
Deferred tax assets	263,176	(54,826)	208,350
Loans, advances and financing of which:			
– Impaired loans, advances and financing	3,260,995	1,375,390	4,636,385

Bank	Balance as at 31 December 2009 RM'000	FRS 139 RM'000	Balance as at 1 January 2010 RM'000
Retained profits	1,460,435	33,660	1,494,095
AFS reserves	(23,595)	109,357	85,762
Financial investments available-for-sale	5,367,804	145,810	5,513,614
Loans, advances and financing:			
– Gross loans, advances and financing	61,498,075	286,238	61,784,313
– Individual impairment allowance	–	1,184,796	1,184,796
– Collective impairment allowance	–	1,437,941	1,437,941
– Specific allowance	1,551,647	(1,551,647)	–
– General allowance	829,732	(829,732)	–
Deferred tax assets	234,070	(47,673)	186,397
Loans, advances and financing of which:			
– Impaired loans, advances and financing	2,786,641	1,272,812	4,059,453

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

43 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The impact of such changes on the financial statements of the Group and the Bank are set out below (continued).

(i) Impact on the Group's and the Bank's statements of financial position (continued):

	Increase/(decrease) to balance as at 31 December 2010		
Group	**FRS 117 RM'000**	**FRS 139 RM'000**	**Total RM'000**
Assets			
Cash and short-term funds	–	8,344	**8,344**
Securities purchased under resale agreements	–	9	**9**
Deposits and placements with banks and other financial institutions	–	6,770	**6,770**
Financial assets held-for-trading	–	231	**231**
Financial investments available-for-sale	–	309,803	**309,803**
Financial investments held-to-maturity	–	86,925	**86,925**
Loans, advances and financing	–	271,527	**271,527**
Other assets	–	(548,191)	**(548,191)**
Deferred tax assets	–	(7,491)	**(7,491)**
Property, plant and equipment	118,023	–	**118,023**
Prepaid land lease	(118,023)	–	**(118,023)**
Liabilities			
Deposits from customers	–	313,478	**313,478**
Deposits and placements of banks and other financial institutions	–	14,240	**14,240**
Other liabilities	–	(357,671)	**(357,671)**
Taxation	–	26,363	**26,363**
Recourse obligation on loans sold to Cagamas Berhad	–	1,381	**1,381**
Long term borrowings	–	2,235	**2,235**
Subordinated obligations	–	18,157	**18,157**
Hybrid Tier I Capital Securities	–	8,180	**8,180**
Equity			
AFS reserves	–	22,474	**22,474**

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

43 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The impact of such changes on the financial statements of the Group and the Bank are set out below (continued).

(i) Impact on the Group's and the Bank's statements of financial position (continued):

	Increase/(decrease) to balance as at 31 December 2010		
Bank	**FRS 117 RM'000**	**FRS 139 RM'000**	**Total RM'000**
Assets			
Cash and short-term funds	–	5,850	**5,850**
Securities purchased under resale agreements	–	9	**9**
Deposits and placements with banks and other financial institutions	–	6,411	**6,411**
Financial assets held-for-trading	–	7	**7**
Financial investments available-for-sale	–	267,286	**267,286**
Financial investments held-to-maturity	–	105,389	**105,389**
Loans, advances and financing	–	318,463	**318,463**
Other assets	–	(500,481)	**(500,481)**
Deferred tax assets	–	(7,491)	**(7,491)**
Property, plant and equipment	17,179	–	**17,179**
Prepaid land lease	(17,179)	–	**(17,179)**
Liabilities			
Deposits from customers	–	308,594	**308,594**
Deposits and placements of banks and other financial institutions	–	14,240	**14,240**
Other liabilities	–	(352,787)	**(352,787)**
Taxation	–	43,242	**43,242**
Recourse obligation on loans sold to Cagamas Berhad	–	1,381	**1,381**
Long term borrowings	–	2,235	**2,235**
Subordinated obligations	–	18,157	**18,157**
Hybrid Tier I Capital Securities	–	8,180	**8,180**
Equity			
AFS reserves	–	22,474	**22,474**

Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

43 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(ii) Impact on the Group's and the Bank's income statements/statements of comprehensive income:

	Increase/(decrease) for the financial year ended 31 December 2010	
	Group RM'000	Bank RM'000
FRS 139		
Income statement		
Interest income	(66,313)	(63,044)
Other operating expenses	(40,708)	(34,519)
Allowance for impairment on loans, advances and financing	(131,058)	(201,494)
Profit before taxation	105,453	172,969
Taxation	26,363	43,242
Net profit for the financial year	79,090	129,727
Other comprehensive income		
Fair value gains on financial investments available-for-sale, net of tax	22,474	22,474

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

44 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Issuance of RM1.0 billion nominal value of Subordinated Notes and/or Senior Notes under a Medium Term Note Programme by the Bank

On 29 April 2010, the Bank issued RM1.0 billion nominal value of Subordinated Notes, being the remaining balance of the issuance of RM3.0 billion in nominal value of Subordinated Notes and/or Senior Notes under a Medium Term Note Programme. The RM1.0 billion Subordinated Notes comprises:

(i) 5.0% 10 non-call 5 year Subordinated Notes of RM700.0 million due on 29 April 2020; and

(ii) 5.6% 15 non-call 10 year Subordinated Notes of RM300.0 million due on 29 April 2025.

(b) Establishment of a bancassurance alliance between RHB Bank and Tokio Marine Life Insurance Malaysia Berhad (formerly known as TM Asia Life Malaysia Bhd) ('Tokio Marine Life')

The Bank had on 1 July 2010 entered into an exclusive Bancassurance Agreement ('Bancassurance Agreement') with Tokio Marine Life.

Pursuant to the Bancassurance Agreement, Tokio Marine Life will pay an exclusivity fee of RM100 million to RHB Bank and RHB Bank shall be committed to a 10-year exclusive bancassurance relationship with Tokio Marine Life.

Under the Exclusive Bancassurance Agreement, RHB Bank will sell, market and promote conventional life insurance products developed by Tokio Marine Life via its distribution channels and any other alternative distribution channels jointly developed by RHB Bank and Tokio Marine Life subject to the terms and conditions stipulated in the Bancassurance Agreement.

Notwithstanding the Exclusive Bancassurance Agreement, RHB Bank may continue to maintain its existing panel of insurers to provide Group Mortgage Reducing Term Assurance products for residential property and non-residential property to the extent that such panelship is required to be maintained pursuant to BNM's requirements and guidelines.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

44 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(c) Proposed acquisition of 80% of the issued and paid-up share capital in Bank Mestika

RHB Capital Berhad ('RHB Capital'), the Bank's holding company had on 19 October 2009 entered into a conditional sale and purchase agreement with PT Mestika Benua Mas ('Vendor') for the proposed acquisition of 80% of the issued and paid-up share capital in PT Bank Mestika Dharma ('Bank Mestika'), comprising 654,414 ordinary shares of Indonesian Rupiah ('Rp') 1,000,000 each, for a total cash consideration of Rp3,118,300,347,760 (equivalent to approximately RM1,163,126,030 based on an assumed exchange rate of Rp100,000=RM37.3 ('CSPA') ('Proposed Acquisition'). Simultaneous with the execution of, and in accordance to the CSPA, RHB Capital had also on even date entered into an agreement with the Vendor and The Hongkong and Shanghai Banking Corporation Limited, acting as the escrow agent, ('Escrow Agreement') for the purpose of facilitating the payment of deposit for the Proposed Acquisition.

In addition, RHB Capital and the Vendor had also on even date entered into an option agreement pertaining to 9% of the issued and paid-up share capital in Bank Mestika ('Proposed Options') held by the Vendor after Bank Mestika's proposed initial public offering ('Option Shares') for a total cash consideration of approximately Rp350,809 million (equivalent to approximately RM131 million) plus additional performance related returns of up to 15% per annum compounded annually (adjusted for dividends paid), payable only in the event the Vendor opts to dispose of the Option Shares to RHB Capital or RHB Capital opts to acquire the Option Shares from the Vendor on any of the anniversary dates of the completion of the Proposed Acquisition during the Option Period (as defined in Section 2.8.3(iii) of the announcement of the Proposed Acquisition dated 19 October 2009) ('Option Agreement'). (The CSPA, Escrow Agreement and the Option Agreement are collectively to be referred to as ('Transaction Agreements').

On 23 October 2009, RHB Capital had assigned all of its rights, title, interest, benefit and entitlement, and novated all of its obligations and liabilities as contained in the Transaction Agreements to RHB Venture Capital Sdn Bhd ('RHB VC').

Based on the terms of the CSPA, the period to satisfy or waive the conditions precedent of the CSPA ('Long Stop Date') is to expire on 16 July 2010. However, on 19 July 2010, RHB Capital announced that RHB VC and the Vendor have on 16 July 2010, by way of an exchange of letters, mutually agreed to extend the Long Stop Date to 19 April 2011.

On 20 December 2010, RHB Capital announced that in consultation with the relevant authorities and the Vendor, it is proposed that the Bank will be the new entity to hold the investment in Bank Mestika pursuant to the Proposed Acquisition and the Proposed Options, in place of RHB VC. In this respect, RHB VC has on 17 December 2010 assigned all of its rights, title, interest, benefit and entitlement, and novated all of its obligations and liabilities as contained in the Transaction Agreements to the Bank. Accordingly, the Bank has on 20 December 2010, submitted the relevant applications to Bank Indonesia and BNM as the acquirer for the Proposed Acquisition and the Proposed Options. BNM had on 31 January 2011, granted its approval to the Bank for the Proposed Acquisition.

The Proposed Options is conditional upon the Proposed Acquisition but not vice versa.

The Proposed Acquisition and Proposed Options did not have any material effect on the earnings of the Bank for the financial year ended 31 December 2010. The Proposed Acquisition is expected to contribute to the future revenue and earnings of the Bank.

45 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 24 February 2011.

Statement By Directors

Pursuant To Section 169 (15) Of The Companies Act, 1965

We, Tan Sri Azlan Zainol and Dato' Tajuddin Atan, being two of the directors of RHB Bank Berhad state that, in the opinion of the directors, the financial statements set out on pages 56 to 183 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 2010 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, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965.

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

TAN SRI AZLAN ZAINOL
CHAIRMAN

DATO' TAJUDDIN ATAN
MANAGING DIRECTOR

Kuala Lumpur
28 February 2011

Statutory Declaration

Pursuant To Section 169 (16) Of The Companies Act, 1965

I, Yap Choi Foong, 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 56 to 183 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.

YAP CHOI FOONG

Subscribed and solemnly declared by the abovenamed Yap Choi Foong at Kuala Lumpur in Wilayah Persekutuan on 28 February 2011.

before me:
COMMISSIONER FOR OATHS
Kuala Lumpur

Independent Auditors' Report

To The Member of RHB Bank Berhad
(Company No. 6171-M)
(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of RHB Bank Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Bank, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 56 to 183.

Directors' Responsibility for the Financial Statements

The directors of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, Bank Negara Malaysia Guidelines and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, Bank Negara Malaysia Guidelines and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2010 and of their financial performance and cash flows for the year then ended.

Independent Auditors' Report

To The Member Of Rhb Islamic Bank Berhad
(Company No. 6171-M)
(Incorporated in Malaysia)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

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

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 12 to the financial statements.

(c) 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF-1146)
Chartered Accountants

SRIDHARAN NAIR
(No. 2656/05/12 (J))
Chartered Accountant

Kuala Lumpur
28 February 2011

Pillar 3 Disclosures Contents

Statement by Managing Director

In accordance with the requirements of Bank Negara Malaysia's Guideline on 'Risk-Weighted Capital Adequacy Framework ('Basel II') – Disclosure Requirements ('Pillar 3'), and on behalf of the Board and Senior Management of RHB Bank Berhad, I am pleased to provide an attestation that the Basel II Pillar 3 disclosures of the Bank for the year ended 31st December 2010 are accurate and complete.

DATO' TAJUDDIN ATAN
Managing Director

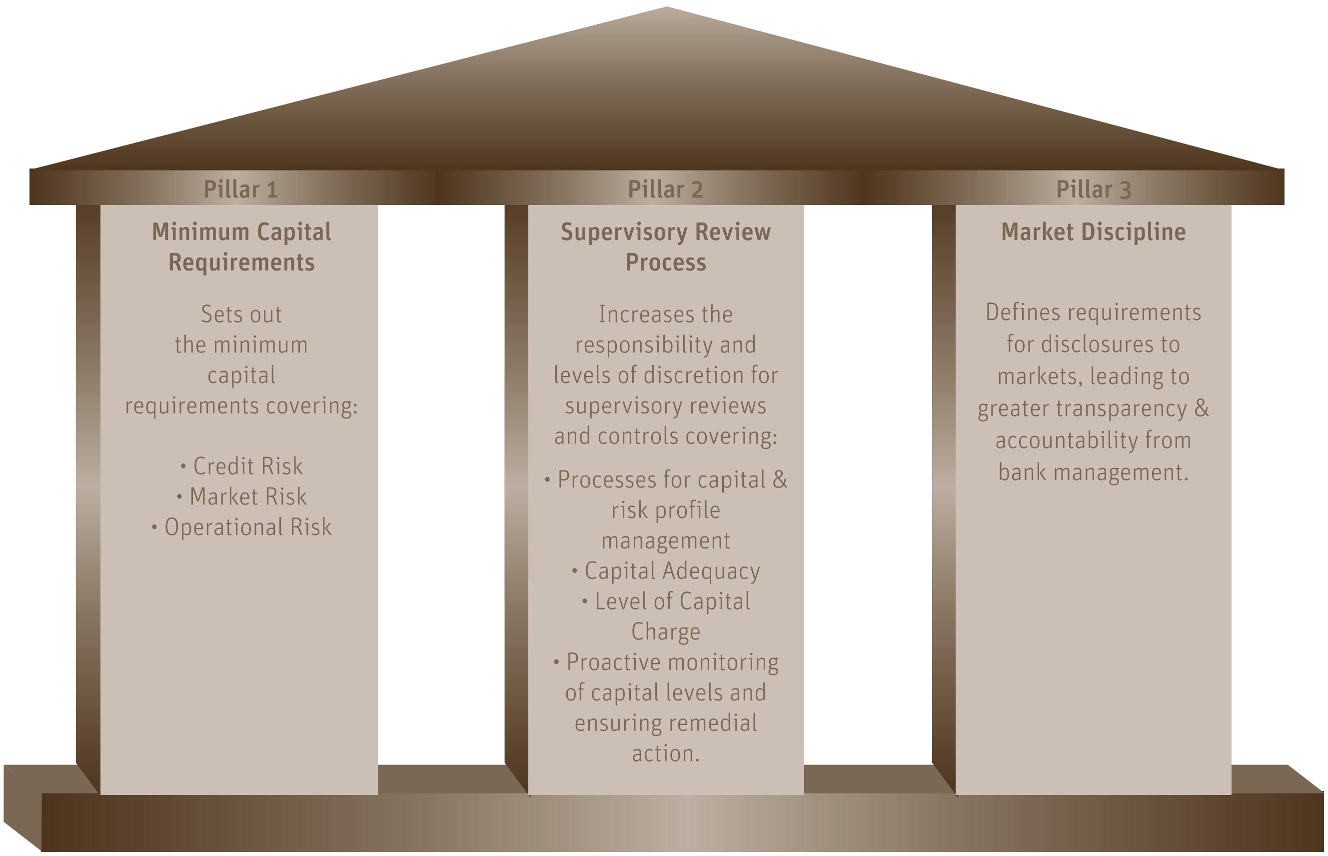
1.0 Introduction

This document discloses RHB Bank Berhad's risk profile, risk management practices and capital adequacy position in accordance with the disclosure requirements as outlined in the Risk-Weighted Capital Adequacy Framework ('Basel II') – Disclosure Requirements ('Pillar 3') issued by Bank Negara Malaysia ('BNM').

In December 2009, BNM had issued the final requirements and guidance on the adoption of the Internal Ratings-Based ('IRB') Approach for credit risk under the Risk-Weighted Capital Adequacy Framework ('RWCAF') for banking institutions and the Capital Adequacy Framework for Islamic Banks ('CAFIB').

Basel II introduces a more risk-based approach to regulatory capital with a distinct charge for operational risk in addition to the existing credit and market risk capital charges. Basel II is designed to be a catalyst for more advanced risk management techniques, enterprise-wide cultures of risk management and improved corporate governance and public disclosure.

The Basel II approach based on the three pillars can be diagrammatically depicted as below:



1.0 Introduction (continued)

- Pillar 1 provides guidelines for calculation of risk-weighted assets for credit risk, market risk and operational risk, and the minimum amount of regulatory capital that banks must hold against the risks they assume.

- Pillar 2 outlines the key principles of the supervisory review process and related risk management guidance, thus allows banks and supervisors to take a view on whether the bank should hold additional capital to cover the three Pillar 1 risk types, to cover other risks. It sets out specific oversight responsibilities for the Board and senior management, thus re-enforcing principles of internal controls and other corporate governance practices. The bank's own internal models and assessments support this process.

- Pillar 3 covers external communication of risk and capital information by banks. The purpose of the Pillar 3 disclosures is to complement the minimum capital requirements under Pillar 1 and the supervisory review process under Pillar 2 by encouraging market efficiency through the development of a set of disclosure requirements that will allow market participants to assess key pieces of information on banks' capital structures, risk exposures, risk management processes, and hence, their overall capital adequacy.

Under the Internal Ratings-Based ('IRB') Approach for credit risk, banking institutions are allowed to use internal estimates of risk parameters (namely the probability of default, loss given default and exposure at default) to determine regulatory capital requirements. Banking institutions are required to obtain explicit approval from BNM to adopt the IRB Approach. The requirements set out under the IRB Approach are largely based on the Framework on International Convergence of Capital Measurement and Capital Standards (commonly referred to as 'Basel II'), issued by the Basel Committee on Banking Supervision ('BCBS'), but which had been appropriately adjusted to calibrate risk parameters more closely to the domestic operating environment and default experience.

The table below lists the various methodologies applicable to the capital requirements calculation in connection to the various types of risk under Pillar 1.

Type of Approaches

Credit Risk	Market Risk	Operational Risk
1. Standardised Approach ('SA')	1. Standardised Approach ('SA')	1. Basic Indicator Approach ('BIA')
2. Foundation Internal Ratings Based Approach ('F-IRB')	2. Internal Models Approach ('IMA')	2. The Standardised Approach ('TSA')
3. Advanced Internal Ratings Based Approach ('A-IRB')		3. Advanced Measurement Approach ('AMA')

For purpose of credit risk measurement, RHB Bank Berhad has applied the Internal Ratings-Based principles for credit risk since January 2010, following preliminary approval by BNM in December 2009 for the Bank to migrate directly to the IRB approach. Upon approval from BNM, RHB Bank Berhad has migrated to IRB for credit risk in July 2010. For RHB Islamic Bank Berhad, the Standardised Approach ('SA') has been adopted for credit risk since January 2008.

For market risk, both RHB Bank Berhad and RHB Islamic Bank Berhad apply the Standardised Approach while for operational risk; both banks apply the Basic Indicator Approach.

1.0 Introduction (continued)

The approaches adopted by the respective entities are summarised as follows:-

Entity	Credit Risk	Market Risk	Operational Risk
RHB Bank Berhad	IRB Approach	SA	BIA
RHB Islamic Bank Berhad	SA	SA	BIA

1.1 Purpose

This disclosure is prepared in accordance with the requirements under Bank Negara Malaysia's Guideline on Risk-Weighted Capital Adequacy Framework ('RWCAF Basel II') – Disclosure Requirements ('Pillar 3'). This document covers qualitative and quantitative disclosures and is RHB Bank Berhad's first published Pillar 3 disclosure provided in accordance with the Guideline.

In compliance with the Guideline, the Pillar 3 report for RHB Bank Berhad will be regularly prepared for 2 periods: 30th June and 31st December, commencing 31st December 2010. The Bank's Pillar 3 disclosure will be made available under the Investor Relations section of the Bank's website at www.rhb.com.my and as a supplement to the annual and the half-yearly financial reports, after the notes to the financial statements.

BNM's Pillar 3 Guideline also requires banks to adopt a formal policy to meet the minimum public disclosure requirements and to put procedures in place that enables them to assess its adequacy, also in terms of its verification and frequency.

To this end, RHB Banking Group comprising RHB Bank Berhad, RHB Investment Bank Berhad and RHB Islamic Bank Berhad, (herein referred to as 'RHB Banking Group') has implemented a Basel II Pillar 3 Disclosure Policy to address the requirements laid down for Pillar 3 disclosure. This document sets out the duties and responsibilities of the various operating units within RHB Banking Group involved in different stages of the process governing the disclosure.

Given the importance, this disclosure report has been verified and approved internally by RHB Banking Group in line with the Group Basel II Pillar 3 Disclosure Policy. There are no requirements for external auditing of this disclosure.

1.2 Basis Of Disclosure

This Pillar 3 disclosure is designed to comply with BNM's Pillar 3 Guideline, and should be read in conjunction with the Bank's Statutory Financial Statements 2010.

This document discloses the Bank's assets both in terms of exposures and capital requirements; however, information in this document is not directly comparable with the information in the Statutory Financial Statements 2010 published by the Bank.

This is most apparent for credit risk disclosures, where the risk arising from credit exposures are estimated by using parameters specified under Basel II. This estimate takes account of contractual commitments related to undrawn amounts. This differs from similar information in the Statutory Financial Statements 2010, which does not reflect the expected future drawdown under committed credit lines. An asset in the Bank's balance sheet, as published in the Financial Statements, is reported as drawn balance only. This is one of the reasons why exposure values in the Pillar 3 report can differ from asset values in the published accounts.

In addition, since this is the first year of disclosure by the Bank, there are no corresponding disclosures in the preceding reporting period(s).

2.0 Scope Of Application

In this report, RHB Bank Berhad's information is presented on a consolidated basis, i.e. RHB Bank Berhad and its overseas operations (Singapore, Brunei and Thailand), and with its subsidiaries.

For regulatory reporting purposes, RHB Bank Berhad establishes two levels of reporting, the first level being RHB Bank Global, comprising RHB Bank Berhad and RHB Bank (L) Ltd, while the second level as RHB Bank Consolidated where RHB Bank Global consolidates with its other subsidiaries.

This Pillar 3 disclosure is at the second level. In this Pillar 3 document, RHB Bank Berhad and its subsidiaries (and branches) are referred to as 'RHB Bank Group' or 'the Bank'.

In accordance with the accounting standards for financial reporting, all subsidiaries of the RHB Bank Group are fully consolidated from the date the Group obtains control until the date such control ceases. Refer to Note 12 to the financial statement for list of consolidated entities.

The RHB Bank Group's capital requirements are generally based on the principles of consolidation adopted in the preparation of its financial statements, except where the types of investments to be deducted from eligible capital are required under BNM's Guideline on 'Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components)' Part B Paragraph 4.

RHB Bank Group offers Islamic banking financial services via the Bank's wholly-owned subsidary company, RHB Islamic Bank Berhad ('RHB Islamic Bank').

The transfer of funds or regulatory capital within RHB Bank Group is subject to shareholders' and regulatory approval.

3.0 Capital Adequacy

Capital adequacy is the degree to which capital resources on the Bank's balance sheet are sufficient to cover the businesses' capital requirements now and in the foreseeable future. It also indicates the ability of the Bank to provide credit across the business cycles and in meeting any contingency without compromising the interest of the depositors and investors.

Sufficient capital in relation to the risk profile of the Bank's assets helps promote financial stability and the confidence of the shareholders. The Bank aims to maximize the shareholders' value through an optimal capital structure that protects the stakeholders' interests under stress situations, provides sufficient room for growth while meeting the regulatory requirements and at the same time gives reasonable return to shareholders.

RHB Bank Group is also committed to maintaining a sound capital base to support the risks associated with diversified businesses, while still providing investors with superior returns.

BNM's Guideline on 'Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components)' Part B Paragraph 5 on Capital Adequacy Requirements, sets out the current requirements relating to the minimum capital adequacy ratios for a bank incorporated in Malaysia shall use in calculating these ratios.

With effect from 1st July 2010, the capital ratios of RHB Bank Group are computed based on BNM's Guideline on 'Risk Weighted Capital Adequacy Framework: IRB Approach for Credit Risk, Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk (Basel II)'. For 31st December 2009, the capital ratios of the Bank were computed based on BNM's Guideline on 'Risk Weighted Capital Adequacy Framework for Credit and Market Risk (Basel I)'.

The capital ratios of RHB Islamic Bank Berhad are computed based on BNM's Guideline on 'Capital Adequacy Framework for Islamic Banks (CAFIB): Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II)'.

3.0 Capital Adequacy (continued)

3.1 Capital Adequacy Ratios

The core capital ratios and capital adequacy ratios of RHB Bank Berhad on consolidated basis (RHB Bank Group), RHB Bank Berhad on global basis (RHB Bank) and RHB Islamic Bank as at 31st December 2010 are as follows:-

Table 1: Capital Adequacy Ratios

	RHB Bank Group	RHB Bank	RHB Islamic Bank
Before proposed final dividends payment			
Core capital ratio	10.27%	10.79%	12.23%
Risk weighted capital ratio	14.19%	14.11%	13.56%
After proposed final dividends payment			
Core capital ratio	9.97%	10.46%	12.23%
Risk weighted capital ratio	13.89%	13.79%	13.56%

The above capital ratios and risk weighted capital ratios are above the minimum level required by BNM.

3.2 Minimum Capital Requirements and Risk Weighted Assets (‘RWA’)

Table 2: Risk Weighted Assets by Risk Types

	RHB Bank Group (RM'000)	RHB Bank (RM'000)	RHB Islamic Bank (RM'000)
Credit RWA	72,460,531	65,571,292	7,124,858
Market RWA	1,255,271	1,232,084	30,513
Operational RWA	7,162,161	6,559,217	566,538
Total	**80,877,963**	**73,362,593**	**7,721,909**

3.0 Capital Adequacy (continued)

Capital requirements for the three risk types are derived by multiplying the risk weighted assets by 8%. The following table shows the breakdown of RHB Bank Group's RWA by risk types for position 31st December 2010:

Table 3: Minimum Capital Requirements and Risk Weighted Assets by Risk Types

Risk Type	RWA (RM'000)	Capital Requirement (RM'000)
Credit Risk, of which	72,460,531	5,796,843
Under F-IRB	25,385,870	2,030,870
Under A-IRB	21,740,765	1,739,261
Under Standardised Approach	25,333,896	2,026,712
Market Risk		
Under Standardised Approach	1,255,271	100,421
Operational Risk		
Under Basic Indicator Approach	7,162,161	572,973
Total	**80,877,963**	**6,470,237**

RHB Bank Group does not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM's RWCAF.

4.0 Capital Structure

The constituents of total eligible capital are set out in BNM's Guideline on 'Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components)' Part C and D. These include shareholders' funds, after regulatory-related adjustments, and eligible capital instruments issued by RHB Bank Group.

Tier I capital consists primarily of ordinary share capital, hybrid tier 1 capital securities, share premium, retained profits and other reserves. Tier II capital consists of subordinated obligations and collective impairment allowance. Refer to Notes 19 and 20 to the Financial Statements for the terms of these capital instruments.

4.0 Capital Structure (continued)

The following table represents the capital position of RHB Bank Group and RHB Bank as at 31st December 2010.

Table 4: Capital Structure

	RHB Bank Group (RM'000)	RHB Bank (RM'000)
Tier I Capital		
Paid-up ordinary share capital	3,318,085	3,318,085
Hybrid Tier I Capital Securities	597,227	597,227
Share premium	8,563	8,563
Retained profits	2,827,885	2,492,142
Other reserves	2,866,249	2,673,342
Total Tier I Capital	9,618,009	9,089,359
Less:		
Goodwill	1,004,017	905,519
Net deferred tax assets	307,495	265,300
Eligible Tier I Capital	**8,306,497**	**7,918,540**
Tier II Capital		
Subordinated obligations	3,000,000	3,000,000
Collective impairment allowance	368,224	263,786
Total Tier II Capital	3,368,224	3,263,786
Less:		
Excess of Total Expected Loss over Total Eligible Provision under the IRB approach	196,278	199,127
Other deduction	3,292	3,190
Investment in subsidiary companies	–	622,656
Eligible Tier II Capital	**3,168,654**	**2,438,813**
Capital Base	**11,475,151**	**10,357,353**

5.0 Risk Management

Risk is inherent in RHB Banking Group's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to limits and other controls. Besides credit risk, the Bank is exposed to a range of other risk types such as market, liquidity, operational, legal, strategic and cross border, as well as other forms of risk inherent to its strategy, product range and geographical coverage.

Effective risk management is fundamental to being able to generate profits consistently while sustaining competitive advantage, and is thus a central part of the financial and operational management of the Bank.

To this extent, the RHB Group's Risk Management Framework governs the management of risks in RHB Banking Group. The framework operates on two interlocking layers:

- It provides a holistic overview of the risk and control environment of the Group, with the risk management moving towards loss minimisation and protection against losses which may occur through, principally, the failure of effective checks and balances in the organisation, as well as deficiencies in risk management culture.
- It sets out the strategic progression of risk management towards becoming a value creation enterprise. This is effected through building up capabilities and infrastructure in risk management sophistication, and using the improvement in risk quantification to optimise risk-adjusted (or economic) returns.

The following sections describe some of these risk management content areas.

OVERARCHING RISK MANAGEMENT PRINCIPLES

The framework enshrines five fundamental principles that drive the philosophy of risk management in the RHB Banking Group. They are:-

- Risk governance from the Boards of Directors of companies in the Group,
- Clear understanding of risk management ownership,
- Institutionalisation of a risk focused organization,
- Alignment of risk management to business strategies, and
- Optimisation of risk-adjusted economic and financial returns.

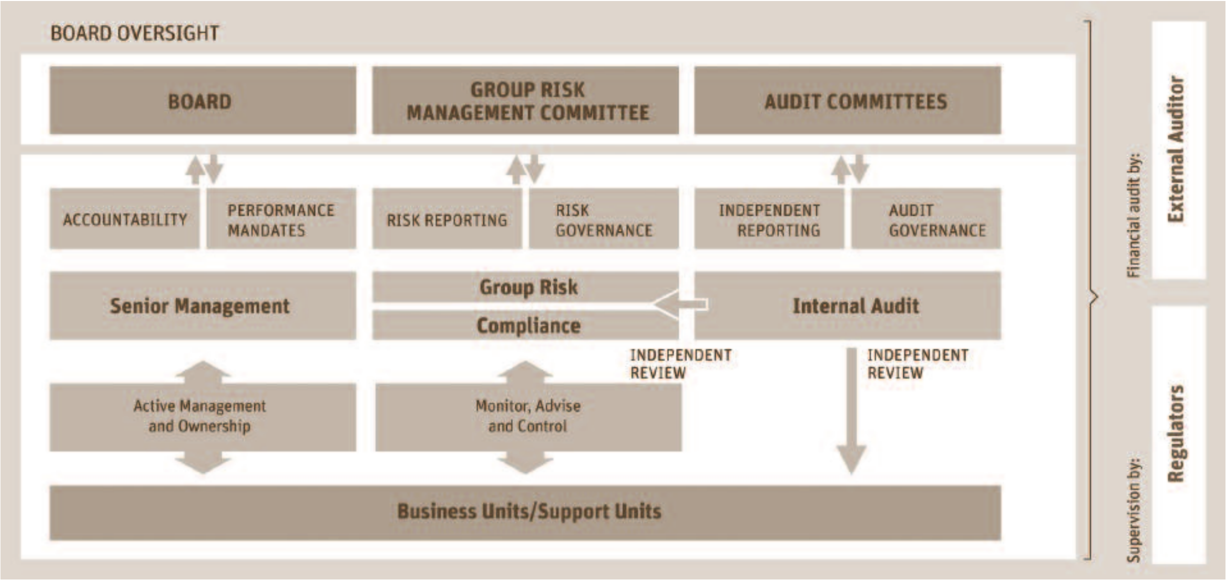
Principle 1: Risk Governance from the Boards of Directors of Companies in the Group

The ultimate responsibility of the Boards of Directors in RHB Banking Group is to ensure that an effective risk management strategy is in place and uniformly understood across the Group. The Group has a structured framework to support the Board's oversight responsibilities which is depicted in the accompanying diagram:

5.0 Risk Management (continued)

OVERARCHING RISK MANAGEMENT PRINCIPLES (CONTINUED)

Structured Framework to Support Board Oversight Role in Risk Management



RISK GOVERNANCE AND ORGANISATION

The Board of Directors ('Board' or 'BOD') through the Group Risk Management Committee ('GRMC') and Group Risk Management function ('GRM function') establishes the Group's risk appetite and risk principles. The GRMC is the principal Board Committee that provides oversight and governance of risks for the Group, oversees the senior management's activities in managing credit, market, liquidity, operational, legal and other risks to ensure that the risk management process of the Group is in place and functional. GRMC also reviews and endorses the Group's overall risk management philosophy; risk management frameworks, major risk policies, and risk models.

A Risk Management Committee is also established at RHB Islamic Bank Berhad to focus on the risk management issues of the Islamic Bank, particularly in relation to risk issues unique to Islamic finance. This is to achieve the intended objectives of enhancing the risk management of the Group's Islamic finance business.

5.0 Risk Management (continued)

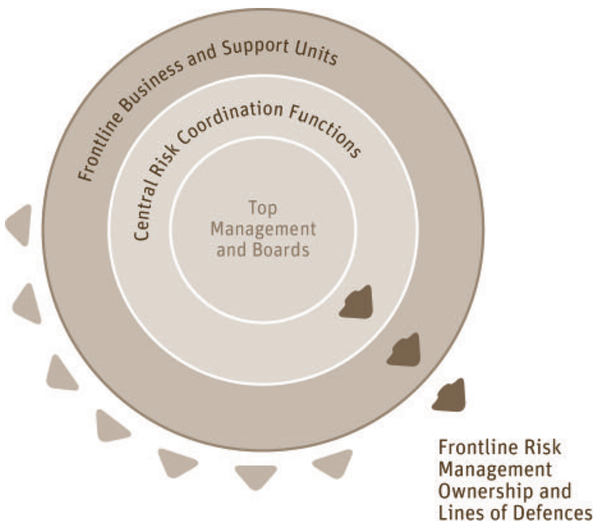
RISK GOVERNANCE AND ORGANISATION (CONTINUED)

Principle 2: Clear Understanding of Risk Management Ownership

Risk awareness culture is instilled throughout the RHB Banking Group through proactive risk ownership. The business and functional units of the Group are primarily responsible for identifying, managing and reporting their risks. The business units manage certain defined risks through the use of facilities and services provided by the functional units.

Risk management processes are a collective responsibility and cooperation of business and functional units, risk management units, top management and the Board. This leads to risk management ownership with differing levels of focus established across the RHB Banking Group as shown below.

Risk Management Ownership and Lines of Defence



5.0 Risk Management (continued)

RISK GOVERNANCE AND ORGANISATION (CONTINUED)

Principle 3 : Institutionalisation of a Risk Focused Organization

Institutionalisation of a risk focused organization is progressively evolutionised within the RHB Banking Group through a number of measures, two of which are:

- Strengthening of the central risk coordination functions, and
- Continuous reinforcing of a risk and control environment within the Group.

They are described in further detail in the succeeding sections:

Central Risk Coordination Functions

The following summarises the key differences in perspectives (which are also strategically complementary) between the Risk Management, Compliance and Internal Audit functions.

The Risk Management function is responsible for upholding the integrity of our risk / return decisions, and in particular in ensuring that risks are properly assessed and managed.

The risk management function is independent of the origination and sales functions to ensure that the necessary balance in risk / return decisions is not compromised by short-term pressures to generate revenues. This risk function reports to GRMC and assists the GRMC and Board in formulating risk related policies, advises the GRMC and 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 risk management function is also responsible for maintaining the Group Risk Management Framework, ensuring it remains appropriate to RHB Banking Group's activities, and is effectively communicated and implemented across the Group.

The risk management function in the RHB Banking Group reports to the Head of Group Risk Management. Among the roles and responsibilities of the Head of Group Risk Management are:

- Facilitating the setting of the strategic direction and overall policy on management and control of risk of the Group;
- Ensuring industry best practice risk management disciplines are adopted across the Group, including the setting of risk management parameters and risk underwriting models;
- Developing a pro-active, balanced and risk attuned culture within the Group;
- Advising senior management, the GRMC and the Board on risk issues of, and impacts on, the Group; and
- Administering the delegation of discretionary powers to management personnel within the Group.

The Compliance function is centrally managed and provides assurance to management that the Group's activities are in compliance with external requirements and internal policies and procedures.

The Audit function independently reviews and reports on the adequacy and integrity of the Group's internal control systems and information management systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

5.0 Risk Management (continued)

RISK GOVERNANCE AND ORGANISATION (CONTINUED)

Risk and Control Environment

Business, functional and governance heads are accountable for risk management in their businesses and functions, and for countries where they have governance responsibilities. The business and functional units have a clear segregation of duties with sufficient check and balance to ensure that business processes are functioning effectively. There is appropriate accountability delegated to the appropriate authority to execute their respective authorities in meeting the business strategies without compromising the risk management strategies.

Primary responsibility for managing risks, therefore, rests with the 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.

Principle 4: Alignment of Risk Management to Business Strategies

A statement of intent of the Group's Risk Management Framework is to align the Group's business strategy to risk strategy, and vice versa. This is typically articulated through the Group's annual business and financial budgetary plan, which is progressively facilitated by the integration of risk measures in economic capital management. It is also implemented through the Group's construction of a sustaining risk-focused organization as described in the preceding sections where business and support units are required to be primarily responsible and accountable for risk management.

Principle 5: Optimisation of Risk-Adjusted Economic and Financial Returns

An objective of economic capital management is to reflect a true return in relation to risk level assumed by businesses throughout the Group. By linking risk to capital, the risk-adjusted returns measure contributes to the creation of shareholder value by facilitating the allocation of capital to the businesses whose value creation significantly exceed the risk profile of their activities. The medium to long term strategy and principle of risk management of the Group is to deepen the integration of economic capital management within the Group. The Group's management has implemented a risk-adjusted returns based framework for allocation of capital to business units and for performance measurement and management.

6.0 Credit Risk

Credit Risk Definition

Credit risk arises as a result of customers' or counterparties' inability to fulfil their financial and contractual obligations as and when they arise. These obligations arise from the Bank's direct lending obligations, trade finance and its funding, investment and trading activities.

6.1 Credit Risk Management Oversight and Organisation

The Central Credit Committee ('CCC') is the senior management committee that reviews the Group's credit risk philosophy, framework and policies, aligns credit risk management with business strategy and planning, recommends credit approval authority limits, reviews the credit profile of material portfolios, and recommends actions where necessary to ensure that credit risk remains within established risk tolerances. CCC also approves and renews loans/facilities and submits to the Group Credit Committee ('GCC') for affirmation or veto if the loan/facilities exceed a pre-defined threshold.

The GCC's main functions are affirming, imposing additional covenants or vetoing credits of the RHB Banking Group which are duly approved by the CCC.

The Group has established a Group Recovery Committee ('GRC') to oversee the management of non-performing loans / non performing accounts ('NPL/NPA') and high risk accounts as well as affirming, imposing additional covenants or vetoing credits under NPL/NPA from Credit Recovery for amounts above the defined thresholds of the CCC.

Within Group Risk Management, the Credit Risk Management Department has the functional responsibility for credit risk management, portfolio risk monitoring and risk reporting. Group Risk Management units also conduct regular credit stress tests to assess the credit portfolio's vulnerability to adverse credit risk events.

Regular risk reporting is made to the Board and GRMC. These reports include various credit risk aspects such as portfolio quality, credit migration, expected losses, and concentration risk exposures by business portfolio. Such reporting allows senior management to identify adverse credit trends, take corrective actions promptly, and ensure appropriate risk-adjusted decision making.

6.2 Credit Risk Management Approach

RHB Banking Group's credit risk management framework which is founded upon BNM's Guideline on 'Best Practices for the Management of Credit Risk' is documented under the Group Credit Policy. The Bank abides by this Credit Policy which supports the development of a strong credit culture with the objective of maintaining a diversified portfolio and mitigates the risk of unexpected losses, and which ensures a reliable and satisfactory risk-weighted return. Industry best practices are instilled in the continual updating of credit risk policies.

The Bank ensures that stringent measures and processes are in place before credit proposals are approved. All corporate credit proposals are first evaluated by the originating business units before being independently evaluated by an independent credit evaluation and management function. All credit exposure limits are approved within a defined credit approval authority framework. Large loan exposures are further subject to post approval credit review by Group Internal Audit.

The Bank's credit risk management process is documented in the Group Credit Procedures Manual ('GCPM') which sets out the operational procedures and guidelines governing the credit processes of the Group's Retail Banking, Business Banking, Treasury, Corporate and Investment Banking & Finance Business operations.

The GCPM has been designed to ensure that:

- The process of credit initiation, administration, supervision and management of loans and advances are carried out consistently and uniformly by the business origination and other credit support functions within the RHB Banking Group.
- Procedures and guidelines governing the credit function are in compliance with the credit policies laid down by the respective Boards of the RHB Banking Group.

6.0 Credit Risk (continued)

6.2 Credit Risk Management Approach (continued)

Lending to Corporate and Institutional Customers

Loans to corporate and institutional customers are individually evaluated and risk-rated. Credit Officers identify and assess the credit risks of large corporate or institutional customers, or customer groups, taking into consideration their financial and business profiles, industry and economic factors, collateral, or other credit support.

Credit Risk from Investment or Trading Activities

In the course of its trading or investment banking activities, the Bank is also exposed to credit risks from trading, derivative and debt securities activities. The credit risk exposure from these products is derived from the positive mark-to-market value of the underlying instruments, and an additional component to cater for potential market movements.

Lending to Consumers and Small Businesses

For the consumer and small business sectors, credit risks are managed on a portfolio basis. Such products include mortgages, credit cards, auto loans, commercial property loans, personal financing and business loans. Loans are underwritten under product programmes that clearly define the target market, underwriting criteria, terms of lending, maximum exposure, credit origination guidelines and verification process. Scoring models are used in the credit decision process to enable objective risk evaluation and consistent decisions, cost efficient processing, and behavioural score monitoring of expected portfolio performance.

Credit Risk Measurement

Along with judgement and experience, risk measurement plays a critical role in making informed risk taking and portfolio management decisions. As the nature of credit risk varies by credit type, RHB Bank Group applies different credit risk measuring tools, so that the credit risk of each credit type is appropriately reflected.

Credit risk is calculated from 3 key factors as follows:

1. Probability of Default ('PD')
   For corporate / non-retail credit, the probability of default is measured from obligor rating obtained from the risk rating system to determine borrower's level of risk. The risk rating of each borrower is regularly reviewed to ensure that it actually reflects the debtor's risk. For retail credit, active accounts of each portfolio are classified into a specific segment (or pool), which can be classified by various factors e.g. age, application score, behaviour score, utilisation, and payment history, etc.

2. Loss Given Default ('LGD')
   For corporate credit, its value will be determined via the credit risk mitigant adjustment, in which collateral and security will determine the level of LGD for a specific transaction. For retail credit, LGD is captured at respective segment (or pool) level.

3. Exposure at Default ('EAD')
   Exposure at default is calculated from the current outstanding balance and availability of committed credit line. In this regard, the key factor is the Bank's obligations related to the available credit line. For corporate credit, credit risk is measured at an individual exposure. For retail credit, principles of credit risk measurement are similar, but measured on a pooled basis.

6.0 Credit Risk (continued)

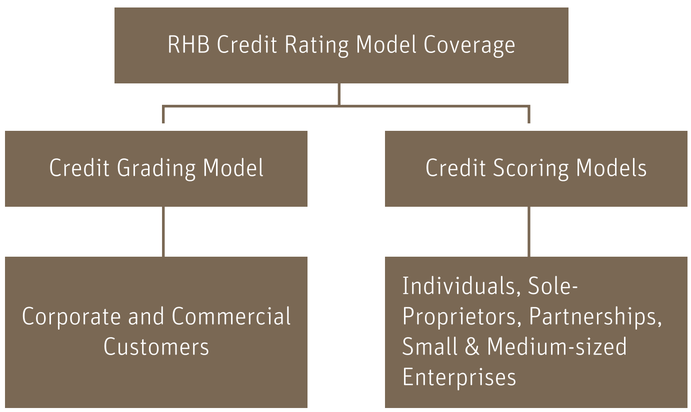
6.3 Internal Credit Rating Models

Internal credit rating models are an integral part of the Bank's credit risk management, decision making process, and regulatory capital calculations. These internal credit rating models are developed with active participation by the relevant credit experts from the Bank's functional units and / or business units.

Internal rating model development and implementation process have been established to govern the development and validation of ratings models and the application of these models. Specifically, all newly developed models prior to implementation, its material changes (of the rating systems) and validation results must be approved by GRMC and Board. All models are also subject to independent validation by the Quantitative Model Validation Unit ('QMVU') before implementation, to ensure that all aspects of the model development process have been satisfied. In addition, the models are also subject to annual review and independent validation by QMVU to ensure that they are performing as expected.

Credit risk / rating models can be classified into types:
- Credit Grading Models
- Credit Scoring Models

The diagram below shows a broad perspective of the current credit rating model coverage of the Group for the different customer / obligor:



The model for corporate customers of Corporate and Investment Banking (CIB) and Business Banking exposures is typically associated with large corporate borrowers/guarantors or debt issuers, in that the grading model attempts to rate the credit worthiness of the corporate borrowers/ guarantors or debt issuers through their financial standing (including gearing, expenses and profit) and through qualitative factors (including management effectiveness and industry environment).

The credit scoring models for individuals, sole proprietorships, partnerships-related exposures and small & medium-sized enterprises is typically associated with volume-based retail lending, and is developed through statistical modelling, where a set of factors that are predictive in separating 'good credit' and 'bad credit' applications / borrowers are identified through a rigorous analysis and modelling process.

6.0 Credit Risk (continued)

6.3 Internal Credit Rating Models (continued)

Application of Internal Ratings

The three components; the PD, LGD and EAD are used in variety of applications that measure credit risk across the entire portfolio.

- Credit Approval: PD models are used in the approval process in both retail and non-retail portfolios. In high-volume retail portfolios, application and behaviour scorecards are used as decision making tools.

- Credit Grading: Implemented since 2007 to provide a common measure of risk across the Group. This credit grading now employs a 22 point scale of default probabilities, summarised as below:-

PD Grade Range	Interpretation
PD1	Highest Credit Quality
PD2 to PD7	Strong Credit Quality
PD8 to PD12	Good Credit Quality
PD13 to PD16	Average Credit Quality
PD17 to PD18	Below Average Credit Quality
UG0	Un-graded
N21 to N23	Non-Performing Exposures

- Risk Reward and Pricing: PD, EAD and LGD metrics are used to assess profitability of deals to allow for risk-based pricing and strategic decisions.

- Economic Capital Allocation: Most economic capital calculations use the same PD and EAD inputs as the regulatory capital process.

- Risk Management Information: Group Risk Management and the business units generate risk reports to inform senior management on issues such as business performance and consumption of regulatory capital.

F-IRB for Non-Retail Portfolios

For RHB Bank Berhad, the major non-retail portfolios are on the Foundation Internal Ratings-Based ('F-IRB') approach for regulatory capital requirements. Under this approach, internal rating model is used to estimate the PD for each obligor, while the LGD and EAD parameters are prescribed by BNM. The PD rating model is statistically calibrated, with overlay of qualitative factors and notching guide to arrive at the credit rating.

A-IRB for Retail Portfolios

For regulatory capital requirements, RHB Bank Berhad has adopted the Advanced Internal Ratings-Based ('A-IRB') approach for retail portfolios, i.e. residential mortgages, credit cards and auto loans. The risk estimates – probability of default ('PD'), loss given default ('LGD'), and exposure at default ('EAD') – are calibrated for these retail portfolios / pools. In addition, credit scorecard and behavioural model are developed and implemented for use in credit approval decision support such as limit setting, credit score cut off and approval, monitoring and reporting.

6.0 Credit Risk (continued)

6.3 Internal Credit Rating Models (continued)

The following tables set out the exposures by PD bands, exposure weighted average LGD and exposure weighted average risk weight.

Table 5: Exposures under the F-IRB Approach by PD Band, Exposure Weighted Average LGD and Exposure Weighted Average Risk Weight

PD Range of Non-Retail Exposures	0 to 0.20%	> 0.20 to 1.36%	> 1.36 to 4.53%	> 4.53 to 12.46%	> 12.46 to <100%	Default or 100%
Non Retail Exposures (EAD) (RM'000)						
Corporate Exposures, of which						
Corporates (excluding exposures with firm-size adjustments)	554,453	10,183,452	4,088,051	3,047,639	1,679,736	839,321
Corporates (with firm-size adjustments)	61,854	757,385	1,762,507	1,961,247	908,725	379,938
Total Exposures	**616,307**	**10,940,837**	**5,850,558**	**5,008,886**	**2,588,461**	**1,219,259**
Undrawn Commitments (RM'000)						
Corporate Exposures, of which						
Corporates (excluding exposures with firm-size adjustments)	734,524	4,981,634	3,528,565	3,162,210	802,654	–
Corporates (with firm-size adjustments)	47,709	833,091	1,438,422	1,057,943	299,860	–
Total Undrawn Commitments	**782,233**	**5,814,725**	**4,966,987**	**4,220,153**	**1,102,514**	**–**
Exposure Weighted Average LGD (%)						
Corporate Exposures						
Corporates (excluding exposures with firm-size adjustments)	36.86%	44.49%	44.17%	43.73%	41.22%	41.59%
Corporates (with firm-size adjustments)	28.40%	35.94%	34.47%	40.78%	39.75%	36.13%
Exposure Weighted Average Risk Weight (%)						
Corporate Exposures						
Corporates (excluding exposures with firm-size adjustments)	18.69%	60.54%	103.25%	127.95%	226.81%	142.28%
Corporates (with firm-size adjustments)	13.28%	41.11%	65.58%	95.83%	156.46%	163.68%

6.0 Credit Risk (continued)

6.3 Internal Credit Rating Models (continued)

Table 6: Exposures under the A-IRB Approach by PD Band, Exposure Weighted Average LGD and Exposure Weighted Average Risk Weight

PD Range of Retail Exposures	0 to 1.80%	> 1.80 to 3.83%	> 3.83 to 5.70%	> 5.70 to 7.30%	> 7.30 to 8.80%	> 8.80 to <100%	Default or 100%
Retail Exposures (EAD) (RM'000)							
Residential Mortgages	–	–	2,504,250	12,879,609	264,369	–	1,021,728
Qualifying Revolving Retail Exposures	–	1,909,520	–	1,774	–	–	31,907
Hire Purchase Exposures	–	–	–	–	7,062,025	–	141,811
Other Retail Exposures	7,908	31,053	–	3,619,253	–	–	102,816
Total Exposures	**7,908**	**1,940,573**	**2,504,250**	**16,500,636**	**7,326,394**	**–**	**1,298,262**
Undrawn Commitments (RM'000)							
Residential Mortgages	–	–	–	3,025,707	–	–	–
Qualifying Revolving Retail Exposures	–	–	–	–	–	–	–
Hire Purchase Exposures	–	–	–	–	–	–	–
Other Retail Exposures	3,263	1,981	2,282	2,248,633	–	295	–
Total Undrawn Commitments	**3,263**	**1,981**	**2,282**	**5,274,340**	**–**	**295**	**–**
Exposure Weighted Average LGD (%)							
Residential Mortgages	–	–	32.00%	14.94%	40.70%	–	17.45%
Qualifying Revolving Retail Exposures	–	63.93%	–	19.85%	–	–	63.90%
Hire Purchase Exposures	–	–	–	–	30.30%	–	31.81%
Other Retail Exposures	79.60%	63.93%	–	57.18%	–	–	64.78%
Exposure Weighted Average Risk Weight (%)							
Residential Mortgages	–	–	111.67%	59.12%	165.36%	–	101.64%
Qualifying Revolving Retail Exposures	–	64.98%	–	30.62%	–	–	140.72%
Hire Purchase Exposures	–	–	–	–	48.66%	–	106.89%
Other Retail Exposures	98.14%	91.93%	–	87.76%	–	–	496.08%

6.0 Credit Risk (continued)

6.3 Internal Credit Rating Models (continued)

Table 7: Exposures under the A-IRB Approach by EL Range and Exposure Weighted Average Risk Weight

EL% Range of Retail Exposures	0 to 0.50%	> 0.50 to 1.50%	> 1.50 to 2.50%	> 2.50 to 3.50%	> 3.50 to 30.0%	> 30.0 to <100%	100%
Retail Exposures (EAD) (RM'000)							
Residential Mortgages	–	13,143,978	2,504,250	–	1,021,728	–	–
Qualifying Revolving Retail Exposures	–	1,774	1,909,520	–	–	31,907	–
Hire Purchase Exposures	–	–	–	7,062,025	–	141,811	–
Other Retail Exposures	–	7,908	31,053	–	3,619,253	102,816	–
Total Exposures	**–**	**13,153,660**	**4,444,823**	**7,062,025**	**4,640,981**	**276,534**	**–**
Undrawn Commitments (RM'000)							
Residential Mortgages	–	3,025,707	–	–	–	–	–
Qualifying Revolving Retail Exposures	–	–	–	–	–	–	–
Hire Purchase Exposures	–	–	–	–	–	–	–
Other Retail Exposures	7,821	–	–	–	2,248,633	–	–
Total Undrawn Commitments	**7,821**	**3,025,707**	**–**	**–**	**2,248,633**	**–**	**–**
Exposure Weighted Average Risk Weight (%)							
Residential Mortgages	–	61.26%	111.67%	–	101.64%	–	–
Qualifying Revolving Retail Exposures	–	30.62%	64.98%	–	–	140.72%	–
Hire Purchase Exposures	–	–	–	48.66%	–	106.89%	–
Other Retail Exposures	–	98.14%	91.93%	–	87.76%	496.08%	–

6.0 Credit Risk (continued)

6.4 Off-Balance Sheet Exposures and Counterparty Credit Risk ('CCR')

Off-Balance sheet exposures of RHB Bank Group are mainly from the following:-

- Financial guarantees and standby letters of credit, which represent undertakings that the Bank will make payments in the event that its customer cannot meet its obligations to third parties. These exposures carry the same credit risk as financing even though they are contingent in nature.
- Documentary and commercial letters of credit, which are undertakings by the Bank on behalf of its customers. These exposures are usually collateralised by the underlying shipment of goods to which they relate.
- Commitments to extend credit including the unutilised or undrawn portions of credit facilities.
- Unitilised credit card lines.
- Principal or notional amount of derivative financial instruments.

The management of off-balance sheet exposures is in accordance to the credit risk management approach as set out under Section 6.2 of this report.

Counterparty Credit Risk ('CCR') on derivative financial instruments is the risk that the Bank's counterparty in a foreign exchange, interest rate, commodity, equity, options or credit derivative contract defaults prior to the maturity date of the contract and that the Bank at the relevant time has a claim on the counterparty. Derivative financial instruments are entered into for hedging purposes. The Bank may also take trading derivative positions, within pre-set limits, with the expectation to make arbitrage gains from favourable movements in prices or rates.

Any financial loss is calculated based on the cost to replace the defaulted derivative financial instruments with another similar contract in the market. The cost of replacement is equivalent to the difference between the original value of the derivatives at the time of contract with the defaulted counterparty and the current fair value of a similar substitute at current market prices. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default.

All outstanding financial derivative positions are marked-to-market on a daily basis. Treasury Operations Department monitors counterparties' positions and promptly escalates to the relevant parties upon any shortfall in the threshold levels.

6.5 Credit Exposures and Risk Weighted Assets ('RWA') By Portfolio and Approaches

The subsequent tables reflect RHB Bank Group's credit exposures (EAD) for position 31st December 2010, segregated by:-

- the various types of asset classes, showing details of the exposures by type of approaches, before and after credit risk mitigation (CRM), the corresponding RWA and capital requirement,
- disclosure on Off - Balance Sheet and Counterparty Credit Risk
- geographical distribution, which is based on the booking location of the exposure,
- industry sector, and
- residual maturity; breakdown into exposures with maturity of one year or less, one to five years, and over five years.

6.0 Credit Risk (continued)

Table 8: Summary of Credit Exposures with CRM by Asset Class and Capital Requirement (On & Off-Balance Sheet Exposures)

Exposure Class	Gross Exposures / EAD before CRM (RM'000)	Net Exposures / EAD after CRM (RM'000)	Risk Weighted Assets (RM'000)	Minimum Capital Requirement at 8% (RM'000)
Exposures under Standardised Approach (SA)				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	29,389,228	29,389,228	100,477	8,038
Public Sector Entities	115,711	115,711	32,458	2,597
Banks, Development Financial Institutions & MDBs	9,042,034	9,042,034	2,110,426	168,834
Corporates	13,473,906	12,946,419	9,854,470	788,358
Regulatory Retail	13,002,712	10,092,492	7,567,489	605,399
Residential Mortgage	1,109,962	1,101,353	385,474	30,838
Higher Risk Assets	44,319	44,319	66,479	5,318
Other Assets	2,170,689	2,170,689	1,490,290	119,223
Equity Exposures	299,519	299,519	299,536	23,963
Defaulted Exposures	1,101,568	1,069,740	1,299,554	103,964
Total On-Balance Sheet Exposures	**69,749,648**	**66,271,504**	**23,206,653**	**1,856,532**
Off-Balance Sheet Exposures				
OTC Derivatives	1,199,847	1,199,847	542,166	43,374
Off-balance sheet exposures other than OTC derivatives or credit derivatives	2,229,485	1,937,433	1,585,077	126,806
Defaulted Exposures	–	–	–	–
Total Off-Balance Sheet Exposures	**3,429,332**	**3,137,280**	**2,127,243**	**170,180**
Total On and Off-Balance Sheet Exposures under SA	**73,178,980**	**69,408,784**	**25,333,896**	**2,026,712**
Exposures under F-IRB Approach				
On-Balance Sheet Exposures				
Corporates	21,967,202	21,967,202	18,036,088	1,442,887
Corporates (excluding exposures with firm-size adjustments)	16,812,937	17,032,131	13,735,513	1,098,841
Corporates (with firm-size adjustments)	5,154,265	4,935,071	4,300,575	344,046
Defaulted Exposures	1,401,332	1,401,332	2,896,193	231,696
Total On-Balance Sheet Exposures	**23,368,534**	**23,368,534**	**20,932,281**	**1,674,583**

6.0 Credit Risk (continued)

Table 8: Summary of Credit Exposures with CRM by Asset Class and Capital Requirement (On & Off-Balance Sheet Exposures) (continued)

Exposure Class	Gross Exposures / EAD before CRM (RM'000)	Net Exposures / EAD after CRM (RM'000)	Risk Weighted Assets (RM'000)	Minimum Capital Requirement at 8% (RM'000)
Exposures under F-IRB Approach (continued)				
Off-Balance Sheet Exposures				
Off balance sheet exposures other than OTC derivatives or credit derivatives	2,838,490	2,838,490	3,016,653	241,332
Defaulted Exposures	–	–	–	–
Total Off-Balance Sheet Exposures	**2,838,490**	**2,838,490**	**3,016,653**	**241,332**
Exposures under the A-IRB Approach				
On-Balance Sheet Exposures				
Corporates	13,047	13,047	22,466	1,798
Corporates (excluding exposures with firm-size adjustments)	88	88	172	14
Corporates (with firm-size adjustments)	12,959	12,959	22,294	1,784
Retail	26,631,404	26,631,404	17,735,193	1,418,814
Residential Mortgages	15,014,343	15,014,343	10,351,044	828,083
Qualifying Revolving Retail Exposures	1,394,234	1,394,234	905,615	72,449
Hire Purchase Exposures	7,062,025	7,062,025	3,436,655	274,932
Other Retail Exposures	3,160,802	3,160,802	3,041,879	243,350
Defaulted Exposures	1,298,262	1,298,262	1,745,109	139,609
Total On-Balance Sheet Exposures	**27,942,713**	**27,942,713**	**19,502,768**	**1,560,221**
Off-Balance Sheet Exposures				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	1,652,594	1,652,594	1,007,388	80,591
Defaulted Exposures	–	–	–	–
Total Off-Balance Sheet Exposures	**1,652,594**	**1,652,594**	**1,007,388**	**80,591**
Total On and Off-Balance Sheet Exposures before scaling factor	55,802,331	55,802,331	44,459,090	3,556,727
Total On and Off-Balance Sheet Exposures after scaling factor, 1.06			47,126,635	3,770,131
Total (Exempted Exposures and Exposures under the IRB Approach)	**128,981,311**	**125,211,115**	**72,460,531**	**5,796,843**

Note: As at 31st December 2010, RHB Bank Group did not have any credit risk weighted assets absorbed by Profit Sharing Investment Account ('PSIA'), and exposures under securitisation.
All performing corporate exposures are classified under the broad asset class category of Corporates instead of the five sub-classes of Specialised Lending.

6.0 Credit Risk (continued)

Table 9: Exposures for Off - Balance Sheet and Counterparty Credit Risk (After Credit Risk Mitigation)

Nature of Item	Principal/ Notional Amount (RM'000)	Positive Fair Value of Derivative Contracts (RM'000)	Credit Equivalent Amount (RM'000)	RWA (RM'000)
Direct credit substitutes	2,366,972		2,301,345	2,575,444
Transaction-related contingent items	1,905,733		929,964	963,854
Short-term self-liquidating trade-related contingencies	825,269		162,953	125,968
NIFs & obligations under underwriting agreement	29,000		14,500	14,500
Foreign exchange related contracts	15,451,272	805,136	870,779	458,349
1 year or less	14,267,825	192,843	306,554	157,387
Over 1 year to 5 years	1,183,447	612,293	564,225	300,962
Over 5 years	–	–	–	–
Interest/profit rate related contracts	12,047,782	72,146	329,468	84,415
1 year or less	2,386,825	6,072	10,333	2,840
Over 1 year to 5 years	9,245,957	57,213	277,524	73,253
Over 5 years	415,000	8,861	41,611	8,322
Gold & other precious metal contracts	17,628	–	–	–
1 year or less	17,628	–	–	–
Over 1 year to 5 years	–	–	–	–
Over 5 years	–	–	–	–
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	–	–	–	–
Other commitments, such as formal standby facilities & credit lines, with original maturity of over 1 year	4,388,740		1,302,224	1,079,891
Other commitments, such as formal standby facilities & credit lines, with original maturity of up to 1 year	4,817,984		984,702	535,060
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	26,152,770		597,516	420,310
Unutilised credit card lines	–		–	–
Off-balance sheet exposures due to early amortisation provisions	–		–	–
Total	**68,003,150**	**877,282**	**7,493,451**	**6,257,791**

6.0 Credit Risk (continued)

Table 10: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution

Exposure Class	Malaysia (RM'000)	Singapore (RM'000)	Thailand (RM'000)	Brunei (RM'000)	Total (RM'000)
Exposures under Standardised Approach					
Sovereigns & Central Banks	28,178,441	972,376	318,236	33,422	**29,502,475**
Public Sector Entities	85,770	–	31,051	–	**116,821**
Banks, Development Financial Institutions & MDBs	8,021,568	1,836,986	3,303	43,298	**9,905,155**
Insurance Cos, Securities Firms & Fund Managers	–	45,669	–	–	**45,669**
Corporates	12,179,679	2,826,933	292,355	86,235	**15,385,202**
Regulatory Retail	13,483,333	623,354	23,363	76,920	**14,206,970**
Residential Mortgages	604,534	713,897	–	–	**1,318,431**
Higher Risk Assets	108,093	–	–	–	**108,093**
Other Assets	2,168,422	103,672	11,259	7,292	**2,290,645**
Total Exposures under Standardised Approach	**64,829,840**	**7,122,887**	**679,567**	**247,167**	**72,879,461**
Exposures under IRB Approach					
Corporates	26,224,308	–	–	–	**26,224,308**
Corporates (excluding exposures with firm-size adjustments)	20,169,891	–	–	–	**20,169,891**
Corporates (with firm-size adjustments)	6,054,417	–	–	–	**6,054,417**
Retail	29,578,023	–	–	–	**29,578,023**
Residential Mortgages	16,669,956	–	–	–	**16,669,956**
Qualifying Revolving Retail Exposures	1,943,201	–	–	–	**1,943,201**
Hire Purchase Exposures	7,203,836	–	–	–	**7,203,836**
Other Retail Exposures	3,761,030	–	–	–	**3,761,030**
Total Exposures under IRB Approach	**55,802,331**	**–**	**–**	**–**	**55,802,331**
Total Exposures under Standardised and IRB Approaches	**120,632,171**	**7,122,887**	**679,567**	**247,167**	**128,681,792**

Note : This table excludes equity exposures.

6.0 Credit Risk (continued)

Table 11: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector

Exposure Class (RM'000)	Agriculture	Mining & Quarrying	Manufacturing	Electricity, Gas & Water Supply	Construction	Wholesale, Retail Trade, Restaurants & Hotels	Transport, Storage & Communication	Finance, Insurance, Real Estate & Business	Education, Health & Others	Household	Others	Total
Exposures under Standardised Approach (SA)												
Sovereigns/Central Banks	–	–	–	–	–	–	–	7,122,470	16,844,459	–	5,535,546	**29,502,475**
Public Sector Entities	–	–	–	10,349	–	–	10,359	–	85,770	–	10,343	**116,821**
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	–	9,855,421	–	–	49,734	**9,905,155**
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	–	–	–	45,669	–	–	–	**45,669**
Corporates	351,738	21,215	6,258,238	542,685	461,671	823,988	1,233,978	1,358,213	360,062	538,980	3,434,434	**15,385,202**
Regulatory Retail	103,238	1,797	712,186	4,534	58,693	201,849	208,551	78,924	25,120	12,562,145	249,933	**14,206,970**
Residential Mortgage	–	–	–	–	–	–	–	–	–	1,318,431	–	**1,318,431**
Higher Risk Assets	–	–	–	–	44,319	–	–	61,922	–	1,852	–	**108,093**
Other Assets	–	–	–	–	–	–	–	47,282	–	–	2,243,363	**2,290,645**
Total Exposures under SA	**454,976**	**23,012**	**6,970,424**	**557,568**	**564,683**	**1,025,837**	**1,452,888**	**18,569,901**	**17,315,411**	**14,421,408**	**11,523,353**	**72,879,461**
Exposures under IRB Approach												
Corporates	1,672,889	64,611	7,804,646	332,870	3,588,269	3,428,989	2,849,520	5,930,235	540,800	5,858	5,621	**26,224,308**
Corporates (excluding exposures with firm-size adjustments)	1,006,088	45,099	6,063,425	320,174	2,727,970	1,573,875	2,600,617	5,422,246	404,535	5,512	350	**20,169,891**
Corporates (with firm-size adjustments)	666,801	19,512	1,741,221	12,696	860,299	1,855,114	248,903	507,989	136,265	346	5,271	**6,054,417**
Retail	113,441	8,188	757,776	4,194	412,545	1,854,674	141,798	332,934	81,423	25,867,428	3,622	**29,578,023**
Residential Mortgages	–	–	–	–	–	–	–	–	–	16,669,956	–	**16,669,956**
Qualifying Revolving Retail Exposures	–	–	–	–	–	–	–	–	–	1,943,201	–	**1,943,201**
Hire Purchase Exposures	–	–	–	–	–	–	–	–	–	7,203,836	–	**7,203,836**
Other Retail Exposures	113,441	8,188	757,776	4,194	412,545	1,854,674	141,798	332,934	81,423	50,435	3,622	**3,761,030**
Total Exposures under IRB Approach	**1,786,330**	**72,799**	**8,562,422**	**337,064**	**4,000,814**	**5,283,663**	**2,991,318**	**6,263,169**	**622,223**	**25,873,286**	**9,243**	**55,802,331**
Total Exposures under SA and IRB Approaches	**2,241,306**	**95,811**	**15,532,846**	**894,632**	**4,565,497**	**6,309,500**	**4,444,206**	**24,833,070**	**17,937,634**	**40,294,694**	**11,532,596**	**128,681,792**

Note : This table excludes equity exposures.

6.0 Credit Risk (continued)

Table 12: Credit Risk Exposures (Before Credit Risk Mitigation) by Maturity

Exposure Class	One year or less (RM'000)	One to five years (RM'000)	Over five years (RM'000)	Total (RM'000)
Exposures under Standardised Approach				
Sovereigns & Central Banks	8,944,248	7,227,963	13,330,264	**29,502,475**
Public Sector Entities	85,261	10,359	21,201	**116,821**
Banks, Development Financial Institutions & MDBs	8,236,056	1,497,429	171,670	**9,905,155**
Insurance Cos, Securities Firms & Fund Managers	32,379	13,290	–	**45,669**
Corporates	6,059,526	6,546,282	2,779,394	**15,385,202**
Regulatory Retail	3,190,612	1,554,747	9,461,611	**14,206,970**
Residential Mortgages	680,852	9,019	628,560	**1,318,431**
Higher Risk Assets	61,922	20,381	25,790	**108,093**
Other Assets	19,619	11,613	2,259,413	**2,290,645**
Total Exposures under Standardised Approach	**27,310,475**	**16,891,083**	**28,677,903**	**72,879,461**
Exposures under IRB Approach				
Corporates, of which	20,582,035	2,614,336	3,027,937	**26,224,308**
Corporates (excluding exposures with firm-size adjustments)	16,924,671	1,808,695	1,436,525	**20,169,891**
Corporates (with firm-size adjustments)	3,657,364	805,641	1,591,412	**6,054,417**
Retail, of which	4,616,901	3,450,011	21,511,111	**29,578,023**
Residential Mortgages	31,425	376,013	16,262,518	**16,669,956**
Qualifying Revolving Retail Exposures	1,943,201	–	–	**1,943,201**
Hire Purchase Exposures	104,083	2,564,718	4,535,035	**7,203,836**
Other Retail Exposures	2,538,192	509,280	713,558	**3,761,030**
Total Exposures under IRB Approach	**25,198,936**	**6,064,347**	**24,539,048**	**55,802,331**
Total Exposures under Standardised and IRB Approaches	**52,509,411**	**22,955,430**	**53,216,951**	**128,681,792**

Note : This table excludes equity exposures.

6.0 Credit Risk (continued)

Standardised Approach for Other Portfolios

The Standardised Approach is applied to portfolios that are classified as permanently exempted from the IRB approach, and those portfolios that are currently in transition to the IRB approach. The portfolios that are in transition to the IRB approach are exposures to RHB Islamic Bank and RHB (L) Ltd and exposures from overseas operations.

Under this Standardised Approach, the risk weights are prescribed by BNM based on the asset class to which the exposure is assigned.

A summary of these exposures with the corresponding risk weights are as per table below:-

Table 13: Portfolios under the Standardised Approach by Risk Weights

	Risk Weight (%)							
	0%	20%	35%	50%	75%	100%	150%	Total Exposures
Exposure Class	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Sovereigns & Central Banks	29,006,449	481,041	–	–	–	14,985	–	**29,502,475**
PSEs	–	85,530	–	31,051	–	–	–	**116,581**
Banks, MDBs & DFIs	–	8,676,629	–	1,187,723	–	40,803	–	**9,905,155**
Insurance Cos., Securities Firms & Fund Managers	–	–	–	–	–	45,669	–	**45,669**
Corporates	83,334	3,784,046	–	170,290	–	10,330,626	367,307	**14,735,603**
Regulatory Retail	3,674	144	–	53,382	10,711,438	74,813	253,053	**11,096,504**
Residential Mortgages	–	–	1,266,754	41,786	–	–	–	**1,308,540**
Higher Risk Assets	–	–	–	–	–	–	108,093	**108,093**
Other Assets	642,592	47,258	–	–	–	1,600,795	–	**2,290,645**
Equity	–	–	–	–	–	299,484	35	**299,519**
Total Exposures after Credit Risk Mitigation (RM'000)	**29,736,049**	**13,074,648**	**1,266,754**	**1,484,232**	**10,711,438**	**12,407,175**	**728,488**	**69,408,784**
Total Risk-Weighted Assets (RM'000)	**–**	**2,614,930**	**443,364**	**742,116**	**8,033,579**	**12,407,175**	**1,092,732**	**25,333,896**

6.0 Credit Risk (continued)

Use of External Ratings

For sovereigns, corporate and banking institutions, external ratings from approved external credit assessment institutions ('ECAI'), where available, are used to determine the risk weighted-assets and regulatory capital.

The process used to map ECAI issuer ratings or comparable ECAI issue ratings, are in accordance to BNM standards. Approved ECAIs are as follows:-

- Standard & Poors ('S&P'),
- Moody's Investor Services ('Moody's'),
- Fitch Ratings ('Fitch'),
- Malaysian Rating Corporation Berhad ('MARC'),
- Rating Agency Malaysia ('RAM'), and
- Rating and Investment Information, Inc ('R&I').

External ratings for the counterparties are determined as soon as relationship is established and these ratings are tracked and kept updated. Only publicly available credit ratings are used for regulatory risk weighting purpose. Where the counterparty is not rated, the corresponding exposure is mapped as 'unrated' and the appropriate risk weight for unrated exposures is assigned.

The following table shows RHB Bank Group 's credit exposures to sovereigns, corporate and banking institutions according to the ratings by ECAIs.

Table 14: Rated Exposures According to Ratings by ECAIs

	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Ratings of Corporates by Approved ECAIs	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On & Off-Balance Sheet Credit Exposures						
Public Sector Entities (RM'000)		–	–	–	–	116,581
Insurance Cos, Securities Firms & Fund Managers (RM'000)		–	–	–	–	45,669
Corporates (RM'000)		3,581,433	37,406	184,043	–	10,831,077

	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
Short Term Ratings of Corporates by Approved ECAIs	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	Rating & Investment Inc	a-1+, a-1	a-2	a-3	b, c	Unrated
On & Off-Balance Sheet Exposures						
Corporates (RM'000)		101,644	–	–	–	–

6.0 Credit Risk (continued)

Table 14: Rated Exposures According to Ratings by ECAIs (continued)

Ratings of Sovereigns and Central Banks by Approved ECAIs							
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On & Off-Balance Sheet Exposures							
Sovereigns and Central Banks (RM'000)		5,072,995	24,062,838	318,236	14,985	–	33,421

Ratings of Banking Institutions by Approved ECAIs							
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On & Off-Balance Sheet Exposures							
Banks, MDBs and DFIs (RM'000)		2,620,285	2,585,259	2,136,734	315	–	2,562,562

6.6 Credit Risk Monitoring and Control

Credit Risk Mitigation

As a fundamental credit principle, the Bank generally does not grant credit facilities solely on the basis of collateral provided. All credit facilities are granted based on the credit standing of the borrower, source of repayment and debt servicing ability.

Collateral is taken whenever possible to mitigate the credit risk assumed, subject to RHB Banking Group's policies that govern the eligibility of collateral used for credit risk mitigation. Reliance on collateral when taken is carefully assessed in the light of issues such as legal certainty and enforceability, market valuation and counterparty risk of the guarantor. Collateral as a credit risk mitigant is also considered even if they are not eligible for regulatory capital adequacy calculations. The internal rating assignment process includes the assessment of collaterals amongst other factors.

The main types of collaterals taken by the Bank are:

- Fixed Deposits, Mudharabah General Investment Account, Negotiable Instrument of Deposits, Foreign Currency Deposits, and Cash Deposits / Cash Margins
- Land and Buildings
- Vessels and Automobiles
- Quoted Shares, Unit Trusts, Malaysian Government Bonds and Securities, and Private Debt Securities
- Endowment Life Policies with Cash Surrender Value
- Other tangible business assets, such as inventory and equipment.

6.0 Credit Risk (continued)

Credit Risk Mitigation (continued)

Collateral is valued in accordance with RHB Banking Group's policy on collateral valuation, which prescribes the frequency of valuation for different collateral/securities types, based on liquidity and volatility of the collateral value and the underlying product or risk exposure. The value of collaterals/securities pledged is monitored periodically; analysed and updated concurrently with the annual / periodic renewal of facilities, as well as updated into the relevant Bank's system.

RHB Banking Group also accepts non-tangible securities as support, such as guarantees from individuals, corporates and institutions, bank guarantees, debenture and assignment of contract payments, subject to internal guidelines on eligibility. Currently, the Group does not use on-balance sheet netting to mitigate its credit exposures.

Equity securities or collaterals acquired arising from debt conversions are accounted for as a disposal of the loan and an acquisition of equity securities or investment properties. Any further impairment of the assets or business acquired is treated as an impairment of the relevant asset or business rather than as an impairment of the original instrument.

Table 15: Credit Risk Mitigation of Portfolios under the Standardised Approach

Exposure Class	Exposures Before Credit Risk Mitigation (RM'000)	Exposures Covered by Guarantees / Credit Derivatives (RM'000)	Exposures Covered by Eligible Financial Collateral (RM'000)
On-Balance Sheet Exposures			
Sovereigns and Central Banks	29,389,228	–	–
Public Sector Entities	115,711	–	–
Banks, Development Financial Institutions & MDBs	9,042,034	–	–
Insurance Companies, Securities Firms & Fund Managers	–	–	–
Corporates	13,473,906	146,317	569,564
Regulatory Retail	13,002,712	144	2,913,893
Residential Mortgages	1,109,962	–	8,609
Higher Risk Assets	44,319	–	–
Other Assets	2,170,689	–	–
Equity Exposures	299,519	–	–
Defaulted Exposures	1,101,568	–	31,827
Total On-Balance Sheet Exposures	**69,749,648**	**146,641**	**3,523,893**
Off-Balance Sheet Exposures			
OTC Derivatives	1,199,847	–	–
Credit Derivatives	–	–	–
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	2,229,485	–	292,052
Defaulted Exposures	–	–	–
Total Off-Balance Sheet Exposures	**3,429,332**	**–**	**292,052**
Total On and Off-Balance Sheet Exposures	**73,178,980**	**146,461**	**3,815,945**

6.0 Credit Risk (continued)

Table 16: Credit Risk Mitigation of Portfolios under the IRB Approach

Exposure Class	Exposures Before Credit Risk Mitigation (RM'000)	Exposures Covered by Guarantees / Credit Derivatives (RM'000)	Exposures Covered by Eligible Financial Collateral (RM'000)	Exposures Covered by Other Eligible Collateral (RM'000)
On-Balance Sheet Exposures				
Corporate Exposures (excluding exposures with firm-size adjustments)	16,813,025	5,674	699,235	3,293,940
Corporate Exposures (with firm-size adjustment)	5,167,224	219,194	621,294	2,431,856
Retail Exposures	26,631,404	–	–	–
Residential Mortgages	15,014,343	–	–	–
Qualifying Revolving Retail Exposures	1,394,234	–	–	–
Hire Purchase Exposures	7,062,025	–	–	–
Other Retail Exposures	3,160,802	–	–	–
Defaulted Exposures	2,699,594	–	60,037	377,203
Total On-Balance Sheet Exposures	**51,311,247**	**224,868**	**1,380,566**	**6,102,999**
Off-Balance Sheet Exposures				
Off balance sheet exposures other than OTC Derivatives or Credit Derivatives	4,491,084	3,878	407,905	632,117
Defaulted Exposures	–	–	–	–
Total Off-Balance Sheet Exposures	**4,491,084**	**3,878**	**407,905**	**632,117**
Total On and Off-Balance Sheet Exposures	**55,802,331**	**228,746**	**1,788,471**	**6,735,116**

Credit Concentration Risks

RHB Banking Group manages the diversification of its portfolio to avoid undue credit risk concentrations. Credit risk concentrations exist in lending to single customer groups, borrowers engaged in similar activities, or diverse groups of borrowers that could be affected by similar economic or other factors. To manage these concentrations, exposure limits are established for single borrowing groups and industry segments. In this respect, analysis of large customer group exposures are regularly conducted, and the lending and financing units undertake regular account updates, monitoring and management of these exposures.

Industry and sectoral analysis are also incorporated within the overall credit risk management regiment. In this respect, the Group seeks to continually update lending and financing guidelines based on periodic reviews and updates of industry and sectoral risk factors and economic outlooks. This facilitates the better management of credit concentration risks.

6.0 Credit Risk (continued)

Credit Monitoring and Annual Reviews

RHB Banking Group regularly monitors credit exposures, portfolio performance, and external trends which may impact risk management outcomes. Internal risk management reports are generated for senior management and risk committees, containing information on key environmental, political and economic trends across portfolios and countries, portfolio delinquency with major credit delinquency, and loan impairment performance.

In addition to the on-going qualitative assessment by the account relationship managers, reviews are conducted at least once a year with updated information on the customer's financial position, market position, industry and economic condition and account conduct.

The Group has established internal loan policies to promote early problem recognition and attention, where enhanced monitoring will take place when accounts show signs of credit deterioration. Delinquency trends are monitored, analysed and reported to the CCC, GRC and GRMC.

Group Internal Audit conducts independent post approval reviews on sampling basis to ensure that the quality of credit appraisals and approval standards are in accordance with the credit standards and lending policies established by the Bank's management, and laws and regulations.

6.7 Impairment Allowances for Loans / Financing

The BNM's Guideline on Classification and Impairment Provisions for Loans / Financing provides for two types of impairment assessment methodologies, i.e. individual assessment and collective assessment. The former applies to significant borrowers/customers with certain pre-defined threshold limits whereas the latter applies to facilities of homogeneous portfolios.

The impairment assessment for borrowers/customers under individual assessment is based on pre-defined impairment triggers, of which aging more than 90 days or 3 months is only one of the mandatory status triggers. In the case of portfolios under collective assessment, the impairment assessment is primarily time bound based on default period of more than 90 days or more than 3 months. A loan / financing is considered past due or defaulted when scheduled payment of principal or interest / profit is due and not paid. When this financing is past due or defaulted for a period of more than 90 days or more than 3 months, this financing is classified as non-performing or impaired.

The impairment provisioning for portfolio under individual assessment are established based primarily on estimates on the realisable value of the collateral to secure the loans and advances and are measured as the difference between the loan or advance's carrying amount and the net present value of the expected future cash flows discounted based on the original effective interest/profit rates. All other loans and advances that have been individually evaluated, but not considered to be individually impaired are assessed collectively for impairment.

In the case of loans/financing portfolio under collective assessment, the impairment provision is based on the estimated losses of a homogeneous pool of loans/financing by deriving the probability of default ('PD') and loss given default ('LGD') based on incurred loss model. Each portfolio of individually smaller loans with similar credit risk characteristics is collectively evaluated for impairment.

The Bank has adopted the transitional provisions as provided under BNM's Guideline on Classification and Impairment Provisions for Loans / Financing. Under the transitional provisions, collective assessment provisions are as follows:-

- Collective assessment provision for non-performing loans (excluding those borrowers/customers defined under individual assessment) shall be based on the previous BNM's GP3 Guideline, i.e. it shall be based on time based provisioning.
- Collective assessment provision for the rest of the loans/financing (both performing loans/financing and all non-performing loans) shall be based on 1.5% of the total outstanding loans/financing amounts, net of provisions made (both individual assessment provisions and specific provisions under the previous BNM's GP3 Guideline).

6.0 Credit Risk (continued)

Write-Off Policy

Loans are written-off against impairment allowances when recovery action has been instituted, prospect of recovery is considered remote or when all feasible avenues of recovery have been exhausted. The management and administration of such exposures are outlined in the Bank's Policy on Non Performing / Impaired Loans. The Bank's write-off policy is in compliance with the requirements specified in BNM's Guideline on Classification and Impairment Provisions for Loans / Financing.

Table 17: Impaired and Past Due Loans/ Financing & Provision for Impairment By Industry Sector

Industry Sector	Impaired Loans and Advances/ Financing (RM'000)	Past Due Loans / Financing (RM'000)	Individual Impairment Provision (RM'000)	Collective Impairment Provision (RM'000)	Charges / (Write-back) for Individual Impairment Provision (RM'000)	Write-Offs (RM'000)
Agriculture	94,343	24,575	45,065		50,183	12,037
Mining & Quarrying	27,707	4,359	13,845		12,522	1,878
Manufacturing	610,554	120,758	209,449		91,774	225,651
Electricity, Gas & Water Supply	3,021	67	440		249	21
Construction	312,008	127,909	78,992		38,518	141,272
Wholesale, Retail Trade, Restaurants & Hotels	348,487	111,037	119,194		33,676	53,971
Transport, Storage & Communication	135,389	27,993	27,948		6,597	118,695
Finance, Insurance, Real Estate & Business	438,092	78,189	128,990		(55,751)	516,726
Education & Health	85,231	21,593	9,889		3,084	769
Household	1,600,529	4,586,712	219,095		75,746	4,014
Others	15,897	463	1,992		214	85
Total	**3,671,258**	**5,103,655**	**854,899**	**1,625,609**	**256,812**	**1,075,119**

6.0 Credit Risk (continued)

Table 18: Impaired and Past Due Loans/ Financing & Provision for Impairment by Geographical Distribution

Geographical Distribution	Impaired Loans and Advances (RM'000)	Past Due Loans / Financing (RM'000)	Individual Impairment Provision (RM'000)	Collective Impairment Provision (RM'000)
Malaysia	3,515,643	5,001,681	803,718	1,589,210
Singapore	127,892	81,342	41,142	30,257
Thailand	22,371	843	9,354	3,856
Brunei	5,352	19,789	685	2,286
Total	**3,671,258**	**5,103,655**	**854,899**	**1,625,609**

Table 19: Reconciliation of Changes to Loan Impairment Provisions

Impairment Provision Details	Individual Impairment (RM'000)	Collective Impairment (RM'000)
Opening Balance	1,350,111	1,613,437
Net Allowance Made	256,812	677,250
Amount Recovered	(73,489)	(258,131)
Amount Written-Off	(672,015)	(403,104)
Exchange Difference	(6,520)	(3,843)
Closing Balance	**854,899**	**1,625,609**

7.0 Market Risk

Market risk is the risk of loss arising from adverse movements in market variables, such as interest rates, credit spreads, prices of bonds & equities and currency exchange rates. The market risk of Islamic activities of the RHB Bank Group includes rate of return risk and displaced commercial risk.

Market risk is segregated into trading market risk and non-trading market risk. Trading market risk arises from changes in interest rates, foreign exchange rates, equity prices and credit spreads on the value of assets held for trading while non-trading market risk arises from changes in interest rates, foreign exchange rates and equity prices, of which the main non-trading market risk is interest rate risk arising from re-pricing mismatches of its assets & liabilities from its banking activities.

The Bank transacts in money market, foreign exchange markets and capital markets which give rise to market risk exposures. Financial instruments transacted include debt and other securities and certain financial derivative instruments. Derivative instruments are contracts whose characteristics and value are derived from underlying financial instruments, interest rates, exchange rates, or indices. They include futures, forwards, swaps, and options transactions in the foreign exchange and interest rate markets. Derivative contracts entered into by the Bank are primarily over the counter derivatives.

RHB Banking Group has established a Trading Book Policy as guidance for market risk management. This is reviewed regularly at least once a year, and /or upon change in strategy or significant event that has a material impact on policy compliance.

The Group Asset and Liability Committee ('ALCO') performs a critical role in the management of market risk that supports the Group Risk Management Committee in the overall market risk management. Group ALCO meets regularly and is the forum where strategic and tactical decisions are made for the management of market risk; this includes the development of the Group's market risk strategy, market risk management structure and the policies as well as measurement techniques to be put in place.

The Market Risk Management Department is the working level that forms a centralised function to support senior management to operationalise the processes and methods, to ensure adequate risk control and oversight are in place.

Market Risk Assessment

The Bank applies risk monitoring and assessment tools to measure trading book positions and market risk factors. Statistical and non-statistical risk assessment tools applied include Value-at-Risk ('VaR'), sensitivity analysis and stress testing.

The Bank adopts a systematic approach in managing these risks by types of instruments and nature of exposure. Market risk is primarily monitored and controlled via a structure of limits and triggers i.e. cut loss, VaR, trading and notional limit set in accordance with the size of positions and risk tolerance appetites.

In addition, the Bank conducts periodic stress testing of its respective portfolios to ascertain market risk under abnormal market conditions.

Market Risk Monitoring and Reporting

For effective control of market risk, defined management action triggers and risk limits are established and actively monitored. Only authorised trading activities may be undertaken by the various business units within the allocated limits. All trading positions are monitored on a daily basis by independent support units. Should exposures or transactions set off pre-established triggers, management will deliberate and determine on course of actions required on a timely basis.

7.0 Market Risk (continued)

Hedging Activities

Hedging activities designated for hedge accounting are governed by the Bank's Hedging Policies that prescribe the overall hedge activities that can be executed by the Bank and the subsequent control procedures such as effectiveness measurement and reporting to Group ALCO.

A hedge is defined as a position that materially or entirely offsets the component risk elements of another position or portfolio.

Hedging instruments used to mitigate these risks include derivatives such as options, futures, forwards and swaps that are approved by the Board. Execution of the hedging is carried out by the relevant division through the Group's treasury functions with the approval of Group ALCO.

Capital Treatment for Market Risk

RHB Bank Group applies the Standardised Approach to calculate market risk capital requirements in accordance with BNM's guideline. The market risk weighted assets (RWA) and the corresponding market risk capital charge for RHB Bank Group as at 31st December 2010 are shown in the table below:

Table 20: Market Risk-Weighted Assets and Capital Charge

Market Risk	Long Position (RM'000)	Short Position (RM'000)	RWA (RM'000)	Capital Charge (RM'000)
Interest Rate Risk	27,011,855	27,356,199	378,540	30,283
Foreign Currency Risk	855,985	32,816	876,731	70,138
Total			**1,255,271**	**100,421**

As at 31st December 2010, RHB Bank Group did not have any exposure under
- Equity risk, commodity risk, inventory risk and options risk, and
- Market risk exposure absorbed by PSIA.

8.0 Equity Exposures in the Banking Book

Equity risk is the risk of decline in the net realisable value of investment assets arising from adverse movements in market prices or factors specific to the investment itself. RHB Bank Group holds positions as a result of debt equity conversions and for socio-economic purposes, which are deemed as non-trading instruments.

For debt and equity instruments arising from debt conversions, the Bank has established a Policy on Debt & Equity Instruments that governs the management of such exposures to ensure that these exposures are effectively managed and accounted for in the Bank's books.

For regulatory capital purpose, the Bank adopts the Standardised Approach to calculate the risk-weighted exposures. The risk weighted assets of equity investments of RHB Bank Group for position as at 31st December 2010 is shown in the table below:

Table 21: Equity Exposures in the Banking Book

Equity Type	Gross Credit Exposures (RM'000)	Risk Weighted Assets (RM'000)
Publicly traded		
– Holdings of equity investments	4,304	4,304
Privately Held		
– For socio-economic purposes	294,320	294,320
– For non socio-economic purposes	35	52
Other equity	860	860
Total	**299,519**	**299,536**

Cumulative Realised Loss from Sale and Liquidation (RM'000)	45
Total Gains (RM'000)	158,294

9.0 Liquidity Risk

There are two types of liquidity risk, namely funding liquidity and market liquidity risk. Funding liquidity risk is the risk that the RHB Bank Group is unable to meet its payment obligations as they fall due. These payment obligations could emanate from depositor withdrawals, the inability to roll over maturing deposits or meet contractual commitments to lend. Market liquidity risk is the risk that the Bank will be unable to sell assets, quickly, close to its fair value without incurring an unacceptable loss, in order to generate cash required to meet payment obligations under a stress liquidity event.

The primary role of a bank in terms of financial intermediation is the transformation of deposits into loans. By fulfilling the role of maturity transformation, banks are inherently susceptible to liquidity mismatches and consequently funding and market liquidity risks.

Through the Group's Liquidity Practices Guide, RHB Banking Group manages the funding and market liquidity risk to ensure that banking operations continue uninterrupted under normal and stressed conditions. The key objectives that underpin the Group's Liquidity Practices Guide include maintaining financial market confidence at all times, protecting key stakeholders' interests and meeting regulatory liquidity requirements.

The Group ALCO supports Group Risk Management Committee by performing the critical role in the management of liquidity risks, and is responsible in establishing strategies that assist in controlling and reducing any potential exposures to liquidity risk. The ALCO meets regularly and is the forum where strategic and tactical decisions are made for the management of liquidity risks and the Bank's balance sheet profile. Global and domestic economic data, information and events are deliberated at the ALCO meetings which enables the Group to determine its actions and reactions in the capital markets. The ALCO is also the governance body which sets interest/profit rates for liabilities products as well as reference rates for lending and financing products and services.

The liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.

Some of the key liquidity risk management tools are top depositors' mixture, funding source mixture, maturity profile of funding sources and contingency funding lines.

Liquidity Contingency Plan

The Group's Liquidity Policy Statement establishes guidelines for managing a liquidity crisis, identifying early warning signs of a possible liquidity event and the need for heightened liquidity risk monitoring and reduced liquidity risk exposure. In addition, the Group Liquidity Policy Statement identifies the individuals responsible for formulating and executing the Bank's response to a liquidity event.

It is also Group's Policy that every entity and foreign branch operations maintains a Liquidity Incident Management Country Plan, to serve as a guide in managing potential country specific liquidity incidents and to complement group wide liquidity incident management.

10.0 Interest Rate Risk / Rate Of Return Risk In The Banking Book ('IRR / RORBB')

Interest rate risk / rate of return risk in the banking book refers to any opportunity loss to the Bank's income and / or economic value to changes in interest rate /rate of return, which may arise from both on and off-balance sheet positions in the banking book. Interest rate / rate of return risk occurs whenever there is a mismatch in the re-pricing period of assets and liabilities. Excessive interest rate / rate of return risk can pose a significant threat to the Bank's earnings and capital. Changes in interest rates / rate of returns may affect the Bank's earnings in terms of the net interest / profit income and economic value of equity.

Interest rate risk / rate of return risk in the banking book comprises:

- Re-pricing risk (mismatch risk) – timing difference in the maturity (for fixed rate) and re-pricing (for floating rate) of the Bank's assets, liabilities and off-balance sheet positions,
- Basis risk–imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar re-pricing characteristics,
- Yield curve risk – changes in the shape and slope of the yield curve, and
- Embedded optionality – the risk pertaining to interest-related options embedded in the Bank's products.

The ALCO supports Group Risk Management Committee in establishing policies, strategies and limits for the management of balance sheet risk exposure. Group Risk Management supports the ALCO in the monthly monitoring and reporting of the interest rate risk / rate of return risk profile of the banking book. The primary objective in managing balance sheet risk is to manage the net interest / profit income and economic value of equity, as well as to ensure that interest rate / rate of return exposures are maintained within defined risk tolerances.

In addition, RHB Banking Group has established the Interest Rate Risk / Rate of Return Risk Policy which provides for the governance of interest rate/rate of return. Interest rate/profit rate sensitivity triggers are applied on earnings for the respective profit centres within the Group. The Group regularly considers the economics and necessity of increasing or reducing its interest rate/profit rate risk hedges.

In line with the Group's Interest Rate Risk / Rate of Return Risk Policy to achieve a balance between profitability from banking activities and minimizing risk to earnings and capital from changes in interest rates, interest rate risk to earnings is controlled using Management Action Triggers ('MATs') and identified escalation procedures.

Stress testing is also performed regularly to determine the adequacy of capital in meeting the impact of extreme interest rate movements on the balance sheet. Such tests are also performed to provide early warnings of potential extreme losses, facilitating proactive management of interest rate / rate of return risks in an environment of rapid financial market changes.

The impact of changes in interest rate / rate of return to net earnings and economic value for RHB Bank Group for position as at 31st December 2010 is shown in the table below:

Table 22: Interest Rate Risk / Rate of Return Risk in the Banking Book

	Impact on Position as at Reporting Period (50 basis points) Parallel Shift			
	Increase/(Decline) in Earnings		Increase / (Decline) in Economic Value	
Currency	**Impact based on +50 basis points (RM'000)**	**Impact based on -50 basis points (RM'000)**	**Impact based on +50 basis points (RM'000)**	**Impact based on -50 basis points (RM'000)**
MYR	27,197	(27,197)	(525,326)	525,326
USD	(1,679)	1,679	(18,722)	18,722
Others*	937	(937)	(12,336)	12,336
Total	**26,455**	**(26,455)**	**(556,384)**	**556,384**

Note: * Inclusive of GBP, EUR, SGD, etc

10.0 Interest Rate Risk / Rate Of Return In The Banking Book (continued)

The impact to net earnings above represents financial assets and liabilities that have been prepared on the following basis:-

- Interest rate sensitive assets and liabilities with residual maturity or re-pricing tenure of up to one year that is not captured in the trading portfolio are slotted into time bands based on the maturity or re-pricing tenure whichever that is earlier.
- A set of risk weights with its respective time band is used to project the 50 basis point interest rate change impact.
- For assets and liabilities with non-fix maturity e.g. current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of interest bearing items.

Economic value is characterised by the impact of interest rate changes on the value of all net cash flows i.e. the effect on the economic value of the Bank's assets, liabilities and off-balance sheet positions. This provides a more comprehensive view of the potential long-term effects of changes in interest rates than is offered by the earnings perspective.

However, the computation of net cash flows is derived taken into consideration a series of assumptions, for instance, assets and liabilities with non-fix maturity e.g. current and savings accounts. Assumptions are made to reflect the behavioral changes against interest rate movements. The scenarios used are simplified whereby it is assumed that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables.

11.0 Displaced Commercial Risk

Displaced commercial risk is the risk that RHB Islamic Bank is not able to pay its mudharabah depositors a rate of return based on actual investment return of mudharabah fund, which is competitive to the market rate.

RHB Islamic Bank manages this risk by optimising the employment of the mudharabah funds through prudent credit management and effective product pricing. In addition, the maintenance of Profit Equalisation Reserve (‘PER’) account and the ability of RHB Islamic Bank to adjust the profit sharing rate in order to smoothen the returns payable to the mudharabah depositors serve as a tool for RHB Islamic Bank to mitigate the displaced commercial risk.

12.0 Operational Risk

Operational risk is the risk of direct or indirect losses resulting from inadequate or failed internal processes, people and systems and external events, which also includes IT and legal risks. Operational risks are inherent in RHB Bank Group's operations and can never be eliminated entirely. The impact can be in the form of actual financial loss as well as non-financial loss such as loss of reputation, non-compliance and unsatisfactory service level to customers.

One of the Bank's primary safeguards against operational risks is the existence of a sound internal control system, based on the principle of dual control, checks and balance, segregation of duties, independent checks and verification processes, segmented system access control and authorisation process. These controls are documented through a set of policies and procedures at the respective business level.

The Group's Operational Risk Management Framework comprises a wide range of activities and elements, broadly classified into:-

- Analysis & Enhancement – The RHB Banking Group has implemented a Basel II compliant operational risk management system to support its workflow and analytical capabilities.
- Education & Awareness – The RHB Banking Group undertakes change management activities to improve the risk management knowledge, culture and practices of the Bank personnel. This is aligned with the principle and requirement that the front-line business and support units of the Group, are by nature of their direct involvement in interfacing with customers and in operating the business, responsible for managing operational risk and acting as the first line of defence against operational losses.
- Monitoring & Intervention – This is where the principal head office risk control units, including the operations management function, compliance function and the internal audit function, actively manage operational non-compliances, incidences, and undertake recovery actions, including business continuity measures in cases of incidences causing disruption to business activities.

Operational Risk Management Function and Organisation

The Operational Risk Management Department reporting directly to the Head of Group Risk Management, has the functional responsibility for the development of risk policies, frameworks and methodologies, and providing guidance and information to the business units on operational risk areas. Its function also includes generating a broader understanding and awareness of operational risk issues at all levels of the RHB Banking Group. It also ensures that operational risk from new products, processes and systems are adequately managed and mitigated. The respective business units are primarily responsible for managing operational risk on a day-to-day basis.

Regular operational risk reporting is made to the senior management, GRMC and the Board. These reports include various operational risk aspects such as reporting of significant operational loss events. Such reporting allows senior management to identify adverse operational lapses, take corrective actions promptly, and ensure appropriate risk mitigation decision making and action plans.

Risk Management Process and Methodologies

The Bank has defined an operational risk management process, comprising risk identification, assessment, monitoring, and reporting. These are outlined as follows:-

- **Risk and Control Self Assessment ('RCSA')**

Each business unit is required to identify and assess their own operational risks. RCSA is a risk profiling tool which facilitates effective operational risk management for the Bank, and focuses on future risk assessment by using past records of loss or near misses, key risk indicators, and related issues such as audit findings. The RCSA process is facilitated by the business units themselves who together with personnel from Operational Risk Management, would identify and assess key operational risks that could affect the effectiveness of controls and impact the achievement of business objectives. For identified risks lacking sufficient mitigation, the business units are required to establish action plans to improve the control environment so as to contain the risks to acceptable levels.

12.0 Operational Risk (continued)

- **Key Risk Indicators ('KRIs')**

Business units are required to monitor their risk exposures via KRIs and are required to develop specific and concrete plans to address those where indicators are unfavourable. KRIs are embedded into critical processes to provide early warning signals of increasing risk and /or control failures by flagging up given frequencies of events as a mechanism for continuous risk assessment and monitoring.

- **Incident and Loss Management**

Business and support units are required to report operational losses for further analysis of root cause for further recurrence. This is also useful for reviewing the effectiveness of the RCSA and KRIs.

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.

Risk Mitigation and Controls

Risk mitigation tools and techniques are used to minimise risk to an acceptable level and aims to decrease the likelihood of an undesirable event and the impact on the business, should it occur.

The control tools and techniques, amongst others, are as follows:-

- **Business Continuity Management ('BCM')**

To mitigate the impact of unforeseen operational risk events, the Bank has on-going and actively managed Business Continuity Planning ('BCP') programmes for its major critical business operations and activities at the Head Office, data centre, and branches' locations. The BCP programmes are subject to regular testing to ensure efficacy, reliability and functionality, and come under the responsibility of the Business Continuity Management ('BCM') Department.

The Board of Directors has an oversight function through the GRMC and CMC. The Group Business Continuity Management Steering Committee ('GBCMSC') is the committee that oversees the RHB Bank Group's business continuity framework, policies, budget and plans. The GBCMSC reports to the CMC.

- **Outsourcing**

With the increasing need to outsource for cost and operational efficiency, the Group's Policy on Outsourcing of RHB Banking Group's Operations and Services ensures that outsourcing risks are adequately identified, assessed and managed prior to entering into any new arrangements and on an on-going basis.

- **Insurance Management**

RHB Banking Group considers risk transfer by means of insurance to mitigate operational risk. The Group has a programme of insurances designed to reduce its exposure to liability and to protect its assets. The Group purchases insurance from leading insurers in the market covering fraud, theft, property and casualty, business disruption, liability and other risks for which it may be held responsible. These are provided by third party insurers and will financially mitigate the economic consequences of risks.

New Product and Services Approval Process

RHB Banking Group has established a Policy on 'Introduction of New / Variation of Products & Services Lifecycle' which governs the risk management of new products, services, or significant changes thereto. The responsible units have a duty to assess the operational risks for new product launches and / or significant changes in product features or related processes and working systems, as well as to ensure that operational risk is at an acceptable level at all times.

12.0 Operational Risk (continued)

Legal Risk

Legal risk is part of operational risk. It can arise from unenforceable, unfavourable, defective or unintended contracts; lawsuits or claims; developments in laws and regulations, or non-compliance with applicable laws and regulations. Business units work together with the Group's legal counsel and external legal counsel to ensure that legal risks are effectively managed.

Country Cross-Border Risk

Country cross-border risk is the risk that RHB Bank Group will be unable to obtain payment from customers or third parties on their contractual obligations as a result of certain actions taken by foreign governments.

Cross border assets comprise loans and advances/ financing, interest bearing deposits with other banks, trade and other bills, acceptances, derivatives, certificates of deposit and other negotiable instruments, investment securities and other formal commitments where the counterparty is resident in a country other than where the assets are recorded. Cross border assets also include exposures to local residents denominated in currencies other than the local currency.

RHB Bank Group is guided by the Group Guidance on Cross-Border Business, particularly on ethics in business practices, key success factors in managing such business, and the internal control measures which are essential to provide equal and adequate protection to its customers as well as the Group's interests, thus reducing the risks associated with business activities.

Treatment for Operational Risk Capital Charge

Currently, RHB Bank Group adopts the Basic Indicator Approach ('BIA') for the calculation of regulatory operational risk capital. The operational risk weighted assets and the corresponding risk capital charge for position 31st December 2010 for RHB Bank Group, RHB Bank Berhad, and RHB Islamic Bank are shown below:-

Table 23: Operational Risk Weighted Assets and Capital Charge

Operational Risk – BIA	RHB Bank Group (RM'000)	RHB Bank Berhad (RM'000)	RHB Islamic Bank (RM'000)
Risk Weighted Assets	7,162,161	6,559,217	566,538
Risk Capital Charge	572,973	524,737	45,323

13. Reputational Risk

Reputational risk is the risk that negative publicity regarding the conduct of RHB Bank Group or any of the entities within the RHB Banking Group, business practices or associations, whether true or not, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures.

Negative publicity about an institution's business practices may involve any aspect of its operations, but usually relates to questions of business ethics and integrity, or quality of products and services. Reputational risk will arise from failure to effectively mitigate one or more of country, credit, liquidity, market, regulatory, operational, environmental or social risk.

Reputational risk in RHB Bank Group is managed and controlled through codes of conduct, governance practices and risk management practices, policies, procedures and training. Towards this end, RHB Banking Group has developed and implemented a Reputational Risk Management Framework.

The key elements for management of reputational risk include:

- Prompt and effective communication with all stakeholders,
- Strong and consistent enforcement of controls relating to governance, business compliance and legal compliance,
- Continuous monitoring of threats to reputation,
- Ensuring ethical practices throughout the organization, and
- Establishing and continually updating crisis management plans.

For the Bank's overseas operations, it is the responsibility of the Country Heads to promote awareness and application of the Group's policy and procedures regarding reputational risk, in all dealings with customers, potential investors and host regulators.

14.0 Shariah Non-Compliance Risk Management

Shariah non-compliance risk arises from RHB Islamic Bank's failure to comply with the Shariah rules and principles as determined by the Shariah Committee of RHB Islamic Bank or any other relevant body such as BNM's Shariah Advisory Council.

The Shariah Committee of RHB Islamic Bank was established under BNM's Guideline on the Governance of Shariah Committee for Islamic Financial Institutions ('BNM/GPS1') to advise the Bank's Board on Shariah matters in its business operations and to provide technical assistance in ensuring the Islamic banking products and services offered by RHB Islamic Bank and the relevant documentation are in compliance with Shariah principles. The Shariah Committee also provides guidance on legal matters on Islamic banking products and services. A Shariah Compliance Framework, endorsed by the Shariah Committee, has been developed with the objective of governing the entire Shariah compliance process with Islamic banking operations.

15.0 Internal Capital Adequacy Assessment Process ('ICAAP')

BNM has recently issued the Guideline on 'Risk–Weighted Capital Adequacy Framework (Basel II) – Internal Capital Adequacy Assessment Process (Pillar 2) ' in December 2010, and the Bank is in the process of implementing this.

Branch Network

RHB BANK BERHAD

NORTHERN REGION

1) Lebuh Pantai, Penang
44, Lebuh Pantai
10300 Georgetown
Pulau Pinang
Tel : (04) 262 1144, 1109
Fax : (04) 261 8019

2) Jelutong
112 & 114, Jalan Tan Sri Teh Ewe Lim
11600 Pulau Pinang
Tel : (04) 282 6922, 6921
Fax : (04) 282 6930

3) Bayan Baru
42 A, B, C, Jalan Tengah
11950 Bayan Baru, Pulau Pinang
Tel : (04) 642 1880, 1882
Fax : (04) 642 1884

4) Ayer Itam
15, Jalan Pasar
11500 Ayer Itam, Pulau Pinang
Tel : (04) 828 3522, 5168
Fax : (04) 828 8554

5) Burmah House, Penang
Ground & Mezzanine Floor
Suite G-02, Burmah House
405, Jalan Burmah, Pulau Tikus
10350 Pulau Pinang
Tel : (04) 227 4367, 4364
Fax : (04) 227 4361

6) Sungai Dua
4H & 4J
Desa Universiti Comm Complex
Jalan Sungai Dua
11700 Gelugor, Pulau Pinang
Tel : (04) 658 5617, 5620, 5621
Fax : (04) 658 5609

7) 2784 & 2785
Jalan Chain Ferry, Prai
Ground Floor, 2784 & 2785
Jalan Chain Ferry
Taman Inderawasih
13600 Prai, Pulau Pinang
Tel : (04) 390 9255, 9257, 9258
Fax : (04) 390 3976

8) Kulim
No. 8 & 9, Jalan KLC 1
09000 Kulim, Kedah
Tel : (04) 491 5912, 5913
Fax : (04) 491 5916

9) Butterworth
6774, 6775 & 6776, Jalan Kg Gajah
12200 Butterworth, Pulau Pinang
Tel : (04) 331 5871, 5872
Fax : (04) 332 3328

10) 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
Fax : (04) 332 4946

11) Sungai Bakap
1433-1434, Jalan Besar
Sungai Bakap, Seberang Prai Selatan
14200 Sungai Jawi, Pulau Pinang
Tel : (04) 582 3629, 3630
Fax : (04) 582 3580

12) Bukit Mertajam
1244 & 1246, Jalan Padang Lallang
Taman Desa Damai
14000 Bukit Mertajam, Pulau Pinang
Tel : (04) 539 1171, 1176
Fax : (04) 539 4148

13) Kangar
41 & 43, Persiaran Jubli Emas
Taman Suriani
01000 Kangar, Perlis
Tel : (04) 977 6864, 6867
Fax : (04) 977 6863

14) Jalan Tunku Ibrahim, Alor Setar
1519, Jalan Tunku Ibrahim
05700 Alor Setar
Kedah
Tel : (04) 731 6066, 6144
Fax : (04) 733 3843

15) Mergong, Alor Setar
97J, Seberang Jalan Putra
05150 Alor Setar, Kedah
Tel : (04) 733 9279, 9304
Fax : (04) 731 6059

NORTHEN REGION (CONTINUED)

16) 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
Fax : (04) 421 3401, 4230485

17) Padang Serai
11 & 12, Lorong Berkat Satu
Taman Berkat
09400 Padang Serai, Kedah
Tel : (04) 485 5951, 5952
Fax : (04) 485 0982

18) Pulau Langkawi
13 & 15, Jalan Pandak Mayah Satu
07000 Langkawi, Kedah
Tel : (04) 966 7511, 7512
Fax : (04) 966 7513

19) Kuala Kedah
Ground & First Floor, 262 & 263
Block C, Bangunan Peruda
06600 Kuala Kedah, Kedah
Tel : (04) 762 5367, 5366
Fax : (04) 762 5393

20) Jalan Bakar Arang, Sungai Petani
27 & 28, Jalan Bakar Arang
08000 Sungai Petani, Kedah
Tel : (04) 422 2151, 2152
Fax : (04) 421 6632

21) Jitra, Kedah
No. 242, Jalan PJ 2/2
Pekan Jitra 2
06000 Jitra, Kedah
Tel : (04) 917 3388, 3358, 4588
Fax : (04) 9170 888

22) Air Tawar
33A & B, Jalan Besar
32400 Air Tawar, Perak
Tel : (05) 672 2385, 4148
Fax : (05) 672 2168

23) Bagan Serai
243, Jalan Besar
34300 Bagan Serai, Perak
Tel : (05) 721 5715, 5716
Fax : (05) 721 2486

24) Kuala Kurau
Ground & First Floor
19, Jalan Besar
34350 Kuala Kurau, Perak
Tel : (05) 727 7953, 0939, 7952
Fax : (05) 727 7155

25) Teluk Intan
31 & 33, Jalan Intan 2
Bandar Baru Teluk Intan
36000 Teluk Intan, Perak
Tel : (05) 622 1654, 1655
Fax : (05) 621 1228

26) Kuala Kangsar
6 & 7, Jalan Daeng Selili
33000 Kuala Kangsar, Perak
Tel : (05) 776 3772, 1762
Fax : (05) 776 6836

27) Parit Buntar
44, Jalan Teh Peh Kong
34200 Parit Buntar, Perak
Tel : (05) 716 1626, 1627
Fax : (05) 716 2019

28) 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
Fax : (05) 641 3310

29) Sitiawan
25C, Jalan Datuk Ahmad Yunus
32000 Sitiawan, Perak
Tel : (05) 691 1411, 1412, 4669
Fax : (05) 691 9012

30) Taiping
68 & 70, Jalan Kota
34000 Taiping, Perak
Tel : (05) 807 3276, 3257, 4749
Fax : (05) 806 3275

31) Sungkai
18 & 19, Jalan Besar
35600 Sungkai, Perak
Tel : (05) 438 6708, 6710
Fax : (05) 438 6720

32) Jalan Tun Sambanthan, Ipoh
Lot 2, 4, 6 & 8, Jalan Tun Sambanthan
30000 Ipoh, Perak
Tel : (05) 254 2135, 2136
Fax : (05) 255 0050

33) Kampar
81, 83 & 85, Jalan Gopeng
31900 Kampar, Perak
Tel : (05) 466 6202, 6203
Fax : (05) 465 2216

Branch Network

NORTHEN REGION (CONTINUED)

34) Sungai Siput
139 & 140, Jalan Besar
31100 Sungai Siput, Perak
Tel : (05) 598 2233, 2234, 8922
Fax : (05) 598 4094

35) Menglembu
Ground & First Floor
50 & 52, Jalan Besar
31450 Menglembu, Perak
Tel : (05) 281 6011, 6017
Fax : (05) 281 6010

36) Ipoh Garden South
12 & 14 Tingkat, Taman Ipoh 6
Ipoh Garden South
31400 Ipoh, Perak
Tel : (05) 548 2532, 547 7888
Fax : (05) 547 8899

37) Tasek
699 & 701, Jalan Tasek
Taman Musim Bunga
31400 Ipoh, Perak
Tel : (05) 546 7363, 7386, 7370
Fax : (05) 548 7566

38) Gunung Rapat
57 & 59, Medan Gopeng 1
Jalan Gopeng, Gunung Rapat
31350 Ipoh, Perak
Tel : (05) 312 3599, 3851
Fax : (05) 312 6570

39) Gopeng
Ground Floor
67 & 69, High Street
31600 Gopeng, Perak
Tel : (05) 359 1169, 4524, 1291
Fax : (05) 359 3291

40) Jelapang
433 & 435, Jalan Silibin
Taman Silibin
30760 Ipoh, Perak
Tel : (05) 526 6515, 8518
Fax : (05) 526 2418

41) Persiaran Greenhill, Ipoh
62, Persiaran Greenhill
30450 Ipoh, Perak
Tel : (05) 253 3355, 255 4195
Fax : (05) 253 5053

CENTRAL REGION

1) Kuala Lumpur Main
Level 1, Tower Two
RHB Centre
426, Jalan Tun Razak
50400 Kuala Lumpur
Tel : (03)9281 3030
Fax : (03) 9287 4173

2) Menara Yayasan Tun Razak, Kuala Lumpur
Ground Floor
Menara Yayasan Tun Razak
200, Jln Bukit Bintang
55100 Kuala Lumpur W.P.
Tel : (03) 2162 5068
Fax : (03) 2162 1609

3) KLCC
Lot G 34, Ground Level
Petronas Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel : (03) 2164 4423, 4125, 128
Fax : (03) 2164 6213

4) Plaza OSK, KL
Ground and Mezzanine Floor
Podium Block, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Tel : (03) 2164 4419
Fax : (03) 2161 2972, 2164 3679

5) Jalan Ipoh, KL
14 - 16, Jalan Ipoh
51200 Kuala Lumpur
Tel : (03) 4042 8068, 8601, 2573
Fax : (03) 4041 1411, 4043 0653

6) Taman Shamelin, KL
38-1-5, Shamelin Business Center
Jalan 4/91, Taman Shamelin Perkasa
56100 Kuala Lumpur
Tel : (03) 9282 7385, 7386, 7382
Fax : (03) 9282 7380

7) Jalan SS21/39, Damansara Utama
2M & 2G Jalan SS 21/39
Damansara Utama
47400 Petaling Jaya, Selangor
Tel : (03) 7726 2307, 2308
Fax : (03) 7726 2305

8) SS2, Petaling Jaya
157 & 159, Jalan SS2/24
Sg Way / Subang
47300 Petaling Jaya, Selangor
Tel : (03) 7875 3724, 7895 3259
Fax : (03) 7875 6600

CENTRAL REGION (CONTINUED)

9) Giant Kelana Jaya
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
Fax : (03) 7804 4048

10) Damansara Jaya
22 & 24, Jalan SS 22/25
Damansara Jaya
47400 Petaling Jaya, Selangor
Tel : (03) 7729 5132, 5137, 3853
Fax : (03) 7729 9169

11) Section 14, Petaling Jaya
1, Jalan 14/20
46100 Petaling Jaya, Selangor
Tel : (03) 7957 4742, 4460
Fax : (03) 7955 6219

12) Taman Megah, Petaling Jaya
11 - 15, Jalan SS 24/11
Taman Megah
47301 Petaling Jaya, Selangor
Tel : (03) 7804 1258, 7481
Fax : (03) 7804 1629

13) New Town, Petaling Jaya
1, 3 & 5, Jalan 52/18
New Town Centre
46200 Petaling Jaya, Selangor
Tel : (03) 7956 9611, 9612, 1994
Fax : (03)7957 8984

14) Jalan Maharajalela, KL
Unit 1, Ground Floor
Bangunan Cheong Wing Chan
41 - 51, Jalan Maharajalela
50150 Kuala Lumpur
Tel : (03) 2274 9820, 0475
Fax : (03) 2274 9843

15) KL Sentral
Unit 7, Level 1 (Arrival Hall)
City Air Terminal
KL Sentral Station
50470 Kuala Lumpur
Tel : (03) 2273 5000
Fax : (03) 2274 7000

16) Jalan Bukit Bintang, KL
58 - 60, Jalan Bukit Bintang
55100 Kuala Lumpur
Tel : (03) 2142 3604, 3396
Fax : (03) 2143 0645

17) Taman Tun Dr. Ismail, KL
15 & 17, Jalan Tun Mohd Fuad 3
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel : (03) 7726 8995, 4303
Fax : (03) 7729 4077

18) 1st Avenue, Petaling Jaya
Lot G01A, Ground Floor
1 First Avenue, Bandar Utama
47800 Petaling Jaya, Selangor
Tel : (03) 7728 3454, 3470
Fax : (03) 7728 3496

19) Desa Sri Hartamas, KL
6, Jalan 24/ 70A
Desa Sri Hartamas
50480 Kuala Lumpur
Tel : (03) 2300 2360, 1754
Fax : (03) 2300 2358

20) Kota Damansara
No. 27-G-& 27-I,
Jalan PJU 5/3, Dataran Sunway
Kota Damansara
47810 Petaling Jaya
Tel : (03) 6140 9037, 9044
Fax : (03) 6141 8838

21) 75 Jalan Tun H.S. Lee, KL
75, Jalan Tun H.S. Lee
50000 Kuala Lumpur
Tel : (03) 2070 0233, 6869
Fax : (03) 2072 7591

22) Bangsar Shopping Centre, KL
G-01 Ground Floor
Bangsar Shopping Centre
Office Tower, Jalan Ma'arof
Bangsar, 59100 Kuala Lumpur
Tel : (03) 2284 6870, 6872, 6875
Fax : (03) 2284 6896

23) Damansara Heights, KL
Lots C9 - C12, Block C
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel : (03) 2095 7068, 7069, 7088
Fax : (03) 2093 7515

Branch Network

CENTRAL REGION (CONTINUED)

24) 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
Fax : (03) 2284 4350

25) 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
Fax : (03) 7980 8081

26) The Sphere, Bangsar South
Unit G 10, Ground Floor and Unit 3A, First Floor
The Sphere, No. 1, Avenue 1 Bangsar South
No.8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : GL : (03) 224 0010, 104, 107
Fax : (03) 2240 0092

27) 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
Fax : (03) 6136 3243

28) Rawang
Ground, First & Second Floor
10 & 11, Jalan Maxwell
48000 Rawang, Selangor
Tel : (03) 6092 5035, 5036
Fax : (03) 6092 4788

29) Bandar Sri Damansara
1 & 2, Jalan Tanjung SD 13/1
52200 Bandar Sri Damansara
Selangor
Tel : (03) 6274 5287, 5532, 5576
Fax : (03) 6274 2917

30) Kampung Baru Sungai Buloh
25, Jalan Public
Kampung Baru Sungai Buloh
47000 Sungai Buloh, Selangor
Tel : (03) 6156 9301, 9302, 9344
Fax : (03) 6156 8645

31) Bandar Baru Sungai Buloh
391 & 392, Jalan 1A/1
Bandar Baru Sungai Buloh
47000 Sungai Buloh, Selangor
Tel : (03) 6156 1712, 1713, 1711
Fax : (03) 6156 7803

32) Jinjang Utara, KL
Ground Floor, No. 3471-A
Jalan Besar
Jinjang Utara
52000 Kuala Lumpur
Tel : (03) 6257 7053, 7808
Fax : (03) 6252 7158

33) Kepong, KL
321, Batu 7, Jalan Kepong
Kepong Baru
52100 Kuala Lumpur
Tel : (03) 6274 0022, 0593, 0463
Fax : (03) 6272 6521

34) Kajang
25, Jalan Raja Harun
Taman Hijau
43000 Kajang, Selangor
Tel : (03) 8736 0599, 0177
Fax : (03) 8733 8570

35) Seri Kembangan, Selangor
Lot 1484A & B, Jalan Besar
43300 Seri Kembangan, Selangor
Tel : (03) 8943 1455, 1357, 0276
Fax : (03) 8943 0441

36) Taman Sungai Besi, KL
30, Ground & First Floor, Jalan 7/ 108C
Taman Sungai Besi
57100 Kuala Lumpur
Tel : (03) 7984 3014, 3016
Fax : (03) 7981 8875

37) Salak South, KL
178-180, Main Street
Salak South
57100 Kuala Lumpur
Tel : (03) 7983 9177, 9458, 9306
Fax : (03) 7981 3357

38) Taman Suntex, Selangor
5 & 6, Jalan Kijang 1
Taman Suntex, Batu 9
43200 Cheras, Selangor
Tel : (03) 9074 7888, 7804
Fax : (03) 9074 7879

39) Taman Taming Jaya, Selangor
1, Jalan Taming Kanan 2
Taman Taming Jaya
43300 Balakong, Selangor
Tel : (03) 8961 1194, 1195, 1164
Fax : (03) 8961 1197

40) 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
Fax : (03) 9074 1344

CENTRAL REGION (CONTINUED)

41) 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
Fax : (03) 8942 5218

42) Taman Midah, KL
18 & 20, Jalan Midah Satu
Taman Midah
56000 Kuala Lumpur
Tel : (03) 9131 2826, 2898
Fax : (03) 9130 0588

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
Fax : (03) 4270 2060

44) Ampang Point
37 & 38, Jalan Memanda 7
Taman Dato' Ahmad Razali
Jalan Ampang
68000 Ampang, Selangor
Tel : (03) 4252 1753, 1907
Fax : (03) 4252 1898

45) Pandan Indah, Selangor
Ground & Mezzanine Floor
7 & 9, Jalan Pandan Indah 4/2
55100 Pandan Indah, Selangor
Tel : (03) 4295 0981, 2260
Fax : (03) 4295 7127

46) Taman Permata, Selangor
Lot 6 & 7, Ground Floor
Giant Hypermarket Complex
Jalan Changkat Permata
Taman Permata
53300 Selangor
Tel : (03) 4106 9726, 9308, 9832
Fax : (03) 4106 9810

47) Setapak, KL
257 & 259, Jalan Genting Kelang
53300 Setapak Kuala Lumpur
Tel : (03) 4023 7444, 7476
Fax : (03) 4024 1353

48) Jalan Pasar, KL
50 - 52, Jalan Pasar
55100 Kuala Lumpur
Tel : (03) 2141 4167, 2148 7301
Fax : (03) 2142 8390, 2148 8967

49) Segambut, KL
42 & 42A, Jalan Segambut Tengah
Segambut, 51200 Kuala Lumpur
Tel : (03) 6257 8777, 8999, 6888
Fax : (03) 6252 2801

50) Meru, Kelang
1, Lorong Pepauh 1A
Taman Pekan Meru
41050 Kelang, Selangor
Tel : (03) 3392 4501, 4502, 4503
Fax : (03) 3392 4504

51) Jalan Stesen, Kelang
24 & 26, Jalan Stesen
41000 Kelang, Selangor
Tel : (03) 3371 9669, 9652
Fax : (03) 3372 9613

52) Persiaran Sultan Ibrahim, Kelang
33, Persiaran Sultan Ibrahim
41300 Kelang, Selangor
Tel : (03) 3342 0433, 0434, 0435
Fax : (03) 3344 6405

53) Port Klang
Persiaran Raja Muda Musa
42000 Pelabuhan Kelang, Selangor
Tel : (03) 3165 6720
Fax : (03) 3166 1351

CENTRAL REGION (CONTINUED)

54) Bandar Bukit Tinggi
Lot 53, Jalan Batu Nilam 1
Bandar Bukit Tinggi
41200 Klang
Tel : (03) 3323 6682, 6684, 7278
Fax : (03) 3323 7957

55) Bandar Baru Klang
Unit A6, No. 22A, Jalan Tiara 2A/KU1
Pusat Perniagaan BBK
41150 Kelang, Selangor
Tel : (03) 3344 2751, 2750, 52
Fax : (03) 3344 2755

56) Tanjong Karang
Lot 1 & 3, Jalan Satu
Taman Tanjong Karang Baru
45500 Tanjong Karang, Selangor
Tel : (03) 3269 5039, 8171, 1812
Fax : (03) 3269 8078

57) Jenjarom
M38 & M40, Jalan Besar
42600 Jenjarom, Selangor
Tel : (03) 3191 3422, 3433, 3477
Fax : (03) 3191 4328

Branch Network

CENTRAL REGION (CONTINUED)

58) 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, 3849
Fax : (03) 5519 6166

59) Jalan Tengku Ampuan Zabedah Shah Alam
16 & 18, Ground & First Floor
Jln T. Amp Zabedah D9/D, Section 9
40100 Shah Alam, Selangor
Tel : (03) 5510 0559
Fax : (03) 5513 1834

60) Giant Shah Alam
Lot B26 - B27
Giant Hypermarket, Shah Alam
2, Persiaran Sukan, Seksyen 13
40100 Shah Alam, Selangor
Tel : (03) 5511 9085
Fax : (03) 5512 8899

61) 48-50, Jalan SS15/4D, Subang Jaya
Lot 48-50 Jalan SS15/4D
Subang Jaya
47500 Selangor
Tel : (03) 5634 4970, 4976, 4973
Fax : (03) 5634 4848

62) UEP Subang Jaya
47 & 49, Jalan USJ 10/1
UEP Subang Jaya
47620 Petaling Jaya, Selangor
Tel : (03) 5637 3592, 3593, 3594
Fax : (03) 5637 3941

63) IOI Boulevard, Puchong
No. B-G-5 & B-1-5,
Ground Floor & 1st Floor
IOI Boulevard, Jalan Kenari 5
Bandar Puchong Jaya
47100 Puchong, Selangor
Tel : (03) 8070 8603, 8604, 8571
Fax : (03) 8070 8563

64) Putrajaya (Precinct 8)
Blok C - T.00 - U.02 & U.03
1, Jalan P 8 D
62250 Putrajaya
Tel : (03) 8889 2546, 2548, 2549
Fax : (03) 8889 2900

65) Bahau
Ground & First Floor
Lot 982 & 983
Wisma UMNO Jempol
Jalan Gurney
72100 Bahau, Negeri Sembilan
Tel : (06) 454 1305, 2722
Fax : (06) 454 4015

66) 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
Fax : (06) 799 6095

67) Kuala Pilah
Lots P.T. 9 & 10, Jalan Melewar
72000 Kuala Pilah
Negeri Sembilan
Tel : (06) 481 1442, 1513, 3995
Fax : (06) 481 6478

68) Rantau
158 & 159, Jalan Besar
71200 Rantau
Negeri Sembilan
Tel : (06) 694 1969, 1589
Fax : (06) 694 2690

CENTRAL REGION (CONTINUED)

69) Seremban
10 & 11, Jalan Dato' Abdul Rahman
70000 Seremban, Negeri Sembilan
Tel : (06) 763 8623, 8555
Fax : (06)762 0192

70) Simpang Pertang
15, Jalan Helang
Taman Sri Pertang
72300 Simpang Pertang
Negeri Sembilan
Tel : (06) 492 9520, 9550, 9540
Fax : (06) 492 9190

71) Sungai Pelek
76 & 77, Jalan Besar
43950 Sungai Pelek, Selangor
Tel : (03) 3141 1176, 1394
Fax : (03) 3141 1100

72) Tanjung Sepat
1 & 3, Jalan Senangin Satu
Taman Tanjung
42809 Tanjung Sepat, Selangor
Tel : (03) 3197 4035, 4235, 4788
Fax : (03) 3197 4568

CENTRAL REGION (CONTINUED)

73) Taipan Senawang
No. 163 G & 164 G
Taipan Senawang
Jalan Taman Komersil Senawang 1
Taman Komersil Senawang
70450 Senawang
Negeri Sembilan
Tel : (06) 678 1320, 1318
Fax : (06) 678 1477

EAST COAST REGION

1) Bentong
Lot 13 & 14, Jalan Loke Yew
28700 Bentong, Pahang
Tel : (09) 222 1648, 1649
Fax : (09) 222 5944

2) Jerantut
Lot 4360 & 4361, Jalan Kuantan
27000 Jerantut, Pahang
Tel : (09) 266 5900, 5901
Fax : (09) 266 5899

3) Raub
Lot PT 16477 & 16478
Pusat Perniagaan Indrapura
Jalan Tras
27600 Raub, Pahang
Tel : (09) 355 5077, 5155
Fax : (09) 355 2929

4) Kuantan, Putra Square
No. 2, 4, & 6 (Malay Town)
Jalan Putra Square 1
Putra Square, 25000 Kuantan
Pahang
Tel : (09) 517 3500, 3503
Fax : (09) 517 3501

5) Mentakab
Lot 94 & 95, Jalan Temerloh
28400 Mentakab, Pahang
Tel : (09) 278 1976, 1971
Fax : (09) 278 2034

6) Air Putih
No. A237 & A239, Jalan Air Putih
25300 Kuantan, Pahang
Tel : (09) 5668 200, 8700, 101
Fax : (09) 5660 214

7) Jalan Kebun Sultan, Kota Bahru
Lot 1182-1183, Jalan Kebun Sultan
15350 Kota Bharu, Kelantan
Tel : (09) 744 1776, 1654
Fax : (09) 748 1788

8) Kuala Dungun
K231, Jalan Besar, Kuala Dungun
23000 Dungun, Terengganu
Tel : (09) 848 1416, 1575
Fax : (09) 848 2996

9) Kuala Terengganu
59, Jalan Sultan Ismail
20200 Kuala Terengganu
Terengganu
Tel : (09) 622 1478, 6478
Fax : (09) 622 9379

10) Kerteh
10B, Bandar Baru Kerteh
24300 Kerteh, Terengganu
Tel : (09) 826 1644, 1645
Fax : (09) 826 2171

11) Ketereh
Lot PT 383 & PT 384
Kedai Ketereh, Bandar Ketereh
16450 Ketereh, Kelantan
Tel : (09) 788 6377, 6376
Fax : (09) 788 8721

12) Pasir Mas
18A, Jalan Tengku Ahmad
17000 Pasir Mas, Kelantan
Tel : (09) 790 9088, 8066
Fax : (09) 790 2292

13) Kemaman
No 11289 & 11290
Bandar Cukai Utama, Phase 3
Jalan Kubang Kurus
24000 Kemaman, Terengganu
Tel : (09) 859 9000, 9100
Fax : (09) 859 9003

Branch Network

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
Fax : (07) 355 5004

2) **Jalan Bandar, Pasir Gudang**
10A, Pusat Perdagangan
Jalan Bandar
81700 Pasir Gudang, Johor
Tel : (07) 251 1578, 1573, 6292
Fax : (07) 251 1584, 252 7719

3) **Taman Pelangi, Johor**
Suite 1-2, Level 1, Menara Pelangi
2, Jalan Kuning, Taman Pelangi
80400 Johor Bahru, Johor
Tel : (07) 334 3476, 3481
Fax : (07) 334 3482

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
Fax : (07) 388 674

5) **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
Fax : (07) 224 1264

6) **Ulu Tiram**
1 & 2, Jalan Raya
81800 Ulu Tiram, Johor
Tel : (07) 861 3002, 7609, 3003
Fax : (07) 861 4088

7) **Taman Molek, Johor**
56 & 58, Jalan Molek 2/2
Taman Molek
81100 Johor Bahru, Johor
Tel : (07) 351 4643
Fax : (07) 351 4649

8) **Taman Sentosa, Johor**
9 & 11, Jalan Sutera
Taman Sentosa
80150 Johor Bahru, Johor
Tel : (07) 332 2243, 2244, 2246
Fax : (07) 334 9441, 332 7251

9) **Taman Mount Austin**
No. 87 & 89 Jalan Austin Heights 3
Austin Heights, Taman Mount Austin
81100 Johor Bahru
Tel : (07) 3539 648, 649, 659, 579
Fax : (07) 3539 566

10) **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
Fax : (07) 557 1553

11) **Senai**
180 & 181, Jalan Belimbing 1
81400 Senai, Johor
Tel : (07) 599 7154
Fax : (07) 599 6913

12) **Bandar Baru Uda**
No 14 & 16 Jalan Padi Emas 6/1
Bandar Baru UDA
81200 Johor Bahru
Tel : (07) 234 0678, 0729
Fax : (07) 234 0680

13) **Kulai**
4 & 5, Taman Seraya
Kulai Besar
81000 Kulai, Johor
Tel : (07) 663 1911, 1912
Fax : (07) 663 2159

14) **Pontian Kechil**
192, Jalan Bakek
Pontian Kechil
82000 Pontian, Johor
Tel : (07) 687 8368, 8369, 8123
Fax : (07) 687 9107

15) **Masai, Johor**
Lot G-03, G-05 & 01-05
Jalan Masai Jaya 1
81750, Johor Bahru, Johor
Tel : (07) 352 7684
Fax : (07) 352 7689

16) **Jalan Dato' Rauf, Kluang**
18 & 20, Jalan Dato' Rauf
86000 Kluang, Johor
Tel : (07) 772 4111, 4112
Fax : (07) 772 4094

SOUTHERN REGION (CONTINUED)

17) Segamat
110 & 111, Jalan Genuang
85000 Segamat, Johor
Tel : (07) 931 1366, 1367, 5442
Fax : (07) 932 3901

18) Batu Pahat
89, Jalan Rahmat
83000 Batu Pahat, Johor
Tel : (07) 431 7011, 7022
Fax : (07) 431 1077

19) Jementah
Ground Floor, MCA Building
Jalan Muar
85200 Jementah, Johor
Tel : (07) 947 1578, 1353
Fax : (07) 947 2404

20) Simpang Renggam
8 & 9, Jalan Kijang
86200 Simpang Renggam, Johor
Tel : (07) 755 8531, 8532, 7366
Fax : (07) 755 8262

21) Bekok
G34 & G36, Jalan Wijaya
86500 Bekok, Johor
Tel : (07) 922 1639, 1643
Fax : (07) 922 1525

22) Yong Peng
106, Jalan Besar
83700 Yong Peng, Johor
Tel : (07) 467 1006, 1146
Fax : (07) 467 5137

23) 9, Jalan Abdullah, Muar
9, Jalan Abdullah
84000 Muar, Johor
Tel : (06) 952 2234, 951 9080
Fax : (06) 952 9503

24) Bukit Baru, Melaka
Ground Floor, 5 & 6, Jalan DR 1
Taman Delima Raya
Bukit Baru, 75150 Melaka
Tel : (06) 232 1302, 1298
Fax : (06) 232 1319

25) Tangkak
351 & 352, Jalan Muar
84900 Tangkak, Johor
Tel : (06) 978 6588, 6591
Fax : (06) 978 6592

26) Jalan Hang Tuah, Melaka
477, Plaza Melaka
Jalan Hang Tuah
75300 Melaka
Tel : (06) 284 0473, 0476
Fax : (06) 284 4699

27) Kota Melaka
No. 57&59, Prime Square
Taman Melaka Raya
75000 Melaka
Tel : (06) 282 5030, 5029
Fax : (06) 282 5076

SABAH REGION

1) Jalan Gaya, Kota Kinabalu
81 / 83, Jalan Gaya
88000 Kota Kinabalu, Sabah
Tel : (088) 216 188, 213 982
Fax : (088) 235 871
including:-
Warisan Square (Sales Kiosk)
Lot No: C-G-09 Block C
Ground Floor, Warisan Square
Jalan Tun Fuad Stephen
88000 Kota Kinabalu
Sabah
Tel : (088) 447 224, 225
Fax : (088) 447 221

2) Inanam, Sabah
Block DBKK, No. 1, 2 & 3
Lorong KK, Taipan 3
Inanam New Township
88450 Inanam, Sabah
Tel : (088) 422 883
Fax : (088) 423 011

3) Labuan
Lot 1 & 2, Jati Shop Houses
Off Jalan Tun Mustapha
87007 Labuan
Wilayah Persekutuan Labuan
Tel : (087) 414 822, 810
Fax : (087) 414 449

Branch Network

SABAH REGION (CONTINUED)

4) 1-Borneo Hypermall, Kota Kinabalu
Lot No: G-203, Ground Floor
1-Borneo Hypermall
Jalan Sulaman
88450 Kota Kinabalu, Sabah
Tel : (088) 488 011, 982, 986
Fax : (088) 488 678

5) Lintas Station Complex, Kota Kinabalu
Lot No. 6-19, Ground Floor
Lintas Station Complex
Jalan Lintas, Luyang
88300 Kota Kinabalu, Sabah
Tel : (088) 244 698, 230 693
Fax : (088) 233 690

6) Prima Square, Sandakan
Block 7, Lot 64, 65 & 66, Phase 1
Prima Square, Mile 4, Jalan Utara
90000 Sandakan, Sabah
Tel : (089) 208 101, 102, 104, 100
Fax : (089) 228 101

7) Wisma Khoo, Sandakan
Sub Lot 1 - 7, Ground Floor
Wisma Khoo Siak Chiew
Lebuh Tiga, Jalan Sim Sim
90009 Sandakan, Sabah
Tel : (089) 218 777
Fax : (089) 271 246

8) Tawau, Sabah
Ground & First Floor, Lot 5 Block 27
Fajar Complex, Jalan Mahkamah
Town Extension II
91000 Tawau, Sabah
Tel : (089) 777 355, 233
Fax : (089) 764 684, 765 254

9) Lahad Datu, Sabah
Lot 1 & 2, Block A
Metro Commercial Complex
91100 Lahad Datu, Sabah
Tel : (089) 886 159, 418
Fax : (089) 886 163

SARAWAK REGION

1) Kanowit, Sarawak
Lots 127 & 128
No 65-66 Jalan Kubu
Kanowit Town District
96700 Kanowit, Sarawak
Tel : (084) 752 700
Fax : (084) 752 711

2) Dalat, Sarawak
Ground Floor
Pejabat Daerah Dalat
96300 Dalat, Sarawak
Tel : (084) 864 841, 842
Fax : (084) 864 824

3) 31, Jalan Tunku Osman, Sibu
No 31, Jln Tuanku Osman
96007 Sibu
Sarawak
Tel : (084) 314 455
Fax : (084) 310 546

4) Sungai Merah, Sibu
No 1&3, Lorong Sungai Merah
2C, 9600 Sibu, Sarawak
Tel : (084) 310 869, 311 869
Fax : (084) 331 869

5) Kapit, Sarawak
Lot 504 Jalan Temenggong Jugah
96800, Kapit, Sarawak.
Tel : (084) 797 771
Fax : (084) 797 775

6) Sarikei, Sarawak
Lot 1468
Repok Road
96108 Sarikei, Sarawak
Tel : (084) 657 030
Fax : (084) 657 036

7) Batu Kawah , Kuching
Bd 104/204 & 105/205
Batu Kawah New Township
Jalan Batu Kawah
93250 Kuching, Sarawak
Tel : (082) 455 465
Fax : (082) 459 790

SARAWAK REGION (CONTINUED)

8) UNIMAS
Bangunan Hal Ehwal Pelajar
Campus Tetap Unimas
KM 17, Kuching
Kota Samarahan Expressway
94300, Kota Samarahan, Sarawak
Tel : (082) 665 622, 288
Fax : (082) 665 261

9) Wisma Mahmud, Kuching
Level 1, Wisma Mahmud
Jalan Sungei Sarawak
93100 Kuching
Sarawak
Tel : (082) 345 345, 610
Fax : (082) 338 358, 342 327

10) Lundu, Sarawak
Lot 249-250, Jalan Blacksmith
Pekan Lundu
94500 Lundu, Sarawak
Tel : (082) 735 611
Fax : (082) 735 220

11) Sri Aman, Sarawak
Lot 839, Jalan Sabu
95000 Sri Aman
Kuching, Sarawak
Tel : (083) 320 979, 980
Fax : (083) 320 975

12) Matang Jaya, Kuching
Lot 25, 26 & 27, Section 65
Kuching Town Land District
Taman Lee Ling Commercial Cantre
93050 Matang Jaya
Kuching Sarawak
Tel : (082) 442 741, 449 135
Fax : (082) 443 926

13) Tabuan Jaya, Sarawak
891-892, Lorong Bayor Bukit 2A
Tabuan Jaya, Shopping Centre
Jalan Wan Alwi
93350 Kuching, Sarawak
Tel : (082) 366 823, 828
Fax : (082) 366 826

14) Jalan Padungan, Kuching
256, Jalan Padungan
93100 Kuching
Sarawak
Tel : (082) 423 216, 252 088
Fax : (082) 415 453, 428 717

15) Jalan Kulas, Kuching
Ground Floor, Lot 363
Jalan Kulas
93740 Kuching, Sarawak
Tel : (082) 419 050, 426 586
Fax : (082) 426 160

16) Simpang Tiga, Kuching
No 11, Jalan Simpang Tiga
93758 Kuching, Sarawak
Tel : (082) 417 817, 411 817
Fax : (082) 420 975

17) Siburan, Sarawak
No 12 & 13,
Eastern Commercial Centre
17th Mile, Kuching Serian Road
94200 Siburan, Sarawak
Tel : (082) 862 808
Fax : (082) 862 880

18) Boulevard Centre, Miri
Ground Floor, Lot 2469 & 2470
Boulevard Commercial Centre
Jalan Boulevard Utama
98000 Miri, Sarawak
Tel : (085) 429 880
Fax : (085) 429 881

19) Jalan Nakhoda Gampar, Miri
Lot 362, Block 9
Jalan Nakhoda Gampar
98008 Miri, Sarawak
Tel : (085) 411 882
Fax : (085) 415 682

20) Lawas, Sarawak
Lot No 355
Jalan Punang
98850 Lawas
Tel : (085) 285 657, 659
Fax : (085) 285 529

21) Jalan Masjid, Bintulu
Ground Floor & 1st Floor
258 Taman Sri Dagang
Jalan Masjid
97000 Bintulu, Sarawak
Tel : (086) 331 133
Fax : (086) 331 692

22) Marudi, Sarawak
Lot 29, Jalan Kapitan Lim Ching Kiat
Marudi, 98050 Baram, Sarawak
Tel : (085) 756 721, 722
Fax : (085) 756 724

23) Limbang, Sarawak
Lot 1563 Jalan Buangsiol
98700 Limbang, Sarawak
Tel : (085) 212 398, 399
Fax : (085) 211 022

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