

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

Rebranding

...about our new look

The essence of the new RHB brand identity logotype reflects the surge of change within the Group. The new corporate brand image and values represent the Group's efforts to streamline its core businesses and operational support in projecting the RHB brand as a single unified banking group.

The new logotype highlights the brand's driving characteristics—modern and contemporary, confident and institutional, progressive and dynamic, fresh and vibrant and, warm and friendly.

The primary colour of corporate blue projects a stronger corporate commitment to new business approaches and symbolises the creation of a banking group that is committed to long term sustainability. The red signifies the heart of the Group's workforce and the integral part they will play in building the Group into becoming one of the top three financial services providers in ASEAN by 2020.

Associated with intelligence and stability, the secondary colour of 'morning sky blue' highlights the Group's aspiration to become a more modern, progressive and distinctive banking group within the local, regional and international banking arena.

The new corporate brand image and values of the repositioned Group, its products and services will define the integral nature of the RHB Banking Group, and this will provide the Group with a master brand identity.



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THE YEAR THAT WAS

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FINANCIALS

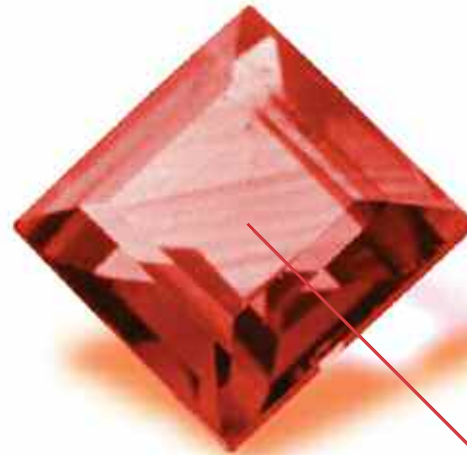
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Core Values

Our Core Values



◆ Innovation

◆ Quality Service

◆ Teamwork

◆ Respect

◆ Customer Focus

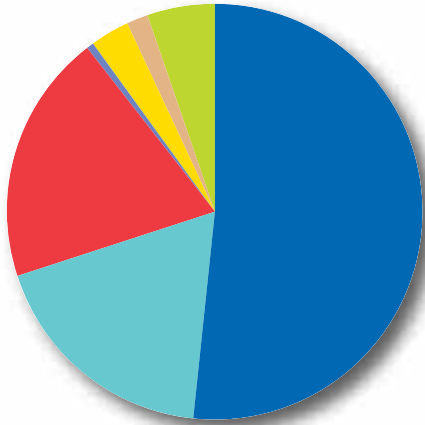
group financial highlights

	2007	2006
PROFITABILITY (RM million)		
Operating revenue	6,157	5,507
Operating profit before allowances	1,883	1,687
Profit before INCPS* dividends and taxation	1,247	940
Net profit attributable to equity holders of the Company	713	438
KEY BALANCE SHEET DATA (RM million)		
Total assets	105,154	103,310
Portfolio of securities	20,477	24,538
Loans, advances and financing	54,555	53,393
Total liabilities	98,080	97,258
Deposits from customers	75,793 **	57,526
Shareholders' equity	7,048	4,928
Commitments and contingencies	56,609	56,940
FINANCIAL RATIOS (%)		
Profitability Ratios		
Net return on average equity	11.9	9.3
Net return on average assets	0.7	0.5
Asset Quality/Loan Ratios		
Net non-performing loans ratio	3.4	4.6
Loan loss coverage	71.4	63.9
Gross loans to total deposits ratio	67.3	81.2
Total deposits to shareholders' funds (times)	12.0	14.0

* Irredeemable Non-cumulative Convertible Preference Shares.

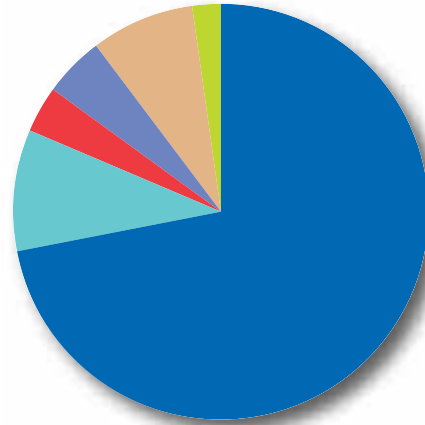
** Including Treasury Money Market Time Deposits.

simplified group balance sheets



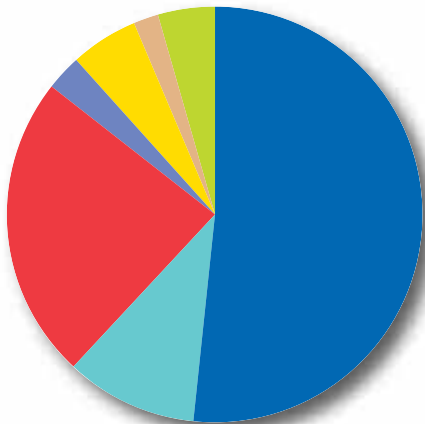
ASSETS-2007

51.9%	Loans, advances and financing
18.1%	Cash and short-term funds
19.5%	Portfolio of securities
0.5%	Securities purchased under resale agreements
3.2%	Deposits and placements with banks and other financial institutions
1.6%	Statutory deposits
5.2%	Other assets (including goodwill)



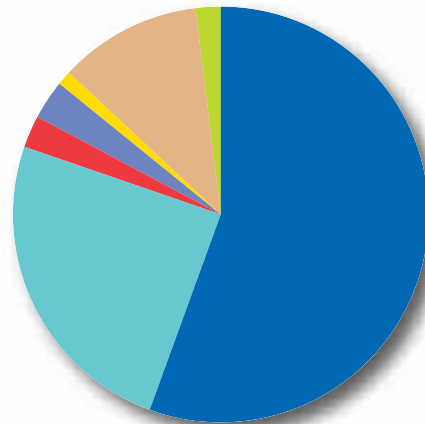
LIABILITIES & EQUITY-2007

72.1%	Deposits from customers*
9.5%	Bills and acceptances payable and other liabilities
3.5%	Subordinated obligations and INCPS**
4.7%	Reserves
8.2%	Deposits and placements of banks and other financial institutions
2.0%	Share capital



ASSETS-2006

51.7%	Loans, advances and financing
10.3%	Cash and short-term funds
23.8%	Portfolio of securities
2.6%	Securities purchased under resale agreements
5.4%	Deposits and placements with banks and other financial institutions
1.8%	Statutory deposits
4.4%	Other assets (including goodwill)



LIABILITIES & EQUITY-2006

55.7%	Deposits from customers
24.7%	Bills and acceptances payable and other liabilities
2.5%	Subordinated obligations and INCPS**
3.0%	Reserves
1.1%	Minority interests
11.2%	Deposits and placements of banks and other financial institutions
1.8%	Share capital

* Including Treasury Money Market Time Deposits.

** Irredeemable Non-cumulative Convertible Preference Shares.

five-year group financial summary

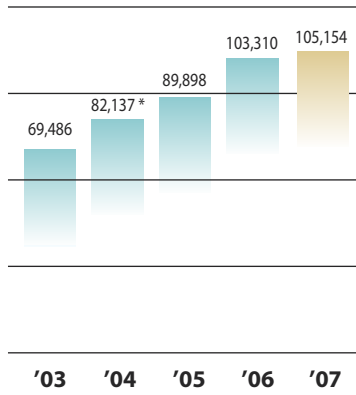
	2007 (Dec)	2006 (Dec)	2005 (Dec)	(18 months result) 2004 * (Dec)	2003 (June)
OPERATING RESULTS (RM million)					
Profit before INCPS* dividends and taxation	1,247	940	689	870	521
Net profit attributable to equity holders of the Company	713	438	316	442	251
KEY BALANCE SHEET DATA (RM million)					
Total assets	105,154	103,310	89,898	82,137	69,486
Loans, advances and financing	54,555	53,393	48,359	43,912	42,447
Total liabilities	98,080	97,258	84,392	76,979	64,773
Deposits from customers	75,793 **	57,526	49,921	50,167	48,521
Paid-up capital	2,153	1,823	1,823	1,823	1,823
Shareholders' equity	7,048	4,928	4,493	4,212	3,874
Commitments and contingencies	56,609	56,940	46,115	43,958	34,063
SHARE INFORMATION					
Gross dividend per share - (sen)	13.6	8.0	3.5	10.0	7.5
Net assets per share - (RM)	3.3	2.7	2.5	2.3	2.1
Net tangible assets per share - (RM)	1.8	2.1	1.8	1.7	1.5
Basic earnings per share - (sen)	35.8	24.0	17.3	24.2	13.7
Share price - (RM)	5.85	3.42	2.21	2.34	1.69
Market capitalisation (RM million)	12,598	6,236	4,030	4,267	3,082
FINANCIAL RATIOS (%)					
Profitability Ratios					
Net return on average equity	11.9	9.3	7.3	10.9	6.6
Net return on average assets	0.7	0.5	0.4	0.6	0.4
Cost / income ratio	44.4	44.5	49.2	51.1	45.2
Productivity Ratios					
Number of employees	10,203	10,245	10,356	10,135	9,829
Gross loans per employee (RM'000)	5,568	5,478	4,935	4,656	4,665
Deposits from customers per employee (RM'000)	7,429	5,615	4,821	4,950	4,937
Profit before INCPS* dividends and taxation per employee (RM'000)	122	92	67	86	53
Asset Quality/Loan Ratios					
Gross loans to total deposits ratio	67.3	81.2	83.8	82.4	87.5
Net non-performing loans ratio	3.4	4.6	5.1	6.0 ***	8.7 ***
Loan loss coverage	71.4	63.9	63.2	64.1	53.6
Ordinary Shares					
Gross dividend yield	2.3	2.3	1.6	4.3	4.4
Dividend payout ratio	30.2	24.2	14.6	29.7	39.3
Price to earnings multiple (times)	16.3	14.2	12.8	9.7	12.3

* Irredeemable Non-cumulative Convertible Preference Shares.

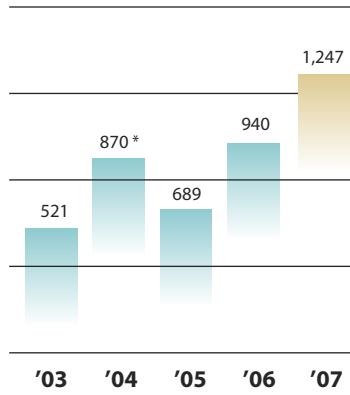
** Including Treasury Money Market Time Deposits.

*** Based on 6 months classification.

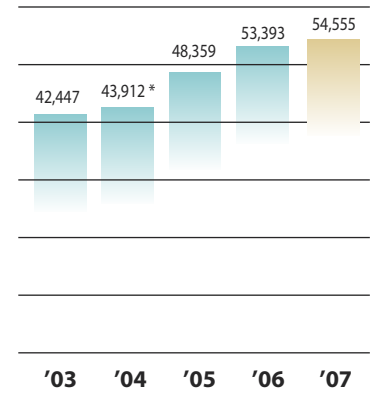
summary of five-year group growth



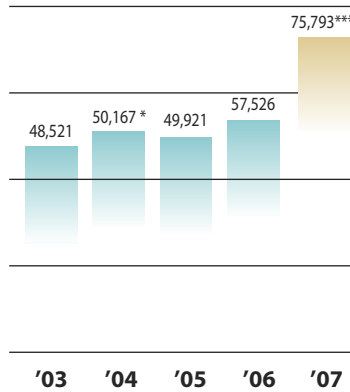
Total Assets
(RM million)



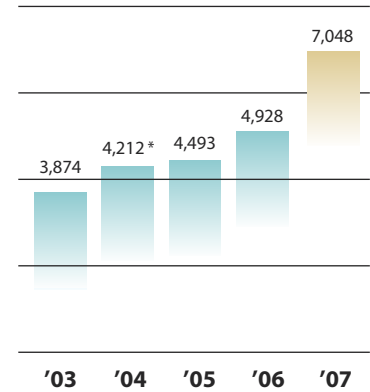
Profit before INCPS dividends and taxation**
(RM million)



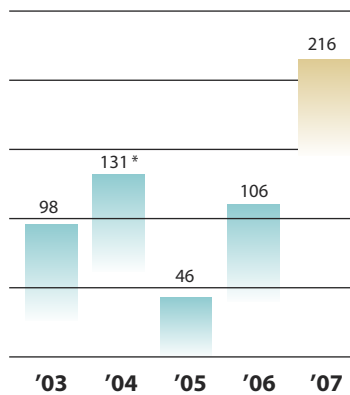
Loans, advances and financing
(RM million)



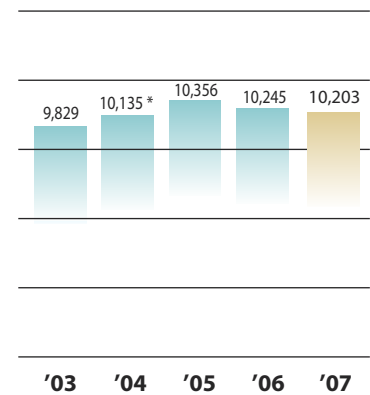
Deposits from customers
(RM million)



Shareholders' equity
(RM million)



Net dividends
(RM million)



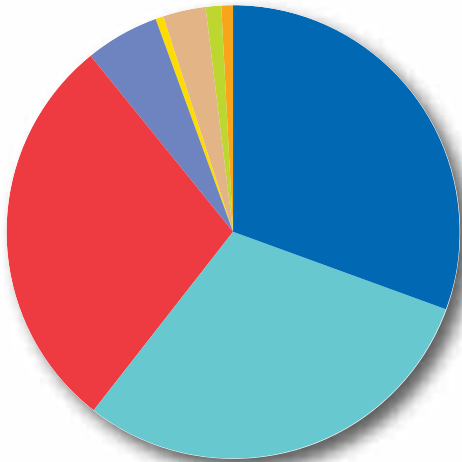
Total staff strength
(number)

* 18 months result.
 ** Irredeemable Non-cumulative Convertible Preference Shares.
 *** Including Treasury Money Market Time Deposits.



segmental analysis

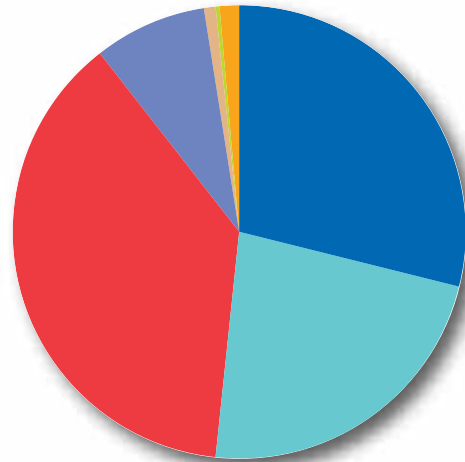
for the year ended 31 December 2007



OPERATING REVENUE

By Business Segments

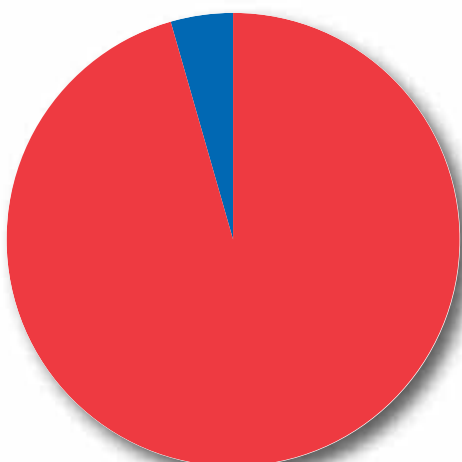
- ◆ 30.7% Wholesale banking
- ◆ 29.9% Retail banking
- ◆ 28.7% Treasury and money market
- ◆ 5.3% Islamic Banking business
- ◆ 0.5% Financial advisory and underwriting
- ◆ 3.2% Stockbroking and other securities related business
- ◆ 0.9% Insurance
- ◆ 0.8% Others



ASSETS EMPLOYED

By Business Segments

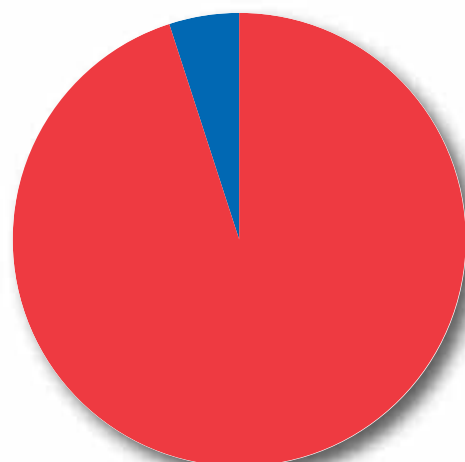
- ◆ 28.9% Wholesale banking
- ◆ 22.8% Retail banking
- ◆ 37.8% Treasury and money market
- ◆ 8.2% Islamic Banking business
- ◆ 0.7% Stockbroking and other securities related business
- ◆ 0.3% Insurance
- ◆ 1.3% Others



OPERATING REVENUE

By Geographical Location

- ◆ 95.8% Malaysia
- ◆ 4.2% Overseas



ASSETS EMPLOYED

By Geographical Location

- ◆ 95.1% Malaysia
- ◆ 4.9% Overseas

group quarterly performance

	First Quarter	Second Quarter	2007 Third Quarter	Fourth Quarter	Year 2007
FINANCIAL PERFORMANCE (RM million)					
Operating revenue	1,509.1	1,630.7	1,500.8	1,516.2	6,156.8
Net interest income (include income from Islamic Banking business)	557.9	660.7	575.4	633.2	2,427.2
Operating profit before allowances	461.1	579.8	451.7	390.1	1,882.7
Profit before INCPS* dividends and taxation	300.7	315.0	337.7	293.1	1,246.5
Profit attributable to equity holders of the Company	146.3	162.2	231.2	173.2	712.9
Earnings per share (sen)	8.0	8.9	10.7	8.0	35.8
Dividend per share (sen)	–	–	5.0	8.6	13.6

	First Quarter	Second Quarter	2006 Third Quarter	Fourth Quarter	Year 2006
FINANCIAL PERFORMANCE (RM million)					
Operating revenue	1,200.6	1,314.6	1,448.7	1,542.9	5,506.8
Net interest income (include income from Islamic Banking business)	498.7	515.7	563.9	603.2	2,181.5
Operating profit before allowances	361.1	385.5	440.9	499.2	1,686.7
Profit before INCPS* dividends and taxation	230.5	229.8	224.5	255.5	940.3
Profit attributable to equity holders of the Company	101.1	111.1	102.3	123.8	438.3
Earnings per share (sen)	5.5	6.1	5.6	6.8	24.0
Dividend per share (sen)	–	2.0	–	6.0	8.0

* Irredeemable Non-cumulative Convertible Preference Shares.

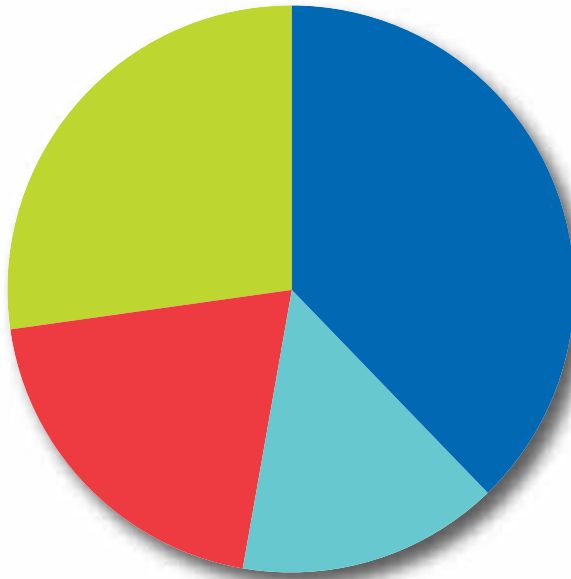
statement of value added

Value added is a measure of wealth created by the RHB Capital Group through various business activities. The statement of value added shows the total wealth created and how it was distributed to stakeholders, including the Government, as well as reinvestment for the replacement of assets and further expansion of the business of the Group.

Value Added	2007 RM'000	2006 RM'000
Net interest income	2,098,909	1,945,409
Income from Islamic Banking business	328,323	236,099
Other operating income	961,177	859,968
Operating expenses excluding personnel costs, depreciation and amortisation	(594,841)	(528,624)
Allowance for losses on loans, financing and other losses	(574,115)	(709,366)
Impairment loss	(62,293)	(36,600)
Share of results of associates	218	(475)
Value added available for distribution	2,157,378	1,766,411
Distribution of Value Added	2007 RM'000	2006 RM'000
To employees:		
Personnel costs	818,701	724,850
To the Government:		
Taxation	314,848	233,952
To providers of capital:		
Dividends paid to shareholders	215,649	106,126
INCPS* dividends paid to INCPS* holders	109,597	110,447
Minority interests	109,135	157,587
To reinvest in the Group:		
Depreciation and amortisation	92,167	101,265
Retained profit	497,281	332,184
Total distributed	2,157,378	1,766,411

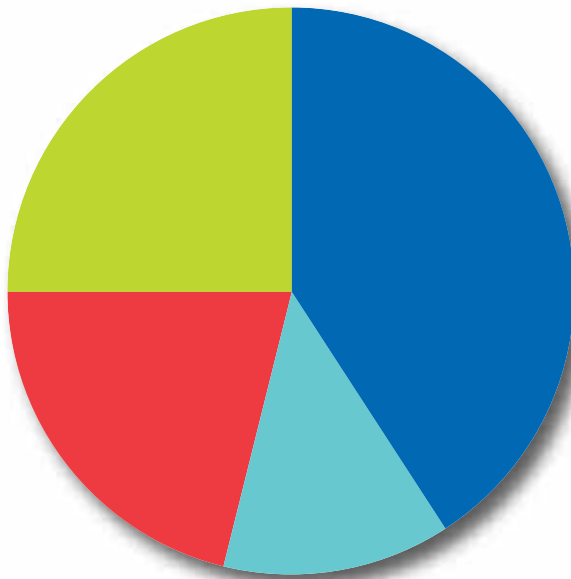
* Irredeemable Non-cumulative Convertible Preference Shares.

Distribution of Value Added



2007

- ◆ 38% Employees
- ◆ 15% Government
- ◆ 20% Providers of Capital
- ◆ 27% Reinvestment in the Group



2006

- ◆ 41% Employees
- ◆ 13% Government
- ◆ 21% Providers of Capital
- ◆ 25% Reinvestment in the Group



On the Corporate Front

- ◆ Corporate Information
- ◆ Group Corporate Structure
- ◆ Board of Directors
- ◆ Profile of the Board of Directors
- ◆ Chairmen of the Key Operating Subsidiaries
- ◆ Board of Directors Report

corporate information

as at 31 March 2008

BOARD OF DIRECTORS

- YBhg Datuk Azlan Zainol** > Non-Independent Non-Executive Director
Encik Johari Abdul Muid > Non-Independent Non-Executive Director
Mr Charles Lew Foon Keong > Senior Independent Non-Executive Director
YBhg Datuk Haji Faisal Siraj > Independent Non-Executive Director
YBhg Datuk Tan Kim Leong > Independent Non-Executive Director
YBhg Dato' Mohamed Khadar Merican > Independent Non-Executive Director
Mr Michael Joseph Barrett > Group Managing Director

COMPANY SECRETARIES

Encik Azman Shah Md Yaman
 Puan Norazzah Sulaiman

AUDIT COMMITTEE

Mr Charles Lew Foon Keong
 Chairman/Senior Independent Non-Executive Director
 YBhg Datuk Azlan Zainol
 Member/Non-Independent Non-Executive Director
 YBhg Datuk Haji Faisal Siraj
 Member/Independent Non-Executive Director

GROUP RISK MANAGEMENT COMMITTEE

YBhg Dato' Mohd Salleh Hj Harun
 Chairman/Independent Non-Executive Director
 YBhg Datuk Tan Kim Leong
 Member/Independent Non-Executive Director
 Tuan Haji Khairuddin Ahmad
 Member/Independent Non-Executive Director
 Mr Patrick Chin Yoke Chung
 Member/Independent Non-Executive Director
 YBhg Datin Khamarzan Ahmed Meah
 Member/Independent Non-Executive Director

GROUP NOMINATING COMMITTEE

YBhg Datuk Haji Faisal Siraj
 Chairman/Independent Non-Executive Director
 YBhg Datuk Azlan Zainol
 Member/Non-Independent Non-Executive Director
 YBhg Datuk Tan Kim Leong
 Member/Independent Non-Executive Director

Encik Johari Abdul Muid
Member/Non-Independent Non-Executive Director

Encik Ismael Fariz Ali
Member/Independent Non-Executive Director

GROUP REMUNERATION AND HUMAN RESOURCE COMMITTEE

YBhg Datuk Tan Kim Leong
Chairman/Independent Non-Executive Director

YBhg Datuk Azlan Zainol
Member/Non-Independent Non-Executive Director

YBhg Datuk Haji Faisal Siraj
Member/Independent Non-Executive Director

Encik Johari Abdul Muid
Member/Non-Independent Non-Executive Director

Encik Ismael Fariz Ali
Member/Independent Non-Executive Director

CENTRAL LOANS COMMITTEE *

YBhg Dato Abdullah Mat Noh
Chairman/Independent Non-Executive Director

Encik Ismael Fariz Ali
Member/Independent Non-Executive Director

Encik Johari Abdul Muid
Member/Non-Independent Non-Executive Director

YBhg Dato' Mohamed Khadar Merican
Member/Independent Non-Executive Director

Tuan Haji Khairuddin Ahmad
Member/Independent Non-Executive Director

GROUP CENTRAL MANAGEMENT

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

Puan Norazzah Sulaiman
Chief Operating Officer, RHB Capital Berhad

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

Mr Chay Wai Leong
Head, Corporate & Investment Banking

Puan Jamelah Jamaluddin
Head, Islamic Banking

Mr Renzo Viegas
Head, Retail Banking

Mr Michael Lim Kheng Boon
Chief Operating Officer

Mr Rupert Koh Hock Joo
Head, Central Finance

Puan Nik Hasniza Nik Ibrahim
Head, Human Resources

MANAGING DIRECTORS OF KEY OPERATING SUBSIDIARIES

Mr Michael J. Barrett
RHB Bank Berhad

Mr Chay Wai Leong
RHB Investment Bank Berhad

Puan Jamelah Jamaluddin
RHB Islamic Bank Berhad

Mr Koh Heng Kong
RHB Insurance Berhad

Pn Sharifatul Hanizah Said Ali
RHB Investment Management Sdn Bhd
(formerly known as RHB Asset Management Sdn Bhd)

REGISTERED OFFICE

Level 10, Tower One
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur

Tel : 603-9285 2233
Fax : 603-9281 9314

COMPANY NO.

312952-H

AUDITORS

PricewaterhouseCoopers
Chartered Accountants
Level 8-15, 1 Sentral
Jalan Travers
Kuala Lumpur Sentral
50470 Kuala Lumpur

Tel : 603-2173 1188
Fax : 603-2173 1288

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 26, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur

Tel : 603-2721 2222
Fax : 603-2721 2530 / 2531

Note:

The committee is shared with relevant subsidiaries of the Group.

* The committee is established at RHB Bank Berhad and is shared with relevant subsidiaries of the Group.

RHB Banking Group corporate structure

as at 31 March 2008

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
- RHB Delta Nominees (Tempatan) Sdn Bhd
- INFB Jaya Sdn Bhd ⁽⁵⁾
- USB Nominees Sdn Bhd ⁽⁵⁾
- USB Nominees (Asing) Sdn Bhd ⁽⁵⁾
- USB Nominees (Tempatan) Sdn Bhd ⁽⁵⁾
- U.B. Nominees (Tempatan) Sdn Bhd ⁽⁵⁾

Investment Banking Group

- RHB Investment Bank Berhad
- RHB Investment Management Sdn Bhd
(Formerly known as RHB 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 Venture Capital Sdn Bhd
- RHB Unit Trust Management Berhad



RHB CAPITAL BERHAD

Others

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

Notes:

The subsidiary companies are wholly-owned unless otherwise stated.

Dormant company

Associate company

⁽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.

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

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

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

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

board of directors

from right to left:

YBHG DATUK AZLAN ZAINOL
Non-Independent Non-Executive Director

ENCIK JOHARI ABDUL MUID
Non-Independent Non-Executive Director

MR CHARLES LEW FOON KEONG
Senior Independent Non-Executive Director

YBHG DATUK HAJI FAISAL SIRAJ
Independent Non-Executive Director

YBHG DATUK TAN KIM LEONG
Independent Non-Executive Director

YBHG DATO' MOHAMED KHADAR MERICAN
Independent Non-Executive Director

MR MICHAEL JOSEPH BARRETT
Group Managing Director





profile of the board of directors

YBHG DATUK AZLAN ZAINOL

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

YBhg Datuk Azlan Zainol ("YBhg Datuk Azlan") was appointed as a Non-Independent Non-Executive Director of RHB Capital on 27 July 2005. He also serves as a Member of the Group Nominating Committee, Group Remuneration and Human Resource Committee as well as Member of the Audit Committee of RHB Capital.

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

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

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

YBhg Datuk Azlan attended twenty-two out of twenty-three Board of Directors' Meetings held during the financial year. He has no family relationship with any Director and/or major shareholder of RHB Capital. He has no conflict of interest with RHB Capital and has never been charged of any offence.

ENCIK JOHARI ABDUL MUID

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

Encik Johari Abdul Muid ("Encik Johari") was appointed as a Non-Independent Non-Executive Director of RHB Capital on 1 April 2005. He also serves as a Member of the Group Nominating Committee and Group Remuneration and Human Resource Committee.

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

Encik Johari has more than 27 years of experience in the financial sector. He started his career as a Money Market Dealer with Asian International Merchant Bankers Berhad in 1981. From 1983 to 1994, he was with CIMB, 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 EPF in August 2004, he was the Chief Investment Officer of ValueCap Sdn Bhd

which he joined in February 2003. He is currently the Deputy Chief Executive Officer (Investment) of EPF.

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

Encik Johari attended twenty-one out of twenty-three Board of Directors' Meetings held during the financial year. He has no family relationship with any Director and/or major shareholder of RHB Capital. He has no conflict of interest with RHB Capital and has never been charged of any offence.

MR CHARLES LEW FOON KEONG

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

Mr Charles Lew Foon Keong (“Mr Charles Lew”) was appointed as an Independent Non-Executive Director of RHB Capital on 1 June 2005. Mr Charles Lew also serves as the Chairman of the Audit Committee of RHB Capital.

Mr Charles Lew holds a BA (Hons) in Finance and Accounting from the University of East London and a MSc (MBA) in Management Science from Imperial College, University of London.

Mr Charles Lew has more than 25 years of investment banking experience. He started his career in 1983 in London with Wardley James Capel (then the merchant banking and stockbroking operations of the Hong Kong Bank Group) and subsequently worked for a British merchant bank, Robert Fleming prior to joining Credit Commercial de France in 1989. In 1990, he returned to Asia to join Hoare Govett Asia in Singapore, where he was responsible for the regional corporate finance business. In 1997, following the sale of Hoare Govett Asia to ABN AMRO Bank, Mr Charles Lew was appointed as the Managing Director of ABN AMRO’s merchant banking operations in Singapore. In late 1999, Mr Charles Lew founded Equator Capital Pte

Ltd, an investment management and advisory company which is active in US equities options and futures trading. He has also participated in a number of private equity investments in the region. Over the years, he has been involved in a wide range of investment banking work, including global Initial Public Offerings, equities placements, corporate takeovers and mergers, debt/equity restructuring and venture capital financing.

Mr Charles Lew’s other directorship in public company includes RHB Investment Bank Berhad.

Mr Charles Lew attended twenty out of twenty-three Board of Directors’ Meetings held during the financial year. He has no family relationship with any Director and/or major shareholder of RHB Capital. He has no conflict of interest with RHB Capital and has never been charged of any offence.

YBHG DATUK HAJI FAISAL SIRAJ

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

YBhg Datuk Haji Faisal Siraj (“YBhg Datuk Faisal”) was appointed as an Independent Non-Executive Director of RHB Capital on 24 May 2007. YBhg Datuk Faisal also serves as the Chairman of the Group Nominating Committee, Member of the Group Remuneration and Human Resource Committee and Member of the Audit Committee of RHB Capital.

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

YBhg Datuk Faisal started his career in 1968 with KPMG, London. On his transfer from KPMG, London to KPMG, Kuala Lumpur, he was posted to KPMG Kota Kinabalu to take charge of KPMG’s East Malaysia operations until 1976. YBhg Datuk Faisal joined the Malaysia Mining Corporation (“MMC”) Group in 1976. He was the Group Executive Director and a Member of the MMC Board from 1981 to 1994. In 1995, he joined DRB-HICOM Berhad (“DRB-HICOM”) as the Group Chief Financial Officer in the capacity of Senior Group

Director, Financial Services and Treasury Division and was a member of DRB-HICOM Board, before his retirement in 2005.

YBhg Datuk Faisal’s other directorships in public companies include RHB Islamic Bank Berhad (Chairman) and RHB Insurance Berhad.

YBhg Datuk Faisal attended nine out of nine Board of Directors’ Meetings held in the financial year since the date of his appointment. He has no family relationship with any Director and/or major shareholder of RHB Capital. He has no conflict of interest with RHB Capital and has never been charged of any offence.

profile of the board of directors

YBHG DATUK TAN KIM LEONG

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

YBhg Datuk Tan Kim Leong (“YBhg Datuk Tan”) was appointed as an Independent Non-Executive Director of RHB Capital on 4 September 2007. YBhg Datuk Tan also serves as the Chairman of the Group Remuneration and Human Resource Committee, Member of the Group Risk Management Committee and Group Nominating Committee.

YBhg Datuk Tan is a Fellow of the Institute of Chartered Accountants in Australia and the Institute of Chartered Secretaries and Administrators, Member of the Malaysian Institute of Accountants and Member of the Malaysian Institute of Certified Public Accountants.

YBhg Datuk Tan is currently the Executive Chairman of BDO Binder Malaysia. With over 37 years of experience in major corporate and multinational organisations, YBhg Datuk Tan has extensive knowledge in corporate finance and restructuring work. He was a former Board Member of Bursa Malaysia Berhad from 1997 until 2004.

YBhg Datuk Tan’s other directorships in public companies include Goldis Berhad, MCIS Zurich Insurance Berhad, The Amoy Canning Corporation (Malaya) Berhad, Gul Technologies Singapore Ltd and Proton Automobiles (China) Ltd.

YBhg Datuk Tan attended three out of four Board of Directors’ Meetings held in the financial year since the date of his appointment. He has no family relationship with any Director and/or major shareholder of RHB Capital. He has no conflict of interest with RHB Capital and has never been charged of any offence.

YBHG DATO’ MOHAMED KHADAR MERICAN

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

YBhg Dato’ Mohamed Khadar Merican (“YBhg Dato’ Mohamed Khadar”) was appointed as an Independent Non-Executive Director of RHB Capital on 1 January 2008.

YBhg Dato’ Mohamed Khadar has had more than 20 years of experience in financial and general management. He served as an auditor and a consultant in an international accounting firm, before joining a financial services group in 1986. YBhg Dato’ Mohamed Khadar has held various senior management positions in Pemas International Holdings Berhad (now known as Tradewinds Corporation Berhad), a company listed on the Main Board of Bursa Malaysia Securities Berhad between 1988 and April 2003, including that of President and Chief Operating Officer.

YBhg Dato’ Mohamed Khadar is a Member of the Institute of Chartered Accountants in England and Wales and is also a Member of the Malaysian Institute of Accountants.

YBhg Dato’ Mohamed Khadar’s other directorships in public companies include Rashid Hussain Berhad, RHB Investment Bank Berhad, AirAsia Berhad and Astro All Asia Networks Plc.

YBhg Dato’ Mohamed Khadar has no family relationship with any Director and/or major shareholder of RHB Capital. He has no conflict of interest with RHB Capital and has never been charged of any offence.

MR MICHAEL JOSEPH BARRETT

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

Mr Michael Joseph Barrett (“Mr Barrett”) was appointed as the Group Managing Director (“MD”) of RHB Capital on 8 October 2007.

Mr Barrett is currently also the MD for RHB Bank Berhad. He has vast banking experience spanning over 30 years with Chase Manhattan Bank, USA N.A where his last position was the Chief Executive Officer and President of Chase Manhattan Bank, USA N.A. He holds a Bachelor of Science in Economics and Business Administration from Alfred University, Alfred, New York and a Masters in Business Administration in Finance from Fordham University, Manhattan, New York.

Mr Barrett’s other directorships include RHB Bank Berhad, RHB Islamic Bank Berhad, Malaysian Electronic Payment System Sdn Bhd, Financial Park (Labuan) Sdn Bhd, RHB Corporate Services Sdn Bhd, RHB International Trust (L) Ltd and RHB Bank (L) Ltd. He is also a Council Member of the Institut Bank-Bank Malaysia.

Mr Barrett attended two out of two Board of Directors’ Meetings held in the financial year since the date of his appointment. He has no family relationship with any Director and/or major shareholder of RHB Capital. He has no conflict of interest with RHB Capital and has never been charged of any offence.

chairmen of key operating subsidiaries



YBhg Datuk Azlan Zainol
RHB Bank Berhad



YBhg Dato Abdullah Mat Noh
RHB Investment Bank Berhad



YBhg Datuk Haji Faisal Siraj
RHB Islamic Bank Berhad



YBhg Dato' Mohd Salleh Hj Harun
RHB Insurance Berhad



YBhg Dato' Mohamed Khadar Merican
RHB Investment Management Sdn Bhd
(formerly known as RHB Asset Management Sdn Bhd)



07 board of directors' report

Dear Shareholders,

Financial year 2007 can best be described as a defining year for RHB Capital Berhad ("RHB Capital") following the successful implementation of a Transformation Programme to help drive the Group towards the attainment of several lofty yet attainable goals – greater growth, enhanced shareholder value and excellence in product and service delivery – in an industry that is highly competitive and increasingly challenging.

During the year under review, a series of strategies were initiated with a view to improving the way we work, enhancing synergies as well as bolstering productivity and economies of scale leading ultimately to improved performance.

On this positive note, the Board of Directors is pleased to present the Annual Report for RHB Capital for the financial year ended 31 December 2007.





FINANCIAL PERFORMANCE

Our concerted efforts to improve operating efficiencies and unlock the potential of our core businesses have been vindicated as evident by the significant increase in the Group's net profit of RM712.9 million for the year under review, an increase of 63% from RM438.3 million in the previous financial year.

Despite having to operate in an extremely competitive and challenging environment, the Group's improved performance was achieved on the back of higher net interest income, other operating income and income from the Islamic Banking business and lower loan loss provisioning and minority interest.

For the year ended 31 December 2007, net interest income increased by 8% or RM153.5 million to RM2.1 billion. Other operating income was also higher at RM961.2 million compared to RM860.0 million, the previous year, primarily due to higher brokerage income, service charges and fees, gains from sale of securities and foreign exchange income.

The Group's Islamic Banking business revenue increased by 39% or RM92.2 million to RM328.3 million in 2007. RHB Islamic Bank Bhd ("RHB Islamic") also saw a 33% increase in pre-tax profit to RM162.1 million in 2007. This is a clear indication of the positive

strides that RHB Islamic has made in taking advantage of the increasing demand for Shariah based products and services not only in Malaysia but also in other parts of Asia.

The Group's investment banking business on the other hand recorded a 60% improvement in performance with a pre-tax profit of RM131 million compared to the previous financial year.

The Group's gross loans, advances and financing also increased by 1.2% (3% before loan write-offs) to RM56.8 billion at the end of financial year 2007. Loans for working capital, purchase of residential property and transport vehicles amounted to RM41.6 billion or 73% of the Group's total loan portfolio.

charting our own destiny

We want to bring ourselves to the next level, hence the need for transformation. We want to make the group more relevant, more nimble and able to react to things faster.

In 2007, RHB Capital remained focused in improving its risk profile and asset quality via intensified recovery efforts and effective credit management. As a result, net non-performing loans ("NPL") ratio improved further from 4.64% to 3.43% as at 31 December 2007 while the Group's loan loss coverage improved to 71.4% for the year, compared to 63.9% in 2006.

Concurrent with its positive financial performance, the Group shareholders' funds strengthened by 43% to RM7.0 billion as at 31 December 2007, while total asset base expanded by 2% to RM105.2 billion. Group Net asset per share declined by 1% to RM3.28 compared with RM3.32 in the last financial year.

The Group's commercial banking arm, RHB Bank Berhad ("RHB Bank"), continued to be the single largest contributor to the Group's total profit. For the financial year ended 31 December 2007, RHB Bank recorded a profit after Irredeemable Non cumulative Convertible Preference Shares ("INCPS") dividends and before taxation of RM885.3 million, an increase of 53% as compared to the previous year.

RHB Bank remains strongly capitalised with shareholders' funds and INCPS amounting to RM5.6 billion as at 31 December 2007 and, Risk-Weighted Capital Adequacy Ratio and Core Capital Ratio at 12.8% and at 8.3%, respectively.

Retail Banking, which comprises consumer, commercial banking, hire-purchase financing as well as insurance business recorded a 52% pre-tax profit.

CORPORATE AND ORGANISATIONAL DEVELOPMENTS

The year under review saw several major corporate and organisational developments throughout the RHB Banking Group. These include

- The emergence of the Employees Provident Fund ("EPF") of Malaysia as the single largest shareholder of RHB Capital.

opportunities abound

There are plenty of opportunities outside Malaysia...What we are doing right now is accessing new markets.



- The re-purchase of the remaining 30% equity interest in RHB Bank from Khazanah Nasional Berhad, making it a 100% subsidiary, effective 12 July 2007.
- The successful repurchase of the remaining INCPS not already owned by RHB Capital.
- The unveiling of the RHB Banking Group's Transformation Programme.

The Transformation Programme has resulted in a significant change in the organisational and reporting structure of all the companies within the RHB Banking Group. The Group's core businesses which were previously conducted by various legal entities within the Group, have been streamlined into four Strategic Business Units comprising Retail, Corporate & Investment Banking, Islamic, and International, alongside four Strategic Functional Units, namely Operations & Support, Finance, Risk Management and Human Resources, effective November 2007.

More importantly, the key objective of the Transformation Programme is to help propel the RHB Banking Group, which is currently the fourth largest financial services Group in Malaysia, towards its aspiration of being one of the Top Three financial services providers in ASEAN by 2020.

CHALLENGES AND PROSPECTS

RHB Capital is currently in a stronger position to take advantage of opportunities while effectively addressing challenges that are present in today's operating environment.

The Group expects Malaysia's economic growth to be moderate, with real Gross Domestic Product to grow at 5.6% in 2008 as compared to 6.3% in 2007. This is due to several factors including a slowdown in the US economy as a result of the reverberating impact of its sub-prime crisis and the price of oil and other key commodities soaring to record levels, all of which may hamper growth in this region. Nevertheless, Malaysia's economic fundamentals remain strong given that consumer and business sentiments remain fairly upbeat.

Despite the challenging and competitive environment, the Group remained committed towards achieving its stated aspirations. Our conviction is premised on the positive progress we have achieved in terms of service quality, greater innovative products and efficiencies in the Group's support service functions, which ultimately contribute to improve cost management for the Group.

Asset quality is expected to improve further given the improved credit risk measures and concerted efforts taken to recover NPLs for the current financial year ending 31 December 2008.

In addition, the Group has embarked on an aggressive Basel II Implementation Programme as a more forward-looking approach to capital supervision that enables banks to identify the risks, today and in the future, and to develop and improve the ability to manage these risks more effectively

ACKNOWLEDGEMENT

We would like to take this opportunity to extend our sincere gratitude to our customers, clients, shareholders and business associates for your support and confidence.

Our achievements thus far have been made especially possible by the Group's biggest asset – our employees, who have given their unwavering support dedication and commitment.

A special thank you is extended to the Regulatory Authorities, Government Bodies, Royal Malaysian Police and Non-Governmental Organisations for all the support given in ensuring the success of all our business and community related endeavours.



Datuk Azlan Zainol

On Behalf of the Board of Directors
RHB Capital Berhad



Ensuring Integrity and Trust

- ◆ Statement on Corporate Governance
- ◆ Statement on Internal Control
- ◆ Audit Committee Report
- ◆ Risk Management Committee
- ◆ Risk Management Framework
- ◆ Ethics, Integrity and Trust
 - ◆ Code of Ethics
 - ◆ Compliance of RHB Banking Group

statement on corporate governance

INTRODUCTION

The Board of Directors (“Board”) of RHB Capital Berhad (“RHB Capital” or “the Company”) continuously supports the institution of relevant framework and designs in upholding the principles of corporate governance.

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

In furtherance to the above, the Board is pleased to report on the application by the RHB Banking Group (“the Group”) of the principles contained in the Malaysian Code on Corporate Governance (Revised 2007) (“Code”) and the extent of compliance with the best practices of the Code as required under the Listing Requirements (“LR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”). The Company is also governed by Bank Negara Malaysia’s (“BNM”) Guidelines on Corporate Governance for Licensed Institutions (Revised BNM /GP1).

THE BOARD OF DIRECTORS

Board Responsibility

Being the ultimate decision making body, the Board subscribes to the principles of good corporate governance and as such, will always ensure that the Company and the Group adopt best practices in the conduct of the Company’s and of the Group’s businesses and operational activities. Board meetings are held on a scheduled basis with a fixed agenda in ensuring relevant policy, strategy and business performance issues are discussed and accordingly tracked and monitored. Special Board meetings were also convened when the need arose and that includes Joint Meetings with subsidiaries. Board Committees and Management Committees are also established at the Company’s level as well as the principal operating subsidiaries in line with regulatory requirements and the necessity thereof backed by business demands. Operational matters are deliberated at the Boards, Board Committees and Management Committees of the respective subsidiaries and if required will be elevated to the Board of the Company for further deliberation and direction.

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

Composition of the Board

The Board currently comprise seven (7) members, being four (4) Independent Non-Executive Directors, one of whom is a Senior Independent Non-Executive Director, two (2) Non-Independent Non-Executive Directors and one (1) Managing Director. This composition is in line with the LR of Bursa Securities, which requires two (2) or at least one-third (1/3), whichever is higher, of the Board members to be Independent Directors to fairly reflect the interest of the minority shareholders. The composition of the Board also complies with the requirement of the Revised BNM/GP1, which requires licensed institutions to ensure that at least one-third of their board members are independent directors.

The Group Managing Director, being the sole Director with executive powers was appointed with clearly defined roles in ensuring the balance of power and authority as the person primarily responsible for the day-to-day operations of the Company. Together with a strong composition of independent Directors, the Board is equipped to partake effectively in the challenging and competitive regulated industry. In addition to the role and guidance of the Independent Non-Executive Directors, each Director nevertheless brings an independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

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

The profile of each Director is presented on page 22 to page 24 of the Annual Report.

At the principal operating subsidiaries, there are distinct and separate divisions of responsibilities between the Chairmen and the Managing Directors in ensuring an equitable distribution of power and authority and thereafter, accountabilities that accompanies it.

Following a Group-wide strategic transformation program in 2007, there is a significant change in the organisational and reporting structure of all the companies within the RHB Banking Group. The Group's core businesses, which are conducted by various subsidiaries within the Group, has been streamlined into four Strategic Business Units ("SBUs") comprising Retail, Corporate Investment Banking, Islamic and International, alongside four Strategic Functional Units ("SFUs"), namely Operations & Support, Finance, Risk Management and Human Resources. A Central Management Committee comprising key management personnel

of the Group has been established to among others, provide strategic guidance to the SBUs and SFUs; to recommend to the Board of the Company and/or the relevant subsidiaries on the implementation of key strategic business plans and policies as well as to assist the Board of the Company and/or the respective subsidiaries in reviewing performances and business efficiency of the Group.

Board Effectiveness Evaluation

The Board had, in 2007, conducted the Board Effectiveness Evaluation ("BEE") exercise for the assessment year 2006, with the main objective of assessing the effectiveness of the Board and Board Committees as a whole, as well as the Members individually. The BEE is based on a combination of self-assessment and peer assessment methodologies performed via a customised questionnaire. The results of the BEE are then presented to the Group Nominating Committee and subsequently to the Board for further consideration. Through

the BEE, the Board was able to identify areas that require additional attention and advise relevant methods to address the same.

The BEE will be further enhanced with an improvement program to achieve among others:-

- Alignment on the Board's priorities
- Intensity performance management
- Increase visibility in the area of human capital management

Board Meetings And Supply Of Information

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

The Board met twenty-three (23) times during the financial year. The attendance of each Director in office at the end of the financial year at the aforesaid Board meetings are as set out below:

Name of Director	Total Meetings Attended	Percentage of Attendance (%)
YBhg Datuk Azlan Zainol	22/23	96
Encik Johari Abdul Muid	21/23	91
Mr Lew Foon Keong	20/23	87
YBhg Datuk Haji Faisal Siraj ¹	9/9*	100
YBhg Datuk Tan Kim Leong ²	3/4*	75
Mr Michael Joseph Barrett ³	2/2*	100
YBhg Dato' Mohamed Khadar Merican ⁴	N/A	N/A
YBhg Dato' Mohd Salleh Hj Harun ⁵	15/17	88
YBhg Dato' Vaseehar Hassan Abdul Razack ⁶	21/23	91

Notes:

- 1 Appointed on 24 May 2007
- 2 Appointed on 4 September 2007
- 3 Appointed on 8 October 2007
- 4 Appointed on 1 January 2008
- 5 Retired on 20 August 2007
- 6 Resigned on 31 December 2007

* Based on the number of Board Meetings held since their respective appointments to the Board

statement on corporate governance

All Directors, other than the Director who was appointed after the financial year under review, have complied with the minimum 50% attendance requirement at Board Meetings during the financial year as stipulated under the LR of Bursa Securities. In furtherance thereto, under the Revised BNM/GP1, the Directors are required to attend at least 75% of the board meetings held in each financial year and all Directors have satisfied the requirement.

Scheduled Board meetings are structured with a pre-set agenda. The Board's principal focus is the overall strategic direction, financial as well as corporate developments of the Group. Minutes of meetings of the various committees within the Group are tabled to the Board for notation. Key matters such as the Group's business strategy and budget, Group's annual interim results, material contracts and major capital expenditure are reserved for the Board's decision. In line with best practices, agenda and meeting folders are delivered to the Members of the Board at least seven (7) days prior to Board meetings so as to give Directors time to consider and deliberate on the issues to be raised at the Board meetings. The Board papers contain sufficient information to enable the Board to adequately make informed decisions. Status and follow-up action on issues raised at Board meetings are monitored through Matters Arising which is a fixed item in the Agenda.

The Directors have full access to information of the Company and the Group through the Management as well as the advice and services of the Company Secretary in the course of discharging their duties. In addition, Directors may also seek independent professional advice, at the Company's expense, if required.

Directors' Training

All Directors have attended the required Mandatory Accreditation Programme within the stipulated timeframe. The Directors, during the financial year, also attended various training programmes, seminars and conferences to keep abreast with the relevant developments in the business universe as well as updated with new regulatory requirements on a continuous basis, in compliance with Paragraph 15.09 of the LR of Bursa Securities.

The Management exerts to ensure that all Directors regularly attend at least two training and development programmes annually and where specific industry issues are required to be debated, in-house training programmes are conducted for the benefit of the Directors.

Appointment of Directors

The Group Nominating Committee assists the Board in discharging its duties and responsibilities in relation to the appointment of new Directors. The Group Nominating Committee has written Terms of Reference requiring it to identify and select candidates in connection with any proposed new appointment of Directors and makes recommendations to the Board on such appointments. In identifying and selecting the candidates, the Group Nominating Committee gives due consideration to the mix of expertise and experience required for an effective Board and shall thereafter recommend its findings to the Board.

In the case of a re-appointment of Directors for an additional term, the particular Director's performance evaluation under the BEE shall be referred to in assessing among others, his knowledge, skills, mindset, contributions and collaboration with the Management.

Re-Election of Directors

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors shall retire from office at each Annual General Meeting, subject to the retirement of all Directors at least once in every three (3) years. Retiring Directors can offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by shareholders at the next Annual General Meeting held following their appointments.

Directors' Remuneration

The remuneration of Directors is determined at levels which enable the Group to attract and retain the Directors with the relevant experience and expertise needed to assist in navigating the Group effectively. For the Non-Executive Directors, the level of remuneration reflects the level of responsibilities undertaken by the particular Non-Executive Director concerned in the Company and in the Group.

All Non-Executive Directors receive directors' fees from the Company for their services rendered, which are approved at the Annual General Meeting by the shareholders before payment is made. The annual directors' fees for Non-Executive Directors is RM60,000.00 per director and they are also paid meeting attendance allowances of RM1,000.00 per meeting per director. The Group Managing Director who is also the Managing Director of RHB Bank Berhad derives his remuneration package therefrom. Hence, he does not receive any remuneration from the Company.

The aggregate remuneration paid to Non-Executive Directors of the Company comprising remuneration received from the Company and the subsidiaries of the Company during the financial year ended 31 December 2007, analysed into the following bands are as follows:-

Aggregate remuneration	Number of Directors
Current Directors	
RM20,001 – RM25,000	1
RM70,001 – RM75,000	1
RM300,001 – RM350,000	3
RM500,001 – RM550,000	1
Director who had resigned/retired	
RM500,001 – RM550,000	1
RM550,001 – RM600,000	1

Note:

The disclosure of Directors' remuneration is made in accordance with Appendix 9C, Part A, Item 11 of the LR of Bursa Securities.

Further details on Director's remuneration are disclosed under Note 34 of the Notes to the Financial Statements for the financial year ended 31 December 2007.

Board Committees

Audit Committee

The Audit Committee of the Board has been in place since 17 January 1995. Each of the principal operating subsidiaries of the Group, namely RHB Bank Berhad, RHB Islamic Bank Berhad ("RHB Islamic Bank"), RHB Investment Bank Berhad and RHB Insurance Berhad have separate Audit Committees of the Board. All Audit Committees in the Group hold regular meetings to deliberate on findings by both the internal and external auditors and discharge their duties and responsibilities as spelt out in their respective Terms of Reference.

The Audit Committee presently comprises two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

The Audit Committee meets regularly with the internal auditors and whenever deemed necessary, together with the senior management of the respective companies in the Group and the external auditors in reviewing the Company'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 six (6) Audit Committee meetings were held.

The Audit Committee also meets twice a year with the external auditors without the presence of the Management.

The Terms of Reference and the activities of the Audit Committee during the financial year are set out in the Audit Committee Report at page 43 to page 45 of this Annual Report.

Group Nominating Committee

On 1 January 2008, the Group Nominating Committee ("Group NC") was formally established at RHB Capital to undertake the role and responsibilities of the

Nominating Committees ("NC") within the RHB Banking Group. Accordingly, the NC of the respective companies within the Group have been dissolved on the same date.

Apart from identifying and selecting candidates for new appointment, 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 require for it to function completely and efficiently.

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

statement on corporate governance

The Group NC of the Company presently comprises directors within the RHB Banking Group i.e. three (3) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors.

The salient Terms of Reference of the Group NC 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 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;
- To assist the Board in ensuring that appointments are made on merit against an agreed specification;
- 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;
- To examine the size of the Board with a view of determining the impact of the number upon its effectiveness.

Group Remuneration and Human Resource Committee

The Group Remuneration and Human Resource Committee ("Group RHRC") has also been established at RHB Capital on 1 January 2008 to undertake the role and

responsibilities of the Remuneration and Human Resource Committees ("RHRC") within the RHB Banking Group. Arising therefrom, all RHRCs of the respective companies within the Group have been dissolved.

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

The Group RHRC of the Company presently comprises directors within the RHB Banking Group i.e. three (3) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors.

The salient Terms of Reference of the Group RHRC 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 on the policies, strategies and framework for the RHB Capital Group in relation to staff remuneration, rewards and benefits; and

- To oversee and review the scope and quality of human resource projects/programmes of the Group.
- 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

Apart from the NCs and RHRCs which have been consolidated at the Group level, a Group Risk Management Committee ("Group RMC") for RHB Banking Group has also been established at RHB Capital effective 1 November 2007. Accordingly, the Risk Management Committee ("RMC") of the Company and the respective companies within the Group (except for RHB Islamic Bank) have been dissolved on the same date.

The Group RMC will continue the in-depth governance of risks for each of the key operating subsidiaries as previously discharged by the individual RMCs.

The Group RMC has met twice during the financial year since its establishment. The salient Terms of Reference of the Group RMC 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;
- 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.

The members of the above respective Board Committees of the Company are set out at page 16 and page 17 of the Annual Report.

Group Shariah Committee

Apart from the above Board Committees, the RHB Banking Group has also established its Group Shariah Committee, which is housed at RHB Islamic Bank, comprising five qualified local and foreign Shariah Professionals to act as the advisor for the Group. The current composition of the Group Shariah Committee is as follows:-

- Prof. Dr Abdul Samat Musa (Chairman);
- Dr Ahmed Mohieldin Ahmed;
- Prof. Dr Joni Tamkin Borhan;
- Dr Abdulazeem Abozaid; and
- Prof Dr Mohd Ma'sum Billah.

The main duties and responsibilities of the Group Shariah Committee are as follows:-

- Advise the Group on all Shariah matters in order to ensure that the business operations of the RHB Group comply with Shariah Principles;

- Endorse the Shariah Meeting Minutes and resolutions to make sure that all of the resolutions are stated in clear and specific manners based on correct Shariah foundations;
- Endorse the relevant manuals which must specify the manner in which a submission or request for advice be made to the Group Shariah Committee, the conduct of the Group Shariah Committee's meeting and the manner of compliance with any decision thereof;
- Endorse and validate the following relevant documentation:-
 - the terms and conditions contained in the proposal form, contract, agreement or other legal documentation used in executing the transactions; and
 - the product manual, marketing advertisements, sales illustrations and brochures used to describe the product;
- Provide assistance to related parties of the Group such as legal counsel, auditor or consultant on Shariah matters to ensure compliance with Shariah principles;
- Prepare written Shariah opinions particularly in the following circumstances:-
 - where the RHB Group submits applications to BNM or National Shariah Advisory Council ("NSAC") for new product approval in accordance with guidelines on product approval issued by BNM and NSAC; and

- explanation on the Shariah issues involved and the recommendations for a decision, which must be supported by relevant Shariah jurisprudential literature from the established sources to assist NSAC on any matters referred by the Group and to ensure that all Group Shariah Committee decisions are properly implemented by the Group;
- Provide educational talks for both in-house Shariah training and external lecture session to staff within the Group and the public (arranged by the Group) in order to equip them with related Shariah knowledge.

Investor Relations and Shareholders' Communication

RHB Banking Group believes in maintaining an effective and open line of communication with all stakeholders, be them shareholders or employees who have direct interest in the Group, or customers whose interests are paramount for our business.

The Group built up and maintained a close rapport with analysts and fund managers, whose analyses and reports help investors (both institutional and retail) make their investment decisions. At the same time, other shareholders as well as customers are kept informed of latest developments within the Group through the mass media. Interested parties could also obtain information about the RHB Banking Group of companies from the Group's website at www.rhb.com.my. A dedicated investors' relation team is tasked to maintain a close dialogue with analysts and fund managers.

statement on corporate governance

Information on activities within the Group, as well as its many milestones and developments, is communicated to shareholders and customers on a regular basis through various channels. Apart from that, the Group also fulfills its corporate social responsibility ("CSR") to the community by active involvement in various community and nation building campaigns. The details of the Group's CSR activities are reported on page 90 to page 92 of the Annual Report.

Formal briefings are held, at a minimum, twice a year to enable the management to brief analysts and fund managers on the Group's financial performance and to give them the opportunity to raise questions or seek clarifications. Through these briefings, the Group has also managed to obtain valuable feedback from the investing community. RHB Banking Group's management also conduct regular meetings with fund managers and analysts to provide information and updates on the development of the Group on an ongoing basis.

Quarterly results of the group's financial performance as well as announceable corporate proposals are extended to Bursa Securities and then communicated to the public through press releases. Copies of the press releases and financial statements have also been posted on the Group's Investor Relations' website.

Information on new products and services is communicated to customers and shareholders through various channels. The Group has received wide media coverage for its notable business activities and product launches. Information on these activities and products are also made available on the Group's website.

Apart from keeping its lines of communication open at all times to enable investors and customers to make enquiries, shareholders also have general meetings as a forum to present their views and obtain feedback from the RHB Group. Directors, the Chairman of the Audit Committee as well as external auditors are available to respond to shareholders' questions during the general meetings.

Accountability and Audit

Financial Reporting

In presenting the annual audited financial statements and quarterly announcements of results to shareholders, the Directors take responsibility to present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee of the Board assists by scrutinising the information to be disclosed, to ensure accuracy and adequacy. A Statement by Directors of their responsibilities in preparing the financial statements is set out at page 110 of this Annual Report.

Internal Control

The Statement on Internal Control set out at page 41 to page 42 of this Annual Report provides an overview of the state of internal controls within the Group.

Relationship with the Auditors

The Board maintains a formal and transparent professional relationship with the auditors, through the Audit Committee. The role of the Audit Committee in relation to the internal and external auditors is described in the Audit Committee Report set out at page 43 to page 45 of this Annual Report.

OTHER COMPLIANCE INFORMATION

Sanctions and Penalties

There were no public reprimands, sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies for the period from 1 January 2007 to 31 December 2007.

statement on internal control

INTRODUCTION

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

Set out below is the Board of Directors' ("Board") Statement on Internal Control, which has been prepared in accordance with the Guidance.

RESPONSIBILITY OF THE BOARD

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

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

RISK MANAGEMENT FRAMEWORK

The Group has in place an ongoing process for identifying, evaluating, managing and reporting on the significant risks that may affect the achievement of its business objectives throughout the financial year under review and up to the date of this report. This process is regularly reviewed by the Board to ensure proper management of risks and appropriate measures are timely taken to mitigate any identified weaknesses in the control environment.

To further strengthen the risk management process, a Group Risk Management Committee was formed on 1 November 2007 to consolidate the existing Risk Management Committees at RHB Capital Berhad and its operating subsidiaries, namely RHB Bank Berhad, RHB Islamic Bank Berhad, RHB Investment Bank Berhad and RHB Insurance Berhad. Prior to the formation of the Group Risk Management Committee, the various Risk Management Committees in the group report to their respective Boards and meet regularly to oversee the development of general risk policies and procedures, monitor and evaluate the numerous risks that may arise from their respective companies' business activities.

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

Amongst the other committees set up at major subsidiaries in the Group to manage specific areas of risk are the Assets & Liabilities Committee, Underwriting & Credit Committee, Loans Committee, IT Management Committee and Basel II Steering Committee.

In line with regulatory guidance and industry best practices, the RHB Group has instilled the risk management principle that risk management is first and foremost a core responsibility of the respective business and operating units of the Banking Group. This is enshrined in the risk management frameworks of the group subsidiaries and implemented in practice. To support and promote the achievement of accountability and ownership of risk management, a Risk and Control Self-Assessment framework has

statement on internal control

been implemented at all key operating companies in the Group as part of the risk management process. These companies are required to identify as well as document the controls and processes for managing the risks arising from their business activities, and assess their effectiveness.

KEY ELEMENTS OF INTERNAL CONTROL

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

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

audit committee report

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

Activities Of The Audit Committee

During the financial year ended 31 December 2007 ("year"), a total of 6 Audit Committee ("Committee") meetings were held. The Committee comprises the following members and details of attendance of each member at the Committee meetings held during the year are as follows:-

Composition Of The Committee	No. Of Meetings Attended Whilst In Office
1. Lew Foon Keong Chairman / Senior Independent Non-Executive Director	6 out of 6 meetings
2. Dato' Mohd Salleh Hj Harun – retired on 20 August 2007 Member / Independent Non-Executive Director	5 out of 5 meetings
3. Datuk Azlan Zainol Member / Non-Independent Non-Executive Director	4 out of 6 meetings
4. Datuk Haji Faisal Siraj – appointed on 30 July 2007 Member / Independent Non-Executive Director	1 out of 1 meeting

On 30 July 2007, YBhg Datuk Haji Faisal Siraj was appointed as member of the Committee whilst YBhg Dato' Mohd Salleh Hj Harun retired as member of the Committee on 20 August 2007.

The Committee's activities are concentrated at RHB Capital Berhad and its direct subsidiaries, excluding RHB Bank Berhad, RHB Islamic Bank Berhad, RHB Insurance Berhad and RHB Investment Bank Berhad which have separate audit committees. The main activities undertaken by the Committee during the year are as follows:-

- Reviewed the quarterly unaudited results and the annual audited financial statements of the Company and the Group as well as the appropriate announcements to Bursa Malaysia Securities Berhad before recommending them for the approval by the Board;
- Reviewed the related party transactions ("RPTs") and the adequacy of the Group's procedures for monitoring and reviewing of RPTs;
- Reviewed with the external auditors, their audit plan, audit strategy and scope of work for the year, their fees as well as the findings emanating from their annual audit. It also considered the reappointment of the external auditors for recommendation to the Board and the shareholders for their approval;
- Reviewed and approved the scope and adequacy of the internal audit plan, including resource needs;
- Reviewed the status of completion of the internal audit plan, the internal audit reports, audit recommendations made and management's response to these recommendations, and actions taken to improve the system of internal control and procedures;
- Reviewed the minutes of meetings of other audit committees in the Group to the extent permitted by the relevant regulatory authorities to satisfy itself that all matters arising therefrom have been appropriately addressed by such other audit committees; and
- Tabled the minutes of each Committee meeting to the Board for notation, and for further direction by the Board, where necessary.

Internal Audit Function

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

The internal auditors adopt a risk-based approach towards the planning and conduct of audits which is consistent with the Group's framework in designing, implementing and monitoring its internal control system.

Upon completion of the audits, the internal auditors have closely monitored the implementation progress of their audit recommendations in order to obtain assurance that all major risk and control concerns have been duly addressed by the management. All audit reports on the

audit committee report



Low Foon Keong
Chairman / Senior
Independent Non-Executive
Director



**Dato' Mohd Salleh
Hj Harun**
Member / Independent Non-
Executive Director



Datuk Azlan Zainol
Member / Non-Independent
Non-Executive Director



Datuk Haji Faisal Siraj
Member / Independent Non-
Executive Director

results of work undertaken together with the recommended action plans and their implementation status were presented to the management and the Committee.

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

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Objectives

1. To assist the Board discharge its responsibilities by reviewing the effectiveness, adequacy and integrity of the Company's and 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.
2. To reinforce the independence of the external auditors and thereby help assure that they will have free rein in the audit process.
3. To provide, by way of regular meetings, a line of communication between the Board and the external auditors.
4. To provide emphasis on the internal audit function by increasing the objectivity and independence of the internal auditors and provide a forum for discussion that is among others independent of the management.

5. To review the quality of the audits conducted by the internal and external auditors of the Company.
6. To enhance the perceptions held by stakeholders (including shareholders, regulators, creditors and employees) of the credibility and objectivity of financial reports.

Duties and Responsibilities

1. To review the quarterly results and year-end financial statements of the Company and the Group, and to recommend the same to the Board 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.
2. To review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.
3. To review with the external and internal auditors whether the employees of the Group have given them appropriate assistance in discharging their duties.
4. To review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.

5. To review the internal audit plan and processes, the results of the internal audit programme or investigation undertaken and whether or not appropriate action is taken by management on the recommendations of the internal auditors.
6. To appraise the performance of the head of internal audit and to review the appraisals of staff members of the internal audit function.
7. To approve any appointment or termination of the head of internal audit and senior staff members of the internal audit function and to take cognisance of any resignations of internal audit staff members and provide resigning staff members an opportunity to submit reasons for resigning.
8. 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.
9. To recommend to the Board on the appointment and the annual reappointment of the external auditors and their audit fee, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of their audit as well as the removal of auditors.

10. To discuss and review with the external auditors any proposal from them to resign as auditors.
11. To review and approve the non-audit services rendered by the external auditors together with the related fees and thereafter recommending the same to the Board for approval.
12. To review the co-ordination of the audit approach where more than one audit firm of external auditors is involved and the co-ordination between the external and internal auditors.
13. To review the minutes of meetings of other audit committees within the Group and be satisfied that all matters arising therefrom are being appropriately addressed by these other audit committees.
14. 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.
15. To perform any other functions as authorised by the Board.

Authority

1. The Committee is authorised by the Board to investigate any matter within its terms of reference, to obtain the resources which it needs, and to have full and unrestricted access to 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.
2. The Committee shall have direct communication channels with the external and internal auditors.

3. The Committee is authorised by the Board to obtain independent professional or other advice at the Company's expense and to invite outsiders with relevant experience and expertise to attend meetings if it considers this necessary.
4. Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Committee shall promptly report such matter to Bursa Securities.

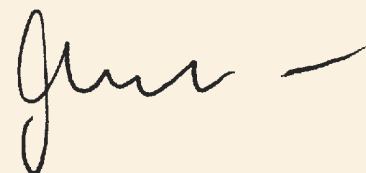
Meetings

1. Meetings shall be held at least four (4) times a year with a minimum quorum of two (2) members and the majority of members present shall be independent non-executive directors. Additional meetings may be called at any time at the discretion of the Chairman of the Committee.
2. The head of internal audit shall be in attendance at meetings of the Committee. The Committee may invite the external auditors, the 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.
3. 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 Board or shareholders.

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

Membership

1. The Committee shall be appointed by the Board from amongst its number and shall comprise not less than three (3) members, the majority of whom are independent directors. All members of the Committee shall be non-executive directors.
2. The Chairman of the Committee shall be an independent non-executive director appointed by the Board.
3. No alternate director shall be appointed as a member of the Committee.
4. All members of the Committee shall be financially literate and at least one member shall be a member of an accounting association or body.
5. The term of office and performance of the Committee and each of its members must be reviewed by the Board at least once every three (3) years.
6. If a member of the Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.



Lew Foon Keong

risk management committee

Members of the Group Risk Management Committee:



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



**YBhg Datin Khamarzan
Ahmed Meah**
Member/Independent
Non-Executive Director



YBhg Datuk Tan Kim Leong
Member/Independent
Non-Executive Director



**Tuan Haji Khairuddin
Ahmad**
Member/Independent
Non-Executive Director



Mr Patrick Chin Yoke Chung
Member/Independent
Non-Executive Director

Members of RHB Islamic Bank's Risk Management Committee:



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



YBhg Dato Abdullah Mat Noh
Member/Independent
Non-Executive Director



YBhg Dato' Othman Jusoh
Member/Independent
Non-Executive Director

risk management framework

1. INTRODUCTION

A core concern of financial institutions is the taking and managing of risks; and the RHB Banking Group certainly views the business of risk management as a critical function and endeavour.

Risk is defined as the potential for loss, either directly through loss of information, earnings or capital or indirectly through the imposition of constraints on the banking group's ability to meet its objectives. The risk management process seeks to identify, measure, monitor, and control risk; in order to ensure that risk exposures are adequately managed and that expected returns compensates for the risks taken. In addition, risk management seeks to ensure that risk decisions are consistent with strategic business objectives.

To this extent, the Group's Risk Management Framework governs the management 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 of the Group, with the risk management going towards loss minimisation and protection against unexpected 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.

To achieve these ambitions, the Group's risk management framework is effected through implementation and operationalisation of the following categories of content (as depicted in the following diagram):

Risk Management is driven by:



The following sections shall describe some of these risk management content areas.

2. OVERARCHING RISK MANAGEMENT PRINCIPLES

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

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

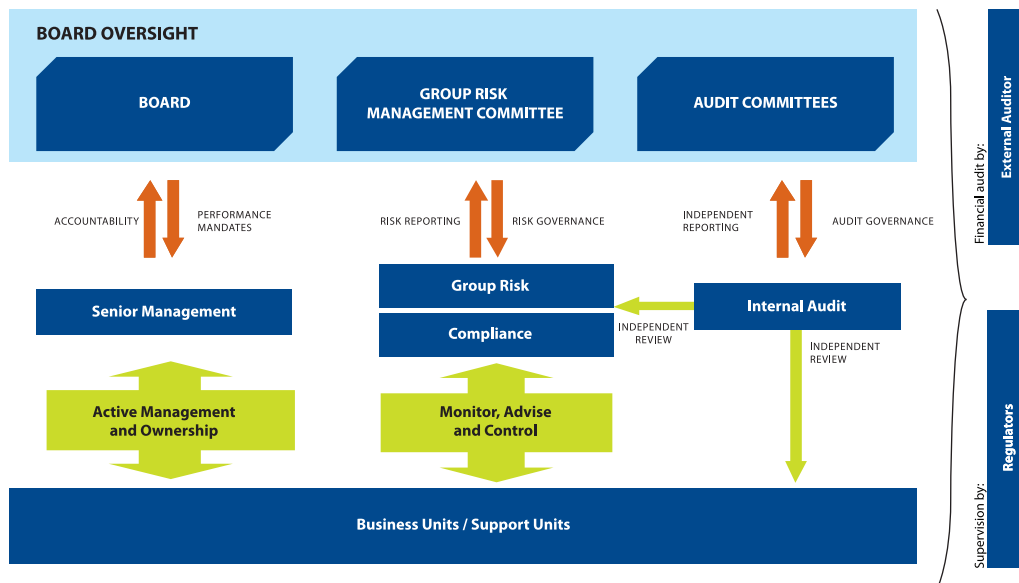
2.1 Principle 1

Risk governance from the Boards of Directors of companies in the Group

The ultimate responsibility of the Boards of Directors in the RHB Banking Group is in ensuring 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 oversight responsibilities which is depicted in the accompanying diagram and which summarily encompasses of:

- Maintenance of ultimate accountability for risk management oversight at the respective Boards of Directors of each company in the RHB Banking Group;
- Delegation of review responsibilities by the Boards of Directors to a centralized Group Risk Management Committee (GRMC) and to the respective Audit Committees of the companies in the Group;
- Active management of the business and support units of the Group and ownership of risk management by senior management personnel, and accountability (of the same) back to the Boards;
- Provision of risk governance by the GRMC facilitated through the effective functioning of the risk management and compliance functions of the Group;
- Provision of independent assessment of the Group’s management of risks by the internal audit function and reporting of the same independently to the Audit Committees of the respective companies in the Group.

Structured Framework to Support Board Oversight Role In Risk Management



Group Risk Management Committee (GRMC)

The GRMC is delegated with risk management oversight authority by the Boards of the RHB Banking Group and serves as a consultative body to the Boards for areas pertaining to risk management.

Prior to 2007, there were five Risk Management Committees ("RMCs") constituted separately under the respective entities of the RHB Capital Group (which includes RHB Capital Berhad, RHB Bank Berhad, RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad).

In the Group's efforts to enhance the risk governance and risk management across the RHB Banking Group, the consolidation of the respective Risk Management Committees (RMCs) and establishment of a Group RMC was undertaken.

The consolidation accrues important strategic benefits, which includes :

- facilitating consistencies across the Group in relation to
 - risk management frameworks,
 - risk management policies,
 - risk management practices, and
 - risk measurement models;
- promoting the communication of risk governance tone and appetite amongst the directors and management of the key business units of the Group;
- engendering the arbitrage or hedging of inversely correlated pools of risk exposures within the Group; and
- reducing the likelihood of unexpected losses arising from inconsistencies in the management of risks and conduct of the Group's businesses.

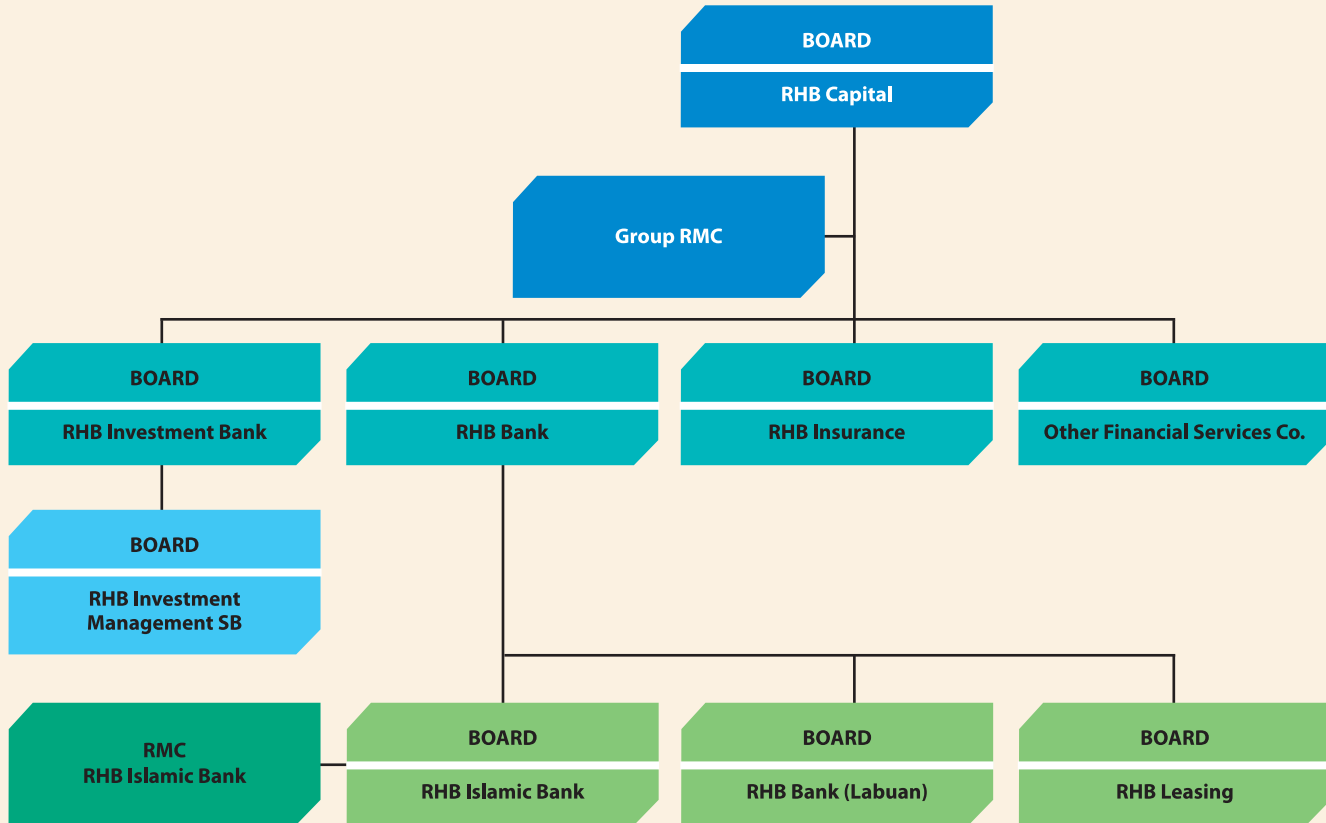
The key terms of reference of the GRMC are summarily:

- To provide oversight and governance of risks for the Group;
- 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 the Group is in place and functioning;
- To promote the management of the Group's risks in accordance with a risk-return performance management framework; and
- To deliberate and make recommendations to the Boards of the Group in respect of risk management matters.

In addition to, and in view of the developmental aspirations of the Islamic banking sector, the Banking Group has retained and reoriented the Risk Management Committee of RHB Islamic Bank to focus on the risk management issues of the Islamic bank, particularly in relation to risk issues unique to Islamic finance.

risk management framework

The following diagram illustrates the corporate structure and risk management committee linkage of the Banking Group:

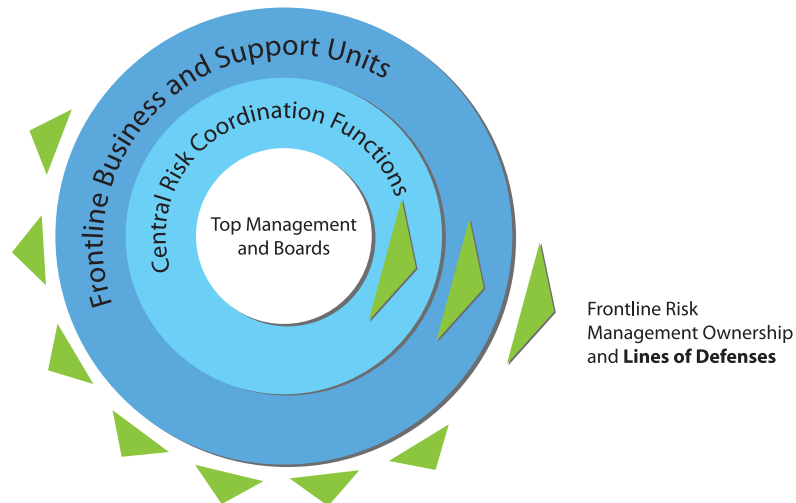


2.2 Principle 2 Clear understanding of risk management ownership

Risk awareness culture is instilled throughout the 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 functions, top management and the Board. This leads to risk management ownership with differing levels of focus established across the Group as follows:

Risk Management Ownership and lines of defense



Frontline business and functional units are the first line of defense and is responsible for implementation of risk management policies through:

- 'Knowing Your Customers' practices;
- Understanding and Complying to regulations, policies and procedures; and
- Maintaining risk alertness against fraud and other operational risk issues

The Central Risk Coordination functions, which comprise of the Risk Management function, the Compliance function and the Internal Audit function, centrally coordinate the risk management supervision and independent assurance of the Group. Among their responsibilities are to:

- Highlight and advise the management and board;
- Effect centralised management and coordination; and
- Institute and enhance the policies and procedures

The Board and top management's support and endorsement of risk management is a fundamental activity to any businesses. They bear the primary responsibility for ensuring that the Group has a rigorous process in their supervisory review in terms of oversight as well as governance.

2.3 Principle 3 Institutionalisation of a risk focused organization

Institutionalisation of a risk focused organization is progressed upon in the RHB Banking Group through a number of measures, two of which are:

- (i) Strengthening of the central risk coordination functions, and
- (ii) Continuous reinforcing of a risk and control environment within the Group.

There are described in further detail in the succeeding sections:

Central Risk Coordination Functions

The **Risk Management** function in the Group reports to the Group's Chief Risk Officer (CRO). Among the roles and responsibilities of the CRO are:

- Facilitating the setting of the strategic direction and overall policy on management and control of risk of the Banking 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 Boards on risk issues of, and impacts on, the Banking Group;
- Administering the delegation of discretionary powers to management personnel within the Group

The **Compliance** function is centrally managed and provides assurance to senior 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.

The following table below summarises the key differences in perspectives (which are also strategically complementary) between the Risk Management, Compliance and Internal Audit functions:

Risk Management	Compliance	Internal Audit
Macro level review of risk exposures as well as tools and methodologies employed by the business and functional units for identification, measurement, monitoring and control of risks.	Continuous/periodic monitoring, review, and transaction checks, based on structured sampling methodologies, to ascertain if business and functional units comply with key controls for regulations, policies and procedures.	Independent assessment of the system of internal controls including effectiveness of Compliance and Risk Management in discharging its responsibilities
Risk Assessment, Identification, Tolerance setting and Advisory	Monitoring compliance with regulatory and internal requirements	Independent Assessment of Risk, Controls and Compliance

Increasing Degree of Independence

Increasing Degree of Involvement in Business and Operations

Risk and Control Environment

The basic foundation of a risk focused organisation is the accentuation of a properly structured risk and control environment where it is important to institute independence of functions across the Group. 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.

Summarily, the inter-dependencies for risk management functions can be distinguished, in broad terms, as follows:

- Facilitated by top management, the Boards of the RHB Banking Group has the responsibility for setting the business vision and strategy of the Group in line with risk management dictates;
- The Group Risk Management Committee (GRMC) advises the Boards on the establishing of the Group's risk management framework and strategies;
- Design of business policies and attendant risk policies, as well as the origination of risks is the domain of Business Units of the group;
- Underwriting of risks is generally undertaken by risk assessment units independent from origination units or by management committees constituted by senior management personnel within the Group;
- Operations units are generally also independent of business units in their management of processes required to fulfill the transactions underwritten;
- Compliance function ascertain if business and functional units comply with key controls for regulations, policies and procedures;
- Risk Management function advise and conduct macro level reviews of business and functional units for identification, measurement, monitoring and control of risks; and
- Internal audit function carry out independent assessments of the system of internal controls including effectiveness of the Compliance function and Risk Management function in discharging its responsibilities

2.4 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 preceding sections where business and support units are required to be primarily responsible and accountable for risk management. By design, the business policies and strategies of the business units necessarily incorporates risk strategies and elements as a logical result.

Conversely, the risk management function of the group acts in part as a partner to the business units and assists the business units in the fulfillment of the business units' objectives. By extension, the risk strategies and oversight is correspondingly encouraged to synchronize with business objectives, thus furthering the vision of aligning risk management to business strategies.

2.5 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.

3. CREDIT RISK

Credit risk can be described as the risk of economic loss from the failure of an obligor to perform according to the terms and conditions of a contract or agreement. The RHB Banking Group asserts careful credit risk management in its businesses and operations.

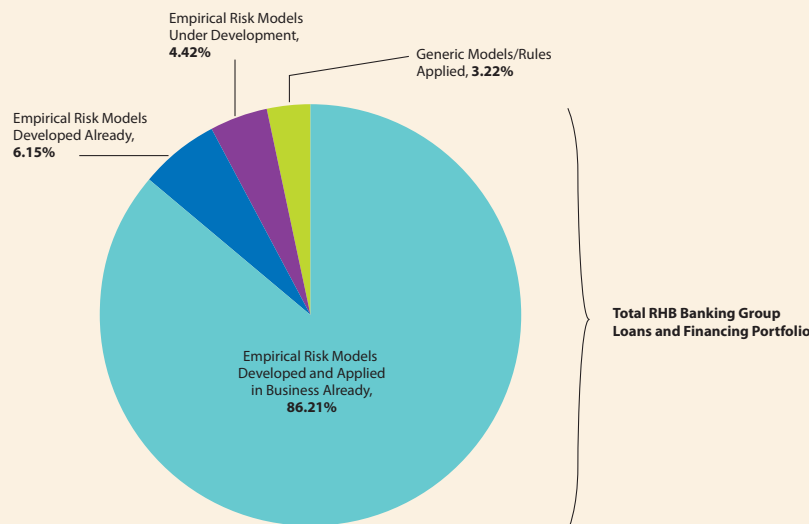
Credit risk management is conducted in a holistic manner. During the assessment of credit risk at transactional level, credit underwriting standards are dictated in approved credit risk policies which are developed for the assurance of asset quality that are in line with the Group's risk appetite. Industry best practices are instilled in the continual updating of credit risk policies.

Risk Models

The Group has exerted significant efforts to develop and refine risk measurement models to assess the credit risks inherent in the Group's business activities, based on materiality principles. In model development efforts, the internal ratings based (IRB) standards of the Basel II capital accord are applied and rigorous statistical methodologies are employed. The exceptions are sub-portfolios for which sufficient historical data is unavailable for use in modeling or for which statistical modeling is impractical given the nature of the business (e.g. loans to finance ASB units). In these cases, generic models or standard prudential underwriting policies and rules are applied.

To date, 86.21% of the Group's loans and financing portfolio has empirical credit risk application models applied. Of these, some of the models (particularly, retail credit risk models) have incorporated behavioral factors within its construct. In addition to models developed (but are in the process of implementation within credit decisioning rules and processes), as well as models under development, the Group expects to reach more than 95% in terms of empirical model coverage for the Group's loans and financing portfolio; and hence should exceed materiality considerations in the Basel II IRB context

Credit Risk Application Models Coverage



The next stages of risk infrastructure development work that the Banking Group is focusing on relates to the empirical modeling of recoveries on defaults, and the enhancement of a facility rating model to complement the present counter-party risk rating model. In addition, the Group expects additional independent validations of the risk models to be performed in the Group's pursuit of compliance to Basel II IRB standards.

Economic Returns Framework

The Group has also implemented an economic returns/profitability framework for differentiation and pricing of credit spreads. This profitability framework incorporates risk elements to ensure that credit pricing is guided by risk-adjusted economic returns. The risk elements includes (i) a funds transfer pricing framework to better reflect term value of money and market interest rate sensitivities, and (ii) methodologies to compute credit risk premiums in accordance with expected returns/loss that is derived based on the aforesaid credit risk models.

Credit Concentration Risks

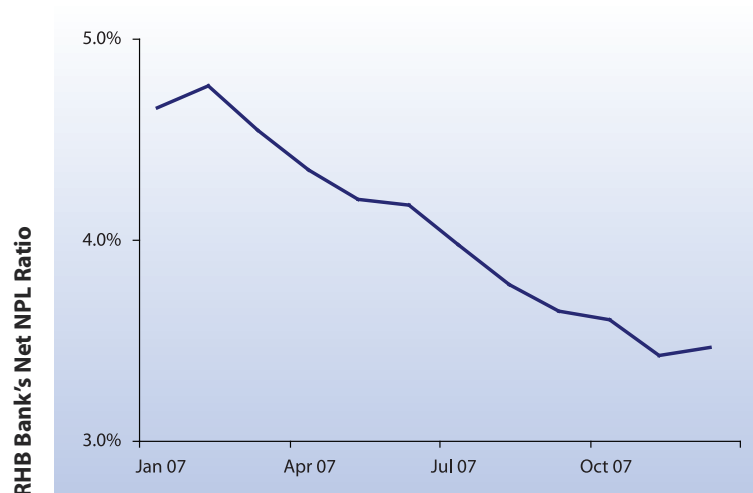
Another area of continual risk management enhancement that the Banking Group seeks to implement is stronger mechanisms for monitoring and managing of credit concentration risks. In this respect, analysis of large customer group exposures are regularly conducted, and the lending and financing units undertake intensive account updates, monitoring and management of these exposures. When deemed necessary, prudential measures are continually initiated for exposures that, through the passage of time, have exceeded the Banking Group's risk appetite.

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.

The desired continual improvements in credit risk management require skills and capabilities of the Banking Group's personnel to be advanced. In this respect, the Banking Group has invested heavily in a best practice internal credit training curriculum and accreditation framework that is in addition to and which complements existing industry credit risk accreditation curriculums.

The result of the Banking Group's efforts at enhancing credit risk management is manifested in the overall improvement in the Group's asset quality for the financial year 2007.

Asset Quality Improvements:



4. MARKET RISKS

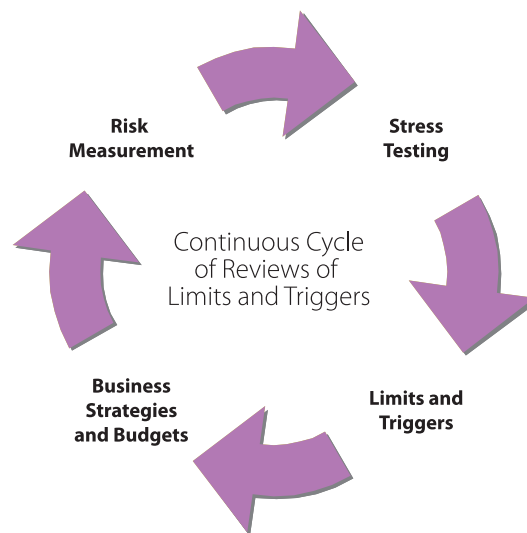
Market risk can be described as the risk of loss of earnings in on and off-balance sheet positions arising from movements in market risk factors such as foreign exchange rates, interest rates, equity prices, and commodity prices and in their respective correlation and volatility.

The Banking Group's Asset and Liabilities Committee (ALCO) performs a critical role in the management of market risks. The ALCO meets regularly and is the forum where strategic and tactical decisions are made for the management of market risks. 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.

Risk Measurement and Limits

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 Group's risk appetite and is advised by appropriate risk measures and attendant stress testing exercises. Market risk measures include conventional risk quantification methodologies such as risk factor sensitivity analysis and value-at-risk (VaR) measures.



VaR measures the amount of potential loss from adverse movements under normal market environments. The assumption of normality is internally critiqued through the use of vigorous stress testing. The RHB Banking Group currently measures VaR on a one-day time horizon, at a confidence interval of 99%. The measure is currently applied to some segments of the Banking Group's Treasury portfolio, and the development initiatives of the Banking Group is to extend the measurement to a broader range of instruments and portfolios, with emphasis on trading portfolios' market risk exposures.

Interest Rate Risks

The Banking Group has an established interest rate risk management policy which provides for the governance of interest rate risks in the banking book. Stress-testing is rigorously applied in ascertaining the susceptibility of and extent to which the Banking Group's financials and earnings are affected by prospective changes in market interest rates. Interest rate sensitivity triggers and limits are applied and the Banking Group regularly considers the economics and necessity of increasing or reducing its interest rate risk hedges.

Credit Derivatives and Asset Backed Securities

The Banking Group has some small exposures to credit derivatives products and asset backed securities undertaken in the normal course of its business. Exposures to products with elements of optionality, such as credit linked notes, credit default swaps, range accrual notes, collateralized debt obligations and asset backed securities amounted to less than RM700 million (which is less than 0.7% of the Group's balance sheet size), of which 98.7% are based on Malaysian assets as underlying references. The RHB Banking Group has no exposure to U.S. sub-prime mortgage assets. There has not been any deterioration in the asset quality of these holdings requiring any accounting write downs.

5. LIQUIDITY RISKS

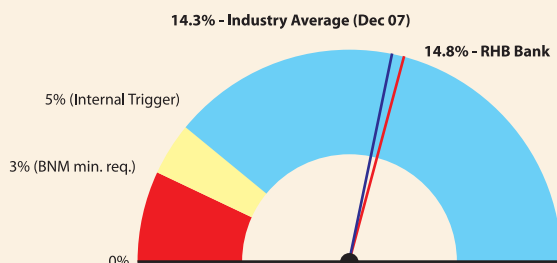
Liquidity risk can be described as the potential that the Group will be unable to meet its financial obligations as they come due because of an inability to liquidate assets or obtain adequate funding (referred to as "funding liquidity risks") or that it cannot easily unwind or offset specific exposures without significantly lowering market prices because of market disruptions or inadequate market depth (referred to as "market liquidity risks").

The Banking Group's Asset and Liabilities Committee (ALCO) performs a critical role in the management of liquidity risks. The ALCO meets regularly and is the forum where strategic and tactical decisions are made for the management of liquidity risks and the Group's balance sheet profile. 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. The ALCO is also the governance body which sets interest rates for liabilities products as well as reference rates for lending and financing products and services.

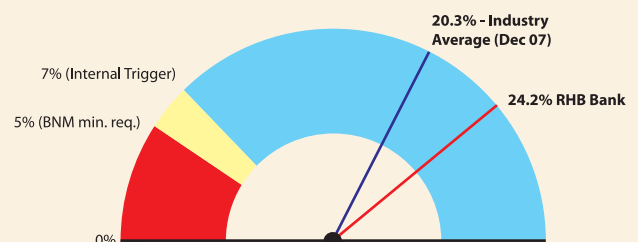
Triggers and limits are determined based on the Group's risk appetite and is advised by appropriate risk measures and attendant stress testing exercises. Liquidity risk measures include conventional risk quantification methodologies such as regulatory liquidity framework requirements.

The RHB Banking Group's liquidity profile is generally better than or on par with industry averages, and are well above regulatory requirements. Liquidity preservation is also augmented by the Group's practice of maintaining generous and appropriate amounts of liquefiable assets as additional buffers against times of extreme market systemic risks and stress; as well as the Group's implementation of policies and practices in relation to contingency funding plan and operations.

Liquidity (Within 1 Week Time Bucket)



Liquidity (1 Week to 1 Month Time Bucket)



6. REPUTATION RISK

Reputation risk can be described as the potential that negative publicity regarding an institution's business practices, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions. In the extreme case, reputation risk may lead to liquidity crisis in banking institutions.

Reputation risk management is a factor that is required to be dealt with under Pillar II of the Basel II capital accord (as opposed to Pillar I given the obvious complexities in risk quantifications).

As a risk infrastructure developmental initiative, the Banking Group intends to continually advanced its reputation risk management capabilities. Given the more critical liquidity risk impact of reputational risk events, the treatment and preparation for reputation risk management will be properly considered under the liquidity risk management framework of the Banking Group.

The key elements for management of reputation risk in the RHB Banking Group 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 organisation
- Establishing and continually updating crisis management plans

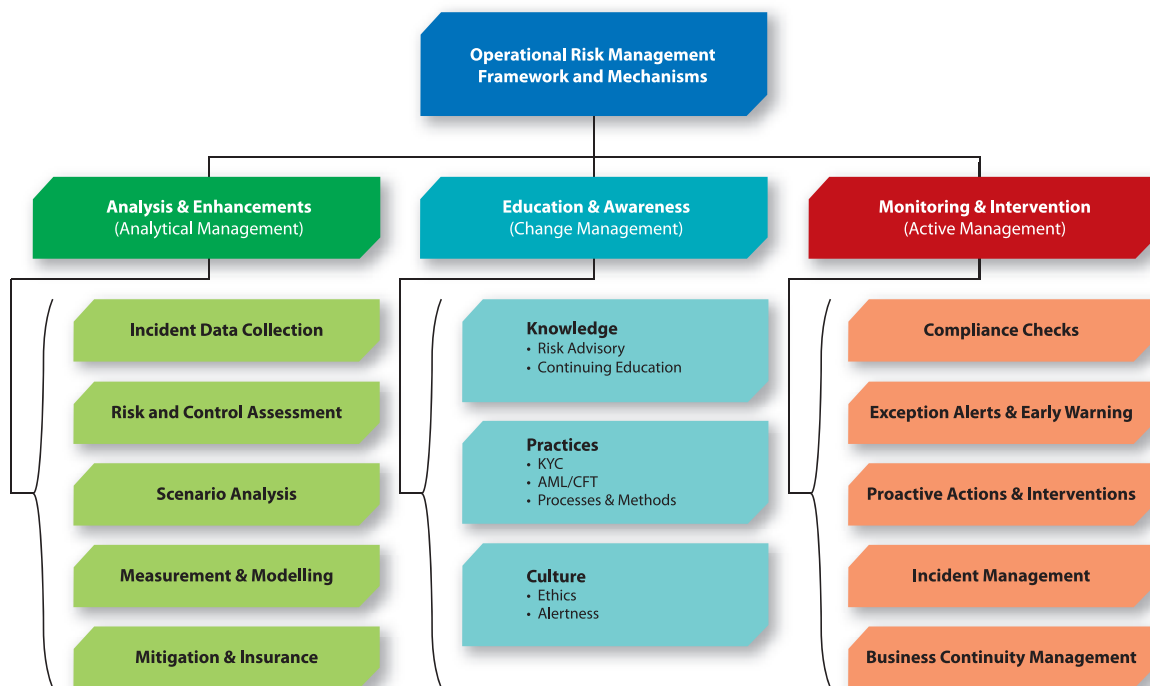
7. OPERATIONAL RISKS

Operational risk can be described as the risk of loss resulting from inadequate or failed internal processes, people and systems and from external events. This includes risks that may result in disruption to operations, which is mitigated by business continuity plans and operations. In RHB Banking Group's risk management taxonomy, operational risks include legal risks and fiduciary risks.

Each business and support unit of the Group owns and is responsible for understanding the operational risks inherent in its products, activities, processes and systems. They are responsible for the consistent implementation of the relevant parts of the operational risk management framework in their area of responsibility and for the management of operational risk on a day-to-day basis. They are aided in this function by the central risk coordination units which include the operational risk management function, the compliance function and the internal audit function.

Operational Risk Management Framework

The operational risk management framework of the Banking Group comprises of a broad range of activities and elements, broadly classified into analytical and enhancement components, education and awareness components, and monitoring and intervention components.



The analysis and enhancement set of components is where the Banking Group undertakes a number of activities for the purposes of ascertaining operational risk exposures and gaps, determining appropriate counteracting controls enhancements, computing operational risk provisions, risk capital charges, and determining mitigation and insurance requirements. To this end, the Banking Group has implemented a Basel II compliant operational risk management information technology system to support its workflow and analytical capabilities.

The education and awareness set of components is where the Banking Group undertakes change management activities to progressively improve the risk management knowledge, culture and practices of the Group's 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 the managing operational risk and acting as the first line of defense against operational losses.

The monitoring and intervention set of components is where the principal head office risk control units, including the operations management function, compliance function and the internal audit function, seeks to be actively managing operational non-compliances, incidents, and undertake recovery actions, including business continuity measures in cases of incidences causing disruption to business activities.

8. ISLAMIC FINANCE RELATED RISKS

RHB Islamic Bank operates a banking business founded on the principles of Islamic finance. The nature of Islamic finance principles and its attendant impact on banking products and services means that there are risks in Islamic Banking that are textured differently from conventional banking. Some of these unique risks include:

- Commodity and Inventory Risk which arises from holding items in inventory either for resale under a Murabahah contract or with a view to leasing under an Ijarah contract.
- Rate of Returns Risk in relation to investment returns necessitated by profit sharing principles.
- Shariah Compliance Risk arising from potential non-compliance with Shariah rules and principles in the Bank's operations as well as problems of legal uncertainty in interpreting and enforcing Shariah contracts.

Displaced Commercial Risks

More particularly, Displaced Commercial Risks is a critical risk factor for Islamic banks. Commercial displacement risks arise in spite of the construct of the asset and liabilities profile of an Islamic Bank. Theoretically, an Islamic Bank does not have asset and liabilities gaps and risk, as the contractual obligations with investors and financing customers are largely balanced due to the profit and loss sharing principles of Islamic finance. However, commercial reality in a market with free capital flows means that rate of investment returns must be somewhat commensurate with comparatives in conventional banking. Hence, any displacement between the actual rate of return and the conventional comparative rates results in nuanced risks for Islamic financial institutions.

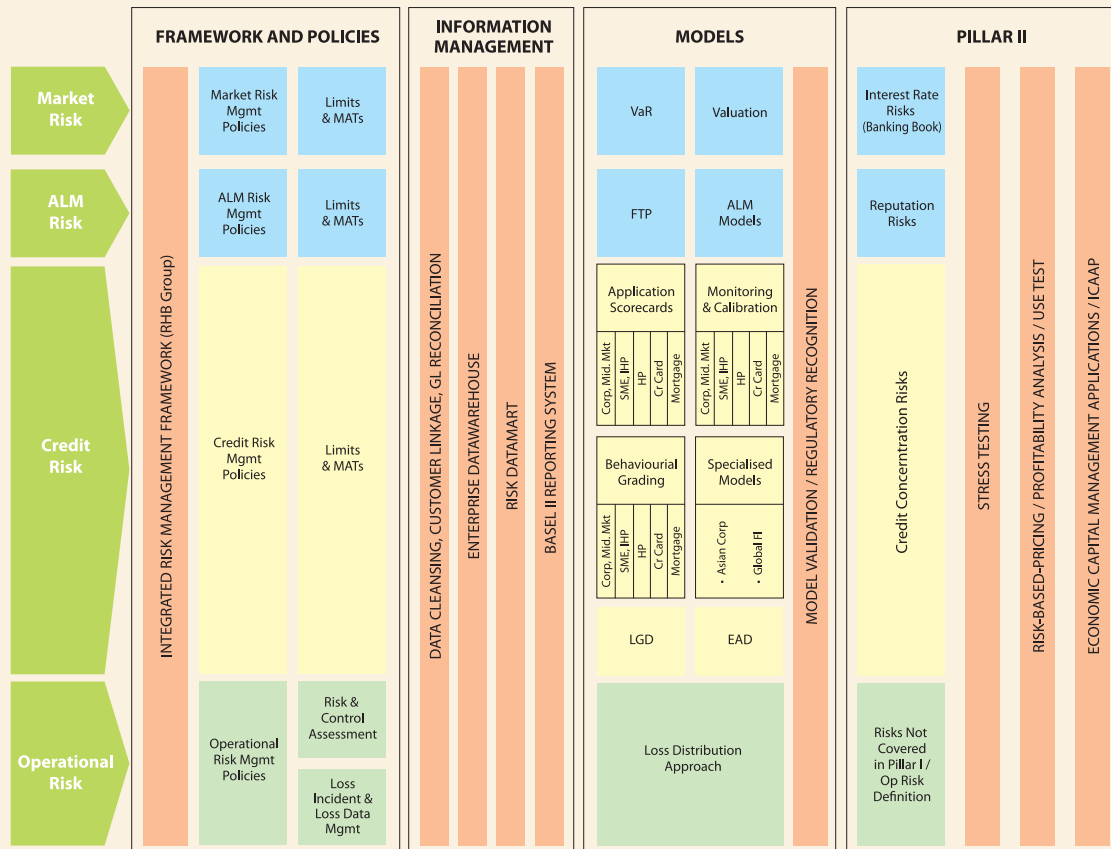
RHB Islamic Bank has prudential measures in place, including capital and reserves provisions, to manage the unique risks of Islamic banking. Fiduciary infrastructure and requirements are particularly heightened in the Islamic banking units; and significant investments in skilled resources and capabilities are continually made to enhance the management of risks in the Bank.

9. CAPITAL MANAGEMENT AND BASEL II

The RHB Banking Group has prepared for a number of years for the implementation of the Basel II capital accords, and the implementation efforts are continuing. In particular, the Group aspires to implement the more advanced approaches of the Basel II capital accord. This includes the internal approach for market risks, the standardized approach for operational risks, and the internal ratings based approach for credit risks.

The benefits of implementing the more advanced approaches is clearly in line with the aspirations of the Group to continually enhance risk management and being able to reflect advance risk management capabilities and practices in the Group's operations and performance. In this respect, the Group has expended significant investments, efforts and resources in implementing some twenty infrastructural projects aimed at upgrading the information management, risk management and business analytical capabilities of the Group.

RHB Group Basel II Program Framework Components



The infrastructural implementations that has been completed to date has already yielded significant benefits to the Group and puts 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.

Pursuant to readiness reviews conducted by Bank Negara Malaysia, RHB Bank has obtained preliminary approval from BNM to pursue the advanced approaches of the Basel II capital accord and for migration to Basel II advanced standards in the year 2010.

ethics, integrity and trust

CODE OF ETHICS

The establishment of our Code of Conduct is in line with BNM guidelines to financial institutions of which here refers to BNM/GP7 whereby its core contents are on the Code of Ethics for Directors, Officers and Employees of the Banking Industry. The Code of Conduct adopted by RHB Group comprises a set of principles to which employees are expected to adhere and preserve. It ensures that our customers' interests are at all times protected and conserved.

Human Resource being the custodian of the Code of Conduct has since 2002 continues to review and enhance its contents to reflect the guidelines and principles outlined in BNM/GP7 Code of Ethics. The guidelines incorporated in RHB Group Code of Conduct, among others are:

1. Conflict of Interest
2. Misuse of Position
3. Misuse of Information
4. Integrity of Records & Transactions
5. Confidentiality
6. Fair & Equitable Treatment

The Group Code of Conduct provides clear direction on how we can achieve our business goals while preserving and building on the trust of our customers upon which our company is built.

GROUP COMPLIANCE FRAMEWORK

Board's Mandate

The increasingly complex, diverse and the new challenges posed by globalisation have indeed heightened the standard of business practices, disclosure, corporate behaviour and professionalism required of a banking group such as ours. Ultimately, this higher standard is essential to protect all stakeholders' interest and maintain their confidence.

In the context of rapid changes which are taking place, the function of compliance is of critical importance. As a component of proper business support, the respective Board of companies within the RHB Banking Group has taken the lead by recognising compliance as an entire system which strives to uphold principles of good governance and corporate ethical behaviour. Noting these challenges, RHB Banking Group has expanded adequate operating expenditure to set up resources to carry out Compliance Function in the Group apart from Risk Management and Audit.

In furtherance to the above, the tone is set by the Board and Central Management that all employees have the responsibility to comply with all applicable laws, regulations and ethical standards and that non-compliance will be a significant factor in meting out disciplinary action or taken into consideration during annual performance evaluation/reviews.

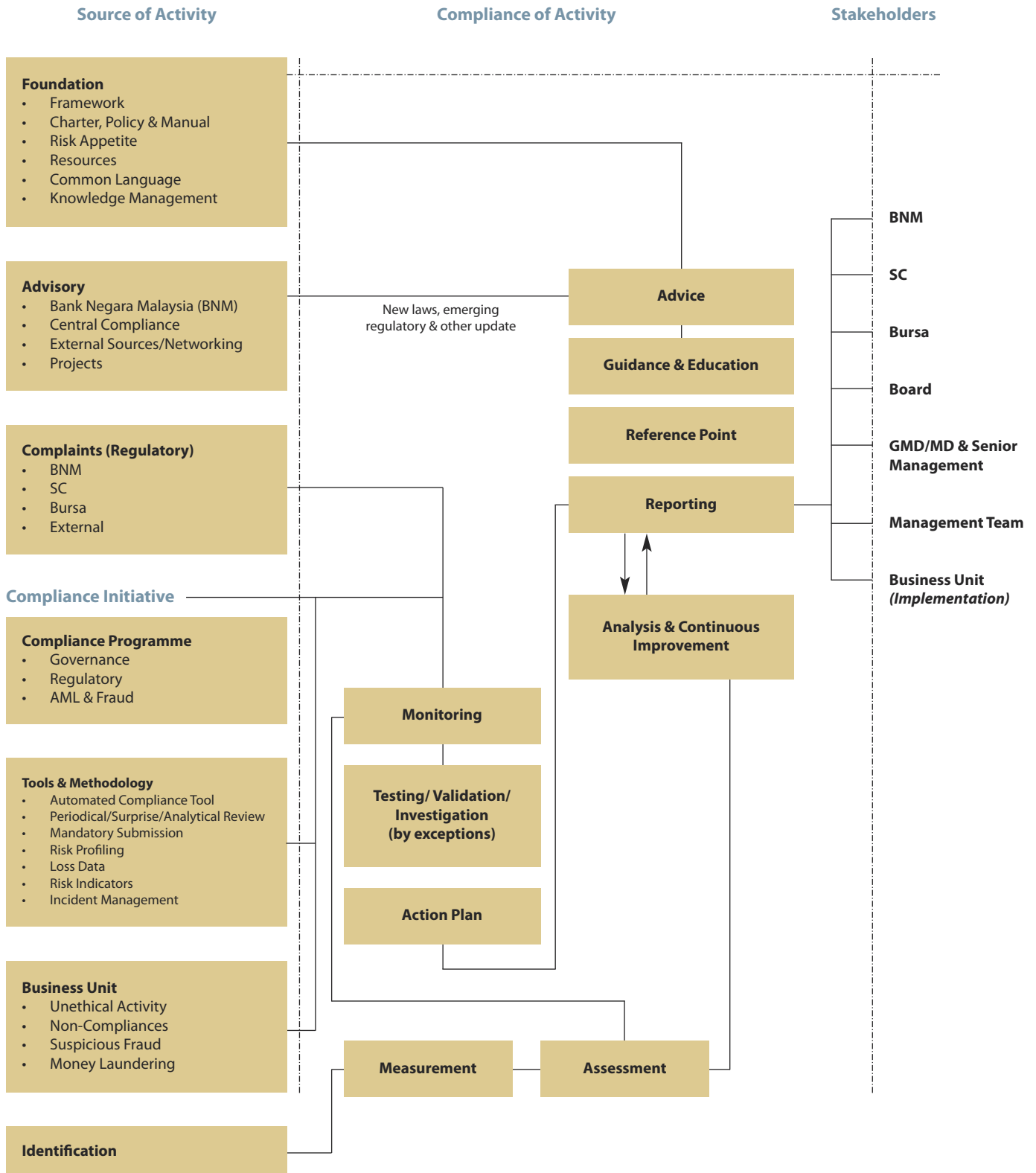
Compliance Framework

As an effort to crystallise and illustrate appropriate compliance measures required of the Group, the Compliance Framework was prepared detailing the roles and responsibilities and its implementation plan. Thus the Board's intention is translated through its efforts in cultivating, within itself, an environment or culture that encourages compliance.

The Compliance Framework outlined in **Table 1** is essential in order to measure progressive improvement in the effort of the Group to strive for full compliance. Substantially, the Board is of the view that the standard as proposed in the Framework is pertinent as a safeguard against possible breach and significantly cultivates compliance culture within the Group itself.

TABLE 1

Compliance Framework - Snapshot



Chain of Compliance Responsibility in the Group

Compliance keeps in constant communication and works closely with all Heads, with a view to supplementing existing reviews of the managers and ensuring that the necessary policies and procedures are in place to effect proper supervision of the respective departments. This creates a culture of self regulation as ownership and accountability of compliance and internal controls are assigned to personnel in each functional area of organisation. Compliance and fraud detection & prevention are everyone's responsibility and is not fragmented into compartments and silos. The compliance risk culture is defined and enshrined to give managers and employees the requisite freedom of manoeuvre and tools to make sound decision when there is no obvious right answer.

The main responsibility of Compliance involves assisting the Board and Central Management to effectively manage the compliance risks, and simultaneously preserve the integrity and reputation of the Group. These include, among others, advising and updating the Board and Central Management on the applicable policies and guidelines, and rules and regulations, establishing written guidance and educating the employees on the appropriate implementation of

the policies and guidelines, and rules and regulations, assessing the appropriateness of the Group's internal policies and procedures, identifying deficiency, if any, and formulating plan for rectification, documenting and assessing compliance risks associated with the Group's business, monitoring and testing of compliance via performing of sufficient and representative testing that covers investigations for possible breach of any of the rules and regulations.

Annual Compliance Plan

The Board of the subsidiary entities approves the Annual Compliance Plan which identifies and assesses the material compliance risks expected in the Financial Year.

Independent compliance monitoring and testing processes within the business units are also included to ensure the ongoing effectiveness of controls over material compliance risks. Further compliance initiatives and objectives are also discussed including staffing and funding resources to meet planned objectives as well as training programs planned for the year.

This process has improved internal decision making, reliability of internal control and has contributed to cost saving.

Monthly Compliance Reporting

The state of compliance of the Group is reported to the Group Risk Management Committee and thereafter to the Board of the respective entities on monthly basis. The monthly reporting covers all aspects of state of compliance which is generally divided into the following categories:-

1. Compliance Statutory/Regulatory Requirements

- This covers state of compliance with the relevant applicable rules and regulations e.g. Listing Requirement, Bursa Rules, BAFIA, Islamic Banking Act, Anti Money Laundering and Anti Terrorist Financing Act, Capital Market and Services Act and Insurance Act.

2. Compliance of Internal Policies & Procedures

- This covers the state of compliance with all internal policies and procedures of the respective entities from all aspects of its operations.

3. Fraud Incidences

- This covers reporting of fraud cases be it external or internal fraud, irrespective of whether the fraud arises from a non-compliance or otherwise.

This provides a quick dashboard view of compliance and fraud risk environment and this enables the Group to establish a credible system or early warning signals.

Policies and Procedures

During the year under review to-date, the new policies and procedures that have been put in place are as follows:

1. Incident Reporting

To complement the monthly reporting and as a means of an immediate escalation process of incidents that would or potentially would expose the Group to financial, legal and reputational risk, the Group also has in place a policy on Incident Reporting, whereby the Central Compliance unit also acts as the central recipient of such incidences. Upon receipt of such incident reports, Central Compliance in consultation with Internal Audit, Risk and Legal determine whether such incidents merits immediate escalation to the central management Group's Board and/or Board of Directors of the respective subsidiaries.

Both the monthly compliance and incident reporting operate on a zero tolerance level reporting approach i.e. all incidence of non-compliance are to be reported to the relevant recipient.

2. Group Whistle Blower Policy

In line with the Group's expectation that all of its employees are to act in accordance with the highest standard of personal and professional integrity in all aspects of their activities and are to comply with all applicable laws, regulations and internal policies and procedures, there is in place a Whistle Blower Policy to govern the reporting and investigation of allegations of suspected improper or unethical activities as well as violations of such laws, regulations and internal policies and procedures. The Whistle Blower policy is applicable to all employees and directors of the Group. The Whistle Blower Policy sets out the mechanism and stipulates the minimum standards to be adhered by all companies in the Group in dealing with disclosure on questionable actions and wrong doings by personnel of the Group with a view to act as a guide to all personnel within the Group when facing concerns over unlawful conducts, unethical occurrences or

questionable practices which may adversely affect the financial position or reputation of the Group and stipulates the process in which these concerns are to be escalated. This policy has a dual objective of encouraging personnel to raise their concerns on malpractice in a responsible manner without fear of retaliation or discrimination and enables management to be informed of unlawful conducts, unethical occurrences and questionable practices with an overall view of nurturing a culture of accountability and integrity amongst employees of the Group.

3. Group Chinese Wall and Insider Trading Policy

As a result of the Group's transformation, some common functions are shared by the different entities within the Group. At other times, one entity may draw on the expertise of another staff from within the Group with the pertinent skills and knowledge in specific areas in carrying out its business activities. Consequently, there is a need to ensure that the possession of confidential or Material Non-public and Price Sensitive information does not give rise to the risk or perceived risk of a conflict between the Group's interest and its duty to the client, and between its duties that may be owed to different clients.

The primary objective of the Group Chinese Wall and Insider Trading Policy is to establish procedures to control the flow of confidential or Material Non-Public and Price Sensitive Information within the Group to minimize the risk of breach of the Insider Trading provisions under the relevant regulatory requirements and to protect client confidentiality.

4. **Anti-Money Laundering and Counter Financing Terrorism Efforts**

In line with the various changes and developments in the anti-money laundering and counter financing of terrorism ("AML/CFT") laws and regulations locally and internationally, the Group has undertaken the necessary approach to ensure that its policies, procedures and practices, where necessary, acceded to all these requirements.

These policies, procedures and practices signify the Group's Board and Central Management's acknowledgement and commitment of their AML/CFT roles and responsibilities to prevent the Group from being abused as a conduit for money laundering and

terrorism financing. Further, they emphasize the employee's individual accountability and liability to ensure adherence to the laws and regulations and proper implementation of the policies, procedures and practices on AML/CFT.

Value of Compliance

The Board, Central Management and all employees extend their fullest cooperation to Compliance and endeavour to create and promote a compliance culture within their respective department. Critically, the Board and Central Management demonstrate strong support on the importance of compliance to all employees of the Group.

This has resulted in a lower incidence of disciplinary and regulatory actions imposed that may have an adverse effect on the Group's reputation. More importantly, Compliance by establishing control principles like segregation of duties and independent review serves to protect the business assets by decreasing the occurrences of unintentional errors or outright fraud through quick detection and rectification.

The effective penetration of a proper compliance culture into all business and administrative units has brought about and facilitated early detection of risk, resulting in a higher level of operational efficiency which in turn has translated into a reduction of operating costs and financial risk.

This has helped to preserve the Group's integrity and reputation whilst improving the corporate image of the Group as a respectable organisation thus increasing the shareholder value.



Race Towards Excellence

- ◆ Review of the Group's Business and Operations
 - ◆ Retail Banking
 - ◆ Islamic Banking
 - ◆ Corporate & Investment Banking
 - ◆ International Banking
- ◆ Review of The Malaysian Economy

review of the group's business and operations

The year under review marked a major milestone for the Group as we streamlined our banking operations to become more business and customer centric. The Group-wide transformation exercise enabled the Group to be more focused in its aspirations to become one of the Top Three leading Banking Groups in ASEAN by 2020. The transformation, which took effect on 1 November 2007 marked the official establishment of the four Strategic Business Units comprising Retail Banking, Corporate & Investment Banking, Islamic Banking, and International Banking, alongside four Strategic Functional Units, namely Operations & Support, Finance, Risk Management and Human Resources.

Retail Banking

The Group's Retail Banking Business serves the needs of retail customers and its forte lies in "packaged" products that include secured and personal loans, credit cards, wealth management, business loans, hire purchase financing, trade finance and insurance.

For the year ended 31 December 2007, the Group's Retail Banking Business recorded a pre-tax profit of RM662 million on the back of a turnover of RM2,706 million. This marks a notable 53% increase over a pre-tax profit after collateral adjustment of RM434 million in 2006.

This Strategic Business Unit's excellent performance was attributed largely to its ability to take advantage of its reach and brand recognition. With more than 180 branches nationwide, RHB's products and services are easily accessible in both urban and rural areas. Leveraging on our extensive network and backed by

improved efficiencies and the introduction of quality products during the year, we were successful in attracting new customers while retaining the business of our loyal base.

In terms of our loan portfolio, we remain resilient. The Business Unit saw improved margins and a healthy loans growth while Non-Performing Loans (NPLs) were maintained at a manageable level. Naturally, as the market becomes more competitive, the focus will move towards market driven pricing, better risk management and improved products and services.

Consumer Banking

The Consumer Banking segment registered total deposits amounting to RM21.9 billion as at 31 December 2007. This marks an increase of 3.6% or RM756 million compared to that achieved in 2006. Of this, the bank's current



accounts saw a 10% rise in deposits, while Multi Currency Account deposits and savings deposits increased by 38.2% and 5.8% respectively.

In terms of loans and advances, the Consumer Banking segment recorded a 79.6% increase in share margin financing in 2007 as compared to 2006 while ASB financing was also higher by 27.3%. This segment also benefited from a noteworthy increase of 13.1% from its credit card balances and 339% of personal loans business in 2007 compared to 2006.

Moving forward, the Consumer Banking segment will continue to develop holistic financial solutions that cater to our growing customer base. At the same time, we will be focused on improving customer service levels while aggressively marketing the Bank's credit cards via new and innovative channels.

Commercial Banking

The Commercial Banking segment remains a significant contributor to the Group's Retail Banking Business. In terms of market share, this segment commands approximately 7% of the SME market share and stands as the 4th largest SME lender in Malaysia. Commercial current account deposits also saw an increase of 14.3% in 2007 compared to 2006. Through the ready availability of products that include term loans, overdrafts, revolving credits and trade financing, bank guarantees and foreign exchange lines, we are able to cater to the needs of our commercial customers involved in key sectors of the Malaysian economy such as wholesale & retail, manufacturing, construction and agriculture.

Our suite of RHB BizPower products which is dedicated to SME borrowers includes BizPower Business Loans, BizPower Property Loans and BizPower Lite has seen continued success in 2007. A further 2,200 new loans were approved under RHB BizPower. To-date, the total loans approved under this product category is almost RM6.0 billion.

The Group continues to see vast potential in catering to SMEs. Moving forward, we intend to build a closer rapport with our existing customers, trade associations, government agencies like SMIDEC and CGC, offering them a wide range of solutions available within the entire Group. We are currently exploring the possibilities of expanding into new market segments including contract financing, micro financing and financing for professional services.

Finance Business

This segment, involved primarily in Hire-Purchase financing, registered RM7.7 billion in loans and advances, a 3.1% growth to compared to that achieved in 2006. Industrial hire purchase led the way with a 34% increase to RM2.37 billion from RM1.77 billion in 2006.

To further enhance performance in both Hire-Purchase and Industrial Hire-Purchase businesses we will continue to leverage on the Group's infrastructure.

Insurance Business

The Group's insurance business which comes as a component of the Retail Banking Business, has gained a reputation for its fast turnaround time with regard to inquiries and its impressive claims record. During the year under review, this segment recorded a 11.7% increase in gross premium to RM200.3 million compared to RM179.3 million in 2006.

To expand its customer base, RHB Insurance intends to take full advantage of the Group's base of clientele to tap into new areas of bancassurance.

Corporate Developments

In 2008, the Group's Retail Banking Business Unit will concentrate its efforts towards optimising its human resources and improving operational efficiencies across all spectrums of its businesses and to consolidate on its position as a core driver of growth following the Group's Transformation exercise.

Towards this end, the appointment of Mr Renzo Viegas as the Head of Retail Banking will enable us to close any gap to ensure that we achieve our long term objectives. Viegas brings with him more than two decades of experience in the international and local banking industry, as head of various aspects of banking operations in India, Singapore, Guam (USA) and the Asia Pacific region.

The Group's recent Transformation initiative had enabled us to become an integrated financial solutions provider for our retail customers.

Prospects and Challenges

The Group expects consumer and business sentiments, particularly in Malaysia, to be stable in 2008. Nevertheless, the retail banking sector will see ever-greater competition as industry participants, both local and foreign, continue to be aggressive in their sales and marketing efforts.

Against this backdrop, the Retail Banking Division aims to take advantage of our reach, accessibility and brand recognition to make further inroads in the consumer and commercial front.

We will continue to work towards a stronger market share in mortgages, credit cards and wealth management for our consumer segment while continuing to focus on industrial hire purchase financing for SMEs.

In terms of catering to consumers' needs, we understand that our customers' profile is one that is diverse. Our challenge here is to create products that truly cater to their needs. At the same time, it is imperative that we communicate the advantages or unique selling propositions of our products via a multi-channel platform. On the commercial front, we aim to continue to build on fostering closer relationships with our clients and truly understand their needs.

Islamic Banking

The Group has identified its Islamic Banking Business Unit, as one of the core growth drivers of the Group. RHB Islamic Bank Bhd (RHB Islamic) offers a diverse range of Shariah based financial products and services to both commercial and retail clients.

RHB Islamic has been steadfast in its commitment to tap opportunities that are present in the global marketplace. It has continued to develop Islamic banking products and services that are reliable and flexible to meet the demands of both the domestic and international markets. The Group has also had the benefit of sharing the expertised and experience of the Group's Shariah Council comprising of renowned Shariah scholars from Malaysia and abroad, in ensuring that we gain global recognition as a provider of reliable Islamic banking products and services.

The year under review saw RHB Islamic recording a pre-tax profit of RM162 million on a back of a turnover of RM479.5 million, an increase of 33% over last year's pre-tax profit of RM121.8 million achieved in 2006.

With total assets of RM8.4 billion as at 31 December 2007, RHB Islamic accounts for close to 12% market share of the entire Islamic Banking industry in Malaysia. Currently, RHB Islamic ranks No. 3 amongst this segment in the banking sector in Malaysia. Its sizeable footprint in the country placed RHB Islamic in the

31st ranking of the world's 100 largest Islamic banks in 2007 according to an annual survey conducted by Asian Bankers Research.

Islamic Consumer Banking

The RHB Islamic's Consumer Banking segment registered total assets of RM1.88 billion as at 31 December 2007. This is an increase of 15% compared to last year. RHB Islamic's deposits from customers saw an increase of 3% driven by the Mudhrabah General Investment Accounts.

In terms of consumer financing, Equity Home Financing-i was introduced in 2007. Based on the Shariah concept of Musharakah Mutanaqisah or Diminishing Musharakah, the Bank forms a partnership with the customer to acquire the property together. The customer will then pay rental on the Bank's share, which will be reduced over time as the customer's ownership in the property grows.

The Bank also offers automobile financing tool via Hire Purchase-i, which is based on the Al-Ijarah Thumma Al-Bai' (Hire Purchase) concept. During the year, the Al-Ijarah Thumma Al-Bai' recorded an asset size of RM632.3 million, increased by 151% as compared to prior year.

Islamic Institutional Banking (Corporate and Commercial Banking)

In 2007, RHB Islamic re-organised its business units where its corporate and commercial banking entities were amalgamated as one Islamic Institutional Banking segment in a bid to enhance synergies and economies of scale.

This segment will be focused on offering innovative Shariah based products and services to SMEs across key industries in Malaysia.

For the year ended 31 December 2007, the segment's financing business grew by 2% in comparison to the previous financial year mainly driven by our trade services business, which delivered an 84% growth mainly from Bills receivables.

Corporate Developments

Pn. Jamelah Jamaluddin was appointed as Chief Executive Officer (CEO) of RHB Islamic in August 2007 and was re-designated as Managing Director on 8 October 2007. She brings with her more than 20 years of experience in the banking industry.

The year under review also saw the setting up of new departments and recruitment of personnel with the required skills and expertise within the Islamic Investment Banking segment. Emphasis would be given to driving the Sukuk, structured finance, investments funds and 'equity' based products in the market place. This is part of our effort to realise the Group's strategic intent to position RHB Islamic for global opportunities.



Prospects and Challenges

In our 2008 financial year, RHB Islamic is focused on enabling its Institutional Banking segment to capture more market share and create a niche for itself in a competitive playing field. Towards this end, Islamic Banking Team will be working closely with the Group's Retail Banking team to establish stronger market presence in SME businesses in order to provide comprehensive solutions to customers.

The Group's business unit plans to leverage on existing relationships while creating niche markets through the introduction of more fee based activities, equity and participatory activities in line with the intended businesses for its Islamic Investment Banking segment.

The Bank will be aligning all operational and back-offices processes across the Group with benchmarking against industry's best practices. The implementation of the new iMAL Core Banking System, which is the industry-leading integrated Islamic banking

software that offers new, flexible and advanced solutions will allow the Islamic banking business to cater for the Shariah based product model and provide for cost efficient electronic delivery channel.

With the introduction of new Islamic financial products, competitive pricing of existing and new products as well as increasing demand for Islamic financial instruments in general, there is a need for the implementation of better controls, monitoring and identification of risks methodologies.

Towards this end, the Bank will seek to improve its risk management capacity via the establishment of compliance management that is consistent with international best practices and internal regulatory requirements.

The Bank has in place strong monitoring and control processes pertaining to asset quality by establishing an Early Care Unit that will monitor the asset quality at all times. Early warning signals and tools are implemented to ensure proactive measures are taken to resolve and prevent deterioration of assets.



RHB Islamic will continue to emphasise on a robust credit management processes in adhering to the Basel II and the Islamic Financial Services Board's standards and requirements. This initiative will leverage off the Basel II work being done within the Group.

The Bank is also looking towards the implementation of Capital Adequacy Framework for Islamic Banks (CAFIB) in regard to capital adequacy where more prudent risk management analysis and tools would be required to assist and direct business activities towards more risk based approach.

Corporate & Investment Banking



Under the Group's strategic Transformation initiative, RHB Investment Bank Berhad ("RHB Investment Bank") will spearhead the Group's Corporate & Investment Banking ("CIB") strategic business unit ("SBU"). The creation of CIB SBU will be beneficial to our corporate clients as we will present RHB as "one face only" and not as segmented service providers. New and existing clients will be serviced by specialised Client Service Teams, designed to build deeper relationship with them and develop customised integrated solutions for them.

The main businesses under the SBU are the full range of investment banking services (corporate finance, debt & equity capital markets and securities), Corporate Banking, Japanese Desk for Malaysian based corporates, Investment Management, Research and offshore banking via RHB Bank (L) Ltd (Labuan).

For the financial year ended 31 December 2007, RHB Investment Bank achieved outstanding results on the back of a consolidated profit before tax of RM119.69 million representing nearly a 50% increase from last year. This amounted to a contribution of about 10.5% to the Group's bottom line.

RHB Investment Bank's strong performance for the period under review was mainly attributed to increased in net interest income and fee income.

RHB Investment Bank's focus in 2007 was primarily on mergers & acquisitions ("M&A") and equity capital market ("ECM") activities. Our strategic move paid dividends as our ranking in the M&A league table improved from 7th in 2006 to 2nd in 2007 and our market share in the equities league table almost doubled from 2.9% to 5.2%.

During the year under review, RHB Investment Bank also enhanced its market presence by undertaking some landmark deals in Malaysia including the privatisation of Maxis Communications Berhad, the nation's biggest M&A deal in terms of value, the restructuring of RHB Capital Berhad and as adviser to Kumpulan Guthrie in Synergy Drive's acquisition of Sime Darby, Kumpulan Guthrie and Golden Hope Plantations. For the Maxis deal, RHB Investment Bank received 2 notable awards from FinanceAsia, namely the Best Domestic M&A Deal and Best Malaysia Deal, and for the Synergy Drive deal, the Best Deal in Malaysia award from Asiamoney.

In the debt capital markets ("DCM"), RHB Investment Bank's market share also improved from 5.3% in 2006 to 8.8% in 2007. We took on lead roles in several major private debt issuances undertaken by Binariang GSM Sdn Bhd and RHB Bank Berhad and were also involved in a few main asset-backed securitisation deals for companies that include RCE Capital Berhad and Prima Uno Berhad. Rating Agency Malaysia (RAM) at the RAM Awards of Distinction named the Binariang GSM issue the Outstanding Deal of The Year for 2007.

Corporate Developments

During the year under review, we successfully formed an integrated investment management arm following the merger of our asset management and unit trust management services under RHB Investment Management Sdn Bhd.

RHB Investment Bank was also the first local brokerage to offer its institutional clients Straight Through Processing, a quicker routing of orders by passing dealer intervention. This is a precursor to eventual adoption of full Direct Market Access when launched by Bursa Malaysia later.

Prospects and Challenges

For 2008, we expect the capital markets to remain active despite the challenging period, for the economy, various fundraising and corporate exercises as the key driving forces.

Taking advantage of these prospects, at RHB Investment Bank, we will strive to continue playing a leading role in capital market activities by offering new financial solutions to clients. We are also strengthening our footprints in the region, namely in Singapore and Vietnam.

We view the growing competition in the industry positively as it will allow efficient players to stand out. With the ongoing transformation exercise, RHB Banking Group is poised to be operationally more efficient and customer-focused. Together with a strong infrastructure and increasing brand awareness, we will leverage on the RHB Banking Group to tap various growth opportunities in the financial industry.

Going forward, we will continue to intensify efforts to further increase our market share and dominance in line with our aspiration to be one of the Top 3 leading Banking Groups in ASEAN by 2020.

International Banking

In its bid to become the Top 3 leading Banking Groups in ASEAN by 2020, it is imperative that the RHB Banking Group expand its footprint aggressively on a regional scale. Currently, the Group has gained a foothold in Singapore with seven branches and a branch in Brunei and Thailand each. The Group also has a non-ringgit based offshore funding operations in Labuan.

For the year ended 31 December 2007, the Group's International Banking Division achieved a profit before INCPs of RM37.7 million, which is a 40% increase, as compared to RM27.0 million in 2006.

Total deposits recorded during the year amounted to RM3.1 billion, which is a slight increase as compared to RM3.0 billion recorded in 2006. Gross loans, advances and financing for the Division amounted to RM2.6 billion in 2007, which was relatively the same as that in 2006.

This encouraging performance was attributed to stronger growth in selected sectors in the countries that we operate in. Our branches in Singapore and Brunei benefited from the continued strong performance of the oil and gas industry while stronger growth in Thailand's construction sector had a positive impact on our branch's performance. Also, our international operations were not affected by the US sub-prime crisis.

Singapore

The Division's Singapore branch received the Singapore Service Class (S-Class) Award in service quality. Launched by the Singapore Government and spearheaded by SPRING Singapore, it is one of the most prestigious awards conferred on organizations that demonstrate service excellence in Singapore. The award is also in recognition of implementation of the right system and infrastructure model that is designed to achieve a high quality service culture through the delivery of excellent service to all our customers in Singapore.

RHB Singapore was the First Full-Bank in Singapore to be conferred the Singapore Service Class (S-Class) Award. This was accorded to the Bank after rigorous on-

site evaluation by the National Assessors appointed by SPRING Singapore on all aspects of service leadership, service agility, customer experience, customer delight and other service quality improvement initiatives.

Our business in Singapore is also benefiting significantly from the success of Trio Current Account, an innovative product launched in 2005 that targets working professionals. Just two years after its inception, the Trio Current Account has grown by 345% as at 31 December 2007. Moving forward, we hope to leverage on similar new products and services to enhance our presence in Singapore.

Thailand

Our operations in Thailand are keen to expand its distribution capability with the expected changes in the country's Central Bank's branching regulation. Banking reform guidelines are envisaged during the first half of 2008.

Brunei

In 2007, our Brunei operations invested in enhancing its IT capabilities to broaden its product offering. This branch also increased its capital investment to expand its lending capacity while concurrently increasing its capital base to provide for future business expansion in the country.

Labuan

Labuan maintained its market share thanks to referrals from Singapore as well as from Corporate and Investment Banking in Peninsular Malaysia.

Corporate Developments

RHB Investment Bank has announced the proposed acquisition of 49% stake in Vietnam Securities Corporation.

Prospects and Challenges

In an effort to strengthen our international operations, we aim to make further investments in IT infrastructure that will enhance our delivery system to compete effectively with local and regional banks there. In the coming months, efforts will be initiated to apply our proven core delivery systems to our international operations.



Our success also hinges on the ability to provide wide ranging and attractive products. As such, we will offer more products and services tailored to the specific needs in foreign countries while taking advantage of data mining services.

More importantly, the Group intends to its presence in the countries where we have already gained a foothold, as well as explore new markets through expansion or acquisition.

We will continue to keep abreast of developments in neighbouring countries as well as track the operations of domestic and international companies, and large Malaysian companies as clients expand regionally and globally. We will also focus on large corporate medium markets and selective Small and Medium Sized Enterprises.

While economic sentiments in the above-mentioned countries remain stable, competition will intensify as more and more local and international participants aggressively vie for market share.

Our challenge will be to tap the opportunities that are available while effectively tailoring our products and services to meet the needs of our target market segments. It is crucial that our International operations leverage on the entire Group's expertise and resources to be successful. The key to our sustainability lies in our ability to deliver more sophisticated financing solutions to meet the growing demands of our customers, now and in the future.

Mr Michael Joseph Barrett
Group Managing Director,
RHB Capital Berhad

review of the Malaysian Economy

ROBUST DOMESTIC DEMAND, DRIVEN BY PRIVATE SECTOR ACTIVITIES

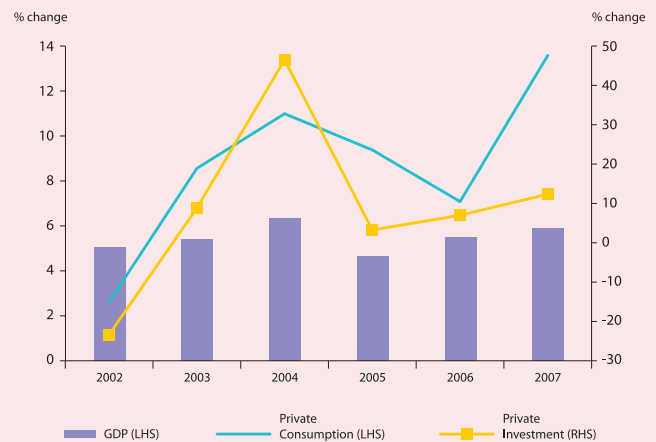
The Malaysian economy expanded at a stronger pace of 6.3% in 2007. This was despite a weaker external environment, which led to a slowdown in export growth to 3.7%. The economy was driven by robust domestic demand, which expanded by 10.5% and was underpinned by strong expansion in private sector activities (see Table 1). Both private consumption and investment activities grew strongly during the year (see Chart 1). Consumer spending expanded at a double-digit rate of 11.7% in 2007 - the strongest growth since 2000, buoyed by rising disposable income on account of high commodity prices, salary increments in both the public and private sectors, as well as favourable labour market conditions. Similarly, private investment also grew strongly by 12.3% in 2007. This was reflected in investment in the manufacturing, services, construction, and oil and gas industries. Public investment and consumption were sustained in 2007.

Table 1. GDP by Expenditure Components (at constant 2000 prices)

	2006	2007	2008f
	% yoy		
Consumption	6.6	10.6	6.8
Public sector	5.0	6.4	6.0
Private sector	7.1	11.7	7.0
Gross Fixed Capital Formation	7.9	10.2	5.8
Public sector	8.9	8.0	4.5
Private sector	7.0	12.3	7.0
Aggregate Domestic Demand	7.0	10.5	6.5
Exports of Goods & Services	7.4	3.7	0.9
Imports of Goods & Services	8.6	4.1	2.2
GDP	5.9	6.3	5.6

Source: Department of Statistics, RHBRI
F: RHBRI's forecasts

Chart 1. Economic Growth Driven by Private Sector Activities



Source: Department of Statistics

SERVICES SECTOR GAINING PROMINENCE

Against a backdrop of slowing export growth, the manufacturing sector experienced a slower growth of 3.1% in 2007. This was, however, more than compensated by the stronger growth in the services, construction and mining sectors (see Table 2). Indeed, the services sector has become the main engine of growth for the Malaysian economy, underpinned by robust domestic demand and new growth areas in finance, business services and communications. After three consecutive years of contraction, the construction sector recovered and registered positive growth during the year as the implementation of the Ninth Malaysia Plan projects picked up momentum. The agriculture sector, however, recorded slower growth during the year, affected primarily by the biological down-cycle in the palm oil sub-sector.

Table 2. GDP by Industrial Origin (at constant 2000 prices)

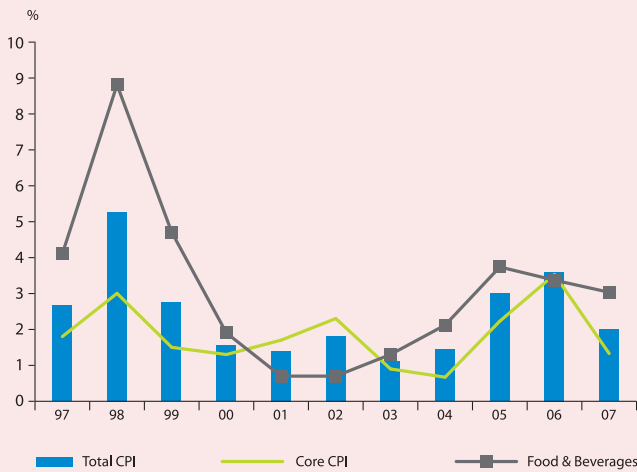
	2006	2007	2008f
	% yoy		
Real Gross Domestic Product	5.9	6.3	5.6
Agriculture, forestry & fishing	5.2	2.2	2.6
Mining & quarrying	-0.4	3.2	3.0
Manufacturing	7.1	3.1	1.0
Construction	-0.5	4.6	5.5
Services	7.2	9.7	8.8

Source: Department of Statistics, RHBRI
F: RHBRI's forecasts

LOWER INFLATION

The strong economic performance was achieved in an environment of relative price stability. Despite rising food and beverage prices, the headline inflation eased to 2.0% in 2007 on account of a slower increase in the core inflation rate. This was largely on the back of a higher base effect as transportation costs went up significantly in 2006, affected by one-off sharp adjustments in fuel prices.

Chart 2. Inflation Eased In 2007

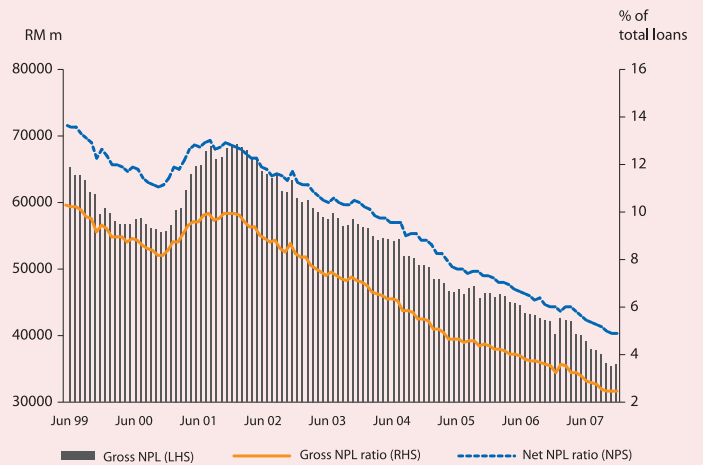


Source: Department of Statistics

MONETARY CONDITIONS SUPPORTIVE OF GROWTH, ASSET QUALITY OF BANKS CONTINUED TO IMPROVE

The monetary policy was accommodative and interest rates were left unchanged during the year. Reflecting stronger transactional activities in the economy, M1 growth picked up from 13.7% in 2006 to 19.5% in 2007, although the broader monetary aggregate, M3, moderated from 13.0% to 9.5% during the same period. The monetary conditions were generally supportive of growth and loans extended by the banking system picked up from 6.3% in 2006 to 8.6% in 2007. The asset quality of the banking system continued to improve, with its 3-month net non-performing loan ratio dropping to a low of 3.2% by end-2007 (see Chart 3).

Chart 3. Banking System's Asset Quality Improved Further



Source: Bank Negara Malaysia

STRONG EXTERNAL POSITION, RINGGIT STRENGTHENED

The external position strengthened during the year with the current account in the balance of payments recording a larger surplus of RM99.3bn or 15.8% of GNI (see Table 3). The merchandise trade surplus remained large, while the services account recorded a surplus for the first time on account of higher tourism and transportation receipts. Inflows of foreign direct investment and portfolio investment were larger. Overall, the country's foreign exchange reserves rose by US\$18.9bn to US\$101.4bn, sufficient to finance 8.4 months of retained imports. This strong external payments position continued to fuel domestic liquidity and provided a strong underlying support to the ringgit, which strengthened by 6.7% during the year to RM3.3065/US\$ as at 31 December 2007 (see Chart 4).

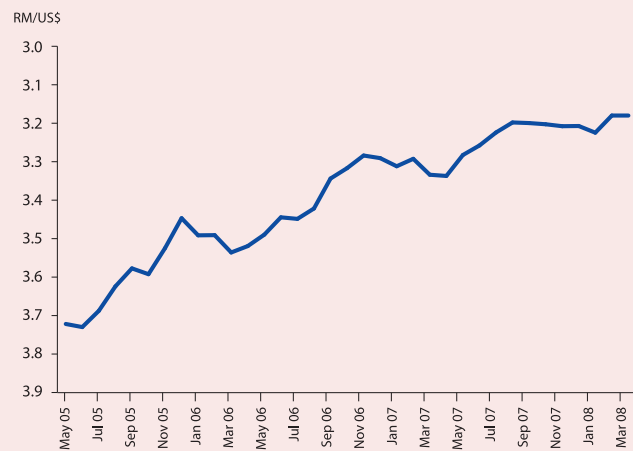
Table 3. Balance Of Payments

RMbn	2006	2007	2008f
Current Account	93.4	99.3	88.7
(% of GNI)	16.8	15.8	13.3
Goods	134.6	128.2	122.5
Services	-6.9	1.0	-2.3
Income	-17.4	-13.7	-14.8
Current transfers	-16.9	-16.1	-16.8
Financial account	-43.5	-37.0	-22.0
Basic balance	49.9	62.3	66.7
Errors & omissions	-24.8	-16.9	-15.0
Overall balance	25.1	45.3	51.7
Outstanding reserves*	290.4	335.7	387.4
(US\$)*	82.5	101.4	121.0

* : As at end-period

F : RHBRI's forecasts

Source: Department of Statistics

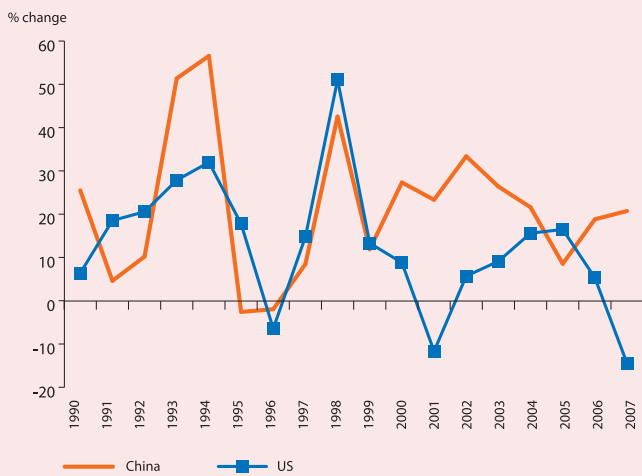
Chart 4. Ringgit On An Appreciating Trend

Source: Department of Statistics

OUTLOOK FOR 2008**Rising Intra-Asian Trade And Consumerism**

Two factors that stand up for Malaysia in this cycle are rising intra-Asian trade and rising consumerism in the country. While the Malaysian economy will not be spared from the weakening demand from the developed countries and its exports to the US have contracted by 14.5% in 2007, this was mitigated by the strong exports to China (+23.3% in 2007, see Chart 5), where the country's export share has risen from under 3.0% in the 1990s to 8.7% in 2007 (see Chart 6). On the domestic front, rising consumerism will likely mitigate the downside risks coming from the external sector. Consumer spending accounts for close to 50% of GDP in Malaysia and there are several underlying trends underpinning its growth, which will unlikely be derailed even if export growth were to fall into the negative. These include high savings and favourable demographics of the population, the relatively good palm oil and rubber prices that have boosted rural households' incomes as well as government measures such as civil servant pay rise and Employees Provident Fund (EPF) members' withdrawals for monthly housing loan installments. The rise in consumerism in the country is reflected in the services sector, where its contribution to the economic growth has risen significantly in recent years as a result of the trend of rising consumption of services.

Chart 5. Falling Exports to US Mitigated by Strong Demand from China



Source: Department of Statistics

Chart 6. Export Market Share To US Falling While That To China Has Risen Sharply



Resilient Domestic Demand

With the strong underlying support emanating from the consumer sector, domestic demand is envisaged to be resilient. Other than consumer spending, private investment will likely suffer some moderate slowdown from the impacts of falling industrial capacity utilisation rate on the back of softening exports, rising execution risk of projects after the outcome of the recent general election as well as surging input costs. Public sector spending will likely moderate as well, as mapped up under the 2008 budget in order to contain the budget deficit at a manageable level. Overall, real GDP growth is projected to moderate, but remain respectable at around 5.6% in 2008.

Inflation Manageable, Accommodative Monetary Policy To Continue

Meanwhile, the balance of payments will continue to generate a healthy current account surplus in 2008, fuelling domestic liquidity and leading to a further build up in the foreign exchange reserves of the country. This will continue to provide a strong underlying support to the ringgit. While inflation is on the rise on account of high commodity prices and rising input cost, it will likely remain manageable and the Central Bank's monetary policy is expected to remain accommodative and supportive of economic growth.

Chart 7. RHBcap Share Prices & Volume Traded In 2007

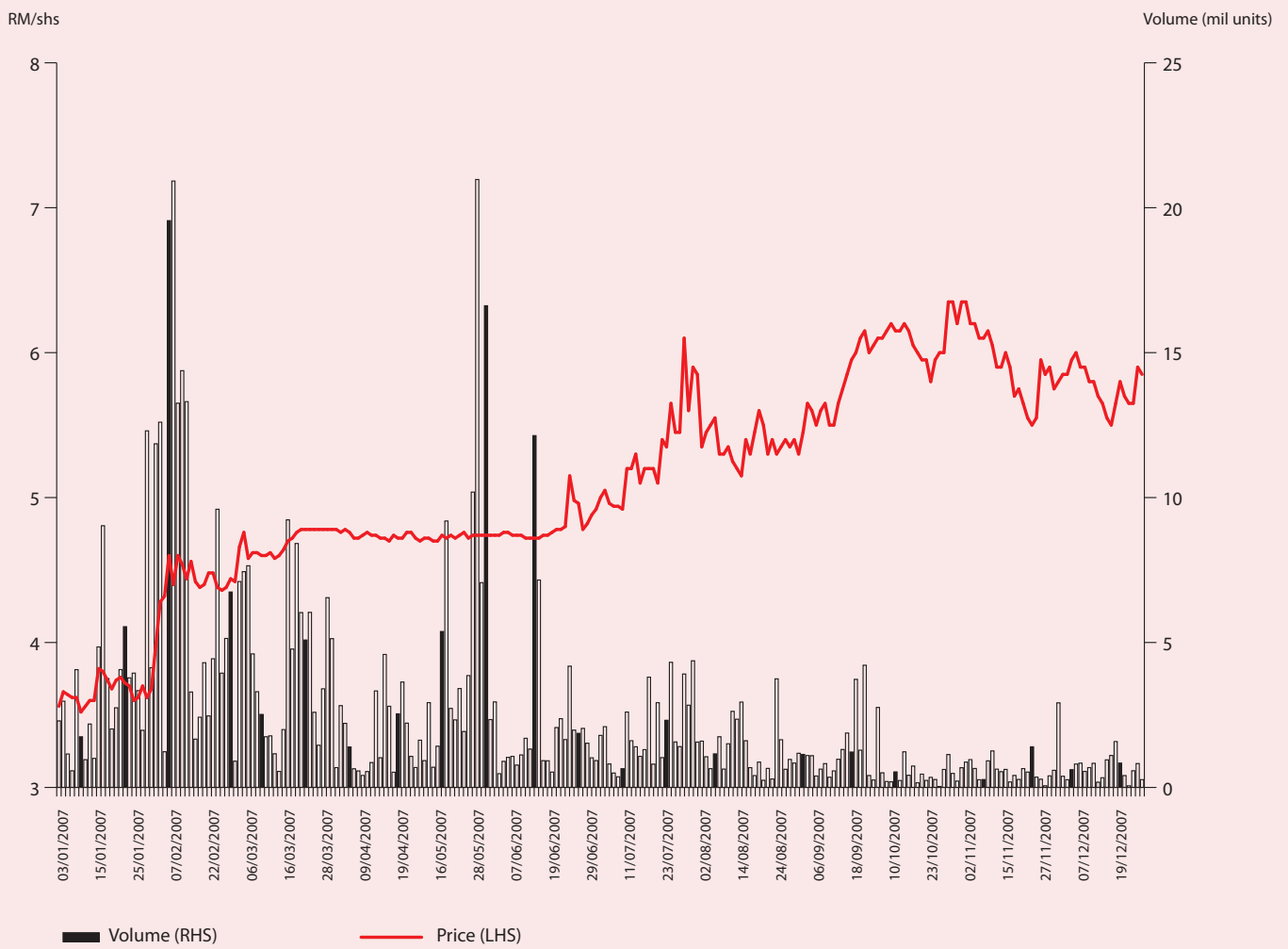
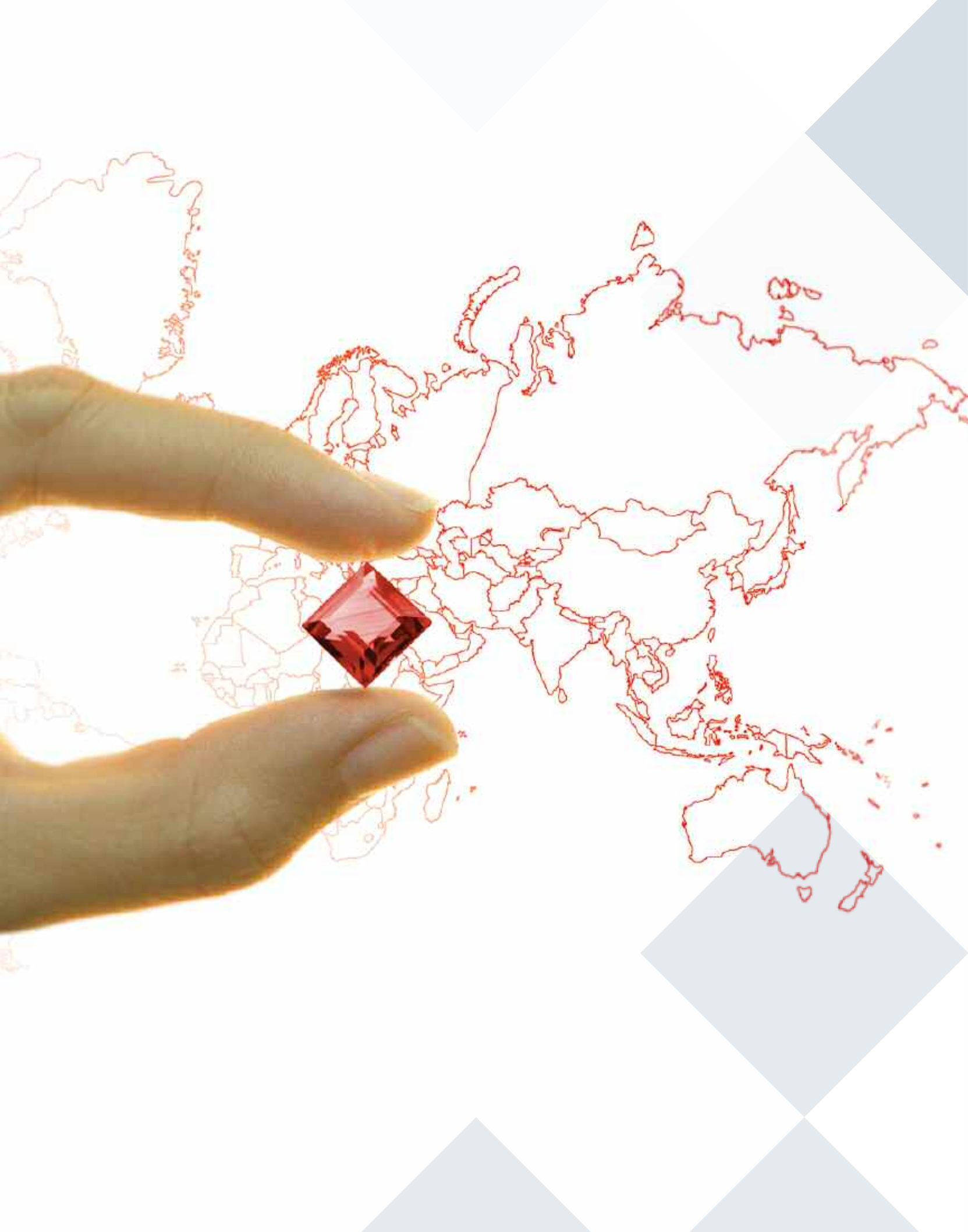


Chart 8. RHB Cap Share Prices And KLCI In 2007




Lim Chee Sing
Executive Director of RHB Research Institute Sdn Bhd



Roadmap to Success

- ◆ Outlook on Transformation
- ◆ Awards and Recognition

outlook on transformation

Racing to rank among ASEAN's

Datuk Azlan Zainol's metaphor of running a race with no ending is a bold strategy. It requires the RHB Group to treat the race to the top as one that will continuously push the Group to take challenges in its stride and keep going forward, rather than being satisfied at breasting the tape at a specified distance.

It is a task that requires a Group-wide commitment to compete with the toughest competitor of all – one's self – in raising the bar.

Datuk Azlan Zainol spoke on several topics linked to this transformation, pointing out that it began with a streamlining of the Group's structure and approach to operations.

While streamlining group operations was a major step forward, the goals set for the RHB Group were both lofty yet attainable, and as results came in, the market sat up and took notice of a banking group that was clearly forging ahead.

Datuk Azlan Zainol took the time to outline aspects of RHB Capital's transformation programme and the exciting times ahead for both stakeholders as well as the banking public and business communities.

How important is transformation to the RHB Group?

It is of the utmost importance. Without transformation we will not be able to reach our goals. By 2010, we want RHB Capital to achieve a minimum of 100% increase in profit. Again by 2010, we want to be more efficient and reduce cost-to-income ratio from 40% to 35%. All this will help us in our third goal to be among the Top 3 financial institutions in ASEAN, by 2020.

What are the key aspects of this transformation?

To harness our strengths and to leverage on scale to seamlessly deliver all products and services of the Group effectively to our customers. The various businesses within the Group are streamlined into four Strategic Business Units comprising Retail Banking, Corporate & Investment Banking, Islamic Banking and International Banking, supported by a centralised support platform.

What does it mean to a typical customer?

The creation of the four Strategic Business Units makes it easier for our present and future customers to do business with the entire Group. Even though the customer has various needs, he now is aligned against one of the SBUs to meet fully his requirements. That translates into an efficient, time saving point of contact that fosters a greater understanding of what the customer needs. It says that we have dismantled barriers in delivering efficient services.

Who will drive this change?

The Board will provide its support and guidance to Central Management team spearheaded by the Group Managing Director.

What is the central management team's first priority?

In line with our consolidation, the central management team's key priority is to oversee the smooth running of all four Strategic Business Units and the three Strategic Functional Units. Secondly, to leverage on the scale of the Group by removing duplications. Hence, the creation of three Strategic Functional Units with a view of developing a banking group which is agile and competitive, a 'wholesome bank' – friendly and warm.

Are you going through this period of change alone with internal resources, or with partners?

Our consolidation and transformation programme will boost what we already have. We are looking at a partner who will show the same level of commitment and passion for the RHB Banking Group.

What kind of results can you report?

It is too early but indications are good. Through the reorganisation, we hope to realise significant earnings lift from the refinancing of the INCPS*, and sub-debt as well as the repurchase of the 30% stake in RHB Bank. Finally, our performance in financial year ended 31st December 2007 shows net profit up by 63% and a return on equity of 11.9%.

*** Irredeemable Non-Cumulative Convertible Preference Shares.**

What is the scope for the Group's Islamic banking operations?

Islamic banking will be one of our key future growth drivers and in line with Malaysia's aspiration of being the International Islamic Financial Centre, the strategic intent is to position Islamic banking for global opportunities. Islamic banking contributes 10% to the RHB Banking Group bottomline, but we aim to take it further to at least 20%-30% in three to five years. We are creating a niche market with innovative Shariah-based joint-venture products that should go perform well in markets such as Bahrain, Dubai and Saudi Arabia.

Top 3 banking groups

“We’re in a race with ourselves to become a banking name known throughout ASEAN. That means the transformation process already in place will accelerate to deliver a sleek, well-conditioned team running to a single strategy.”

Datuk Azlan Zainol

Non-Independent Non-Executive Director
RHB Capital

How about regional ambitions?

We are definitely putting more emphasis on this. We have presence in Thailand and Brunei, and an established presence in Singapore with seven branches. We are currently exploring possibilities of establishing presence in Cambodia, Vietnam and Indonesia.

How about local ambitions?

The Group has comparative advantage in our reach of customer base, brand recognition, products and services. We believe that with the changes we have set in place, and the talent we have on hand, we are in a competitive position.

What plans are in-store to nurture home grown talents?

It goes without saying that our single most important asset is our people. We have and will continue to invest substantially in nurturing the skill sets of our people. We will put together a robust Performance Management Framework which will drive talent management and career development.

Going forward, how will the Group drive its customer-centric philosophy?

On several fronts, through customer focus, respect, teamwork, innovation and quality service. Collectively, these core values form the foundation and are central to our continued success.



awards and recognition



RHB Bank

Awards	Description
Certificate of Recognition from MasterCard	◆ 1 st in Malaysia to launch OneSmart™ MasterCard Paypass – Issuing & Acquiring
Atos Origin Customer Award	◆ 1 st Cardlink Version 2 Implementation
SIRIM ISO 9001 : 2000	◆ ISO Re-Certification
Women's Health & Asian Traditional Medicine – Best Booth	◆ Bronze Award
8th Customer Relationship Management & Contact Centre Association Malaysia (CCAM) Annual Contact Centre Awards 2007	<ul style="list-style-type: none"> ◆ Gold Award for the Best In-House Sales Contact Centre (Over 50 Seats) under Corporate Awards Category ◆ Silver Award for the Best In-House Service Contact Centre (Over 50 Seats) under Corporate Awards category ◆ Bronze Award for the Best Contact Centre Team Leader (Over 50 Seats) under Individual Awards category – Ms Gurmit Kaur Ragbir Singh ◆ Bronze Award for the Best Contact Centre Telemarketer (Open) under Individual Awards category – Ms Evelyn Ee Sue Ying
Asian Currency Bond Benchmark Survey	◆ Top Salesperson in Malaysia – En Jamil bin Baharuddin
Singapore Service (S-Class) Award by SPRING Singapore	◆ RHB Bank Berhad Singapore
Sporting Singapore Inspiration Awards	<ul style="list-style-type: none"> ◆ Bronze Award – Organization Sports Partners Category, RHB Bank Berhad Singapore ◆ Silver Award – Organization Sports Business Category, RHB Bank Berhad Singapore

RHB Investment Bank Berhad

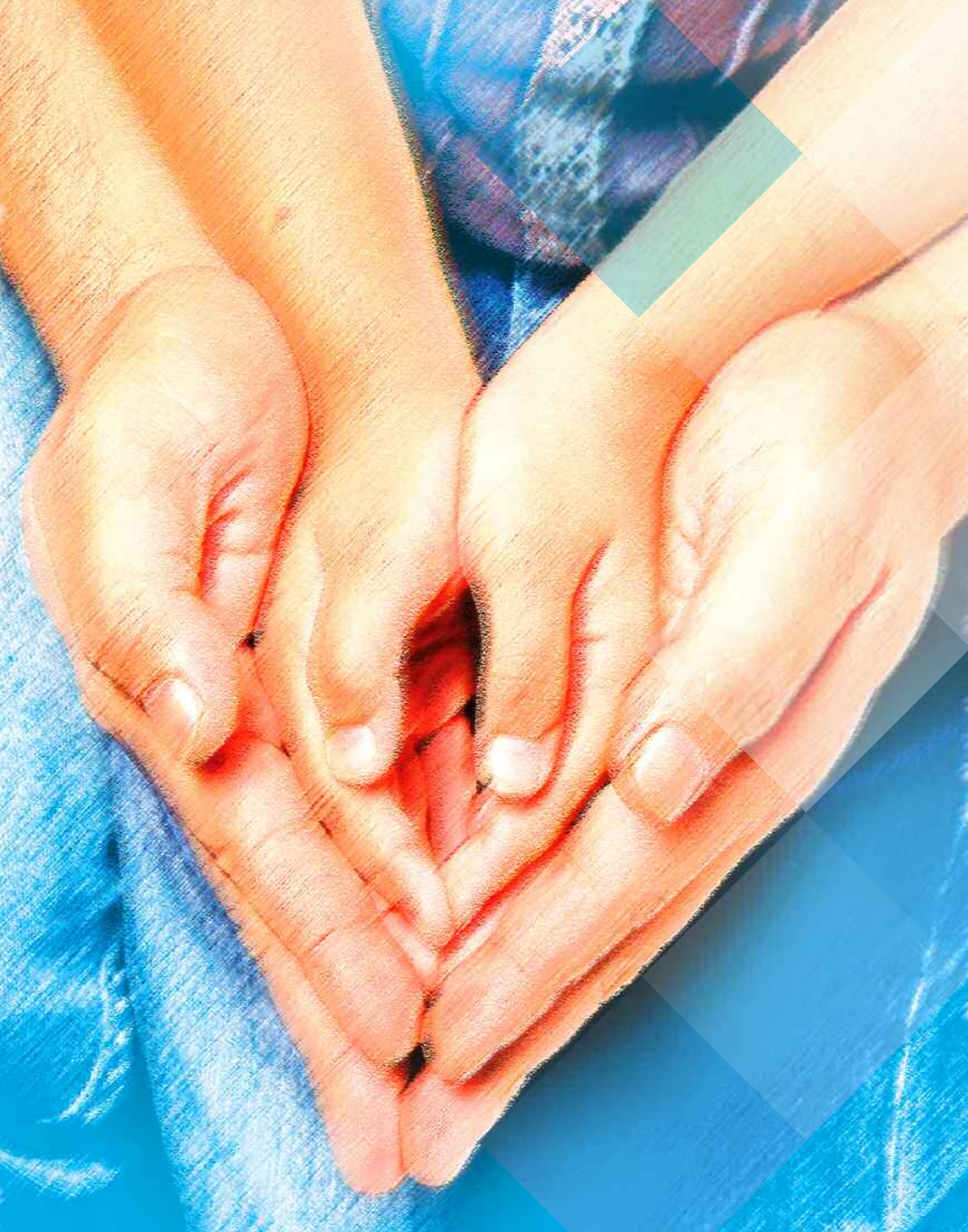
Awards	Description
Asiamoney Brokers Poll	<ul style="list-style-type: none"> ◆ Best Local Brokerage (rank 2) 2007 ◆ Best Execution (rank 3) 2007 ◆ Best in Sales Trading (rank 3) 2007
Asiamoney Country Awards	<ul style="list-style-type: none"> ◆ Best Deal in Malaysia 2007 for Synergy Drive's acquisition of Sime Darby, Kumpulan Guthrie and Golden Hope Plantations
Bursa Malaysia	<ul style="list-style-type: none"> ◆ Top Financial Futures Broker Award 2007
Finance Asia Achievement Awards	<ul style="list-style-type: none"> ◆ Best Malaysia Deal 2007 for Maxis Communications de-listing ◆ Best Domestic M&A Deal 2007 for Maxis Communications de-listing
Malaysian Rating Corporation Berhad (MARC)	<ul style="list-style-type: none"> ◆ No. 3 in Conventional Bonds Issue Count 2007
RAM Award of Distinction	<ul style="list-style-type: none"> ◆ Outstanding Deal of The Year 2007 for Binariang GSM Sdn Bhd

RHB Research Institute Sdn Bhd

Awards	Description
Asiamoney Brokers Poll	<ul style="list-style-type: none"> ◆ Best Research on Macroeconomics (rank 1) 2007 ◆ Best Local Brokerage (rank 2) 2007 ◆ Most Independent Research (rank 3) 2007 ◆ Food, Beverage & Tobacco (rank 3) 2007
Asset Asian Currency Bond Survey	<ul style="list-style-type: none"> ◆ Best Analyst / Economist 2007 – Ray Choy Swee Yew
StarMine Analyst Awards for Asia	<ul style="list-style-type: none"> ◆ Top Stock Picker in Energy & Chemicals Industry 2007 – 1st Place for Yap Huey Chiang ◆ Top Stock Picker in Real Estate Industry 2007 – 1st Place for Low Yee Huap ◆ Top 2 Stock Picker in Media Industry
StarMine Broker Rankings	<ul style="list-style-type: none"> ◆ FTSE Bursa Malaysia 30 Index – (rank 1 in recommendations) Malaysia 2007
The Edge	<ul style="list-style-type: none"> ◆ Best Oil and Gas Analyst 2007 – 1st Place for Yap Huey Chiang ◆ Best Technology Analyst 2007 – 2nd Place for Yap Huey Chiang ◆ Best Utilities Analyst 2007 – 2nd Place for Yap Huey Chiang ◆ Malaysia's Top 3 Economist 2007 – 3rd Place for Lim Chee Sing

RHB Islamic Bank

Awards	Description
Islamic Finance Awards	<ul style="list-style-type: none"> ◆ For Most Innovative Sukuk Structure & Transaction, London Sukuk Summit 2007





Corporate Social Responsibility



Hand in hand with a *Buddy* or a group of friends

OUR CSR PHILOSOPHY

- To embark on initiatives that cut across and impacts the community at large transcending cultural and religious differences
- Voluntary contribution that is expected to create and instil positive social values not only to the Group's employees, but also to the society as a whole
- To develop initiatives that bring together the business, government, Non-governmental Organisations ("NGOs") and the community working in partnership with one another

The Group places much emphasis on Corporate Social Responsibility (CSR) given the fact that we do not exist in isolation. More importantly, as a leading financial services group, we believe that we are empowered to make a difference to our society by embarking on initiatives that gives positive contribution to the community at large.

Hence, our involvement in a CSR initiative centered on Children – their growth, development and the promotion of children's welfare. The three main aspects of our 'children-centric' initiatives are the Missing Children – Reuniting Families programme, a joint collaboration with the Royal Malaysian Police ("PDRM"),

a Children Safety Awareness Campaign and the promotion of educational excellence amongst students in Government schools with the endorsement of the Ministry of Education.

Throughout the planning and implementation of our initiatives, we have brought various disparate groups comprising authorities, NGOs, Government bodies, media and the employees of the Group together in realising the aspirations of creating a better environment for children. This partnership, we believe has strengthened our resolve in ensuring the success of our initiatives.



A CSR Initiative

missing children, reuniting families

Given our strong presence and our reach, it is an obvious step for us to play a role in offering the authorities and concerned families an alternative channel for the flow of critical information on children who have been reported missing from their homes.

For the year under review, in collaboration with PDRM, we facilitated this process of finding missing children via a comprehensive plan which involved the distribution of posters to members of the public as well as leaflets containing information of these children to all our branches nationwide. We also worked with major shopping malls and public transport hubs to assist in distributing posters of the missing children.

The Group have also placed advertisements of missing children in major dailies for the purpose of publicity of the missing children as well as placing pictures of any child reported missing in all our ATM machines nationwide.

We are pleased to note that our efforts benefited the affected communities, who have no means or other channels to bring to the forefront their concerns, anguish and grieve.

We also believe in the importance of being pro-active. Hence, in the current financial year, we have taken our Missing Children campaign to the next level by providing crime prevention tips for children via informative advertisements in major newspapers. The crime prevention tips were then compiled as an easy-to-read booklet.

Themed 'Crime Prevention Tips for Kids', the booklet comes in a compact size that fits easily into a school bag. It contains a series of dos and don'ts that children can

follow. Currently, we have distributed a total of 150,000 copies of the booklet to 170 primary schools in urban centres across the nation.

In addition, have also organised a nationwide roadshows in primary schools in urban centres. We are also working with the various local education departments and police in the respective states to ensure that the school children receive the maximum benefits from this initiative.

EDUCATION

The English language continues to be an important medium of communication. The Government, in partnerships with schools and institutions of higher learning, has strived to provide quality English education in order to prepare students to be globally competent. In supporting this effort, the Group in 2007 became the presenting sponsor of the EduSmith National Essay Writing Competition – WordSmith 2007 and Tunas Pujangga 2007, a competition that has brought the best out of our young contestants. We believe this is our way to help nurture the future leaders of the nation.

In continuing our efforts of promoting educational excellence, the Group in collaboration with the New Straits Times Press, introduced a nationwide spelling competition in February 2008. Themed RHB-New Straits Times Spell-It-Right ("SIR") Challenge, the competition offers students in primary and secondary schools an opportunity to improve their English language in a fun way. The SIR Challenge is intended to encourage students to read books and newspapers to improve their language skills as well as their general knowledge.

Through these initiatives, we hope that young Malaysians will be able to enhance their English language skills in a light-hearted and interactive manner.

OTHER INITIATIVES

Marketplace

In February 2007, RHB Bank initiated the RHB Flood Relief Loan Assistance Programme under the personal financing business to assist Malaysians affected by the floods. The Bank set aside RM5 Million for quick loans on easy repayment terms to help thousands of flood victims in Johor, Terengganu, Kelantan and Melaka. It was an effort made to assist individuals to rebuild their lives and ease their burden.

Caring for the community

Our strong presence gives us the advantage to engage with the community within which we operate. Our intention in supporting the community is visible in our specific and focused contributions to a brand range of needs. Whilst this is perceived as a corporate philanthropy exercise, we are pleased to note that our monetary and volunteer contribution has somewhat alleviated the problems of the community involved to a certain extent.

One such instance was our adoption of a village in Simpang Renggam, Johor which was badly affected by the floods. Known as Projek Kasih, we refurbished 19 homes in Kampung Kolam Air. Importantly, RHB employees demonstrated their concern for this community by contributing out of their own pockets. Some RM37,000 was channeled towards rebuilding the surau and other damaged structures.



In 2007, the Group had also to contribute a Peritoneal Dialysis machine to the Paediatric Institute of the Hospital Kuala Lumpur worth RM38,000, courtesy of investors of the RHB Mudharabah Fund, a Shariah based unit trust fund managed by the Group's Unit Trust Management company. The new PD machine will enable children suffering from kidney problems to undergo treatment round the clock. Every year, profits from investments made by the fund are cleansed to remove proceeds that had been made from investments that may be deemed non- Shariah compliant. These proceeds are then donated to charitable causes.

Recently in 2008, the Group successfully organized a sumptuous lunch treat at a leading hotel in Cyberjaya for 40 orphans from Rumah Keluaga Kami. The event

saw the children participating in a Spell-It-Right competition as well as other fun-filled activities. A monetary token was also presented to the home as part of the initiative.

CREATING A HEALTHY WORKING ENVIRONMENT

We are always sensitive towards the welfare of our employees. As an initiative to improve work conditions, we have designated RHB Centre in Jalan Tun Razak, Kuala Lumpur as a non-smoking building. Feedback received for the period under review reveals that both smoker and non-smoker employees have benefited from the initiative. Whilst the non-smokers are relieved that they are spared from being passive-inhalers, the

smokers have admitted to a reduction of cigarette consumption due to the time taken to visit the designated smoking areas.

The Group is also cognisant of the importance of building a close rapport amongst our employees. After all, one of the key ingredient for success is teamwork. In the spirit of inculcating a good working environment several initiatives were organised in the year 2007 as follows:

- RHB Family Day nationwide
- RHB Jogathon
- RHB Staff Iftar (Buka Puasa)
- RHB Bowling Blast
- RHB Futsal Challenge
- RHB Football & Netball Fiesta
- RHB Recognition Night for Sportsmen and Sportswomen

crime prevention tips for kids

do's

1. Always have your brother, sister or friends accompany you.
2. Shout for help loudly if you are in danger.
3. Say NO to strangers.
4. Ask for help from the nearest police station if you are lost.
5. Remember Mom, Dad or a close family member's handphone number.
6. Keep some coins in case you need to use a public phone.
7. Call 999 during emergencies - this is a free call, you don't need coins.



1 BUDDY SYSTEM

It is always safer to do things with a Buddy or a group of friends. Bad people target kids who are alone, so always have a Buddy accompany you. A Buddy can be your Mom, Dad, older brother or sister, or even a friend.



2 SHOUT FOR HELP

You should shout "Help! I don't know this person!" or "Help! I'm being kidnapped!" as loudly as possible if someone tries to pull you into a car or a building against your will. Attention is the last thing an abductor wants.



5 ASK FOR HELP

Lost? Ask a uniformed person for help. If you are separated from your family in a shopping centre or store, you can ask these people for help – a uniformed person who is either the police or a security guard, shop cashiers or even families with children.



6 PHONE NUMBERS

Learn and remember your Mom's, Dad's or a close family member's handphone number, your house telephone number and address too. This will help greatly if you should get lost or be separated from your family. Keep some coins in your pocket, you may need them to make calls from a public phone. (Important: 999 calls from public phones are FREE)



don'ts

1. Don't walk alone.
2. Don't keep quiet if someone tries to grab you or take you somewhere against your will.
3. Don't take anything from strangers without Mom or Dad's permission.
4. Don't play in deserted or quiet areas.
5. Don't write your name on your bag and clothes. Strangers who know your name can pretend to be your friend.
6. Don't go anywhere without informing your Mom or Dad first.
7. Don't wander around if you're lost because it makes it harder for Mom or Dad to find you.



3

JUST SAY "NO"

Strangers may offer you sweets and presents or make up stories to convince you to follow them. You should say "No" or "Leave me alone" and run away as fast as you can. Never take anything from anyone without your Mom or Dad's permission.



4

AVOID QUIET AREAS

You should never play in deserted buildings and isolated areas, or take shortcuts through empty playgrounds, parks or lanes. Bad people are more likely to disturb or attack you here because nobody is around to help you.



7

BRIGHT-COLOURED CLOTHING

Wear clothes that are bright-coloured or easily recognisable by Mom and Dad. This will help them to spot you in a crowd if you happen to wander away from them.



8

DON'T DISPLAY YOUR NAME

Do not write your name on the outside of your bag, equipment or clothes. This makes it easier for a bad person to pretend to be your friend because they will use your name.

The year that was



The Year That Was

◆ Calendar of Significant Events 2007

calendar of significant events 2007

corporate events



« **January 2007**
RHB Investment Bank:
Signing Ceremony – Prima
Uno Berhad RM950 Million
Primary Collateralised Loan
Obligations (CLO)
Transaction and
Issuance of Asset Backed
Bonds



« **March 2007**
RHB Investment Bank:
Invest Malaysia

April 2007 »
RHB Bank: Launch of RHB Travel
Money MasterCard





« **April 2007**
RHB Islamic: Opening of Jalan Satok Marketing Centre, Kuching



« **June 2007**
RHB Insurance: Launching Ceremony of MATTA MediEvac Insurance

June 2007 »
RHB Insurance: Launching of RHB Insurance eIMS



calendar of significant events 2007

corporate events



« **August 2007**
RHB Bank: Official Launch of RHB Reflex Cash Management



September 2007 »
RHB Investment Bank: Signing Ceremony – RCE Capital Berhad RM1.5 Billion Asset-Backed Securities Issuance Programme



« **October 2007**
RHB Bank: Launch of RHB MaxCa\$h Account



« **October 2007**
RHB Banking Group: Transformation Programme Analysts & Fund Managers Briefing

November 2007 »
RHB Bank: RHB BizPower Breakfast Campaign



November 2007 »
Sponsored by RHB Islamic: 4th Kuala Lumpur Islamic Finance Forum (KLIFF 2007)



social events



March 2007 >>
Treasure Hunt and
Costume Dinner



<<
March 2007
Project Kasih RHB Banking
Group at Kampung Kolam Ayer,
Simpang Renggam, Johor



<< **July 2007**
Family Day – Terengganu/
Kelantan/Pahang Region
Kelab Desa Rantau

October 2007
RHB Staff Iftar
(Buka Puasa) at
RHB Centre,
Jalan Tun Razak >>



<< **July 2007**
Family Day – Melaka Region
Taman Pertanian Sungai
Udang, Melaka

August 2007 >>
The Edge Bursa
Malaysia
Rat Race 2007



November 2007 >>
Hari Raya Aidilfitri
Staff Gathering,
RHB Centre



December 2007 >>
RHB Jogathon 2007



our contribution to the society



« **May 2007**
RHB Mudharabah Fund Community Programme: A Peritoneal Dialysis Machine was presented to Hospital Kuala Lumpur



June 2007 »
RHB Banking Group's CSR: Launch of the National Essay Writing Competition



July 2007 »
Launch of RHB Banking Group's CSR: "Missing Children – Reuniting Families" in Collaboration with Royal Malaysian Police



calendar of significant events 2007

our contribution to the society



« **September 2007**
RHB Islamic Growth & RHB
Mudharabah Fund
Community Programme



« **October 2007**
RHB Banking Group's CSR:
The Search for Malaysia's
Best Teenage Writer Prize
Giving Ceremony



« **November 2007**
RHB Banking Group's CSR:
Distribution of Booklet
on Crime Prevention Tips
at SK Desa Setapak

November 2007 >>
RHB Banking Group's CSR:
RHB Banking Group
assisting in locating
a missing child



<< **November 2007**
RHB Islamic: Donation of an
ambulance to Lembaga Tabung Haji
for Haj pilgrims in Makkah



February 2008 >>
RHB Banking Group's CSR:
Launch of Booklet on Crime
Prevention Tips for Kids





Financials

- ◆ Analysis of the Financial Statements
- ◆ Responsibility Statement
by the Board of Directors
- ◆ Financial Statements

analysis of the financial statements

ANALYSIS OF THE BALANCE SHEET

Total assets

The Group's total assets stood at RM105.2 billion as at 31 December 2007, an increase of 1.8% over the previous year. The increase was mainly due to additional goodwill arising from the acquisition of the 30% equity interest in RHB Bank Berhad in July 2007, higher cash and short term funds, and higher net loans, advances and financing. Net loans, advances and financing represented 51.9% (2006: 51.7%) of total assets.

Cash and short term funds

The Group's cash and short term funds registered a growth of 78.5% to RM19.0 billion in 2007. The increase was mainly due to increase in money at call and deposits placements maturing within one month.

Securities purchased under resale agreements

The securities purchase under resale agreements declined by RM2.1 billion (78.9%) to RM567.8 million as at 31 December 2007 reflecting a rebalancing of the portfolio under Treasury.

Deposits and placements with banks and other financial institutions

The Group's deposits and placements with banks and other financial institutions decreased by RM2.2 billion (39.8%) to RM3.4 billion in 2007. The decrease was mainly due to the decline in deposits with Bank Negara Malaysia.

Securities held-for-trading

The Group's holding of securities held-for-trading increased by RM600.5 million (11.6%) to RM5.8 billion as at 31 December 2007 mainly due to increase in holdings of private debt securities.

Securities available-for-sale

The Group's holding of securities available-for-sale increased by RM1.4 billion (22.4%) to RM7.7 billion in 2007 mainly due to increase in holdings of private debt securities.

Securities held-to-maturity

The Group's holding of securities held-to-maturity decreased by RM6.1 billion (46.3%) to RM7.0 billion as at 31 December 2007 mainly due to disposal of negotiable instrument of deposits.

Loans, advances and financing

The Group's gross loans, advances and financing before write-offs grew by 3% to RM56.8 billion, mainly fuelled by growth in the retail business, covering residential mortgages, credit cards, personal loans and loans for purchase of transport vehicles.

Non-performing loans ('NPL') volume decreased by RM1.1 billion (26.0%) to RM3.2 billion during the year resulting in the net NPL ratio decreasing from 4.6% in 2006 to 3.4% in 2007, closely tracking the industry average. The gross NPL ratio also improved to 5.6% in 2007 from 7.6% a year ago. Loan loss coverage remained high at 71.4% in 2007, an improvement from 63.9% in the previous year.

Amount due from Rashid Hussain Berhad

Rashid Hussain Berhad settled its inter-company debt of RM1.2 billion with the Company in July 2007 resulting in a reduction in interest income earned during the year.

Goodwill

The Group's goodwill increased by RM2.1 billion to RM3.3 billion as at 31 December 2007, primarily due to the acquisition of the 30% equity interest in RHB Bank Berhad in July 2007.

Total liabilities

Total liabilities grew by RM822.1 million (8.5%) to RM98.1 billion in 2007, mainly due to increase in deposits from customers and new issuances of subordinated debts.

Deposits from customers

Deposits from customers increased by RM18.3 billion (31.8%) to RM75.8 billion in 2007 mainly due to the inclusion of treasury money market time deposits. This new product replaces obligations on securities sold under repurchase agreements. Demand and savings deposits recorded positive growth of 9.4% and 6.0% respectively, resulting in lower cost of funds.

With the 31.8% increase in customer deposits and the 1.2% increase in gross loans, advances and financing, the gross loans to deposits ratio reduced to 67.3% as at 31 December 2007 from 81.2% in the previous year.

Deposits and placements of banks and other financial institutions

Deposits and placements of banks and other financial institutions decreased by RM2.9 billion (25.1%) to RM8.7 billion reflecting a rebalancing of the portfolio under Treasury.

Borrowings

Borrowings increased by RM373.9 million (24.1%) to RM1.9 billion in 2007, mainly due to an increase in unsecured term loans in the Company.

Subordinated obligations

The Group's subordinated obligations increased by RM1.2 billion (78.6%) to RM2.7 billion in 2007, mainly due to new issuances of subordinated debts by RHB Bank Berhad and RHB Investment Bank Berhad, offset by a reduction in liabilities under Treasury.

Shareholders' equity

Shareholders' fund strengthened by 43% to RM7.1 billion as at 31 December 2007 after payment of dividends of RM158.5 million during the year. This is mainly due to higher net profit attributable to equity holders of RM712.9 million and new ordinary shares of RM1.6 million issued during the year.

The issue of the Company's 330.0 million of new ordinary shares of RM1.00 at an issue price of RM4.75 per share during the year was to partially finance the acquisition of the 30% equity interest in RHB Bank Berhad in July 2007. The purchase consideration of RM3.2 billion for the acquisition was satisfied by the issuance of new ordinary shares valued at RM1.6 billion and cash settlement of RM1.6 billion.

Commitments and contingencies

Commitments and contingencies decreased by RM331 million (0.6%) to RM56.6 billion mainly due to lower foreign exchange related contracts. However, the credit equivalent of the commitments and contingencies recorded a growth of 12.3% in 2007.

ANALYSIS OF THE INCOME STATEMENT

Net interest income

Net interest income of the Group grew by 7.9% to RM2,098.9 million in 2007 from RM1,945.4 million in the previous year. Net interest income was higher mainly due to higher margins, loans growth before write-offs of approximately 3% and higher average treasury assets.

Net interest income represented the main contributor of the Group's total income, amounting to 61.9% (2006: 64.0%) of total income.

Other operating income

Other operating income rose by 11.8% from RM860.0 million in 2006 to RM961.2 million in 2007, mainly contributed by higher foreign exchange gain and transactional fee income.

Foreign exchange gains grew by 20.9% to RM217.2 million, which represented 7.5% (2006: 4.9%) of the Group's total income. The increase in fee income was mainly from higher brokerage income, higher service charges and fees and higher unit trust fee income. Fee income contributed 17.4% (2006: 15.2%) of the Group's total income.

Income from Islamic Banking business

Income from Islamic Banking business increased by 39.1% from RM236.1 million in 2006 to RM328.3 million in 2007 mainly due to investment banking activities. Income from Islamic Banking amounted to 9.7% (2006: 7.8%) of the Group's total income.

Other operating expenses

The Group's other operating expenses increased by 11.1% to RM1,505.7 million in 2007 mainly due to higher operating expenses in most subsidiaries.

This was however mitigated by higher income growth resulting in a lower cost income ratio of 44% compared to 45% in the previous year. The increase in other operating expenses was mainly due to increase in personnel costs, and administration and general expenses.

Allowance for losses on loans, financing and other losses

The Group's net allowance for losses on loans, financing and other losses reduced by 19.1% to RM574.1 million in 2007 mainly due to higher write-backs and recoveries. Bad debts recovered also increased by RM23.2 million (30.2%) to RM100.1 million in 2007.

Impairment loss

The Group's impairment loss increased by RM25.7 million (70.2%) to RM62.3 million in 2007. The higher impairment loss was due to isolated impairment on securities available-for-sale received from loan work-outs.

Taxation

The effective tax rate of the group was recorded at 27.7% in 2007 while in 2006 was recorded at 28.2%. The effective tax rate for the financial year ended 31 December 2007 was higher than the statutory tax rate mainly due to certain expenses not deductible for tax purposes.

Minority interests

Minority interests reduced by 30.7% to RM109.1 million in 2007, primarily due to the acquisition of the 30% equity interest in RHB Bank Berhad in July 2007.

responsibility statement by the board of directors

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

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

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

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

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

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 215 of the Audited Statutory Financial Statements.

Financial Statements

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directors' report

The directors submit herewith their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is involved in commercial banking, Islamic banking, investment banking, leasing, offshore banking, offshore trust services, general insurance, unit trust management, asset management and nominee and custodian services.

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit before Irredeemable Non-cumulative Convertible Preference Shares ('INCPS') dividends and taxation	1,246,510	1,278,451
INCPS dividends	(109,597)	–
Profit after INCPS dividends and before taxation	1,136,913	1,278,451
Taxation	(314,848)	(343,656)
Profit for the financial year	822,065	934,795

DIVIDENDS

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

	RM'000
In respect of the financial year ended 31 December 2006: Final dividend of 6.0% less 27% tax paid on 7 June 2007	79,868
In respect of the financial year ended 31 December 2007: Interim dividend of 5.0% less 27% tax paid on 28 September 2007	78,602

At the forthcoming Annual General Meeting, a final gross dividend in respect of the current financial year of 8.6% less 26% tax amounting to RM137.0 million will be proposed for shareholders' approval. These financial statements do not reflect this final dividend which will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2008 when approved by the shareholders.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

During the financial year ended 31 December 2007, the issued and paid-up share capital of the Company was increased as follows:

	Number of ordinary shares of RM1.00 each
As at 1 January 2007	1,823,474,695
Issued pursuant to part settlement of acquisition of remaining equity interest in RHB Bank Berhad ('RHB Bank')	330,000,000
As at 31 December 2007	2,153,474,695

The new ordinary shares issued during the financial year rank *pari passu* in all respects with the existing ordinary shares of the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and the Company 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 the making of allowance for doubtful debts, and satisfied themselves that all known bad debts have been written off and that adequate allowance had been made for doubtful debts.

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 the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and the Company, 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 Company 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 Company 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 Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and the Company which has arisen since the end of the financial year other than in the normal course of business.

CONTINGENT AND OTHER LIABILITIES (CONTINUED)

No contingent or other liability of the Group and the Company 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 Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or the Company 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 47 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Significant events subsequent to the balance sheet date are disclosed in Note 48 to the financial statements.

DIRECTORS

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

Datuk Azlan Zainol	
Johari Abdul Muid	
Lew Foon Keong	
Datuk Haji Faisal Siraj	(appointed on 24 May 2007)
Datuk Tan Kim Leong	(appointed on 4 September 2007)
Michael Joseph Barrett	(appointed on 8 October 2007)
Dato' Mohamed Khadar Merican	(appointed on 1 January 2008)
Dato' Mohd Salleh Hj Harun	(retired on 20 August 2007)
Dato' Vaseehar Hassan Abdul Razack	(resigned on 31 December 2007)

Pursuant to Article 80 of the Company's Articles of Association, Lew Foon Keong retires at the forthcoming Annual General Meeting of the Company and will not be offering himself for re-election.

Pursuant to Article 84 of the Company's Articles of Association, Datuk Haji Faisal Siraj, Datuk Tan Kim Leong, Michael Joseph Barrett and Dato' Mohamed Khadar Merican retire at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN SECURITIES

According to the register of directors' shareholdings, none of the directors in office at the end of the financial year held any securities of the Company and its related corporations.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than directors' remuneration and benefits-in-kind as disclosed in Notes 33 and 34 to the financial statements) by reason of a contract made by the Company 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 (other than those disclosed in Note 44 to the financial statements).

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

IMMEDIATE AND ULTIMATE HOLDING BODY

The Company's immediate and ultimate holding body is the Employees Provident Fund Board ('EPF'), a statutory body established in Malaysia.

BUSINESS STRATEGY AND OUTLOOK FOR 2008

Malaysia's real GDP growth is projected to moderate marginally to 5.6% in 2008 from 6.3% in 2007.

In line with softer economic activities, the banking system's loan growth is expected to be lower in 2008 compared to 2007. Meanwhile, asset quality continues to improve due to better credit risk management and concerted efforts to recover non-performing loans (NPLs). The improving trend in NPL ratios will likely continue into 2008 with the implementation of the Basel II Capital Accord.

At the RHB Banking Group, the benefits of the Group-wide transformation exercise are expected to be realised as product quality and customer service improves. The Group is also expected to benefit financially from the corporate and debt restructuring exercise that had been implemented in the later part of 2007 and early 2008.

The developments are expected to put the RHB Banking Group in a stronger position and to further improve on its financial performance in 2008.

RATINGS BY RATING AGENCIES

During the financial year, the Group and the Company were rated by the following external rating agencies:

Agencies	Date accorded	Ratings
RHB Capital Berhad		
RAM Rating Services Berhad ('RAM')	August 2007	RM600 million Serial Bonds Rating – A1 RM350 million Fixed Rate Bond – A1 RM150 million Commercial Papers/Medium-Term Notes Program – A1/P1
RHB Bank		
RAM	August 2007	Long Term Rating – AA3 Short Term Rating – P1 Subordinated Notes Rating – A1 Medium Term Notes Programme – A1
Standard & Poor's	December 2007	Long Term Counterparty Credit Rating – BBB Short Term Counterparty Credit Rating – A-2 Subordinated Bonds Rating – BBB – Bank Fundamental Strength Rating – C
Moody's Investors Service	December 2007	Long Term Bank Deposits Rating – A3 Short Term Bank Deposits Rating – P-1 Subordinated Debt Rating – Baa1 Bank Financial Strength – D
RHB Investment Bank Berhad ('RHB Investment Bank')		
RAM	October 2007	Long Term Rating – A2 Short Term Rating – P1 Subordinated Notes Rating – A3 Proposed Hybrid Tier-1 – BBB1

RATINGS BY RATING AGENCIES (CONTINUED)**Description of the ratings accorded****(a) RAM****(i) Long term rating/Subordinated Bonds rating**

AA High safety for timely payment of interest and principal.

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

BBB Moderate safety for timely payment of interest and principal. Lacking in certain protective elements. Changes in circumstances are more likely to lead to weakened capacity to pay interest and principal than debts in higher-rated categories.

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

In addition, RAM applies the suffixes (bg) or (s) to ratings which have been enhanced by a bank guarantee or other supports, respectively.

(ii) Short term rating

P1 Financial institutions in this category have superior capabilities for timely payments of obligations.

(b) Standard & Poor's**(i) Long term issue credit rating/USD Subordinated Notes rating**

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

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

(ii) Short term issue credit rating

A-2 An obligor rated 'A2' 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.

(iii) 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.

RATINGS BY RATING AGENCIES (CONTINUED)**Description of the ratings accorded (continued)****(c) Moody's Investors Service****(i) Long term bank deposit rating**

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

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

(ii) Short term bank deposit rating

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

(iii) Long term obligation rating (USD Subordinated Notes)

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

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

(iv) 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 intermediate categories.

AUDITORS

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

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

DATUK AZLAN ZAINOL
DIRECTOR

MICHAEL JOSEPH BARRETT
DIRECTOR

Kuala Lumpur
28 February 2008

balance sheets

as at 31 December 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
ASSETS					
Cash and short term funds	2	19,048,148	10,671,553	476,455	13,398
Securities purchased under resale agreements		567,836	2,691,541	–	–
Deposits and placements with banks and other financial institutions	3	3,365,740	5,590,420	1,211	1,171
Securities held-for-trading	4	5,761,145	5,160,642	–	–
Securities available-for-sale	5	7,674,258	6,269,350	–	–
Securities held-to-maturity	6	7,041,480	13,107,585	–	–
Loans, advances and financing	7	54,554,651	53,392,886	–	–
Clients' and brokers' balances	8	246,870	177,027	–	–
Other assets	9	649,267	565,298	32,903	32,857
Derivative assets	10	109,157	168,819	–	–
Amount due from Rashid Hussain Berhad	11	–	1,236,030	–	1,236,030
Amounts due from subsidiaries	12	–	–	9,677	126,200
Statutory deposits	13	1,673,865	1,905,043	–	–
Tax recoverable		52,887	53,032	28,297	19,172
Deferred tax assets	14	249,119	254,767	–	–
Investments in subsidiaries	15	–	–	7,350,910	6,911,026
Investments in associates	16	15,533	15,289	–	–
Prepaid land lease	17	99,594	100,245	–	–
Property, plant and equipment	18	760,791	782,935	673	1,295
Goodwill	19	3,283,953	1,167,513	–	–
TOTAL ASSETS		105,154,294	103,309,975	7,900,126	8,341,149

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

balance sheets

as at 31 December 2007 (continued)

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
LIABILITIES AND EQUITY					
Deposits from customers	20	75,793,231	57,525,532	-	-
Deposits and placements of banks and other financial institutions	21	8,670,331	11,577,118	-	-
Obligations on securities sold under repurchase agreements		-	14,995,199	-	-
Bills and acceptances payable		3,959,943	3,778,758	-	-
Clients' and brokers' balances	22	368,436	251,372	-	-
Other liabilities	23	1,606,923	1,836,280	37,727	40,852
Derivative liabilities	10	129,242	158,231	-	-
Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')		1,854,873	2,879,284	-	-
Amounts due to subsidiaries	12	-	-	155,329	3,262,588
Taxation		101,626	90,518	-	-
Deferred tax liabilities	14	593	16,522	16	45
Borrowings	24	1,925,677	1,551,812	1,594,977	1,269,412
Subordinated obligations	25	2,665,000	1,493,158	-	-
INCPS	26	1,004,431	1,104,469	-	-
TOTAL LIABILITIES		98,080,306	97,258,253	1,788,049	4,572,897
Share capital	27	2,153,475	1,823,475	2,153,475	1,823,475
Reserves	28	4,894,885	3,104,564	3,958,602	1,944,777
		7,048,360	4,928,039	6,112,077	3,768,252
Minority interests		25,628	1,123,683	-	-
TOTAL EQUITY		7,073,988	6,051,722	6,112,077	3,768,252
TOTAL LIABILITIES AND EQUITY		105,154,294	103,309,975	7,900,126	8,341,149
COMMITMENTS AND CONTINGENCIES	41	56,608,914	56,939,867	-	-

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

income statements

for the financial year ended 31 December 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Interest income	29	4,867,321	4,410,723	46,928	85,355
Interest expense	30	(2,768,412)	(2,465,314)	(95,518)	(102,483)
Net interest income/(expense)		2,098,909	1,945,409	(48,590)	(17,128)
Other operating income	31	961,177	859,968	1,372,199	462,692
Income from Islamic Banking business	32	3,060,086 328,323	2,805,377 236,099	1,323,609 -	445,564 -
Other operating expenses	33	3,388,409 (1,505,709)	3,041,476 (1,354,739)	1,323,609 (45,158)	445,564 (23,115)
Operating profit before allowances		1,882,700	1,686,737	1,278,451	422,449
Allowance for losses on loans, financing and other losses	35	(574,115)	(709,366)	-	-
Impairment loss	36	(62,293)	(36,600)	-	-
Share of results of associates		1,246,292 218	940,771 (475)	1,278,451 -	422,449 -
Profit before INCPS dividends and taxation		1,246,510	940,296	1,278,451	422,449
INCPS dividends	37	(109,597)	(110,447)	-	-
Profit after INCPS dividends and before taxation		1,136,913	829,849	1,278,451	422,449
Taxation	38	(314,848)	(233,952)	(343,656)	(116,462)
Profit for the financial year		822,065	595,897	934,795	305,987
Attributable to:					
- Equity holders of the Company		712,930	438,310	934,795	305,987
- Minority interests		109,135	157,587	-	-
		822,065	595,897	934,795	305,987
Earnings per share (sen)					
- basic	39	35.8	24.0		

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 2007

Group	Note	Attributable to equity holders of the Company									Minority interests RM'000	Total equity RM'000
		Share capital RM'000	Share premium RM'000	Reserve funds RM'000	Merger reserves RM'000	Other reserves RM'000	AFS reserves RM'000	Translation reserves RM'000	Retained profits RM'000	Sub-total RM'000		
Balance as at 1 January 2007		1,823,475	1,114,593	1,443,797	6,431	8,563	29,590	(6,568)	508,158	4,928,039	1,123,683	6,051,722
Currency translation differences		-	-	-	-	-	-	3,694	-	3,694	(2,051)	1,643
Unrealised net loss on revaluation of securities AFS		-	-	-	-	-	(28,143)	-	-	(28,143)	(3,714)	(31,857)
Net transfer to income statement on disposal or impairment		-	-	-	-	-	21,119	-	-	21,119	4,995	26,114
Liquidation of a subsidiary		-	-	-	(18,280)	-	-	(7,275)	25,555	-	-	-
Additional investment in a subsidiary		-	-	-	-	-	-	-	-	-	(1,157,061)	(1,157,061)
Deferred tax		-	-	-	-	-	1,691	-	-	1,691	(238)	1,453
Income and expenses recognised directly in equity		-	-	-	(18,280)	-	(5,333)	(3,581)	25,555	(1,639)	(1,158,069)	(1,159,708)
Profit for the financial year		-	-	-	-	-	-	-	712,930	712,930	109,135	822,065
Total income and expenses recognised for the financial year		-	-	-	(18,280)	-	(5,333)	(3,581)	738,485	711,291	(1,048,934)	(337,643)
Transfer in respect of statutory requirements		-	-	224,217	-	-	-	-	(224,217)	-	-	-
Transfer of merger debit difference to retained profits		-	-	-	11,849	-	-	-	(11,849)	-	-	-
Ordinary dividends	40	-	-	-	-	-	-	-	(158,470)	(158,470)	-	(158,470)
Dividends paid to minorities		-	-	-	-	-	-	-	-	-	(49,121)	(49,121)
Issue of ordinary shares	47(a)	330,000	1,237,500	-	-	-	-	-	-	1,567,500	-	1,567,500
Balance as at 31 December 2007		2,153,475	2,352,093	1,668,014	-	8,563	24,257	(10,149)	852,107	7,048,360	25,628	7,073,988

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 2007 (continued)

Group (continued)	Note	Attributable to equity holders of the Company									Minority interests RM'000	Total equity RM'000
		Share capital RM'000	Share premium RM'000	Reserve funds RM'000	Merger reserves RM'000	Other reserves RM'000	AFS reserves RM'000	Translation reserves RM'000	Retained profits RM'000	Sub-total RM'000		
Balance as at 1 January 2006		1,823,475	1,114,593	1,292,229	6,431	8,563	(4,133)	4,003	247,394	4,492,555	1,014,077	5,506,632
Currency translation differences		–	–	–	–	–	–	(10,291)	–	(10,291)	(5,223)	(15,514)
Unrealised net gain/(loss) on revaluation of securities AFS		–	–	–	–	–	61,361	–	–	61,361	(7,119)	54,242
Net transfer to income statement on disposal or impairment		–	–	–	–	–	(15,197)	–	–	(15,197)	3,704	(11,493)
Liquidation of a subsidiary		–	–	–	–	–	–	(280)	280	–	–	–
Deferred tax		–	–	–	–	–	(12,441)	–	–	(12,441)	1,164	(11,277)
Income and expenses recognised directly in equity		–	–	–	–	–	33,723	(10,571)	280	23,432	(7,474)	15,958
Profit for the financial year		–	–	–	–	–	–	–	438,310	438,310	157,587	595,897
Total income and expenses recognised for the financial year		–	–	–	–	–	33,723	(10,571)	438,590	461,742	150,113	611,855
Transfer in respect of statutory requirements		–	–	151,568	–	–	–	–	(151,568)	–	–	–
Ordinary dividends	40	–	–	–	–	–	–	–	(26,258)	(26,258)	–	(26,258)
Dividends paid to minorities		–	–	–	–	–	–	–	–	–	(40,507)	(40,507)
Balance as at 31 December 2006		1,823,475	1,114,593	1,443,797	6,431	8,563	29,590	(6,568)	508,158	4,928,039	1,123,683	6,051,722

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 2007 (continued)

Company	Note	Share capital RM'000	Non- distributable Share premium RM'000	Distributable Retained profits RM'000	Total RM'000
Balance as at 1 January 2007		1,823,475	1,114,593	830,184	3,768,252
Profit for the financial year		–	–	934,795	934,795
Ordinary dividends	40	–	–	(158,470)	(158,470)
Issue of ordinary shares	47(a)	330,000	1,237,500	–	1,567,500
Balance as at 31 December 2007		2,153,475	2,352,093	1,606,509	6,112,077
Balance as at 1 January 2006		1,823,475	1,114,593	550,455	3,488,523
Profit for the financial year		–	–	305,987	305,987
Ordinary dividends	40	–	–	(26,258)	(26,258)
Balance as at 31 December 2006		1,823,475	1,114,593	830,184	3,768,252

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

cash flow statements

for the financial year ended 31 December 2007

Group	Note	2007 RM'000	2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before INCPS dividends and taxation		1,246,510	940,296
Adjustments for:			
Allowance for losses on loans, financing and other losses		677,384	787,017
Interest suspended		97,911	107,850
Property, plant and equipment			
– depreciation		91,668	100,822
– impairment loss		–	477
– gain on disposal		(842)	(4,198)
– written off		123	141
Amortisation of prepaid land lease		499	443
Impairment loss on securities		62,293	36,123
Accretion of discounts for borrowings and subordinated obligations		2,953	1,998
Share of results of associates		(218)	475
Loss on liquidation of subsidiaries		398	–
Interest income from securities		(960,213)	(955,638)
Investment income from securities		(33,912)	(28,415)
Net gain arising from sale/redemption of securities		(123,820)	(83,209)
Unrealised loss/(gain) on revaluation of securities and derivatives		51,324	(36,921)
Unrealised foreign exchange loss/(gain)		35,435	(31,882)
Amortisation of premium less accretion of discount		(21,207)	(15,572)
Gross dividend income from securities		(8,655)	(9,053)
Operating profit before working capital changes		1,117,631	810,754
(Increase)/Decrease in operating assets:			
Securities purchased under resale agreements		2,123,705	(472,050)
Deposits and placements with banks and other financial institutions		2,224,680	(2,976,329)
Securities held-for-trading		(552,543)	(1,699,225)
Loans, advances and financing		(1,939,016)	(5,858,021)
Clients' and brokers' balances		(69,843)	(14,807)
Other assets		159,896	38,891
Amount due from Rashid Hussain Berhad		1,236,030	(82,429)
Statutory deposits		231,178	(209,212)
		3,414,087	(11,273,182)
Increase/(Decrease) in operating liabilities:			
Deposits from customers		18,267,699	7,604,422
Deposits and placements of banks and other financial institutions		(2,906,787)	548,287
Obligations on securities sold under repurchase agreements		(14,995,199)	4,052,400
Bills and acceptances payable		181,185	465,698
Clients' and brokers' balances		117,064	52,882
Other liabilities		(263,842)	353,868
Recourse obligation on loans sold to Cagamas		(1,024,411)	(477,708)
		(624,291)	12,599,849
Cash generated from operations		3,907,427	2,137,421

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

cash flow statements

for the financial year ended 31 December 2007 (continued)

Group (continued)	Note	2007 RM'000	2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
Taxation paid		(363,962)	(197,514)
Taxation recovered		50,631	47,100
Net cash generated from operating activities		3,594,096	1,987,007
CASH FLOWS FROM INVESTING ACTIVITIES			
Net sale/(purchase) of securities		4,638,192	(3,322,039)
Purchase of property, plant and equipment		(74,448)	(71,486)
Acquisition of shares from minorities of a subsidiary		(3,373,541)	–
Increase in investments in an associate		(26)	(30)
Interest received from securities		687,842	616,823
Investment income received from securities		16,701	13,622
Proceeds from disposal of property, plant and equipment		5,514	16,341
Dividend income received from securities		6,318	6,518
Capital repayment upon liquidation of subsidiaries		2,408	–
Net cash generated from/(used in) investing activities		1,908,960	(2,740,251)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of borrowings		669,380	523,680
Net proceeds from issuance of bonds		–	340,900
Redemption of bonds		–	(375,000)
Repayment of borrowings		(280,440)	(278,032)
Net proceeds from issuance of subordinated notes		2,170,000	–
Redemption of subordinated bonds		(965,000)	–
INCPS dividends paid		(79,984)	(79,522)
Dividends paid to minorities		(49,121)	(40,507)
Dividends paid to equity holders of the Company		(158,470)	(26,258)
Proceeds from issuance of ordinary shares		1,567,500	–
Payment to hire-purchase creditors		(356)	(562)
Net cash generated from financing activities		2,873,509	64,699
Net increase/(decrease) in cash and cash equivalents		8,376,565	(688,545)
Cash and cash equivalents at the beginning of the financial year		10,671,553	11,360,098
Cash and cash equivalents at the end of the financial year		19,048,118	10,671,553
Cash and cash equivalents comprise the following:			
Cash and short term funds	2	19,048,148	10,671,553
Overdrafts	24	(30)	–
		19,048,118	10,671,553
The following cash and cash equivalents are not readily available for use by the Group:			
Cash and short term funds of banking subsidiaries for utilisation in the ordinary course of banking business		18,875,932	10,572,524
Accounts held in trust for clients and remisiers		167,985	98,602
		19,043,917	10,671,126

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

cash flow statements

for the financial year ended 31 December 2007 (continued)

Company	Note	2007 RM'000	2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,278,451	422,449
Adjustments for:			
Interest expense		95,518	102,483
Unrealised foreign exchange (gain)/loss		(452)	782
Property, plant and equipment			
– depreciation		662	656
– gain on disposal		(1)	(131)
Waiver of debts by a subsidiary		(25,761)	–
Gain on liquidation of a subsidiary		(1,766)	–
Dividend income		(1,343,131)	(461,798)
Interest income		(46,928)	(85,355)
Operating loss before working capital changes		(43,408)	(20,914)
(Increase)/Decrease in deposits and placements with banks and other financial institutions		(40)	86,403
Increase/(Decrease) in inter-company balances		1,261,666	(68,941)
(Increase)/Decrease in other assets		(9)	143
Increase/(Decrease) in other liabilities		2,279	(3,645)
Cash generated from/(used in) operations		1,220,488	(6,954)
Taxation recovered		9,836	9,311
Net cash generated from operating activities		1,230,324	2,357
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income received from subsidiaries		959,854	332,992
Proceeds from disposal of property, plant and equipment		5	310
Interest income received		1,488	3,074
Proceeds from disposal of a subsidiary		152	–
Purchase of property, plant and equipment		(44)	(102)
Acquisition of shares from minorities of a subsidiary		(3,373,541)	(130,780)
Capital repayment upon liquidation of a subsidiary		2,370	–
Net cash (used in)/generated from investing activities		(2,409,716)	205,494
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issuance of bonds		–	340,900
Drawdown of borrowings		603,240	241,280
Repayment of borrowings		(280,440)	(278,032)
Redemption of bonds		–	(375,000)
Interest expense paid		(89,055)	(94,303)
Dividends paid to equity holders of the Company		(158,470)	(26,258)
Proceeds from issuance of ordinary shares		1,567,500	–
Payment to hire-purchase creditors		(356)	(562)
Net cash generated from/(used in) financing activities		1,642,419	(191,975)
Net increase in cash and cash equivalents		463,027	15,876
Cash and cash equivalents at the beginning of the financial year		13,398	(2,478)
Cash and cash equivalents at the end of the financial year		476,425	13,398
Cash and cash equivalents comprise the following:			
Cash and short term funds	2	476,455	13,398
Overdrafts	24	(30)	–
		476,425	13,398

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

summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Basis of preparation of the financial statements

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

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

The preparation of financial statements requires the use of 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 year. It also requires directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates are based on the directors' best knowledge of current events and actions, actual results may differ from those estimates.

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

(a) Standards and technical pronouncements that are effective

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

- FRS 117 Leases
- FRS 124 Related Party Disclosures

The adoption of the above revised FRS does not have any significant financial impact on the results of the Group and the Company other than the effect of restatement of the comparative figures as disclosed in Notes 44 and Note 52.

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

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

Standard/Interpretation	Effective for accounting periods beginning on or after
<ul style="list-style-type: none"> • Amendment to FRS 112 Income Taxes – This revised standard has removed the requirements that prohibit recognition of deferred tax on reinvestment allowances or other allowances in excess of capital allowances. 	1 July 2007

summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) Basis of consolidation

(a) Subsidiaries

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

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

- subsidiaries that were consolidated prior to 1 April 2002 in accordance with Malaysian Accounting Standard 2 'Accounting for Acquisitions and Mergers', the generally accepted accounting principles prevailing at that time;
- business combinations consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 that meet the conditions of a merger as set out in FRS 122₂₀₀₄ 'Business Combinations';
- internal group reorganisations, as defined in FRS 122₂₀₀₄, 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; and
- 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 122₂₀₀₄ and FRS 3 to apply these Standards prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with these Standards.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and 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 acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the acquisition date is recorded as goodwill. Refer to accounting policy Note (5) on goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

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 is the difference between the net disposal proceeds and the Group's share of its net assets together with the carrying amount of the goodwill on the date of disposal.

summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) Basis of consolidation (continued)

(a) Subsidiaries (continued)

Minority interests represent that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

(b) Associates

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

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

(c) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired.

(3) Investments in subsidiaries

Subsidiaries are those corporations or other entities in which the Group 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.

Investments in subsidiaries are stated at cost less any impairment loss. At each balance sheet date, the Company 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 (24) on impairment of non-financial assets.

(4) Investments in associates

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

Investments in associates are stated at cost less any impairment loss. At each balance sheet date, 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 (24) on impairment of non-financial assets.

summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(5) Goodwill

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

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

Goodwill is allocated to cash-generating units ('CGU') for the purpose of impairment testing. The allocation is made to those CGUs or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. Refer to accounting policy Note (24) on impairment of non-financial assets.

(6) Securities

The Group classifies its securities portfolio into securities held-for-trading, securities held-to-maturity or securities available-for-sale. Classification of the securities is determined at initial recognition.

(a) Securities held-for-trading

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

(b) Securities held-to-maturity

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

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

(c) Securities available-for-sale ('Securities AFS')

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

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

Dividends on AFS equity instruments are recognised in the income statement when the right to receive payment has been established.

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

For loans converted into debt or equity instrument/impaired securities, the Group shall assess whether there is any objective evidence that the securities or group of securities arising from conversion scheme/other securities are impaired, and the impairment rules shall apply. Refer to accounting policy Note (25) on impairment of securities.

summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(7) Receivables

Receivables are carried at anticipated realisable values. An estimate is made for doubtful debts based on the review of all outstanding amounts at the end of the financial year. Bad debts are written off during the financial year in which they are identified.

(8) Repurchase agreements

Securities purchased under resale agreements are securities which the banking subsidiaries have purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the banking subsidiaries 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 balance sheet.

(9) Foreclosed properties

Foreclosed properties are stated at cost. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. Refer to accounting policy Note (24) on impairment of non-financial assets.

(10) Property, plant and equipment and depreciation

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

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

Buildings	2% to 3 $\frac{1}{3}$ %
Renovations and improvements	7 $\frac{1}{2}$ % to 20%
Computer equipment and software	20% to 33 $\frac{1}{3}$ %
Furniture, fittings and equipment	7 $\frac{1}{2}$ % to 20%
Motor vehicles	20% to 25%

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

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

At each balance sheet date, the Group assesses 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 (24) on impairment of non-financial assets.

(11) Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognised at fair value on the date on which 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 which variables include only data from observable markets. When such evidence exists, the Group recognises profits on day one.

summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(11) 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 designates 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 documents, 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 also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

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

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

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

(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 income statement.

(12) Bills and acceptances payable

Bills and acceptances payable represent the banking subsidiaries' own bills and acceptances rediscounted and outstanding in the market.

(13) Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')

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

summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(13) Recourse obligation on loans sold to Cagamas Berhad ('Cagamas') (continued)

For Islamic Banking, the sale of Islamic debt to Cagamas is deemed as a sale and purchase transaction from Shariah point of view. Such financing transactions are netted off with the assets sold on the balance sheet and the obligations to buy back the loans are reflected as assets sold with recourse classified as commitments and contingencies.

(14) 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 assumes substantially all the risks and benefits of ownership of the assets are classified as finance leases. The assets are capitalised under property, plant and equipment and subject to depreciation consistent with that of depreciable assets which are owned. The assets and the corresponding lease obligations are recorded at the lower of present value of the minimum lease payments 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 is depreciated over the shorter of the estimated useful life of the asset and the lease term.

(15) Leases – where the Group is lessor

(a) Operating lease

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

(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 'sum-of-digits' method so as to reflect a constant periodic rate of return on the balance outstanding.

(16) Assets purchased under hire-purchase

Assets purchased under hire-purchase arrangements are capitalised at inception of the hire-purchase. Outstanding obligations due under hire-purchase agreements after deducting finance charges are treated as liabilities in the balance sheet. The interest element of the finance charges is charged to the income statement over the hire-purchase period.

summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(17) Other provisions

Provisions other than for non-performing debts are recognised when the Group has 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.

(18) Borrowings

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

Preference shares which carry a mandatory coupon, or are redeemable on a specific date or at the option of the shareholder, are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised in the income statement on an amortised cost basis using the effective interest method.

(19) Contingent liabilities and contingent assets

The Group does 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 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. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(20) Income recognition

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

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

- (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.
- (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) Brokerage commission is recognised when contracts are executed. Interest income from margin financing, clients' overdue outstanding purchases and contra losses are recognised on accruals basis. When an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis.

summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(20) Income recognition (continued)

- (g) Premium income from general insurance business (net of all reinsurance) is recognised on the date of assumption of risks. Premium in respect of risks incepted, for which policies have not been raised as at the balance sheet date, are accrued at that date.
- (h) Corporate advisory fees are recognised as income on completion of each stage of the engagement and issuance of invoice.
- (i) Management fees of the unit trust management company are recognised on accruals basis. Sales value of trust units is recognised on the approval of a unitholder's application. Value from the cancellation of trust units is recognised upon approval of the trustee.
- (j) Dividends from all investments are recognised when the shareholders' right to receive payment is established.

(21) Allowance for non-performing debts and financing

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

A general allowance for banking operations based on a percentage of the loan portfolio is also made to cover possible losses which are not specifically identified. A general allowance for securities operations is made based on a percentage of the total amounts due from clients after deducting the specific allowance for bad and doubtful debts. These percentages are reviewed annually in the light of past experience and prevailing circumstances and an adjustment is made on the overall general allowance, if necessary.

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

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

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

The stockbroking policy of classifying an account as a non-performing debt is in conformity with the requirements of Chapter 11, Schedule 7, Rule 1104.1 of Rules of the Bursa Malaysia Securities Berhad ('Bursa Securities').

(22) General insurance

General insurance underwriting surplus before management expenses are determined after accounting for net premium, unearned premium reserves, net claims incurred and net commissions.

Provisions or reserves for unearned premiums are calculated in accordance with the fixed percentage method or time apportionment method, where applicable. Provision is made for outstanding claims based on the estimated cost of claims, less reinsurance recoveries in respect of claims notified and include claims incurred but not reported at the balance sheet date ('IBNR'). Provision for IBNR is computed using a mathematical method of estimation and is based on an actuarial valuation carried out by an independent actuarial firm.

summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(23) Employee benefits

(a) Short term employee benefits

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

(b) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions to the national pension scheme, Employees' Provident Fund. The Group's contributions to defined contribution plans are charged to the income statement in the year to which they relate. Once the contributions have been paid, the Group has 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 undergoes voluntary redundancy in exchange for these benefits.

(24) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest 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 date.

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

(25) Impairment of securities

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

(a) Securities carried at amortised cost

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

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

summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(25) Impairment of securities (continued)

(b) Securities carried at fair value

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

(26) Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries and associates 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.

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

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

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

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

(27) 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 Company'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 equity as qualifying cash flow hedges and qualifying net investment hedges.

summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(27) Currency conversion and translation (continued)

(b) Transactions and balances (continued)

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

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

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

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

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

(28) Dividends

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

(29) Cash and cash equivalents

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

For the purpose of the cash flow statements, cash and cash equivalents are presented net of bank overdrafts.

summary of significant accounting policies and critical accounting estimates and assumptions

for the financial year ended 31 December 2007 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(30) Segment reporting

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

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

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(a) Allowance for losses on loans and advances

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

(b) Impairment of goodwill

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

(c) General insurance

The estimation of pipeline premiums, i.e. premiums incepted for which the policies have not been issued is based on the actual pipeline premiums in prior years adjusted for recent trend and events.

IBNR claims are estimated based on the chain ladder method using cumulated incurred claims. The underlying assumption of the method is that the claims reporting patterns and the reserving practices of the subsidiary are stable. The method also implicitly assumes that the past inflation patterns will continue into future projected years. The estimation is performed by an independent external actuary.

notes to the financial statements

for the financial year ended 31 December 2007

1 GENERAL INFORMATION

The Company is a public limited company, incorporated and domiciled in Malaysia and listed on the Main Board of Bursa Securities.

The principal activity of the Company is investment holding. The Group is involved in commercial banking, Islamic banking, investment banking, leasing, offshore banking, offshore trust services, general insurance, unit trust management, asset management and nominee and custodian services.

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

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

2 CASH AND SHORT TERM FUNDS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash and balances with banks and other financial institutions	980,824	387,976	535	598
Money at call and deposit placements maturing within one month	18,067,324	10,283,577	475,920	12,800
	19,048,148	10,671,553	476,455	13,398

Included in the following balances are accounts held in trust for clients and remisiers:

	Group	
	2007 RM'000	2006 RM'000
Cash and balances with banks and other financial institutions	6,759	6,628
Money at call and deposit placements	161,226	91,974

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Licensed banks	2,151,505	881,029	1,211	1,171
Licensed investment banks	11,235	20,000	-	-
Bank Negara Malaysia	1,200,000	4,675,000	-	-
Other financial institutions	3,000	14,391	-	-
	3,365,740	5,590,420	1,211	1,171

Included in deposits and placements with licensed banks are:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deposits pledged to licensed banks	1,907	2,014	407	394

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

4 SECURITIES HELD-FOR-TRADING

	Group	
	2007 RM'000	2006 RM'000
At fair value		
Money market instruments:		
Quoted		
Malaysian government investment issues	247,825	421,241
Khazanah bonds	202,813	389,473
Malaysian government securities	200,497	196,338
Singapore government securities	103,306	192,069
Cagamas bonds	19,272	-
Unquoted		
Private debt securities	2,079,537	1,113,968
Negotiable instrument of deposits	1,278,675	955,019
Bankers' acceptances and Islamic accepted bills	800,263	757,128
BNM notes	396,106	613,125
Fixed rate notes	221,421	229,710
Malaysian government treasury bills	19,657	28,965
	5,569,372	4,897,036
Quoted securities:		
In Malaysia		
Shares	56,553	42,817
Unit trust	2,335	6,720
Outside Malaysia		
Malaysian government investment issues	105,256	114,487
Private debt securities	20,048	98,682
Shares	7,581	900
	5,761,145	5,160,642

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

5 SECURITIES AVAILABLE-FOR-SALE

	Group	
	2007 RM'000	2006 RM'000
At fair value		
Money market instruments:		
Quoted		
Cagamas bonds and Cagamas Mudharabah bonds	410,370	451,156
Malaysian government securities	195,929	50,190
Private debt securities	137,548	–
Singapore government securities	81,010	103,952
Malaysian government investment issues	18,257	5,058
Khazanah bonds	9,738	9,405
Unquoted		
Private debt securities	2,722,245	912,132
BNM notes	1,618,338	401,056
Negotiable instrument of deposits	1,262,834	3,220,039
Singapore government treasury bills	285,910	85,890
Malaysian government treasury bills	196,667	85,678
Structured notes	154,440	306,351
Bankers' acceptances and Islamic accepted bills	34,044	–
	7,127,330	5,630,907
Quoted securities:		
In Malaysia		
Corporate loan stocks	68,744	54,813
Malaysian government securities	24,043	22,100
Shares	9,957	23,856
Private debt securities	7,237	9,209
Outside Malaysia		
Floating rate notes	156	292
Shares	11	129
Unquoted securities:		
In Malaysia		
Shares	167,979	167,979
Private debt securities	149,853	148,720
Corporate loan stocks	105,077	161,524
Outside Malaysia		
Private debt securities	11,556	49,476
Shares	–	345
Corporate loan stocks	2,315	–
	7,674,258	6,269,350

Included in securities available-for-sale in 2006 was an amount of RM3,539,529,000 being pledged to third parties in relation to securities sold under repurchase agreements. No such securities being pledged in 2007.

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

6 SECURITIES HELD-TO-MATURITY

	Group	
	2007 RM'000	2006 RM'000
At amortised cost		
Money market instruments:		
Quoted		
Malaysian government securities	1,364,197	2,124,505
Cagamas bonds and Cagamas Mudharabah bonds	819,407	911,120
Khazanah bonds	570,490	573,678
Malaysian government investment issues	82,774	80,964
Unquoted		
Prasarana bonds	1,978,309	1,979,791
Private debt securities	846,826	881,827
Negotiable instrument of deposits	774,095	5,286,823
Other government securities	247,568	234,310
Structured notes	100,000	353,052
Bankers' acceptances and Islamic accepted bills	-	99,065
Cagamas notes	-	98,157
	6,783,666	12,623,292
Quoted securities:		
In Malaysia		
Floating rate notes	-	81,225
Unquoted securities:		
In Malaysia		
Private debt securities	347,166	389,458
Corporate loan stocks	87,316	205,231
Bonds	27,201	29,070
Shares	2,700	2,700
Outside Malaysia		
Floating rate notes	37,370	10,595
	7,285,419	13,341,571
Accumulated impairment loss	(243,939)	(233,986)
	7,041,480	13,107,585

Included in securities held-to-maturity in 2006 was an amount of RM8,507,728,000 being pledged to third parties in relation to securities sold under repurchase agreements. No such securities being pledged in 2007.

Included in unquoted shares is a third party redeemable preference shares amounting to RM1,500,000 (2006: RM1,500,000) with a nominal value of RM1.00 each charged to a third party as part of financing transactions facilitated by the subsidiaries.

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

7 LOANS, ADVANCES AND FINANCING

	Group	
	2007 RM'000	2006 RM'000
Overdrafts	6,259,416	6,797,088
Term loans/financing		
– housing loans/financing	12,608,753	12,545,069
– syndicated term loans/financing	2,128,744	2,632,160
– hire-purchase receivables	9,856,706	9,654,495
– lease receivables	264,807	281,120
– other term loans/financing	12,689,939	11,557,423
Bills receivable	2,282,049	1,877,730
Trust receipts	465,381	537,794
Claims on customers under acceptance credits	5,044,613	4,824,605
Staff loans/financing	391,729	413,583
Credit/charge cards receivables	1,630,493	1,288,406
Revolving credits	4,645,240	5,278,336
	58,267,870	57,687,809
Unearned interest and income	(1,453,768)	(1,563,301)
Gross loans, advances and financing	56,814,102	56,124,508
Allowance for bad and doubtful debts and financing		
– general	(999,186)	(976,214)
– specific	(1,260,265)	(1,755,408)
Net loans, advances and financing	54,554,651	53,392,886

Included in term loans are housing loans and hire-purchase receivables sold to Cagamas with recourse amounting to RM1,854,873,000 (2006: RM2,879,284,000).

(a) Loans, advances and financing analysed by type of customers are as follows:

Domestic non-bank financial institutions		
– stockbroking companies	231	1,856
– others	717,257	831,683
Domestic business enterprises		
– small medium enterprises	8,991,279	9,241,948
– others	21,605,192	21,692,647
Government and statutory bodies	224,665	248,651
Individuals	24,543,987	23,403,054
Other domestic entities	89,503	57,746
Foreign entities	641,988	646,923
	56,814,102	56,124,508

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

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group	
	2007 RM'000	2006 RM'000
(b) Loans, advances and financing analysed by type of interest/ profit rate sensitivity are as follows:		
Fixed rate		
– housing loans/financing	1,731,614	1,593,036
– hire-purchase receivables	8,430,436	8,129,916
– other fixed rate loans/financing	3,498,681	3,509,878
Variable rate		
– base lending rate plus	20,339,184	20,237,465
– cost-plus	17,337,990	17,221,488
– other variable rates	5,476,197	5,432,725
	56,814,102	56,124,508
(c) Loans, advances and financing analysed by purpose are as follows:		
Purchase of securities	2,268,943	1,916,263
Purchase of transport vehicles	6,567,105	6,519,848
Purchase of landed property:		
– residential	13,152,861	12,864,401
– non-residential	2,215,150	1,595,519
Purchase of property, plant and equipment other than land and building	2,773,449	2,578,022
Personal use	2,152,457	1,950,596
Credit card	1,630,493	1,288,406
Purchase of consumer durables	92,947	114,206
Construction	1,633,169	2,239,055
Working capital	21,904,612	22,892,955
Other purpose	2,422,916	2,165,237
	56,814,102	56,124,508
(d) Non-performing loans, advances and financing analysed by purpose are as follows:		
Purchase of securities	55,513	70,256
Purchase of transport vehicles	270,881	391,342
Purchase of landed property:		
– residential	1,057,187	1,282,280
– non-residential	153,936	141,531
Purchase of property, plant and equipment other than land and building	68,441	102,341
Personal use	125,543	171,162
Credit card	44,725	45,484
Purchase of consumer durables	6,605	10,558
Construction	126,788	342,741
Working capital	1,234,212	1,635,535
Other purpose	21,462	83,807
	3,165,293	4,277,037

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group	
	2007 RM'000	2006 RM'000
(e) Movements in non-performing loans, advances and financing are as follows:		
Balance as at the beginning of the financial year	4,277,037	4,339,130
Classified as non-performing	3,467,477	4,080,889
Amount recovered	(1,015,758)	(569,812)
Reclassified as performing	(2,430,980)	(2,712,691)
Amount written off	(1,115,789)	(789,256)
Loans/financing converted to securities	(15,586)	(66,371)
Exchange difference	(1,108)	(4,852)
Balance as at the end of the financial year	3,165,293	4,277,037
Specific allowance	(1,260,265)	(1,755,408)
Net non-performing loans, advances and financing	1,905,028	2,521,629
Ratio of net non-performing loans, advances and financing as % of gross loans, advances and financing less specific allowance	3.43%	4.64%
(f) Movements in allowance for bad and doubtful debts and financing accounts are as follows:		
Specific allowance		
Balance as at the beginning of the financial year	1,755,408	1,821,128
Allowance made	1,061,428	968,885
Transferred to accumulated impairment loss in value of securities	(11,128)	(56,215)
Amount transferred from other debtors	-	788
Amount recovered	(409,575)	(237,455)
Amount written off	(1,135,450)	(738,069)
Exchange difference	(418)	(3,654)
Balance as at the end of the financial year	1,260,265	1,755,408
General allowance		
Balance as at the beginning of the financial year	976,214	921,583
Net allowance made	24,567	56,653
Exchange difference	(1,595)	(2,022)
Balance as at the end of the financial year	999,186	976,214
As % of gross loans, advances and financing less specific allowance	1.80%	1.79%

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

8 CLIENTS' AND BROKERS' BALANCES

Clients' and brokers' balances are stated net of specific and general allowance for doubtful debts of RM8,623,000 (2006: RM8,590,000) and RM273,000 (2006: RM1,130,000) respectively.

9 OTHER ASSETS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Other debtors, deposits and prepayments	462,091	348,684	32,851	32,843
Accrued interest receivable	187,176	216,614	52	14
	649,267	565,298	32,903	32,857

Other debtors, deposits and prepayments of the Group are stated net of allowance for doubtful debts of RM6,171,000 (2006: RM4,775,000).

Included in other debtors, deposits and prepayments of the Group and the Company is a deposit of RM32,800,000 (2006: RM32,800,000) paid by the Company pursuant to the sale and purchase agreement dated 7 November 2000 between Carta Bintang Sdn Bhd ('CBSB') and the Company for the sale and purchase of 60 million shares in SJ Securities Sdn Bhd ('SJ Securities') as disclosed in Note 49(a).

10 DERIVATIVE ASSETS/(LIABILITIES)

	Group	
	2007 RM'000	2006 RM'000
Derivative assets	109,157	168,819
Derivative liabilities	(129,242)	(158,231)
	(20,085)	10,588

	Group		
	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
2007			
Foreign exchange related contracts:			
– forwards/swaps	8,670,973	75,085	83,297
– options	596,946	598	274
– cross-currency interest rate swaps	934,930	2,048	1,634
Interest rate related contracts:			
– futures	3,630,000	855	8,106
– swaps	5,242,460	30,571	35,931
		109,157	129,242

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

10 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

	Contract or underlying principal amount RM'000	Group	
		Year-end positive fair value RM'000	Year-end negative fair value RM'000
2006			
Foreign exchange related contracts:			
– forwards/swaps	13,722,481	107,946	82,807
– options	45,390	1,512	1,208
– cross-currency interest rate swaps	683,017	21,798	20,996
Interest rate related contracts:			
– futures	4,570,000	1,784	9,161
– swaps	4,308,397	35,779	44,059
		168,819	158,231

11 AMOUNT DUE FROM RASHID HUSSAIN BERHAD

Pursuant to the EPF unconditional take-over offer for all the remaining ordinary shares of RM1.00 each in the Company ('RHB Capital Shares') not already held by EPF, Rashid Hussain Berhad ('RHB') had on 3 July 2007 transferred its entire equity interest in the Company comprising 842,586,861 RHB Capital Shares to EPF. Consequently, the Company ceased to become a subsidiary of RHB effective from the even date.

The amount due from RHB which was unsecured and carried an interest rate of 0.2% per annum above the Company's average cost of fund ('COF') was fully settled on 10 July 2007.

12 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amounts due from subsidiaries which are unsecured, interest free and have no fixed terms of repayments, are stated net of allowance for doubtful debts of RMNil (2006: RM117,074,000).

The amounts due to subsidiaries are unsecured and have no fixed terms of repayments. Approximately RM155,329,000 (2006: RM3,251,408,000) of the amounts due to subsidiaries are interest free while the remaining amounts bear interest equivalent to the COF of the respective subsidiaries.

13 STATUTORY DEPOSITS

Included in statutory deposits are:

- non-interest bearing statutory deposits of RM1,673,765,000 (2006: RM1,904,950,000) relating to the banking subsidiaries which are maintained with BNM in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised-1994), with the Ministry of Finance, Negara Brunei Darussalam in compliance with Section 6A of the Banking Act, and with the Monetary Authority of Singapore in compliance with Banking Act, Cap. 19 and Singapore Finance Companies Act, Cap. 108. The amounts are determined by the respective authorities.
- non-interest bearing statutory deposits of RM100,000 (2006: RM100,000) relating to a trust subsidiary which is maintained with the Labuan Offshore Financial Services Authority in accordance with Section 4(2)(d)(ii) of the Labuan Trust Companies (Amendment) Act 2002.

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

14 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 balance sheet:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deferred tax assets	249,119	254,767	–	–
Deferred tax liabilities	(593)	(16,522)	(16)	(45)
	248,526	238,245	(16)	(45)
Balance as at the beginning of the financial year	238,245	244,601	(45)	–
Transfer from/(to) income statement (Note 38)	8,838	4,816	29	(45)
Transfer from/(to) equity	1,453	(11,277)	–	–
Exchange difference	(10)	105	–	–
Balance as at the end of the financial year	248,526	238,245	(16)	(45)

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

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

Group	Leasing business	Property, plant and equipment	Securities AFS	General allowance on loans, advances and financing	Tax losses	Provision for liability	Other temporary differences	Total
2007	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of the financial year	16,516	(26,171)	(11,700)	244,839	4,547	431	9,783	238,245
Transfer from/(to) income statement	(1,047)	11,892	–	(2,800)	–	270	523	8,838
Transfer from equity	–	–	1,453	–	–	–	–	1,453
Exchange difference	–	–	–	–	(10)	–	–	(10)
Balance as at the end of the financial year	15,469	(14,279)	(10,247)	242,039	4,537	701	10,306	248,526

2006

Balance as at the beginning of the financial year	7,964	(30,608)	(423)	245,994	9,439	517	11,718	244,601
Transfer from/(to) income statement	8,552	4,437	–	(1,155)	(4,998)	(86)	(1,934)	4,816
Transfer to equity	–	–	(11,277)	–	–	–	–	(11,277)
Exchange difference	–	–	–	–	106	–	(1)	105
Balance as at the end of the financial year	16,516	(26,171)	(11,700)	244,839	4,547	431	9,783	238,245

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for the financial year ended 31 December 2007 (continued)

14 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Company	Property, plant and equipment	
	2007 RM'000	2006 RM'000
Balance as at the beginning of the financial year	(45)	–
Transfer from/(to) income statement	29	(45)
Balance as at the end of the financial year	(16)	(45)

Deferred 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	
	2007 RM'000	2006 RM'000
Unabsorbed tax losses carried forward	3,050,699	3,077,625
Unabsorbed capital allowances carried forward	1,233	54
	3,051,932	3,077,679

15 INVESTMENTS IN SUBSIDIARIES

	Company	
	2007 RM'000	2006 RM'000
Unquoted shares in Malaysia companies, at cost		
– ordinary shares	10,061,401	6,838,070
– preference shares	413,687	263,629
Unquoted shares in companies outside Malaysia, at cost	7,167	7,771
	10,482,255	7,109,470
Adjustments against amounts due to subsidiaries	(2,932,901)	–
Accumulated impairment loss on subsidiaries	(198,444)	(198,444)
	7,350,910	6,911,026

The inter-company balances arose during the merger of various subsidiaries' banking and finance assets and liabilities into RHB Bank Berhad (formerly DCB Bank Berhad) previously. During the financial year, the Board of Directors of the Company and the affected subsidiaries have resolved to set off the inter-company balances against the Company's cost of investment in RHB Bank Berhad, the surviving entity in which all the assets and liabilities of the transferor entities are residing at, for the net amount outstanding between the Company and its subsidiaries amounted to RM2,932,901,000.

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for the financial year ended 31 December 2007 (continued)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest		Principal activities
			2007 %	2006 %	
RHB Bank Berhad ¹	Malaysia	1,949,985,976	100	70	Commercial banking
RHB Islamic Bank Berhad	Malaysia	523,424,002	100	70	Islamic Banking
RHB Bank (L) Ltd	Malaysia	USD54,000,000	100	70	Offshore banking
RHB International Trust (L) Ltd ²	Malaysia	USD40,000	100	100	Offshore trust company
RHB Corporate Services Sdn Bhd	Malaysia	150,000	100	100	Corporate secretarial services
RHB Capital Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	100	70	Nominee services for Malaysian beneficial shareholders
RHB Capital Nominees (Asing) Sdn Bhd	Malaysia	10,000	100	70	Nominee services for foreign beneficial shareholders
RHB Investment Ltd ³	Singapore	S\$19,000,000	100	70	Property investment and rental
Banfora Pte Ltd ³	Singapore	S\$25,000,000	100	70	Property investment and rental
RHB Bank Nominees Pte Ltd ³	Singapore	S\$100,000	100	70	Nominee services
RHB Leasing Sdn Bhd	Malaysia	10,000,000	100	70	Leasing
RHB Trade Services Limited ⁴	Hong Kong	HK\$2	100	70	Processing of letters of credit reissuance favouring Hong Kong beneficiaries
RHB Capital Properties Sdn Bhd	Malaysia	21,800,000	100	70	Property investment
Utama Assets Sdn Bhd	Malaysia	2,300,000	100	70	Property investment
RHB Investment Bank Berhad	Malaysia	338,646,000	100	100	Investment banking
RHB Unit Trust Management Berhad	Malaysia	5,000,000	100	100	Management of unit trust funds. Dormant after 1 January 2008
RHB Merchant Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	100	100	Nominee services for Malaysian beneficial shareholders
RHB Merchant Nominees (Asing) Sdn Bhd	Malaysia	10,000	100	100	Nominee services for foreign beneficial shareholders

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest		Principal activities
			2007 %	2006 %	
RHB Nominees Sdn Bhd	Malaysia	25,000	100	100	Nominee and custodian services
RHB Nominees (Asing) Sdn Bhd	Malaysia	25,000	100	100	Nominee and custodian services for foreign beneficial shareholders
RHB Nominees (Tempatan) Sdn Bhd	Malaysia	25,000	100	100	Nominee and custodian services for Malaysian beneficial shareholders
RHB Investment Management Sdn Bhd (formerly known as RHB Asset Management Sdn Bhd)	Malaysia	10,000,000	100	100	Asset management services and management of unit trust funds with effect from 1 January 2008
RHB Research Institute Sdn Bhd	Malaysia	500,000	100	100	Research services
RHB Management Services (Jersey) Limited ⁵	Jersey, Channel Islands	GBP12	–	100	Management services
RHB Private Equity Holdings Sdn Bhd	Malaysia	6,650,002	100	100	Private equity business and venture capital management
RHB Private Equity Management Ltd	Malaysia	USD 1	100	100	Investment advisor, investment consultant and other ancillary services only for private equity funds
RHB Private Equity Fund Ltd	Cayman Islands	USD 10,001	100	100	Investment company
RHB Insurance Berhad	Malaysia	100,000,000	79.5	79.5	General insurance
Straits Asset Holdings Sdn Bhd	Malaysia	48,240,000	100	100	Investment holding
RHB Hartanah Sdn Bhd	Malaysia	100,000	100	100	Property investment
RHB Equities Sdn Bhd ⁶	Malaysia	20,000,000	100	100	Equity related services
RHB Asia Pte Ltd ⁷	Singapore	S\$12,000,000	–	100	Investment holding
RHB Capital (Jersey) Limited	Jersey, Channel Islands	GBP4,012	100	100	Investment holding

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest		Principal activities
			2007 %	2006 %	
RHB Capital Berhad's dormant subsidiaries					
RHB Bena Sdn Bhd ⁸	Malaysia	5,000,000	100	100	Dormant
RHBF Sdn Bhd	Malaysia	148,145,176	100	100	Dormant
KYF Sdn Bhd	Malaysia	50,000,000	100	100	Dormant
Kwong Yik Nominees (Tempatan) Sdn Bhd ⁸	Malaysia	10,000	100	100	Dormant
Kwong Yik Nominees (Asing) Sdn Bhd ⁸	Malaysia	10,000	100	100	Dormant
KYB Trust Management Sdn Bhd ⁸	Malaysia	2	100	100	Dormant
SFSB Services (Melaka) Sdn Bhd	Malaysia	5,000,000	100	100	Dormant
SSSB Services (Melaka) Sdn Bhd	Malaysia	40,000,000	100	100	Dormant
RHB Dynamic Technologies Sdn Bhd ⁸	Malaysia	100,000	100	100	Dormant
KYB Sdn Bhd	Malaysia	1,735,137,489	100	100	Dormant
Rashid Hussain Securities (Philippines) Inc ^{3,9}	Philippines	PHP180,000,000	100	100	Dormant
PT Rashid Hussain Securities ^{3,10}	Indonesia	IDR35,000,000,000	85	85	Dormant
RHB Bank's dormant subsidiaries					
UMBC Sdn Bhd	Malaysia	499,999,818	100	70	Dormant
RHB Delta Sdn Bhd	Malaysia	175,000,000	100	70	Dormant
USB Nominees Sdn Bhd	Malaysia	10,000	100	70	Dormant
USB Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	100	70	Dormant
USB Nominees (Asing) Sdn Bhd	Malaysia	10,000	100	70	Dormant

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for the financial year ended 31 December 2007 (continued)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest		Principal activities
			2007 %	2006 %	
RHB Bank's dormant subsidiaries (continued)					
RHB Delta Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	100	70	Dormant
INFB Jaya Sdn Bhd	Malaysia	50,000,000	100	70	Dormant
Utama Gilang Sdn Bhd	Malaysia	800,000,000	100	70	Dormant
U.B. Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	100	70	Dormant
RHB Investment Bank's dormant subsidiaries					
RHB Venture Capital Sdn Bhd	Malaysia	2	100	100	Dormant
Straits Nominees (Tempatan) Sdn Bhd ¹¹	Malaysia	25,000	100	100	Dormant
Straits Nominees (Asing) Sdn Bhd ¹¹	Malaysia	25,000	100	100	Dormant
RHB Excel Sdn Bhd	Malaysia	200,000,000	100	100	Dormant
RHB Progressive Sdn Bhd	Malaysia	13,500,000	100	100	Dormant
RHB Marketing Services Sdn Bhd	Malaysia	100,000	100	100	Dormant

Notes:

- 1 With effect from 12 July 2007, the company became a wholly-owned subsidiary of RHB Capital Berhad. Refer to Note 47(a) for details.
- 2 With effect from 15 May 2007, the company became a wholly-owned subsidiary of RHB Bank (L) Ltd. Previously, it was a wholly-owned subsidiary of RHB Capital Berhad.
- 3 Subsidiaries audited by overseas firms associated with PricewaterhouseCoopers, Malaysia.
- 4 Subsidiary not audited by PricewaterhouseCoopers.
- 5 The company has been dissolved on 23 January 2007.
- 6 With effect from 1 July 2001, the company's activities relate primarily to recovery of outstanding debts.
- 7 The company has been dissolved on 30 November 2007.
- 8 The company has commenced members' voluntary winding up on 26 November 2007.
- 9 The company has ceased operations effective from the close of business on 10 December 2001.
- 10 The company has ceased operations on 31 July 2001 and commenced proceedings for members' voluntary dissolution.
- 11 The company has been dissolved on 13 October 2007.

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

16 INVESTMENTS IN ASSOCIATES

	Group	
	2007 RM'000	2006 RM'000
Balance as at the beginning of the financial year	15,289	15,734
Share of results	218	(475)
Additional investment	26	30
Balance as at the end of the financial year	15,533	15,289

The details of the associates are as follows:

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest		Principal activities
			2007 %	2006 %	
Positive Properties Sdn Bhd	Malaysia	23,192,000	50	50	Property investment
CMS Trust Management Berhad ¹	Malaysia	6,765,300	49	34.3	Management of unit trust funds

Note:

- 1 RHB Capital's indirect shareholding in the company increased pursuant to RHB Bank becoming a wholly-owned subsidiary of RHB Capital. Refer to Note 47(a) for details.

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

Group	Assets RM'000	Liabilities RM'000	Revenue RM'000	Profit/(Loss) after taxation RM'000
2007	30,213	14,680	7,090	218
2006	16,276	987	4,367	(475)

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

17 PREPAID LAND LEASE

Group 2007	Leasehold land		Total RM'000
	Less than 50 years RM'000	50 years or more RM'000	
Cost			
Balance as at the beginning of the financial year			
– as previously reported	–	–	–
– effect of adoption of FRS 117	1,047	125,769	126,816
– as restated	1,047	125,769	126,816
Exchange difference	–	(193)	(193)
Balance as at the end of the financial year	1,047	125,576	126,623
Accumulated amortisation			
Balance as at the beginning of the financial year			
– as previously reported	–	–	–
– effect of adoption of FRS 117	440	4,171	4,611
– as restated	440	4,171	4,611
Charge for the financial year	28	471	499
Balance as at the end of the financial year	468	4,642	5,110
Accumulated impairment loss			
Balance as at the beginning of the financial year			
– as previously reported	–	–	–
– effect of adoption of FRS 117	–	21,960	21,960
– as restated	–	21,960	21,960
Exchange difference	–	(41)	(41)
Balance as at the end of the financial year	–	21,919	21,919
Carrying amount as at the end of the financial year	579	99,015	99,594
		Less than 50 years RM'000	50 years or more RM'000
Future amortisation of prepaid land lease are as follows:			
– Not later than one year		28	471
– Later than one year and not later than five years		111	1,887
– More than five years		440	118,576
		579	120,934

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

17 PREPAID LAND LEASE (CONTINUED)

Group 2006	Leasehold land		Total RM'000
	Less than 50 years RM'000	50 years or more RM'000	
Cost			
Balance as at the beginning of the financial year			
– as previously reported	–	–	–
– effect of adoption of FRS 117	1,047	129,561	130,608
– as restated	1,047	129,561	130,608
Disposal	–	(4,995)	(4,995)
Exchange difference	–	1,203	1,203
Balance as at the end of the financial year	1,047	125,769	126,816
Accumulated amortisation			
Balance as at the beginning of the financial year			
– as previously reported	–	–	–
– effect of adoption of FRS 117	412	4,134	4,546
– as restated	412	4,134	4,546
Charge for the financial year	28	415	443
Disposal	–	(378)	(378)
Balance as at the end of the financial year	440	4,171	4,611
Accumulated impairment loss			
Balance as at the beginning of the financial year			
– as previously reported	–	–	–
– effect of adoption of FRS 117	–	23,535	23,535
– as restated	–	23,535	23,535
Reversal for the financial year	–	(1,827)	(1,827)
Exchange difference	–	252	252
Balance as at the end of the financial year	–	21,960	21,960
Carrying amount as at the end of the financial year	607	99,638	100,245
		Less than 50 years RM'000	50 years or more RM'000
Future amortisation of prepaid land lease are as follows:			
– Not later than one year		28	471
– Later than one year and not later than five years		110	2,099
– More than five years		469	119,028
		607	121,598

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

18 PROPERTY, PLANT AND EQUIPMENT

Group 2007	Freehold land RM'000	Leasehold land		Buildings RM'000	Renovations and improvements RM'000	Computer equipment and software RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
		Less than 50 years RM'000	50 years or more RM'000						
Cost									
Balance as at the beginning of the financial year									
– as previously reported	145,337	1,047	125,039	499,556	168,018	719,409	218,754	20,647	1,897,807
– effect of adoption of FRS 117	–	(1,047)	(125,039)	(730)	–	–	–	–	(126,816)
– as restated	145,337	–	–	498,826	168,018	719,409	218,754	20,647	1,770,991
Additions	–	–	–	2,107	9,938	57,441	3,999	963	74,448
Disposals	–	–	–	(5,181)	(18)	(279)	(68)	(2,698)	(8,244)
Written off	–	–	–	–	(160)	(8,034)	(2,854)	(2)	(11,050)
Exchange difference	(4)	–	–	(162)	(93)	58	155	75	29
Reclassifications	–	–	–	–	(413)	(300)	613	100	–
Balance as at the end of the financial year	145,333	–	–	495,590	177,272	768,295	220,599	19,085	1,826,174
Accumulated depreciation									
Balance as at the beginning of the financial year									
– as previously reported	–	440	4,096	87,407	119,747	559,410	197,460	14,035	982,595
– effect of adoption of FRS 117	–	(440)	(4,096)	(75)	–	–	–	–	(4,611)
– as restated	–	–	–	87,332	119,747	559,410	197,460	14,035	977,984
Charge for the financial year	–	–	–	9,916	7,549	62,545	9,385	2,273	91,668
Disposals	–	–	–	(1,035)	(17)	(255)	(60)	(2,205)	(3,572)
Written off	–	–	–	–	(39)	(8,033)	(2,852)	(3)	(10,927)
Exchange difference	–	–	–	(32)	(81)	112	156	25	180
Reclassifications	–	–	–	–	–	(32)	(64)	96	–
Balance as at the end of the financial year	–	–	–	96,181	127,159	613,747	204,025	14,221	1,055,333
Accumulated impairment loss									
Balance as at the beginning of the financial year									
– as previously reported	1,136	–	21,960	4,335	–	4,601	–	–	32,032
– effect of adoption of FRS 117	–	–	(21,960)	–	–	–	–	–	(21,960)
– as restated	1,136	–	–	4,335	–	4,601	–	–	10,072
Exchange difference	–	–	–	(22)	–	–	–	–	(22)
Balance as at the end of the financial year	1,136	–	–	4,313	–	4,601	–	–	10,050
Net book value as at the end of the financial year	144,197	–	–	395,096	50,113	149,947	16,574	4,864	760,791

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

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued) 2006	Freehold land RM'000	Leasehold land Less than 50 years RM'000	50 years or more RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment and software RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost									
Balance as at the beginning of the financial year									
– as previously reported	145,920	1,047	128,831	528,698	154,722	682,479	203,051	23,111	1,867,859
– effect of adoption of FRS 117	–	(1,047)	(128,831)	(730)	–	–	–	–	(130,608)
– as restated	145,920	–	–	527,968	154,722	682,479	203,051	23,111	1,737,251
Additions	–	–	–	2,472	8,570	56,384	2,013	2,047	71,486
Disposals	(602)	–	–	(9,396)	–	(541)	(200)	(4,524)	(15,263)
Written off	–	–	–	–	(624)	(20,937)	(3,730)	(6)	(25,297)
Exchange difference	19	–	–	554	35	2,028	159	19	2,814
Reclassifications	–	–	–	(22,772)	5,315	(4)	17,461	–	–
Balance as at the end of the financial year	145,337	–	–	498,826	168,018	719,409	218,754	20,647	1,770,991
Accumulated depreciation									
Balance as at the beginning of the financial year									
– as previously reported	–	412	4,067	78,497	113,900	509,589	191,392	16,072	913,929
– effect of adoption of FRS 117	–	(412)	(4,067)	(67)	–	–	–	–	(4,546)
– as restated	–	–	–	78,430	113,900	509,589	191,392	16,072	909,383
Charge for the financial year	–	–	–	11,232	6,383	71,069	9,851	2,287	100,822
Disposals	–	–	–	(2,362)	–	(529)	(199)	(4,337)	(7,427)
Written off	–	–	–	–	(608)	(20,814)	(3,728)	(6)	(25,156)
Exchange difference	–	–	–	120	(16)	95	144	19	362
Reclassifications	–	–	–	(88)	88	–	–	–	–
Balance as at the end of the financial year	–	–	–	87,332	119,747	559,410	197,460	14,035	977,984
Accumulated impairment loss									
Balance as at the beginning of the financial year									
– as previously reported	–	–	23,535	3,495	–	4,290	–	–	31,320
– effect of adoption of FRS 117	–	–	(23,535)	–	–	–	–	–	(23,535)
– as restated	–	–	–	3,495	–	4,290	–	–	7,785
Charge for the financial year	1,136	–	–	1,342	–	–	–	–	2,478
Disposals	–	–	–	(310)	–	–	–	–	(310)
Reversal for the financial year	–	–	–	(174)	–	–	–	–	(174)
Exchange difference	–	–	–	(18)	–	311	–	–	293
Balance as at the end of the financial year	1,136	–	–	4,335	–	4,601	–	–	10,072
Net book value as at the end of the financial year	144,201	–	–	407,159	48,271	155,398	21,294	6,612	782,935

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included in the net book value of motor vehicles is an amount of RM215,000 (2006: RM646,000) which is purchased under hire-purchase arrangement.

Included in the freehold land and buildings is a property at net book value of RM252,484,946 (2006: RM257,341,000) belonging to a wholly-owned subsidiary which has been charged as collateral for the Company's borrowings as at 31 December 2007.

The above property, plant and equipment include the following assets under construction:

	Group 2007 RM'000	2006 RM'000
At cost		
Renovations	14,455	7,802
Computer equipment and software	34,392	32,530
	48,847	40,332

Company 2007	Computer equipment and software RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
Cost					
Balance as at the beginning of the financial year	348	552	2,156	242	3,298
Additions	24	20	-	-	44
Disposal	(6)	-	-	-	(6)
Balance as at the end of the financial year	366	572	2,156	242	3,336
Accumulated depreciation					
Balance as at the beginning of the financial year	178	224	1,510	91	2,003
Charge for the financial year	71	112	431	48	662
Disposal	(2)	-	-	-	(2)
Balance as at the end of the financial year	247	336	1,941	139	2,663
Net book value as at the end of the financial year	119	236	215	103	673

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company (continued) 2006	Computer equipment and software RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
Cost					
Balance as at the beginning of the financial year	315	511	2,514	214	3,554
Additions	33	41	–	28	102
Disposal	–	–	(358)	–	(358)
Balance as at the end of the financial year	348	552	2,156	242	3,298
Accumulated depreciation					
Balance as at the beginning of the financial year	110	116	1,257	43	1,526
Charge for the financial year	68	108	432	48	656
Disposal	–	–	(179)	–	(179)
Balance as at the end of the financial year	178	224	1,510	91	2,003
Net book value as at the end of the financial year	170	328	646	151	1,295

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Accumulated depreciation and impairment loss				
Balance as at the beginning of the financial year	988,056	917,168	2,003	1,526
Balance as at the end of the financial year	1,065,383	988,056	2,663	2,003

19 GOODWILL

	Group	
	2007 RM'000	2006 RM'000
Balance as at the beginning of the financial year	1,167,513	1,167,513
Arising from acquisition of ordinary and preference shares from the minorities of a subsidiary	2,116,440	–
Balance as at the end of the financial year	3,283,953	1,167,513

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for the financial year ended 31 December 2007 (continued)

19 GOODWILL (CONTINUED)

The carrying amounts of goodwill allocated to the Group's cash-generating units ('CGU') are as follows:

	Group	
	2007 RM'000	2006 RM'000
CGU		
Wholesale banking	944,938	283,471
Retail banking	786,560	260,031
Treasury and money market	1,195,412	441,132
Islamic Banking	210,467	36,303
Financial advisory and underwriting	19,470	19,470
Stockbroking, securities related and others	127,106	127,106
	3,283,953	1,167,513

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

The cash flow projections are derived based on a number of key factors including the past performance and the management's expectations of the market developments. The followings are the other assumptions used in determining the recoverable amount of each CGU within the business segment:

CGU	Discount rate	
	2007	2006
Wholesale banking	9.8%	10.1%
Retail banking	9.8%	10.1%
Treasury and money market	10.9%	10.2%
Islamic Banking	9.8%	10.1%
Financial advisory and underwriting	13.6%	10.3%
Stockbroking, securities related and others	13.6%	10.3%

The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

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

20 DEPOSITS FROM CUSTOMERS

	Group	
	2007 RM'000	2006 RM'000
Demand deposits	17,106,591	15,638,515
Savings deposits	5,153,557	4,861,397
Fixed deposits	52,971,787	34,273,158
Negotiable instrument of deposits	561,296	2,752,462
	75,793,231	57,525,532

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

20 DEPOSITS FROM CUSTOMERS (CONTINUED)

	Group	
	2007 RM'000	2006 RM'000
(a) The maturity structure of fixed deposits and negotiable instrument of deposits is as follows:		
Due within six months	46,186,525	29,516,041
Six months to one year	6,738,982	7,094,770
One year to three years	389,541	191,527
Three years to five years	218,035	223,282
	53,533,083	37,025,620
(b) The deposits are sourced from the following classes of customers:		
Government and statutory bodies	4,734,585	4,336,106
Business enterprises	45,436,540	28,619,833
Individuals	23,477,921	22,674,291
Others	2,144,185	1,895,302
	75,793,231	57,525,532

21 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2007 RM'000	2006 RM'000
Licensed banks	3,757,638	8,643,917
Licensed investment banks	458,605	101,286
BNM	2,205,622	1,192,276
Other financial institutions	2,248,466	1,639,639
	8,670,331	11,577,118

22 CLIENTS' AND BROKERS' BALANCES

Included in clients' and brokers' balances are clients' trust balances held by a subsidiary in trust of RM181,537,000 (2006: RM121,060,000).

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

23 OTHER LIABILITIES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Other creditors and accruals	434,736	501,517	6,605	4,326
Accrued interest payable	469,417	472,818	30,416	35,464
Amount due to BNM (a)	-	296,129	-	-
Accruals for operational expenses	238,783	154,392	-	-
General insurance fund (b)	157,972	136,821	-	-
Short term employee benefits	134,108	115,968	-	-
Lessee deposits	85,260	82,778	-	-
Prepaid instalment	71,352	61,889	-	-
Remisiers' trust deposits	12,761	11,181	-	-
Amount due to Danaharta (c)	1,828	1,725	-	-
Hire-purchase creditors (d)	706	1,062	706	1,062
	1,606,923	1,836,280	37,727	40,852

(a) Amount due to BNM

The amount due to BNM in 2006 mainly comprises collections on ex-Sime Bank's non-performing loans sold to BNM which are managed by RHB Bank. It was subject to interest at rates ranging from 3.21% to 3.70% per annum in previous year. The amount due to BNM was settled on 18 October 2007.

(b) General insurance fund

	Group	
	2007 RM'000	2006 RM'000
Provision for outstanding claims	99,252	88,184
Unearned premium reserve	58,720	48,637
	157,972	136,821

(c) Amount due to Danaharta

The amount due to Danaharta mainly comprises collections on ex-Sime Bank's overseas branches non-performing loans sold to Danaharta which is managed by RHB Bank's overseas branches.

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

23 OTHER LIABILITIES (CONTINUED)

(d) Hire-purchase creditors

	Group and Company	
	2007	2006
	RM'000	RM'000
Minimum lease payment		
– not later than one year	405	405
– later than one year and not later than two years	338	405
– later than two years and not later than five years	–	338
	743	1,148
Future finance charges on hire-purchase	(37)	(86)
Present value of hire-purchase creditors	706	1,062
Current	376	356
Non-current	330	706
	706	1,062
Present value of hire-purchase creditors		
– not later than one year	376	356
– later than one year and not later than two years	330	376
– later than two years and not later than five years	–	330
	706	1,062

Hire-purchase are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

The effective average interest rate of hire-purchase creditors at the balance sheet date is 5.40% (2006: 5.40%) per annum.

24 BORROWINGS

		Group		Company	
		2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
Secured:					
Revolving credits	(a)	20,000	–	20,000	–
Term loans	(a)	240,000	240,000	240,000	240,000
Unsecured:					
Revolving credits	(b)	–	93,200	–	93,200
Term loans	(c)	726,700	282,400	396,000	–
Overdrafts	(d)	30	–	30	–
RM600 million 6 years Serial Fixed Rate Bonds	(e)	596,363	594,904	596,363	594,904
RM350 million Fixed Rate Bonds	(f)	342,584	341,308	342,584	341,308
		1,925,677	1,551,812	1,594,977	1,269,412
Maturity period of borrowings:					
Repayable within one year		689,099	93,200	656,029	93,200
One year to three years		364,884	389,173	298,744	389,173
Three years to five years		706,344	445,731	640,204	445,731
Over five years		165,350	623,708	–	341,308
		1,925,677	1,551,812	1,594,977	1,269,412

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

24 BORROWINGS (CONTINUED)

The borrowings of the Group and the Company are as follows:

(a) Revolving credits and term loans (secured)

Revolving credit and term loan facilities of RM20,000,000 (2006: RMNil) and RM240,000,000 (2006: RM240,000,000) respectively are secured against:

- (i) a property of a wholly-owned subsidiary ('said property');
- (ii) fixed deposits of a subsidiary and the Company of RM1,500,000 (2006: RM1,500,000) and RM407,000 (2006: RM394,000) respectively;
- (iii) assignment of rental proceeds from the said property; and
- (iv) corporate guarantee by a subsidiary of RM240,000,000 (2006: RM240,000,000).

The secured revolving credit facilities and term loans bear interest at rates ranging from 4.18% to 5.22% (2006: 4.22% to 5.75%) and 4.00% to 6.75% (2006: 6.25% to 6.75%) per annum respectively.

(b) Revolving credits (unsecured)

The unsecured revolving credit facilities of RMNil (2006: RM93,200,000) bear interest at rates ranging from 4.18% to 5.90% (2006: 4.59% to 5.95%) per annum.

(c) Term loans (unsecured)

The unsecured term loan of the Company bears interest at the rate of 4.20% per annum (2006: Nil).

On 7 April 2006, a subsidiary entered into an agreement with a foreign bank to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 11 years. Disbursement of USD50 million and USD30 million were done on 29 June 2006 and 20 October 2006. 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 Untied Loan bears interest at rates ranging from 5.69% to 5.96% (2006: 5.81% to 6.02%) per annum.

(d) Overdrafts (unsecured)

The unsecured overdrafts bear interest at rates ranging from 8.05% to 8.80% (2006: 8.00% to 8.30%) per annum.

(e) RM600 million 6 years Serial Fixed Rate Bonds

On 11 January 2005, the Company issued RM600 million nominal value of 6 years Serial Fixed Rate Bonds. The Serial Bonds comprising 3 series are as follows:

Series	Nominal value RM'million	Maturity date	Coupon rate (per annum)
1	150.0	12 January 2009	6.2%
2	150.0	11 January 2010	6.7%
3	300.0	11 January 2011	7.2%

The coupon payment is payable semi-annually in arrears in January and July each year, with the final coupon payment to be made on the respective maturity dates of each series.

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

24 BORROWINGS (CONTINUED)

(f) RM350 million Fixed Rate Bonds

On 18 September 2006, the Company issued RM350 million Fixed Rate Bonds. The RM350 million Fixed Rate Bonds, with a tenure of 6 years, bear interest at the rate of 7.15% per annum, payable semi-annually in arrears in March and September each year.

25 SUBORDINATED OBLIGATIONS

		Group	
		2007 RM'000	2006 RM'000
8.2% RM165 million Tier II Subordinated Bonds 2002/2012	(a)	–	165,000
6.85% RM800 million Tier II Subordinated Bonds 2002/2012	(b)	–	800,000
6.625% USD150 million Tier II Subordinated Notes 2002/2013	(c)	495,000	528,158
5.0% RM1,300 million Tier II Subordinated Notes 2007/2017	(d)	1,275,000	–
5.5% RM700 million Tier II Subordinated Notes 2007/2022	(d)	700,000	–
5.3% RM200 million Tier II Subordinated Notes 2007/2017	(e)	195,000	–
		2,665,000	1,493,158

(a) 8.2% RM165 million Tier II Subordinated Bonds 2002/2012

On 9 December 2002, RHB Investment Bank issued a 10-year non-callable 5-year Subordinated Bonds for an aggregate nominal value of RM165 million at par ('Sub-Bonds'). The Sub-Bonds are redeemable unsecured subordinated obligations of RHB Investment Bank and qualify as Tier II capital for the purpose of BNM's capital adequacy requirements.

The Sub-Bonds constitute redeemable unsecured obligations of RHB Investment Bank, subordinated in right and priority of payment, to the extent and in the manner provided in the terms of the Sub-Bonds, to all deposit liabilities and other liabilities of RHB Investment Bank except those liabilities which by their terms rank *pari passu* in right of priority of payment with or subordinate to the Sub-Bonds. The Sub-Bonds are, in the event of a distribution of assets in the winding up or liquidation of RHB Investment Bank, rank senior to the share capital of RHB Investment Bank.

The Sub-Bonds was used as part settlement of the transfer consideration paid by RHB Investment Bank for the Transfer of the Securities and Securities Related Business Entities from the Company to RHB Investment Bank pursuant to the Group Restructuring Scheme of the RHB Group.

The coupon for the Sub-Bonds shall be accrued at the rate of 8.2% per annum and commencing from the beginning of the sixth year from the issue date, the coupon rate shall be stepped-up to 10.7% per annum to the maturity date. Coupon payments are payable semi-annually in arrears, with the last payment to be made on the maturity date.

The Sub-Bonds had been fully redeemed on 10 December 2007.

(b) 6.85% RM800 million Tier II Subordinated Bonds 2002/2012

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

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

25 SUBORDINATED OBLIGATIONS (CONTINUED)

(b) 6.85% RM800 million Tier II Subordinated Bonds 2002/2012 (continued)

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

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

RHB Bank had on 24 December 2007, fully redeemed the Sub-Bonds.

(c) 6.625% USD150 million Tier II Subordinated Notes 2002/2013

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

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

The Sub-Notes constitute direct, unsecured and subordinated obligations of RHB Bank, and rank *pari passu* without any preference amongst themselves.

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

(d) 5.0% RM1,300 million Subordinated Notes 2007/2017 and 5.5% RM700 million Subordinated Notes 2007/2022

On 30 November 2007, RHB 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 will constitute direct unsecured obligations of RHB 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 RHB Bank except all other present and future unsecured and subordinated obligations of RHB 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 2007 (continued)

25 SUBORDINATED OBLIGATIONS (CONTINUED)

(e) 5.3% RM200 million Tier II Subordinated Notes 2007/2017

On 10 December 2007, RHB Investment Bank has successfully issued Subordinated Notes ('Sub-Notes') under a Subordinated Note Programme ('the Sub-Notes Programme') for an aggregate nominal value of RM200 million at par and qualify as Tier II Capital of RHB Investment Bank for the purpose of BNM's capital adequacy requirements. The Sub-Notes shall have a tenure of 15 years from the date of first issue. During the tenure of the Sub-Notes Programme, RHB Investment Bank may issue Sub-Notes with maturities ranging from 10 to 15 years and callable after a minimum period of 5 years from date of issue.

The Sub-Notes constitute direct unsecured obligations of RHB Investment Bank, subordinated in right and priority of payment, to the extent and in the manner provided in the terms of the Sub-Notes, to all deposit liabilities and other liabilities of RHB Investment Bank except all other present and future unsecured and subordinated obligations of RHB Investment Bank which by their terms rank *pari passu* in right of priority of payment with or subordinate to the Sub-Notes. The Sub-Notes will in the event of the winding-up or liquidation of RHB Investment Bank, be subordinated in right of payments to the claims of the depositors and all other creditors of RHB Investment Bank other than claimants in respect of RHB Investment Bank's unsecured and subordinated obligations which by their terms rank *pari passu* in right of and priority of payment with or subordinated to the Sub-Notes.

The Sub-Notes proceeds raised shall be utilised for RHB Investment Bank's general working capital.

The coupon for the Sub-Notes shall be accrued at the rate of 5.30% per annum and commencing from the beginning of the sixth year from the issue date, the coupon rate shall be stepped-up at 0.5% per annum. Coupon payments are payable semi-annually in arrears, with the last payment to be made on the maturity date.

26 IRREDEEMABLE NON-CUMULATIVE CONVERTIBLE PREFERENCE SHARES ('INCPS')

The salient features of the INCPS are as follows:

- (a) A non-cumulative preferential dividend (less tax) at the following rates:
 - (i) for the period from the date of issue of INCPS to the day preceding the fifth anniversary date of issue of the INCPS, a non-cumulative preferential dividend at the rate of 8% (less tax) per annum; and
 - (ii) thereafter, a non-cumulative preferential dividend at the rate of 10% (less tax) per annum.
- (b) Save and except that the INCPS shall rank in priority to RHB Bank ordinary shares with regards to the preferential dividend, and with regards to the return of capital in the event of winding up, the INCPS holders have no right to participate in the surplus assets and profits of RHB Bank.
- (c) The INCPS carry no right to attend and vote at general meetings of RHB Bank unless the dividends on the INCPS are in arrears for more than 3 months or the general meeting is:
 - (i) for any resolution which varies or is deemed to vary the rights and privileges of such INCPS; or
 - (ii) for any resolution for winding up of RHB Bank.
- (d) Holders of the INCPS have the option of converting the INCPS into new RHB Bank ordinary shares in the first 5 years from the date of issue of the INCPS ('Conditional Conversion Period') should:
 - (i) RHB Bank cease to be a subsidiary of the Company; or
 - (ii) the risk weighted capital adequacy ratio of RHB Bank falls to a level at or below 8.5% and this is not remedied within 3 months from the occurrence of such event; or

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

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

- (d) Holders of the INCPS have the option of converting the INCPS into new RHB Bank ordinary shares in the first 5 years from the date of issue of the INCPS ('Conditional Conversion Period') should: (continued)
- (iii) at any time the aggregate of dividends which are missed and not paid, exceed 4% of the par value of the INCPS; or
 - (iv) at any time after the Conditional Conversion Period, at the Optional Conversion Price. The Optional Conversion Price means the consolidated net assets per RHB Bank ordinary share based on its consolidated management financial statements immediately preceding the date of conversion multiplied by 1.2 times. The Optional Conversion Price is subject to adjustments under certain circumstances in accordance with the terms of the INCPS.
- (e) In the event RHB Bank undertakes an initial public offering of shares for the purpose of seeking a listing on the Bursa Securities, the outstanding INCPS will be mandatorily converted based on a specified price which would yield a return of 12% per annum on the INCPS.

As at 31 December 2007, the Company had received valid acceptances from two INCPS holders totalling 100,038,329 INCPS and the Company had paid RM150,058,000 based on the terms of the Proposed Purchase of INCPS announced on 28 September 2007 (Refer to Note 47(e)).

27 SHARE CAPITAL

	Company	
	2007 RM'000	2006 RM'000
Authorised:		
Ordinary shares of RM1.00 each		
Balance as at the beginning/end of the financial year	2,500,000	2,500,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
Balance as at the beginning of the financial year	1,823,475	1,823,475
Issued during the financial year (Note 47(a))	330,000	-
Balance as at the end of the financial year	2,153,475	1,823,475

28 RESERVES

The reserve funds represent non-distributable profits held by the banking subsidiaries in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and Section 18 of the Singapore Finance Companies (Amendment) Act 1994. These funds are not distributable as cash dividends.

The other reserves comprise share premium of a subsidiary consolidated after the Scheme of Arrangement under Section 176 of the Companies Act, 1965, undertaken by the Company and the subsidiary in 1994, whereby the Company acquired the entire issued and fully paid-up share capital of that subsidiary via an exchange of shares.

The AFS reserves are in respect of unrealised fair value gain and loss on securities AFS.

Based on the estimated tax credits available, the prevailing tax rate applicable to dividends and subject to agreement with the tax authorities, the Company has sufficient tax credits under Section 108(6) of the Income Tax Act, 1967 and tax exempt income to frank dividends of approximately RM1,420,000,000 (2006: RM617,000,000) and RM183,000,000 (2006: RM183,000,000) respectively out of its retained profits as at 31 December 2007.

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for the financial year ended 31 December 2007 (continued)

28 RESERVES (CONTINUED)

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 Company 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 Company 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.

29 INTEREST INCOME

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Loans, advances and financing				
– interest income other than recoveries from non-performing loans	3,053,133	2,803,204	–	–
– recoveries from non-performing loans	194,819	214,691	–	–
Money at call, deposits and placements with financial institutions	692,206	458,604	1,526	3,062
Securities purchased under resale agreements	105,592	176,014	–	–
Securities held-for-trading	177,521	131,735	–	–
Securities AFS	368,874	92,323	–	–
Securities held-to-maturity	308,226	555,566	–	–
Others	63,271	86,860	45,402	82,293
	4,963,642	4,518,997	46,928	85,355
Amortisation of premium less accretion of discount	(2,109)	(7,283)	–	–
Interest suspended	(94,212)	(100,991)	–	–
	4,867,321	4,410,723	46,928	85,355

30 INTEREST EXPENSE

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deposits and placements of banks and other financial institutions	383,907	373,699	–	–
Deposits from customers	1,796,900	1,263,710	–	–
Obligations on securities sold under repurchase agreements	211,843	427,170	–	–
Borrowings	92,455	98,114	92,455	98,053
Subordinated obligations	110,785	105,345	–	–
Recourse obligation on loans sold to Cagamas	111,900	150,589	–	–
Others	60,622	46,687	3,063	4,430
	2,768,412	2,465,314	95,518	102,483

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

31 OTHER OPERATING INCOME

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Fee income				
Service charges and fees	160,136	147,079	-	-
Commission	119,459	109,295	-	-
Brokerage	122,046	60,711	-	-
Commitment fees	43,419	41,816	-	-
Guarantee fees	45,361	40,030	-	-
Unit trust fee income	39,032	26,638	-	-
Corporate advisory fees	15,186	8,927	-	-
Underwriting and arrangement fees	16,553	7,005	-	-
Fund management fees	10,607	6,751	-	-
Other fee income	18,181	14,481	-	-
	589,980	462,733	-	-
Net gain/(loss) arising from sale/redemption of securities and derivatives				
Net gain from sale of				
– securities held-for-trading	82,719	59,141	-	-
– securities AFS	23,084	23,370	-	-
Net gain from redemption of				
– securities held-to-maturity	2,943	2,188	-	-
Derivatives	(1,000)	2	-	-
	107,746	84,701	-	-
Unrealised gain/(loss) on revaluation of securities and derivatives				
Securities held-for-trading	(55,183)	27,127	-	-
Derivatives	5,168	3,059	-	-
	(50,015)	30,186	-	-

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

31 OTHER OPERATING INCOME (CONTINUED)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Gross dividend income from				
Securities held-for-trading	2,396	4,242	–	–
Securities AFS	6,259	3,947	–	–
Securities held-to-maturity	–	864	–	–
Subsidiaries	–	–	1,343,131	461,798
	8,655	9,053	1,343,131	461,798
Other income				
Foreign exchange gain/(loss)				
– realised	252,764	147,645	–	–
– unrealised	(35,520)	32,070	452	(782)
Underwriting surplus before management expenses	30,922	38,588	–	–
Net gain on disposal of property, plant and equipment	842	4,175	1	131
Rental income	3,484	3,195	–	–
Gain/(Loss) on liquidation of subsidiaries	(398)	–	1,766	–
Waiver of debts by a subsidiary	–	–	25,761	–
Other operating income	41,938	40,662	1,088	1,090
Other non-operating income	10,779	6,960	–	455
	304,811	273,295	29,068	894
	961,177	859,968	1,372,199	462,692

32 INCOME FROM ISLAMIC BANKING BUSINESS

	Group	
	2007 RM'000	2006 RM'000
Income derived from investment of depositors' fund	372,443	330,642
Income derived from investment of shareholders' fund	106,729	88,259
	479,172	418,901
Transfer from/(to) PER	10,943	(1,563)
	490,115	417,338
Income attributable to deposits	(161,792)	(181,239)
	328,323	236,099

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

33 OTHER OPERATING EXPENSES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Personnel costs				
Salaries, bonus, wages and allowances	629,008	569,454	8,033	9,117
Defined contribution plan	91,331	81,370	919	1,110
Other staff related costs	98,362	74,026	1,543	1,599
	818,701	724,850	10,495	11,826
Establishment costs				
Property, plant and equipment				
– depreciation	91,668	100,822	662	656
– written off	123	141	–	–
Amortisation of prepaid land lease	499	443	–	–
Information technology expenses	93,283	94,147	104	118
Repair and maintenance	46,937	45,047	484	463
Rental of premises	32,016	31,986	1,413	1,398
Water and electricity	15,635	15,863	43	48
Rental of equipment	11,435	10,338	47	47
Insurance	12,201	10,044	3	2
Others	8,870	3,070	–	–
	312,667	311,901	2,756	2,732
Marketing expenses				
Dealers' handling fee	18,648	35,407	–	–
Advertisements and publicity	42,446	34,400	1,936	2,069
Sales commission	44,960	28,647	–	–
Others	79,373	60,998	1,877	1,013
	185,427	159,452	3,813	3,082
Administration and general expenses				
Auditors' remuneration				
– statutory audit				
– Malaysia	1,709	1,723	198	190
– overseas	622	592	–	–
– non-audit	1,134	781	113	66
Communication expenses	71,700	70,207	403	484
Legal and professional fee	32,591	14,810	25,629	4,383
Others	81,158	70,423	1,751	352
	188,914	158,536	28,094	5,475
	1,505,709	1,354,739	45,158	23,115

Included in the personnel costs of the Group and Company are directors' remuneration (excluding estimated monetary value of benefits-in-kind) totalling RM2,573,000 (2006: RM2,408,000) and RM699,000 (2006: RM673,000) respectively as disclosed in Note 34.

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

34 DIRECTORS' REMUNERATION

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Managing director				
Salaries, bonus and other remuneration	447	–	–	–
Estimated monetary value of benefits-in-kind	70	–	–	–
	517	–	–	–
Non-executive directors				
Fees	1,258	1,336	334	326
Other remuneration	868	1,072	365	347
Estimated monetary value of benefits-in-kind	35	38	–	3
	2,161	2,446	699	676
	2,678	2,446	699	676

Managing director of the Group was appointed effective 8 October 2007. The remuneration attributable to the Group Managing director of the Group, including benefits-in-kind during the year amounted to RM3,576,000 (2006: RM3,115,000). This remuneration is in relation to his capacity as Chief Executive Officer of a subsidiary.

The list of directors is disclosed in the Directors' Report.

35 ALLOWANCE FOR LOSSES ON LOANS, FINANCING AND OTHER LOSSES

	Group	
	2007 RM'000	2006 RM'000
Specific allowance		
– made during the financial year	1,061,428	968,885
– written back	(409,575)	(237,455)
	651,853	731,430
General allowance		
– made during the financial year	24,567	56,653
Bad debts		
– written off	475	5
– recovered	(100,102)	(76,863)
Write-back on amount recoverable from Danaharta during the financial year	(3,167)	(788)
Specific allowance for other losses	489	(1,071)
	574,115	709,366

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

35 ALLOWANCE FOR LOSSES ON LOANS, FINANCING AND OTHER LOSSES (CONTINUED)

The Group has evaluated its portfolio of non-performing loans that had been in default and remained uncollected for more than 7 years and also those non-performing loans in default for more than 5 years but less than 7 years. For the loans in default for more than 7 years, no value is assigned as the realisable value of collateral. For the loans in default for more than 5 years but less than 7 years, 50% of the realisable value of asset held has been assigned as collateral value. The effect of this exercise amounted to RM107,636,000 (2006: RM172,765,000).

36 IMPAIRMENT LOSS

	Group	
	2007 RM'000	2006 RM'000
Charge for the financial year		
– securities AFS	80,581	46,385
– securities held-to-maturity	27,957	34,758
– property, plant and equipment	–	2,478
	108,538	83,621
Reversal for the financial year		
– securities AFS	(29,978)	(35,446)
– securities held-to-maturity	(16,267)	(9,574)
– property, plant and equipment	–	(2,001)
	(46,245)	(47,021)
	62,293	36,600

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

	Group	
	2007 RM'000	2006 RM'000
INCPS dividends paid and payable		
– 10% (2006: 10%) per annum (gross)	109,597	110,447

The INCPS dividends are paid in accordance with the terms of the INCPS (as disclosed in Note 26).

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

38 TAXATION

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Income tax based on profit for the financial year				
– Malaysian income tax	350,864	276,499	343,685	118,226
– overseas tax	5,900	1,451	–	1,243
Deferred tax (Note 14)	(8,838)	(4,816)	(29)	45
Tax on INCPS dividends	(29,613)	(30,925)	–	–
	318,313	242,209	343,656	119,514
Over provision in respect of prior years	(3,465)	(8,257)	–	(3,052)
	314,848	233,952	343,656	116,462
Current tax				
Current year	327,151	247,025	343,685	119,469
Over provision in respect of prior years	(3,465)	(8,257)	–	(3,052)
	323,686	238,768	343,685	116,417
Deferred tax				
Origination and reversal of temporary differences	(14,205)	(25,424)	(29)	45
Change in tax rate	9,298	16,090	–	–
Reversal of previously recognised deferred tax assets	(3,931)	4,518	–	–
	(8,838)	(4,816)	(29)	45
Tax expense	314,848	233,952	343,656	116,462

The numeric reconciliation between the applicable statutory income tax rate to the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
Tax at Malaysian statutory tax rate	27.0	28.0	27.0	28.0
Tax effects in respect of:				
Effect of different tax rate in Labuan/other countries	(1.0)	(1.8)	–	(0.1)
Non taxable income	(0.9)	(0.7)	(0.6)	–
Non allowable expenses	2.8	2.9	0.5	0.4
Over provision in respect of prior years	(0.3)	(1.0)	–	(0.7)
Other temporary differences not recognised in prior years	(0.7)	(1.1)	–	–
Change in tax rate	0.8	1.9	–	–
	27.7	28.2	26.9	27.6

	Group	
	2007 RM'000	2006 RM'000
Tax savings recognised during the financial year arising from utilisation of tax losses brought forward from previous financial years	5,165	6,421

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

39 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the financial year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2007	2006
Profit attributable to equity holders of the Company (RM'000)	712,930	438,310
Issued ordinary shares at 1 January ('000)	1,823,475	1,823,475
Effect of shares issued on 2 July 2007 ('000)	165,452	–
Weighted average number of ordinary shares in issue ('000)	1,988,927	1,823,475
Basic earnings per share (sen)	35.8	24.0

(b) Diluted earnings per share

If the INCPS issued by RHB Bank were to be converted into ordinary shares of RHB Bank, the effect would be anti-dilutive and therefore there was no effect on diluted earnings per share for the Group.

40 ORDINARY DIVIDENDS

Dividends declared or proposed for the financial year ended 31 December 2007 are as follows:

	Group and Company			
	2007		2006	
	Gross dividend per share	Amount of dividends, net of tax	Gross dividend per share	Amount of dividends, net of tax
Ordinary shares				
Interim dividend	5.0%	78,602	2.0%	26,258
Proposed final dividend	8.6%	137,047	6.0%	79,868
	13.6%	215,649	8.0%	106,126

At the forthcoming Annual General Meeting, a final gross dividend in respect of the current financial year of 8.6% less 26% tax amounting to RM137.0 million will be proposed for shareholders' approval. These financial statements do not reflect this final dividend which will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2008 when approved by the shareholders.

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

40 ORDINARY DIVIDENDS (CONTINUED)

Dividends recognised as distribution to ordinary equity holders of the Company:

	Group and Company			
	2007		2006	
	Gross dividend per share	Amount of dividends, net of tax	Gross dividend per share	Amount of dividends, net of tax
Ordinary shares				
Interim dividend	5.0%	78,602	2.0%	26,258
Final dividend for 2006	6.0%	79,868	–	–
	11.0%	158,470	2.0%	26,258

41 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. Apart from the allowance for commitments and contingencies already made in the financial statements, no material losses are anticipated as a result of these transactions.

The commitments and contingencies comprise the following:

Group	2007			2006		
	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000
Direct credit substitutes	1,934,342	1,934,342	1,735,900	1,647,540	1,647,540	1,479,599
Transaction-related contingent items	2,148,577	937,788	630,851	2,319,861	809,932	518,394
Short term self-liquidating trade-related contingencies	2,591,345	518,269	345,287	2,555,148	511,030	328,886
Obligations under underwriting agreements	577,900	213,620	213,620	440,240	131,620	131,620
Housing loans sold directly and indirectly to Cagamas with recourse	–	–	–	41,064	41,064	20,532
Other asset sold with recourse and commitment with certain drawdown	2,514	–	–	–	–	–
Irrevocable commitments to extend credit						
– maturity not exceeding one year	25,146,610	–	–	22,103,511	–	–
– maturity exceeding one year	3,998,690	1,999,345	1,807,986	3,657,643	1,828,821	1,601,601
Foreign exchange-related contracts						
– less than one year	9,267,919	163,635	46,240	14,063,806	240,969	67,290
– one year to less than five years	8,970	1,153	412	387,082	60,670	30,237
– more than five years	925,960	161,555	66,503	–	–	–
Interest rate-related contracts						
– less than one year	2,867,590	5,174	1,185	2,231,230	2,601	542
– one year to less than five years	5,657,810	125,013	29,552	6,124,566	92,087	20,825
– more than five years	347,060	26,981	6,231	522,601	33,982	17,334
Others	1,133,627	–	–	845,575	19,673	3,935
	56,608,914	6,086,875	4,883,767	56,939,867	5,419,989	4,220,795

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

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

41 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

RHB 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, RHB Bank has issued a guarantee to Bangkok Branch to undertake any liabilities which may arise from Bank Guarantees issued by the Branch for its customers. The guarantee is a continuing guarantee and is irrevocable and to remain in full force and effect until the obligations and liabilities of Bangkok branch for the said Bank Guarantees are discharged and satisfied.

42 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

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

	Group	
	2007	2006
	RM'000	RM'000
Rental of premises		
Within one year	28,009	13,179
Between one to five years	16,359	12,625
More than five years	9	35
	44,377	25,839

43 CAPITAL COMMITMENTS

	Group	
	2007	2006
	RM'000	RM'000
Capital expenditure for property, plant and equipment:		
– authorised and contracted for	27,961	26,291
– authorised but not contracted for	77,565	37,371
	105,526	63,662

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

44 RELATED PARTY TRANSACTIONS

(a) Related parties and relationships

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

Related parties	Relationship
EPF	Immediate and ultimate holding body (effective 3 July 2007)*
Subsidiaries of EPF as disclosed in its financial statements	Subsidiaries of the immediate and ultimate holding body
Subsidiaries of the Company as disclosed in Note 15	Subsidiaries
Key management personnel	The key management personnel of the Group and the Company consists of: <ul style="list-style-type: none"> – All Directors of the Company and its key subsidiaries – RHB Capital Group 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 Company)	<ul style="list-style-type: none"> (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

* As stated in Note 11, RHB ceased to be the holding company effective 3 July 2007

(b) Significant related party balances and transactions

In addition to related party disclosures mentioned in Notes 11 and 12, set out below are other significant related party transactions and balances.

Other related companies comprise the other companies in the EPF Group.

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

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

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

44 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Group 2007	Immediate and ultimate holding body RM'000	Key management personnel RM'000	Other related parties RM'000
Income			
Income on securities held-to-maturity	-	-	1,283
Interest on loans, advances and financing	-	22	45,402
Insurance premium	-	29	635
Rental income	-	-	328
Other income	-	-	2,794
Management fees	-	-	1,086
Brokerage fee	3,060	13	-
	3,060	64	51,528
Expenses			
Interest on deposits from customers	34,727	64	23,103
Other interest expenses	-	-	126
Security service fees	-	-	1,914
Property management fees	-	-	8,381
Other expenses	-	-	40
	34,727	64	33,564
Amount due from			
Loans, advances and financing	-	838	-
Other assets	-	-	3,206
Clients' and brokers' balances	4,096	-	-
	4,096	838	3,206
Amount due to			
Current account and fixed deposits	1,736,870	6,863	1,323,193
Deposits and placements with banks and other financial institutions	300,000	-	-
Clients' and brokers' balances	52,420	-	-
Rental of premises	-	-	326
Other liabilities	-	86	2,320
Insurance premium	-	-	48
	2,089,290	6,949	1,325,887

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

44 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Group (continued) 2006	Rashid Hussain Berhad RM'000	Key management personnel RM'000	Other related parties RM'000
Income			
Income on securities held-to-maturity	6,151	–	–
Interest on inter-company balances	82,293	–	–
Interest on loans, advances and financing	–	38	–
Insurance premium	57	19	454
Rental income	–	–	397
Other income	–	9	1,118
Management fees	–	–	1,090
	88,501	66	3,059
Expenses			
Interest on deposits from customers	1,179	35	–
Other interest expenses	305	–	59
Advertisement	46	–	–
Security service fees	–	–	3,533
Property management fees	–	–	9,328
Other expenses	–	6	–
	1,530	41	12,920
Amount due from			
Loans, advances and financing	–	907	–
Inter-company balances	1,236,030	–	–
Other assets	7	–	147
Rental of premises	14	–	–
Securities held-to-maturity	86,567	–	–
	1,322,618	907	147
Amount due to			
Current account and fixed deposits	51,727	4,761	1,247
Negotiable instrument of deposits purchased	19,530	–	–
Rental of premises	–	–	72
Other liabilities	2	79	315
Insurance premium	13	–	–
	71,272	4,840	1,634

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

44 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Company 2007	Immediate and ultimate holding body RM'000	Subsidiary companies RM'000	Other related companies RM'000
Income			
Interest on deposits and placements with other financial institutions	-	1,484	-
Interest on inter-company balances	-	-	45,402
Management fees	-	-	1,086
	-	1,484	46,488
Expenses			
Interest expense	-	635	-
Rental of premises	-	1,403	-
Advisory fee	-	2,306	-
Other expenses	-	13	-
	-	4,357	-
Amount due from			
Cash and short term funds	-	476,439	-
Inter-company balances	-	9,677	-
	-	486,116	-
Amount due to			
Inter-company balances	-	155,329	-
	-	155,329	-

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

44 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Company (continued) 2006	Rashid Hussain Berhad RM'000	Subsidiary companies RM'000	Other related companies RM'000
Income			
Interest on deposits and placements with other financial institutions	–	3,023	–
Interest on inter-company balances	82,293	–	–
Management fees	–	–	1,090
Sublease rental income	–	52	–
Other non-operating income	–	96	–
Other fee income	–	144	–
	82,293	3,315	1,090
Expenses			
Interest expense	–	2,636	–
Insurance premium	–	10	–
Rental of premises	–	1,398	–
Security fees	–	–	33
Property management fees	–	–	98
	–	4,044	131
Amount due from			
Cash and short term funds	–	13,379	–
Inter-company balances	1,236,030	126,200	–
	1,236,030	139,579	–
Amount due to			
Inter-company balances	–	3,262,588	–
	–	3,262,588	–

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

44 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key Management Personnel

The remuneration of directors and other members of key management are as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Short-term employee benefits				
– Fees	1,258	1,336	334	326
– Salary and other remuneration	9,880	7,013	2,176	1,375
– Benefits-in-kind	352	264	102	32
	11,490	8,613	2,612	1,733

The above includes directors' remuneration as disclosed in Note 34.

	Group	
	2007 RM'000	2006 RM'000
The approved limit on loans, advances and financing for key management personnel	2,621	2,486

45 SEGMENT INFORMATION

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

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.

Unallocated expenses comprise all back-office processes, cost centres which support the operating businesses and non-profit generating divisions in the Group. It includes corporate expenses that are not allocated to individual business segments. These expenses are not directly attributed to the business segments and cannot be allocated on a reasonable basis. The funding cost of subsidiaries and associates are included in this category.

(a) Primary reporting format - by business segments

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

Wholesale banking

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

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

45 SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format - by business segments (continued)

Retail banking

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

Treasury and money market

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

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.

Financial advisory and underwriting

Financial advisory and underwriting services cover corporate and debt restructuring, stock market listings, public offering of equity and debt instruments, private placement of securities and financial advisory services.

Stockbroking and other securities related business

This segment comprises institutional and retail broking business for securities listed on the Bursa Securities, investment management services, unit trust funds management, futures and options broking and research services.

Insurance

Insurance segment focuses on the underwriting of general insurance business.

Others

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

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

45 SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format - by business segments (continued)

2007	Wholesale banking RM'000	Retail banking RM'000	Treasury and money market RM'000	Islamic Banking business RM'000	Financial advisory and underwriting RM'000	Stockbroking and other securities related business RM'000	Insurance RM'000	Others RM'000	Total RM'000
Segment liabilities	24,168,405	22,139,191	37,247,838	7,319,321	–	598,374	185,529	43,103	91,701,761
Taxation									101,626
Deferred tax liabilities									593
Borrowings									1,925,677
Subordinated obligations									2,665,000
INCPS									1,004,431
Unallocated liabilities									681,218
Total liabilities									98,080,306
Other segment items									
Capital expenditure	11,767	31,282	4,216	23,392	492	1,120	1,175	1,004	74,448
Depreciation of property, plant and equipment	16,935	52,674	6,578	1,002	1,763	2,606	1,330	8,780	91,668
Amortisation of prepaid land lease	91	221	11	–	–	–	8	168	499
Other non-cash expenses other than depreciation	357,004	304,258	31,496	57,111	(2,759)	–	5,970	363	753,443 ¹

Notes:

- 1 Included in other non-cash expenses other than depreciation and amortisation of prepaid land lease are allowance for losses on loans, financing and other losses, impairment loss, interest suspended and accretion of discount less amortisation of premium.

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

45 SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format - by business segments (continued)

2006	Wholesale banking RM'000	Retail banking RM'000	Treasury and money market RM'000	Islamic Banking business RM'000	Financial advisory and underwriting RM'000	Stockbroking and other securities related business RM'000	Insurance RM'000	Others RM'000	Total RM'000
Segment liabilities	25,399,698	21,913,616	37,009,036	7,282,669	–	305,339	161,242	64,638	92,136,238
Taxation									90,518
Deferred tax liabilities									16,522
Borrowings									1,551,812
Subordinated obligations									1,493,158
INCPs									1,104,469
Unallocated liabilities									865,536
Total liabilities									97,258,253
Other segment items									
Capital expenditure	18,269	43,980	3,874	1,448	260	2,333	685	637	71,486
Depreciation of property, plant and equipment	16,499	61,004	6,835	783	294	6,484	1,168	7,755	100,822
Amortisation of prepaid land lease	110	253	13	–	–	–	8	59	443
Other non-cash expenses other than depreciation	495,519	322,856	19,280	22,177	219	(2,685)	543	1,565	859,474 ¹

Notes:

- 1 Included in other non-cash expenses other than depreciation and amortisation of prepaid land lease are allowance for losses on loans, financing and other losses, impairment loss, interest suspended and accretion of discount less amortisation of premium.

(b) Secondary reporting format - by geographical segments

The geographical information is prepared based on the location of the assets. The Group's activities are principally conducted in Malaysia.

2007	Revenue RM'000	Total assets RM'000	Capital expenditure RM'000
Malaysia	5,900,906	99,981,591	70,991
Outside Malaysia	255,915	5,172,703	3,457
	6,156,821	105,154,294	74,448
2006			
Malaysia	5,269,897	98,370,471	67,864
Outside Malaysia	236,893	4,939,504	3,622
	5,506,790	103,309,975	71,486

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

46 CAPITAL ADEQUACY RATIO

(a) The capital adequacy ratio is as follows:

	Group	
	2007 RM'000	2006 RM'000
Tier I capital		
Paid-up ordinary share capital	2,153,475	1,823,475
Paid-up INCPS	1,004,431	1,104,469
Share premium	2,352,093	1,114,593
Other reserves (exclude AFS reserves)	2,518,535	1,960,381
Deferred tax assets	(249,119)	(254,767)
Deferred tax liabilities	593	16,522
Minority interests	25,628	1,123,683
Less: Goodwill	(3,283,953)	(1,167,513)
Total Tier I capital	4,521,683	5,720,843
Tier II capital		
Subordinated obligations	2,665,000	1,493,158
General allowance for bad and doubtful debts	999,186	976,214
Total Tier II capital before restriction	3,664,186	2,469,372
Maximum allowable subordinated obligations #	2,260,842	1,493,158
General allowance for bad and doubtful debts and financing	999,186	976,214
Maximum allowable Total Tier II capital	3,260,028	2,469,372
Total capital	7,781,711	8,190,215
Less:		
Holdings of other financial institutions capital	(38,625)	(39,998)
Total capital base	7,743,086	8,150,217
Before deducting proposed dividends		
Core capital ratio	7.12%	9.17%
Risk-weighted capital adequacy ratio	12.19%	13.06%
After deducting proposed dividends		
Core capital ratio	6.90%	9.04%
Risk-weighted capital adequacy ratio	11.87%	12.93%

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

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

46 CAPITAL ADEQUACY RATIO (CONTINUED)

(b) Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

Group	2007		2006	
	Principal RM'000	Risk weighted RM'000	Principal RM'000	Risk weighted RM'000
0%	26,687,533	–	22,660,284	–
10%	109,096	10,910	800,370	80,037
20%	13,488,794	2,697,759	15,234,498	3,046,900
50%	12,069,448	6,034,724	11,784,561	5,892,281
100%	51,793,788	51,793,788	50,900,961	50,900,961
	104,148,659	60,537,181	101,380,674	59,920,179
Total risk-weighted assets for market risk*		2,964,472		2,481,866
		63,501,653		62,402,045

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

47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Acquisition of the remaining 30% equity interest in RHB Bank

The Company entered into a Share Sale Agreement with Khazanah Nasional Berhad ('Khazanah') on 2 July 2007 to acquire 1,169,991,586 ordinary shares of RM0.50 each in RHB Bank from Khazanah, representing 30% of the total issued and paid-up share capital of RHB Bank, for a total purchase consideration of RM3,200.00 million, which was satisfied in the following manner:

- (i) issuance of 330.0 million ordinary shares of RM1.00 of the Company at an issue price of RM4.75 per share, amounting to RM1,567.50 million; and
- (ii) cash settlement of RM1,632.50 million.

Goodwill arising from the additional 30% shareholding of RHB Bank amounted to RM2,066,420,000.

The above acquisition of the remaining 30% equity interest in RHB Bank was completed on 12 July 2007, and accordingly, RHB Bank became a wholly-owned subsidiary of the Company.

(b) Dissolution of RHB Asia Pte Ltd

On 30 November 2007, RHB Asia Pte Ltd, a wholly-owned subsidiary of the Company, incorporated and domiciled in Singapore, was dissolved and resulting in a loss to the Group of RM454,000 and a gain to the Company of RM1,766,000 respectively.

(c) Proposed transfer of the unit trust business of RHB Unit Trust Management Berhad ('RHBUT') to RHB Investment Management Sdn Bhd ('RHBIM') (formerly known as RHB Asset Management Sdn Bhd)

The Securities Commission ('SC') has granted approval for the proposed transfer of the entire assets and liabilities of RHBUT to RHBIM. Both RHBUT and RHBIM are wholly-owned subsidiaries of RHB Investment Bank, which in turn is a wholly-owned subsidiary of the Company.

The High Court of Malaya had, on 19 December 2007 granted the vesting order for the transfer of the unit trust business, assets and liabilities of RHBUT to RHBIM which shall take effect on 1 January 2008 ('Effective Date'). Hence, with effect from the Effective Date, the unit trust business shall be undertaken by RHBIM.

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

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

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

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

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

(e) Proposed offer to purchase the remaining 1,104,469,561 INCPS of RM1.00 each in RHB Bank ('Offer INCPS') representing 80.73% of the issued and paid-up INCPS of RHB Bank not already held by the Company ('Proposed Purchase of INCPS')

The Company had, on 28 September 2007 via RHB Investment Bank announced the Proposed Purchase of INCPS for a total consideration of RM1,656,704,342, representing an offer price of RM1.50 per INCPS, to be satisfied in cash.

The Proposed Purchase of INCPS is subject to and conditional upon the approvals being obtained from the following:

- (i) BNM;
- (ii) the shareholders of the Company at an extraordinary general meeting to be convened; and
- (iii) any other relevant authorities or lenders, if necessary.

The shareholders of the Company had at the EGM of the Company held on 20 November 2007 approved the Proposed Purchase of INCPS.

On 7 December 2007, the Company announced that the approval from BNM for the Proposed Purchase of INCPS has been obtained via a letter dated 6 December 2007.

Subsequent to BNM's approval, the Company had on 10 December 2007 issued the offer documents to the holders of the INCPS.

On 9 January 2008, the Company received valid acceptances from holders of the Offer INCPS ('Accepting Holders') resulting the Company holding not less than 90% of the Offer INCPS and 99.69% of the total and issued paid up capital of the INCPS.

The Company intends to invoke the provisions of Section 180 of the Companies Act, 1965 to compulsorily acquire all outstanding Offer INCPS from the holders of the Offer INCPS whose acceptances have not been received under the Offer ('Dissenting Holders').

The Proposed Purchase of INCPS is only expected to be completed in the first quarter of 2008 and is expected to contribute positively to earnings of the RHB Capital Group in 2008 due to interest savings.

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(f) Proposed corporate proposals by RHB Investment Bank, a wholly-owned subsidiary of the Company

RHB Investment Bank has on 16 October 2007 proposed to undertake the following proposals:

- (i) proposed full redemption of its existing RM165.0 million nominal value of Redeemable Unsecured Subordinated Bonds ('Sub-Bonds') on its optional redemption date i.e. 10 December 2007 ('Proposed Redemption') (refer to Note 25(a));
- (ii) proposed issuance of up to RM245.0 million nominal value of Subordinated Notes ('Notes') under a Subordinated Note Programme ('the Sub-Note Programme') (refer to Note 25(e));
- (iii) proposed issuance of up to RM75.0 million nominal value of Hybrid Tier 1 Capital Securities ('HT1 Securities'); and
The proposed issuance of RM75.0 million nominal value of HT1 Securities has been tentatively scheduled to be exercised in the 2nd Quarter of Year 2008;
- (iv) proposed cancellation of RM75.0 million of its existing issued and paid-up share capital and returning the same to its shareholders ('Proposed Capital Repayment');

The Proposed Capital Repayment shall be done in conjunction with the issuance of RM75.0 million nominal value of HT1 Securities, in 2nd Quarter of Year 2008.

48 SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

(a) Proposed offer to purchase the remaining 1,104,469,561 INCPS of RM1.00 each in RHB Bank ('Offer INCPS') representing 80.73% of the issued and paid-up INCPS of RHB Bank not already held by the Company ('Proposed Purchase of INCPS')

On 9 January 2008, the Company received valid acceptances from holders of the Offer INCPS ('Accepting Holders'), resulting the Company holding not less than 90% of the Offer INCPS and 99.69% of the total and issued paid up capital of the INCPS. Refer to Note 47(e) for further details.

(b) Redemption of RHB Bank's USD150.0 million 6.625% subordinated notes due 2013 callable with step-up in 2008

On 25 January 2008, RHB Bank has exercised its option to fully redeemed its existing USD150.0 million 6.625% subordinated notes due 2013 callable with step-up in 2008. Refer to Note 25(c) for further details.

49 CONTINGENT LIABILITIES

Guarantees issued

As at balance sheet date, the Company has extended unsecured guarantees totalling RM24,500,000 (2006: RM44,500,000) and RM100,000,000 (2006: RM100,000,000) for borrowings and performance of its subsidiaries respectively. As at balance sheet date, RM1,000,000 (2006: RM1,000,000) of the borrowings were utilised by the subsidiaries of the Company.

Other contingent liabilities

(a) The Company

On 19 October 2001, the Company filed a suit against CBSB, the vendor of SJ Securities, for the recovery of the deposit of RM32,800,000 ('Deposit') paid by the Company pursuant to the sale and purchase agreement dated 7 November 2000 between CBSB and the Company for the sale and purchase of 60 million shares in SJ Securities. CBSB subsequently filed a counterclaim of RM258,688,153.42 together with interest thereon and costs.

The suit is still ongoing and the solicitors for the Company are of the opinion that the chances of successfully recovering the Deposit are good. In addition, the solicitors for the Company are also of the opinion that the prospects of successfully defending the counterclaim filed by CBSB against the Company are good and that the said counterclaim is unlikely to succeed.

In view of the above, the Company has not made any provision in relation to the said counterclaim, in the financial statements for the financial year ended 31 December 2007.

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

49 CONTINGENT LIABILITIES (CONTINUED)

Other contingent liabilities (continued)

(b) RHB Excel Sdn Bhd ('RHB Excel') and RHB Equities

RHB Excel, a wholly-owned subsidiary of RHB Investment Bank and RHB Equities, a wholly-owned subsidiary of the Company, are parties, as the first and second defendants, to a suit for damages and for the return of shares pledged by the plaintiff as third party collateral for margin finance facilities initially provided by RHB Equities, which were subsequently transferred to RHB Excel together with the third party collateral. The plaintiff claimed that the transfer was made without the plaintiff's consent and has obtained an interim injunction to restrain disposal of the collateral. RHB Excel and RHB Equities have filed a defence and counterclaim against the said suit.

Plaintiff's suit against RHB Excel and RHB Equities was dismissed with costs on 19 May 2005. Plaintiff filed Notice of Appeal against the dismissal on 30 May 2005. With the dismissal, the injunction previously obtained against RHB Excel to deal with the collateral lapses. On 14 June 2005, the plaintiff filed an application for a stay of execution.

RHB Excel won in its counterclaim against the plaintiff with costs on 24 June 2005. On 4 August 2005, the plaintiff's stay application was allowed with costs. As such, RHB Excel is prohibited from disposing the shares until the hearing and disposal of the Appeal to the Court of Appeal.

With effect from 30 December 2006, the assets and liabilities of RHB Excel including the above suit have been vested into RHB Investment Bank pursuant to a vesting order of the High Court.

50 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's financial risk management policy is adopted from the main operating subsidiaries' risk management policies. Various programs have been initiated at the operating subsidiaries in order to identify, measure, control and monitor all identifiable risks.

The Group operates within a clearly defined set of principles and guidelines based on best practices that have been approved by the Board. Various working committees were formed at the operating subsidiaries in carrying out the process to ensure that all identifiable risks are addressed and managed adequately.

The main areas of financial risks faced by the Company and the Group and the policies to address these financial risks in respect of the Company and the major areas of banking activities represented by the commercial bank, RHB Bank and the investment bank, RHB Investment Bank are set out as follows:

RHB CAPITAL BERHAD

Liquidity risk

The Company manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all repayment and funding requirements are met. The Company's cash flows is reviewed regularly to ensure that it has sufficient level of cash and cash equivalents to meet its working capital requirements and is able to settle its commitments when they fall due.

Interest rate risk

The Company's primary interest rate risk relates to interest-bearing borrowings. The Company manages its interest rate exposure through the use of fixed and floating rate debt. The objectives for the mix between fixed and floating rate borrowings are set to manage the fluctuations in interest rates and their impact on the Company.

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

50 FINANCIAL INSTRUMENTS (CONTINUED)

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

BANKING SUBSIDIARIES: RHB BANK & RHB INVESTMENT BANK

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 Group Risk Management ('GRM') function plays an independent role in the monitoring and assessing of risk exposures arising from these, and reports independently to the Group Risk Management Committee.

Advanced risk measurement techniques and stress testing regimes are applied to RHB Bank's portfolio on a regular basis.

For Currency Risk:

- Approved position limits are applied for each currency and there is also an overall total limit. Trading loss limits are imposed on each trading desk and on each individual dealer. The levels of these exposures (including off-balance sheet items), by currency and overall total for both intra-day and overnight positions, are monitored daily for compliance with the approved limits. These limits are reviewed regularly and are in line with strategies set by the Asset and Liability Committee ('ALCO').
- Foreign and overseas investments, which are funded by purchases with resultant open foreign exchange positions, are monitored and appropriate hedging strategies are undertaken in line with market trends.

For Interest Rate Risk:

- The ALCO monitors the balance sheet position and assesses it for profit and loss impacts arising from sensitivity to interest rate movements.
- The ALCO also sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored monthly. Likewise, fixed rate assets, especially long term assets, are subject to various limit parameters.

Liquidity risk

ALCO plays a fundamental role in the asset/liability management of RHB 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.

RHB 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.

Credit risk

Credit risk represents the possibility of loss due to changes in the quality of counterparties and the market price for credit risk assets (collateral).

Credit risk arises from the lending activities, primarily through loans and advances and guarantees. In addition, credit risk also occurs from funding, investment, trading and derivatives activities, where counterparties may not be able to fulfil their obligations when they fall due.

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

50 FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk (continued)

The primary objective of credit risk management is to keep the banking subsidiaries' exposure to credit risk within its capability and financial capacity to withstand potential financial losses.

In this respect, both RHB Bank and RHB Investment Bank have carried out the following various initiatives:

RHB BANK

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

RHB INVESTMENT BANK

- (i) The credit approving authority has been delegated to the Underwriting and Credit Committee comprising senior executives of RHB Investment Bank. An Internal Risk Rating System has been developed and implemented to ensure credits are objectively measured and rated using a consistent methodology. All credit facilities are assigned an internal rating on a scale of one to thirteen based on a standard set of qualitative and quantitative factors. The internal rating process is a two-tier approach that assigns rating to obligor and facility separately. In addition, an independent Credit Administration & Rehabilitation Department ('CARD') performs pre-approval credit review to ensure that credit proposals are independently evaluated and adherence to RHB Investment Bank's Credit Policy. CARD is also responsible for managing problem credits.
- (ii) Credit exposures are reviewed at least once a year for signs of deterioration in financial condition, which could affect the client's ability to meet its obligation to RHB Investment Bank. Frequency of credit review is dependent on the internal rating assigned whereby higher risk credits are reviewed more than once a year.
- (iii) CARD works in tandem with Risk Management Department to formulate policies, limits, guidelines and risk measurement methodologies. These models are subject to ongoing review and back-testing to ensure the continuing validity of their parameters.

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

50 FINANCIAL INSTRUMENTS (CONTINUED)

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

RHB INVESTMENT BANK STOCKBROKING DIVISION ('the Division')

Market risk

Market risk relates to the risk of an adverse fluctuation in equity prices.

Market risk arising from trading activities can result either from client-related business or from proprietary positions. Market risk is managed as follows:

- Assignment of appropriate trading limits.
- Daily monitoring of large exposure risk to single equity and single client to manage the concentration risk.
- Requirement of upfront payment for purchase of stocks with "designated" status and "PN4" condition stocks under trading restriction prior to the execution of the transaction. Exposures to such counters are monitored closely.
- In compliance with the Business Rules of Bursa Securities, clients must settle all positions on the third market day following the transaction date (i.e. T+3), otherwise the outstanding positions will be force sold by the Division on the following market day. Hence, market risk is contained within four market days following the transaction date.
- The Business Rules of Bursa Securities on Capital Adequacy Requirements restrict stockbroking companies' exposure in relation to position risk, large exposure risk and underwriting risk.

Credit risk

Credit or counterparty risk refers to the potential losses attributable to an unexpected default or deterioration in a client's creditworthiness.

In trading activities, credit risk arises from the possibility that the counterparty is not able or willing to fulfil its obligation on a transaction on or before settlement date.

The Credit Control Division in the Division ensures that credit risk is mitigated by:

- Structured and systematic credit checking and processing based on approved policies, procedures and guidelines.
- Proper trading limit structure for dealer's representatives and clients are in place and in line with the credit policies.
- Daily review and monitoring of exposure and adequacy of collateral.
- Requirement of upfront payment for purchase positions prior to the execution of trade for any exposures which is beyond acceptable risk tolerance level.
- Internal policy on suspension of clients from trading once their accounts are overdue. Clients' losses are reviewed daily and recovery action initiated as and when appropriate.
- All losses incurred by clients are secured against the dealer representatives' collaterals and/or commissions/incentives.

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

50 FINANCIAL INSTRUMENTS (CONTINUED)

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

Interest rate risk

The Divisions' financial position is not significantly affected by changes in market interest rate. Any exposure is minimum as the funds placed are for short term.

Liquidity and cash flow risk

The Division maintains sufficient cash, has access to sufficient funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Division has in place the following measures to manage such risks:

- Arrangement with licensed banks to maintain credit facilities for trade payments.
- The Division monitors its level of funds on a daily basis.

RHB BANK

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.

RHB 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 system, risk scenario analysis and risk measurement, comprehensive reporting of operational risks and internal control quality and tracking of risk mitigation and, control improvement actions. This system facilitates RHB Bank's capabilities for the Advanced Measurement Approach of the Basel II Framework.

RHB Bank has an ongoing and actively managed Business Continuity Planning ('BCP') programme for its major critical business operations and activities at the Head Office, data centre, and branches locations. The BCP programme is subject to regular testing to ensure efficacy, reliability and functionality.

RHB Bank continually refines and strengthens existing policies, procedures and internal controls measures; conduct internal reviews, compliance monitoring, and comprehensive audits to prevent or minimise unexpected losses.

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

50 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest/Profit rate risk

The tables below summarise the Group's and the Company's exposure to interest/profit rate risks. The assets and liabilities at carrying amount are categorised by the earlier of contractual repricing or maturity dates:

Group 2007	----- Non-trading book -----						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
ASSETS									
Cash and short term funds	17,906,099	–	–	–	–	1,142,049	–	19,048,148	3.55
Securities purchased under resale agreements	540,418	27,418	–	–	–	–	–	567,836	3.23
Deposits and placements with banks and other financial institutions	27,231	3,103,390	235,119	–	–	–	–	3,365,740	4.01
Securities held-for-trading	–	–	–	–	–	21,468	5,739,677	5,761,145	4.33
Securities AFS	1,190,504	1,150,537	1,585,786	2,061,826	1,497,305	188,300	–	7,674,258	4.32
Securities held-to-maturity	156,192	219,545	867,021	4,487,561	1,552,378	(241,217)	–	7,041,480	4.21
Loans, advances and financing									
– performing	32,283,993	6,656,849	4,978,156	7,123,367	2,606,338	106	–	53,648,809	6.87
– non-performing *	–	–	–	–	–	905,842	–	905,842	
Clients' and brokers' balances	28,700	–	–	–	–	218,170	–	246,870	2.46
Other assets	1,833	–	87	700	958	645,689	–	649,267	3.17
Derivative assets	–	–	–	–	–	–	109,157	109,157	
Statutory deposits	–	–	–	–	–	1,673,865	–	1,673,865	
Tax recoverable	–	–	–	–	–	52,887	–	52,887	
Deferred tax assets	–	–	–	–	–	249,119	–	249,119	
Investments in associates	–	–	–	–	–	15,533	–	15,533	
Prepaid land lease	–	–	–	–	–	99,594	–	99,594	
Property, plant and equipment	–	–	–	–	–	760,791	–	760,791	
Goodwill	–	–	–	–	–	3,283,953	–	3,283,953	
TOTAL ASSETS	52,134,970	11,157,739	7,666,169	13,673,454	5,656,979	9,016,149	5,848,834	105,154,294	

* This is arrived at after deducting the general allowance and specific allowance from the outstanding non-performing loans.

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

50 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest/Profit rate risk (continued)

Group (continued) 2007	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
LIABILITIES AND EQUITY									
Deposits from customers	38,183,106	8,953,994	11,984,964	607,575	–	16,063,592	–	75,793,231	3.56
Deposits and placements of banks and other financial institutions	5,696,245	1,636,468	557,800	716,003	62,587	1,228	–	8,670,331	4.08
Bills and acceptances payable	1,480,031	1,544,020	722,161	2,523	–	211,208	–	3,959,943	3.74
Clients' and brokers' balances	–	–	–	–	–	368,436	–	368,436	
Other liabilities	31	61	284	330	–	1,606,217	–	1,606,923	5.42
Derivative liabilities	–	–	–	–	–	–	129,242	129,242	
Recourse obligation on loans sold to Cagamas	–	90,974	429,085	1,334,814	–	–	–	1,854,873	4.65
Taxation	–	–	–	–	–	101,626	–	101,626	
Deferred tax liabilities	–	–	–	–	–	593	–	593	
Borrowings	986,730	–	–	938,947	–	–	–	1,925,677	6.33
Subordinated obligations	495,000	–	–	–	2,170,000	–	–	2,665,000	5.44
									Effective dividend rate %
INCPS	–	–	–	1,004,431	–	–	–	1,004,431	10.00
Total liabilities	46,841,143	12,225,517	13,694,294	4,604,623	2,232,587	18,352,900	129,242	98,080,306	
Total equity	–	–	–	–	–	7,073,988	–	7,073,988	
TOTAL LIABILITIES AND EQUITY	46,841,143	12,225,517	13,694,294	4,604,623	2,232,587	25,426,888	129,242	105,154,294	
TOTAL INTEREST- SENSITIVITY GAP	5,293,827	(1,067,778)	(6,028,125)	9,068,831	3,424,392				

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

50 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest/Profit rate risk (continued)

Group (continued) 2006	Non-trading book					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000				
ASSETS									
Cash and short term funds	10,282,356	–	–	–	–	389,197	–	10,671,553	3.56
Securities purchased under resale agreements	1,034,585	1,656,956	–	–	–	–	–	2,691,541	3.81
Deposits and placements with banks and other financial institutions	45,869	4,904,294	640,257	–	–	–	–	5,590,420	3.63
Securities held-for-trading	–	–	–	–	–	900	5,159,742	5,160,642	4.02
Securities AFS	2,572,387	1,379,380	766,748	905,409	452,459	192,967	–	6,269,350	4.02
Securities held-to-maturity	2,537,605	2,625,594	1,646,359	4,965,970	1,563,320	(231,263)	–	13,107,585	3.80
Loans, advances and financing									
– performing	30,268,891	6,494,649	4,934,467	7,622,456	2,526,870	138	–	51,847,471	6.84
– non-performing *	–	–	–	–	–	1,545,415	–	1,545,415	
Clients' and brokers' balances	36,824	–	–	–	–	140,203	–	177,027	0.66
Other assets	1,798	–	245	753	1,139	561,363	–	565,298	5.82
Derivative assets	–	–	–	–	–	–	168,819	168,819	
Amount due from Rashid Hussain Berhad	1,236,030	–	–	–	–	–	–	1,236,030	6.91
Statutory deposits	–	–	–	–	–	1,905,043	–	1,905,043	
Tax recoverable	–	–	–	–	–	53,032	–	53,032	
Deferred tax assets	–	–	–	–	–	254,767	–	254,767	
Investments in associates	–	–	–	–	–	15,289	–	15,289	
Prepaid land lease	–	–	–	–	–	100,245	–	100,245	
Property, plant and equipment	–	–	–	–	–	782,935	–	782,935	
Goodwill	–	–	–	–	–	1,167,513	–	1,167,513	
TOTAL ASSETS	48,016,345	17,060,873	7,988,076	13,494,588	4,543,788	6,877,744	5,328,561	103,309,975	

* This is arrived at after deducting the general allowance and specific allowance from the outstanding non-performing loans.

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

50 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest/Profit rate risk (continued)

Group (continued) 2006	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
LIABILITIES AND EQUITY									
Deposits from customers	22,611,554	7,156,792	12,883,730	614,609	200	14,258,647	–	57,525,532	3.17
Deposits and placements of banks and other financial institutions	5,999,638	3,427,159	1,110,117	949,725	89,050	1,429	–	11,577,118	3.67
Obligations on securities sold under repurchase agreements	12,720,136	2,275,063	–	–	–	–	–	14,995,199	3.38
Bills and acceptances payable	1,272,468	1,493,303	605,157	–	–	407,830	–	3,778,758	3.88
Clients' and brokers' balances	56,973	–	–	–	–	194,399	–	251,372	2.84
Other liabilities	296,649	9,225	269	706	–	1,529,431	–	1,836,280	3.63
Derivative liabilities	–	–	–	–	–	–	158,231	158,231	
Recourse obligation on loans sold to Cagamas	122,267	–	658,771	1,882,468	215,778	–	–	2,879,284	4.52
Taxation	–	–	–	–	–	90,518	–	90,518	
Deferred tax liabilities	–	–	–	–	–	16,522	–	16,522	
Borrowings	615,600	–	–	594,904	341,308	–	–	1,551,812	6.55
Subordinated obligations	–	–	–	1,493,158	–	–	–	1,493,158	6.91
									Effective dividend rate %
INCPS	–	–	–	1,104,469	–	–	–	1,104,469	10.00
Total liabilities	43,695,285	14,361,542	15,258,044	6,640,039	646,336	16,498,776	158,231	97,258,253	
Total equity	–	–	–	–	–	6,051,722	–	6,051,722	
TOTAL LIABILITIES AND EQUITY	43,695,285	14,361,542	15,258,044	6,640,039	646,336	22,550,498	158,231	103,309,975	
TOTAL INTEREST- SENSITIVITY GAP	4,321,060	2,699,331	(7,269,968)	6,854,549	3,897,452				

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

50 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest/Profit rate risk (continued)

Company 2007	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
ASSETS									
Cash and short term funds	475,920	–	–	–	–	535	–	476,455	3.15
Deposits and placements with banks and other financial institutions	–	726	485	–	–	–	–	1,211	3.44
Other assets	–	–	–	–	–	32,903	–	32,903	
Amounts due from subsidiaries	–	–	–	–	–	9,677	–	9,677	
Tax recoverable	–	–	–	–	–	28,297	–	28,297	
Investments in subsidiaries	–	–	–	–	–	7,350,910	–	7,350,910	
Property, plant and equipment	–	–	–	–	–	673	–	673	
TOTAL ASSETS	475,920	726	485	–	–	7,422,995	–	7,900,126	
LIABILITIES AND EQUITY									
Other liabilities	31	62	283	330	–	37,021	–	37,727	5.40
Amounts due to subsidiaries	–	–	–	–	–	155,329	–	155,329	
Deferred tax liabilities	–	–	–	–	–	16	–	16	
Borrowings	656,030	–	–	938,947	–	–	–	1,594,977	6.41
Total liabilities	656,061	62	283	939,277	–	192,366	–	1,788,049	
Total equity	–	–	–	–	–	6,112,077	–	6,112,077	
TOTAL LIABILITIES AND EQUITY	656,061	62	283	939,277	–	6,304,443	–	7,900,126	
TOTAL INTEREST- SENSITIVITY GAP	(180,141)	664	202	(939,277)	–				

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

50 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest/Profit rate risk (continued)

Company (continued) 2006	Non-trading book					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000				
ASSETS									
Cash and short term funds	12,800	–	–	–	–	598	–	13,398	3.00
Deposits and placements with banks and other financial institutions	–	704	467	–	–	–	–	1,171	3.46
Other assets	–	–	–	–	–	32,857	–	32,857	
Amount due from Rashid Hussain Berhad	1,236,030	–	–	–	–	–	–	1,236,030	6.91
Amounts due from subsidiaries	–	–	–	–	–	126,200	–	126,200	
Tax recoverable	–	–	–	–	–	19,172	–	19,172	
Investments in subsidiaries	–	–	–	–	–	6,911,026	–	6,911,026	
Property, plant and equipment	–	–	–	–	–	1,295	–	1,295	
TOTAL ASSETS	1,248,830	704	467	–	–	7,091,148	–	8,341,149	
LIABILITIES AND EQUITY									
Other liabilities	29	58	269	706	–	39,790	–	40,852	5.40
Amounts due to subsidiaries	11,180	–	–	–	–	3,251,408	–	3,262,588	5.92
Deferred tax liabilities	–	–	–	–	–	45	–	45	
Borrowings	333,200	–	–	594,904	341,308	–	–	1,269,412	6.71
Total liabilities	344,409	58	269	595,610	341,308	3,291,243	–	4,572,897	
Total equity	–	–	–	–	–	3,768,252	–	3,768,252	
TOTAL LIABILITIES AND EQUITY	344,409	58	269	595,610	341,308	7,059,495	–	8,341,149	
TOTAL INTEREST- SENSITIVITY GAP	904,421	646	198	(595,610)	(341,308)				

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

50 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk

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

Group 2007	Cash and short term funds and deposits and placements with financial institutions RM'000	Securities purchased under resale agreements RM'000	Securities held-for- trading RM'000	Securities AFS RM'000	Securities 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, hunting, forestry and fishing	–	–	5,036	48,227	48,803	2,578,788	5	2,680,859	1,081,266
Mining and quarrying	–	–	–	–	–	194,500	–	194,500	257,078
Manufacturing	–	–	400,594	347,419	149,414	10,396,568	6,951	11,300,946	12,650,821
Electricity, gas and water	–	–	420,027	142,607	50,548	315,561	2,717	931,460	1,052,350
Construction	–	–	137,993	252,658	–	2,891,603	2,745	3,284,999	5,383,730
Real estate	–	–	36,468	62,577	–	996,135	1,131	1,096,311	907,392
Purchase of landed property	–	–	–	–	–	15,184,325	–	15,184,325	1,097,051
Wholesale & retail trade and restaurants & hotels	–	–	–	519	–	–	–	519	–
General commerce	–	–	49,855	48,611	70,962	6,083,574	3,782	6,256,784	5,596,954
Transport, storage and communication	–	–	687,652	609,566	2,186,731	2,165,849	2,197	5,651,995	3,330,037
Finance, insurance and business services	7,535,516	515,735	2,511,677	3,527,125	2,030,000	3,507,919	38,504	19,666,476	15,987,902
Government and government agencies	14,324,887	52,101	1,285,328	2,429,895	2,256,231	28,927	5,131	20,382,500	–
Purchase of securities	–	–	–	10,909	247,568	1,306,122	246,870	1,811,469	235,055
Purchase of transport vehicles	–	–	–	–	–	4,849,998	–	4,849,998	421,211
Consumption credit	–	–	–	–	–	3,804,147	–	3,804,147	5,160,259
Hospital	–	–	–	5,082	–	–	–	5,082	–
Others	–	–	160,046	1,564	–	1,249,821	614,364	2,025,795	3,447,808
	21,860,403	567,836	5,694,676	7,486,759	7,040,257	55,553,837	924,397	99,128,165	56,608,914

* Excludes general allowances amounting to RM999,186,000.

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

50 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk (continued)

Group (continued) 2006	Cash and short term funds and deposits and placements with financial institutions RM'000	Securities purchased under resale agreements RM'000	Securities held-for- trading RM'000	Securities AFS RM'000	Securities 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, hunting, forestry and fishing	–	–	5,082	14,307	97,489	2,663,003	1,130	2,781,011	885,524
Mining and quarrying	–	–	–	–	–	117,708	–	117,708	93,879
Manufacturing	–	–	389,263	297,461	338,488	10,059,874	9,781	11,094,867	11,643,846
Electricity, gas and water	–	–	385,407	136,501	–	287,458	4,021	813,387	1,308,061
Construction	–	–	–	123,375	156,522	2,820,327	265	3,100,489	4,131,956
Real estate	–	–	92,653	177,709	15,555	1,209,889	1,361	1,497,167	841,563
Purchase of landed property	–	–	–	–	–	14,182,286	–	14,182,286	1,230,738
Wholesale & retail trade and restaurants & hotels	–	–	49,879	51,275	15,326	6,256,073	1,847	6,374,400	6,365,120
Transport, storage and communication	–	–	204,307	5,894	2,059,139	2,697,674	1,455	4,968,469	1,088,642
Finance, insurance and business services	14,783,494	2,689,491	1,892,934	4,422,097	7,112,775	2,910,896	179,835	33,991,522	20,102,616
Government and government agencies	1,097,200	2,050	1,736,429	764,784	3,307,292	169,262	28,125	7,105,142	79,015
Purchase of securities	–	–	–	49,109	–	1,494,654	177,027	1,720,790	226,037
Purchase of transport vehicles	–	–	–	–	–	5,091,441	–	5,091,441	300,658
Consumption credit	–	–	–	–	–	3,334,387	–	3,334,387	4,089,784
Others	–	–	354,251	19,518	3,776	1,074,168	1,844,471	3,296,184	4,552,428
	15,880,694	2,691,541	5,110,205	6,062,030	13,106,362	54,369,100	2,249,318	99,469,250	56,939,867

* Excludes general allowances amounting to RM976,214,000.

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

50 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk (continued)

Company 2007	Cash and short term funds and deposits and placements with financial institutions RM'000	Amounts due from subsidiaries RM'000	Amount due from Rashid Hussain Berhad RM'000	Other financial assets RM'000	On- balance sheet total RM'000
Finance, insurance and business services	477,666	–	–	69	477,735
Others	–	9,677	–	32,800	42,477
	477,666	9,677	–	32,869	520,212
2006					
Finance, insurance and business services	14,569	–	–	20	14,589
Others	–	126,200	1,236,030	32,800	1,395,030
	14,569	126,200	1,236,030	32,820	1,409,619

51 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

Therefore, for a significant portion of the Group's financial instruments, including loans and advances to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amount that the Group could have realised in a sales transaction at the balance sheet date.

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

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

51 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	Group		Company	
	Carrying value RM'000	Estimated fair value RM'000	Carrying value RM'000	Estimated fair value RM'000
2007				
Financial assets				
Loans, advances and financing	54,554,651	54,423,626 [@]	-	-
Financial liabilities				
Deposit from customers	75,793,231	75,587,286	-	-
Recourse obligation on loans sold to Cagamas	1,854,873	1,908,707	-	-
Borrowings	1,925,677	1,979,545	1,594,977	1,648,845
Subordinated obligations	2,665,000	2,667,406	-	-
INCPS	1,004,431	1,506,647	-	-
Hire-purchase creditors	706	678	706	678
2006				
Financial assets				
Loans, advances and financing	53,392,886	53,272,658 [@]	-	-
Financial liabilities				
Deposit from customers	57,525,532	57,197,110	-	-
Recourse obligation on loans sold to Cagamas	2,879,284	2,909,218	-	-
Borrowings	1,551,812	1,563,219	1,269,412	1,280,819
Subordinated obligations	1,493,158	1,525,856	-	-
INCPS	1,104,469	2,016,829	-	-
Hire-purchase creditors	1,062	990	1,062	990

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

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

(a) 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 of 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.

(b) 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.

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

51 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

(d) Loans, advances and financing

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

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

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

(e) Clients' and brokers' balances

The fair values of clients' and brokers' balances approximate their carrying amounts as at balance sheet date due to their short term tenure of less than one year.

(f) Other assets and liabilities

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

(g) Amounts due from/to subsidiaries

The amounts due from/to subsidiaries have no fixed terms of repayment and deemed repayable on demand. These balances are not materially sensitive to changes in market interest rates and the fair values approximate their carrying amounts as at balance sheet date.

(h) 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.

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

The estimated fair values of deposits and placements of banks and other financial institutions, repos and bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities of 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.

(j) Recourse obligation on loans sold to Cagamas

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 periods to maturity.

notes to the financial statements

for the financial year ended 31 December 2007 (continued)

51 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(k) Borrowings

The estimated fair values of borrowings with maturities of less than six months approximate the carrying values. For borrowings with maturities of six months or more, the fair values are estimated based on either discounted cash flow model using a current yield curve appropriate for the remaining term to maturity or discounted cash flows using prevailing market rates for borrowings with similar risk profile.

(l) Subordinated obligations

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

(m) INCPS

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

(n) Hire-purchase creditors

The estimated fair values of hire-purchase creditors are based on discounted expected future cash flows using the current interest rates for liabilities with similar risk profiles.

(o) Credit related commitment and contingencies

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

(p) Foreign exchange and interest rate related contracts

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

52 EFFECTS ON FINANCIAL STATEMENTS ON ADOPTION OF NEW FRS 117 - LEASES

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

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

	Group	
	As previously reported RM'000	As restated RM'000
Prepaid land lease	–	100,245
Property, plant and equipment	883,180	782,935

The adoption of this FRS has no impact to the Group's financial results.

53 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 28 February 2008.

statement by directors

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

We, **Datuk Azlan Zainol** and **Michael Joseph Barrett**, being two of the directors of **RHB Capital Berhad** state that, in the opinion of the directors, the accompanying financial statements set out on pages 119 to 214 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2007 and of the financial results and cash flows of the Group and the Company for the financial year ended 31 December 2007 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.

DATUK AZLAN ZAINOL
DIRECTOR

MICHAEL JOSEPH BARRETT
DIRECTOR

Kuala Lumpur
28 February 2008

statutory declaration

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

I, **Yap Choi Foong**, being the officer primarily responsible for the financial management of **RHB Capital Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 119 to 214 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 Malaysia on 28 February 2008 before me.

S. MASOHOOD OMAR
COMMISSIONER FOR OATHS

Kuala Lumpur

report of the auditors

to the members of RHB Capital Berhad

We have audited the financial statements set out on pages 119 to 214. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965, the MASB approved accounting standards in Malaysia for Entities Other Than Private Entities and Bank Negara Malaysia Guidelines so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and Company as at 31 December 2007 and of the results and cash flows of the Group and Company for the financial year ended 31 December 2007; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of the subsidiaries of which we have not acted as auditors are indicated in Note 15 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' report thereon.

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

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

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

Kuala Lumpur
28 February 2008

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- ◆ Analysis of Shareholdings
 - ◆ List of Top (30) Shareholders
 - ◆ Substantial Shareholders
 - ◆ List of Directors' Interests
 - ◆ Sanctions and Penalties
 - ◆ Material Contracts
 - ◆ List of Properties
 - ◆ Group Branch Network
 - ◆ Notice of 13th Annual General Meeting
 - ◆ Proxy Form

analysis of shareholdings

as at 31 March 2008

Authorised Share Capital	:	RM2,500,000,000.00 comprising 2,500,000,000 ordinary shares of RM1.00 each
Issued and Paid-up Share Capital	:	RM2,153,474,695.00 comprising 2,153,474,695 ordinary shares of RM1.00 each
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	Each shareholder present in person or by proxy at any Shareholders' Meeting shall be entitled to a show of hands of one vote and on a poll, each shareholder who is present in person or by proxy shall have one vote for each ordinary share held.
Number of Shareholders	:	15,180

Size of shareholdings	No. of shareholders	% of shareholders	No. of shares held	% of shareholdings
Less than 100	496	3.27	21,672	0.00
100 - 1,000	4,852	31.96	4,379,008	0.20
1,001 - 10,000	8,188	53.94	30,984,154	1.44
10,001 - 100,000	1,356	8.93	42,059,864	1.95
100,001 – 107,673,734 (Less than 5% of the issued shares)	287	1.89	319,969,634	14.86
107,673,735 (5% and above of the issued shares)	1	0.01	1,756,060,363	81.55
Total	15,180	100.0	2,153,474,695	100.00

list of thirty (30) largest shareholders

as at 31 March 2008

RANK	NAME	UNITS	%
1	EMPLOYEES PROVIDENT FUND BOARD	1,756,060,363	81.55
2	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR GMO EMERGING MARKETS FUND	52,742,329	2.45
3	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD SKIM AMANAH SAHAM BUMIPUTERA	31,420,400	1.46
4	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR AMERICAN INTERNATIONAL ASSURANCE COMPANY LIMITED	13,704,700	0.64
5	HSBC NOMINEES (TEMPATAN) SDN BHD NOMURA ASSET MGMT SG FOR EMPLOYEES PROVIDENT FUND	13,432,800	0.62
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PRUDENTIAL FUND MANAGEMENT BERHAD	10,412,300	0.48
7	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	7,275,900	0.34
8	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR MELLON BANK (MELLON)	6,944,584	0.32
9	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	6,788,100	0.32
10	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC GROWTH FUND	5,099,600	0.24
11	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG BERSAMA	5,083,500	0.24
12	HSBC NOMINEES (ASING) SDN BHD TNTC FOR TEACHERS RETIREMENT SYSTEM OF ILLINOIS	4,790,940	0.22
13	ECML NOMINEES (ASING) SDN BHD DMG & PARTNERS SECURITIES PTE LTD FOR KEEN CAPITAL INVESTMENTS LTD (N2-60391)	4,585,200	0.21
14	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	4,564,600	0.21
15	CARTABAN NOMINEES (ASING) SDN BHD INVESTORS BANK AND TRUST COMPANY FOR ISHARES, INC.	4,410,000	0.20

list of thirty (30) largest shareholders

as at 31 March 2007 (continued)

RANK	NAME	UNITS	%
16	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC EQUITY FUND	4,141,000	0.19
17	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS FUND	3,940,800	0.18
18	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (NETHERLANDS)	3,756,422	0.17
19	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC FAR-EAST DIVIDEND FUND	3,329,800	0.15
20	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND SC7U FOR STATE OF CONNECTICUT RETIREMENT PLANS AND TRUST FUNDS	2,832,469	0.13
21	BHLB TRUSTEE BERHAD PUBLIC REGIONAL SECTOR FUND	2,774,000	0.13
22	CITIGROUP NOMINEES (ASING) SDN BHD CB LDN FOR STICHTING PENSIOENFONDS ZORG EN WELZIJN	2,536,300	0.12
23	CITIGROUP NOMINEES (ASING) SDN BHD GSCO FOR GMO REVERSION FUND (ONSHORE)	2,480,274	0.12
24	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEXFUND	2,479,335	0.12
25	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR PUBLIC AGGRESSIVE GROWTH FUND (N14011940110)	2,300,000	0.11
26	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR PB ASEAN DIVIDEND FUND (270334)	2,291,000	0.11
27	PERTUBUHAN KESELAMATAN SOSIAL	2,268,900	0.11
28	SBB NOMINEES (TEMPATAN) SDN BHD PERTUBUHAN KESELAMATAN SOSIAL	2,246,500	0.10
29	TM ASIA LIFE MALAYSIA BHD AS BENEFICIAL OWNER (PF)	2,000,000	0.09
30	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR PUBLIC BALANCED FUND (N14011950210)	1,950,000	0.09

substantial shareholders

as at 31 March 2008

No	Substantial Shareholder	No. of Shares			
		Direct	%	Indirect	%
1.	Employees Provident Fund Board	1,770,741,163	82.23	–	–

directors' interests in securities of the company and its related corporations

as at 31 March 2008

Ordinary Shares of RM1.00 each

	No.	%
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The Company

YBhg Dato' Mohamed Khadar Merican
– direct

	64,770	*
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Note:

* *Negligible percentage*

material contracts

There were no material contracts of RHB Capital Berhad and its subsidiaries involving directors' and major shareholders' interests which subsisted at the end of 12 months financial period from 1 January 2007 to 31 December 2007 or, if not then subsisting, entered into since the end of the financial year ended 31 December 2006.

list of properties

Location	Owner	Description of Property	Area (sq. m.)	Usage	Age of building (Years)	Tenure	Year of Expiry on Lease	Net Book Value 31.12.2007 (RM'000)	Year of Acquisition or Revaluation
MALAYSIA									
Kuala Lumpur									
1. 424 Jalan Tun Razak	RHB Hartanah Sdn Bhd	12 storey office building	20,440	Office Space	17	Freehold	–	128,915	1989
2. 426 Jalan Tun Razak	RHB Hartanah Sdn Bhd	16 storey office building	22,516	Office Space	11	Freehold	–	123,570	1989
3. 19 & 21 Jalan Tun Perak Kuala Lumpur	RHB Bank Berhad	1 unit of 4-1/2 storey corner commercial building	589	Office Space	9	Freehold	–	9,290	1999
Selangor									
4. Lot No. 8 Jalan Institusi Bandar Baru Bangi	RHB Bank Berhad	6 storey office Block, 5 storey Training Block, 7 storey IT Block & 5 storey Car Park Block	56,188	Training Centre	6	Leasehold	2090	93,973	1999
Perak									
5. No. 2, 4, 6 & 8 Jalan Tun Sambathan Ipoh	RHB Bank Berhad	4 storey office building	630	Bank Branch	9	Freehold	–	5,992	1999
SINGAPORE									
6. 90 Cecil Street	Banfora Pte Ltd	2 commercial buildings	796	Commercial Building	27	Leasehold	2980	96,219	1997
7. 10, Jalan Besar 01-03 Sim Lim Tower	RHB Bank Berhad	Ground Floor of office buildings	543	Bank Branch	28	Freehold	–	26,828	1999
8. 14A/B, 16A/B & 18A/B East Coast Road	RHB Bank Berhad	3 units of 3 storey shophouses	442	Bank Branch	48	Freehold	–	14,155	1999
9. 1/1A / 1B Yio Chu Kang Road	RHB Bank Berhad	First Floor of office buildings	101	Bank Branch	26	Freehold	–	10,630	1999
10. No. 537/539 Geylang Road	RHB Bank Berhad	3 storey shophouses	374	Bank Branch	83	Freehold	–	8,609	1999

NORTHERN REGION

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

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

PENANG RCB (CONSUMER)

- 1) **Ayer Itam**
15, Jalan Pasar
11500 Ayer Itam, Pulau Pinang
Tel : (04) 828 3522/5168
- 2) **Bayan Baru**
42 A, B, C, Jalan Tengah
11950 Bayan Baru, Pulau Pinang
Tel : (04) 642 1880/1882

Including:
Penang International Airport
Lot CM 18
Penang International Airport
11900 Bayan Lepas
Pulau Pinang
Tel : (04) 643 4769
- 3) **Burmah House, Penang**
Ground & Mezzanine Floor
Suite G-02, Burmah House
405, Jalan Burmah, Pulau Tikus
10350 Pulau Pinang
Tel : (04) 227 4367/4364

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

PERAK RCB

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

PERAK RCB (CONTINUED)

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

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

CENTRAL REGION

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

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

CENTRAL REGION (CONTINUED)

- 13) **Port Klang**
Persiaran Raja Muda Musa
42000 Pelabuhan Kelang, Selangor
Tel : (03) 3165 6720
- including:
Giant Bukit Tinggi
(Service Centre)
(Formerly Pandamaran Branch)
Lot A22 & A2, Persiaran Batu Nilam
Bandar Bukit Tinggi 1
Jalan Langat, 41200 Klang
Sales Tel : (03) 3323 6682,
6684/7278
Operations Tel : (03) 3324 1892/
3581
- 14) **Tanjong Karang**
Lot 1 & 3, Jalan Satu
Taman Tanjong Karang Baru
45500 Tanjong Karang, Selangor
Tel : (03) 3269 5039/8171/1812
- 15) **UEP Subang Jaya**
47 & 49, Jalan USJ 10/1
UEP Subang Jaya
47620 Petaling Jaya, Selangor
Tel : (03) 5637 3592/3593/3594
- 16) **53 & 55, Pasar Borong, Selayang, KL**
53 & 55, Jalan 2/3A
Off KM 12, Jalan Ipoh
68100 Batu Caves, Kuala Lumpur
Tel : (03) 6136 3284/3169/8975
- 17) **75 Jalan Tun H.S. Lee, KL**
75, Jalan Tun H.S. Lee
50000 Kuala Lumpur
Tel : (03) 2070 0233, 2072 9072,
2053 1485, 2070 6869
- Including:
Kota Raya Complex
Lot G17, Ground Floor
Kota Raya Complex
Jalan Cheng Lock
50000 Kuala Lumpur
Tel : (03) 2072 0881
- 18) **Bangsar Shopping Complex, KL**
G129 Ground Floor
Bangsar Shopping Centre
285, Jalan Ma'arof Bangsar
59100 Kuala Lumpur
Tel : (03) 2284 6870/6872/6875
- 19) **Damansara Heights, KL**
Lots C9 - C12, Block C
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel : (03) 2095 7068/7069/7088
- 20) **Jalan Bukit Bintang, KL**
58 - 60, Jalan Bukit Bintang
55100 Kuala Lumpur
Tel : (03) 2148 0901, 2144 0875,
2142 3604/3396, 2143 1857
- 21) **Jalan Ipoh, KL**
14 - 16, Jalan Ipoh
51200 Kuala Lumpur
Tel : (03) 4042 8068/8601/2573
- 22) **Jalan Pasar, KL**
50 - 52, Jalan Pasar
55100 Kuala Lumpur
Tel : (03) 2141 4167, 2148 7301
- 23) **KLCC**
Lot G 34, Ground Level
Petronas Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel : (03) 2164 4423/4125/4128
- 24) **Kuala Lumpur Main**
Level 1, Tower Two
RHB Centre
426, Jalan Tun Razak
50400 Kuala Lumpur
Tel : (03) 9281 3030
101(CSM), 103-106(Remt)
110-116(CA/SA), 117(CDC)
118-121(PB), 108-109
(Adms & Acct)
122(SDB), 9280 6010
- Including:
Menara Yayasan Tun Razak
Kuala Lumpur Service Centre
Ground Floor
Menara Yayasan Tun Razak
200, Jln Bukit Bintang
55100 Kuala Lumpur W.P.
Tel : (03) 2162 5068
- 25) **Plaza OSK, KL**
Ground and Mezzanine Floor
Podium Block, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Tel : (03) 2164 4326/4315/4339
- Including:
Ampang Park (Sales Kiosk)
114 - 116, Ampang Park Complex
Jalan Ampang
50450 Kuala Lumpur
Tel : (03) 2163 2121
- 26) **Segambut, KL**
42 & 42A, Jalan Segambut Tengah
Segambut, 51200 Kuala Lumpur
Tel : (03) 6257 8777/8999/6888
- 27) **Setapak, KL**
257 & 259, Jalan Genting Kelang
53300 Setapak Kuala Lumpur
Tel : (03) 4023 7444/7476, 4025 4905
- 28) **Wisma UOA**
Unit 50-G-02, Wisma UOA Damansara
50 Jalan Dungun
Damansara Heights
50490 Kuala Lumpur
Tel : (03) 2094 9840/2643
- 29) **Damansara Jaya**
22 & 24, Jalan SS 22/25
Damansara Jaya
47400 Petaling Jaya, Selangor
Tel : (03) 7729 5132/5137/3853
- 30) **Desa Sri Hartamas, KL**
6, Jalan 24/ 70A
Desa Sri Hartamas
50480 Kuala Lumpur
Tel : (03) 2300 2360/1754
- 31) **Jinjang Utara, KL**
3472 & 3473, Jalan Besar
Jinjang Utara
52000 Kuala Lumpur
Tel : (03) 6257 7053/7808

CENTRAL REGION (CONTINUED)

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

CENTRAL REGION (CONTINUED)

- 52) **Taman Shamelin, KL**
38-1-5, Shamelin Business Center
Jalan 4/91, Taman Shamelin Perkasa
56100 Kuala Lumpur
Tel : (03) 9282 7385/7386/7382
- 53) **Taman Sungai Besi, KL**
30, Ground & First Floor
Jalan 7/ 108C
Taman Sungai Besi
57100 Kuala Lumpur
Tel : (03) 7983 2105, 7984 3014/ 3016
- 54) **Taman Suntex, Selangor**
5 & 6, Jalan Kijang 1
Taman Suntex, Batu 9
43200 Cheras, Selangor
Tel : (03) 9074 7888/7804
- 55) **Taman Taming Jaya, Selangor**
1, Jalan Taming Kanan 2
Taman Taming Jaya
43300 Balakong, Selangor
Tel : (03) 8961 1194//1195/1164
- 56) **Bahau**
Ground & First Floor
Lot 982 & 983,
Wisma UMNO Jempol
Jalan Gurney
72100 Bahau, Negeri Sembilan
Tel : (06) 454 1305/2722
- 57) **Bandar Baru Nilai**
PT 7460 & 7461
Jalan Bandar Baru Nilai 1/1A
Putra Point, Bandar Baru Nilai
71800 Nilai, Negeri Sembilan
Tel : (06) 794 1006/1007/1008/1009
- 58) **Jenjarom**
M38 & M40, Jalan Besar
42600 Jenjarom, Selangor
Tel : (03) 3191 3422/3433/3477
- 59) **Kajang**
25, Jalan Raja Harun
Taman Hijau
43000 Kajang, Selangor
Tel : (03) 8736 0599/0177/2050/0225
- 60) **KLIA**
Unit 2A & 2B Block D3
Jalan KLIA S3
Southern Common Facilities
KLIA Selatan, 64000
Kuala Lumpur International Airport,
Selangor
Tel : (03) 8787 4799/4801
- Including:
KL International Airport (Arrival)
Lot No: ARR 5A, Arrival Level
Main Terminal Building
Kuala Lumpur International Airport
64000 KLIA, Selangor
Tel : (03) 8787 1562
- &
KL International Airport (Departure)
Lot 13a, Departure Level
Main Terminal Building
Kuala Lumpur International Airport
64000 KLIA, Selangor
Tel : (03) 8787 3257
- &
Low Cost Carrier Terminal (LCCT) - KLIA
Lot LCIA 01
International Arrival Hall
Low Cost Carrier Terminal, KLIA
Tel : (03) 8787 4351
- 61) **Kuala Pilah**
Lots P.T. 9 & 10, Jalan Melewar
72000 Kuala Pilah, Negeri Sembilan
Tel : (06) 481 1442/1513/3995
- 62) **Putrajaya (Precinct 8)**
Blok C - T.00 - U.02 & U.03
1, Jalan P 8 D
62250 Putrajaya
Tel : (03) 8889 2546/2548/2549
- 63) **Rantau**
158 & 159, Jalan Besar
71200 Rantau
Negeri Sembilan
Tel : (06) 694 1969/1589, 634 3371
- 64) **Seremban**
10 & 11, Jalan Dato' Abdul Rahman
70000 Seremban, Negeri Sembilan
Tel : (06) 763 8623/8555, 762 5249
- 65) **Simpang Pertang**
42 & 43, Taman Sri Pertang
72300 Simpang Pertang, N Sembilan
Tel : (06) 492 9520/9550/9540
- 66) **Sungai Pelek**
76 & 77, Jalan Besar
43950 Sungai Pelek, Selangor
Tel : (03) 3141 1176/1394
- 67) **Tanjung Sepat**
1 & 3, Jalan Senangin Satu
Taman Tanjung
P. O. Box No 201
42809 Tanjung Sepat, Selangor
Tel : (03) 3197 4035/4235/4788
- 68) **Taipan Senawang**
No. 163 G & 164 G
Taipan Senawang, Jalan Taman
Komersil Senawang 1
Taman Komersil Senawang
70450 Seremban
Negeri Sembilan
Tel : (06) 678 1320/1318
- Including:
Giant Senawang (Sales Kiosk)
Lot B42 - B44, Giant Hypermarket
Senawang
1571, Jalan Senawang
70450 Senawang, Negeri Sembilan
Tel : (06) 678 7369/7618

EAST COAST REGION

- 1) **Bentong**
Lot 13 & 14, Jalan Loke Yew
28700 Bentong, Pahang
Tel : (09) 222 1648/1649
- 2) **Jerantut**
Lot 4360 & 4361, Jalan Kuantan
27000 Jerantut, Pahang
Tel : (09) 266 5900/5901
- 3) **Kemaman**
K-156C, Jalan Sulaimani
24000 Chukai, Terengganu
Tel : (09) 859 2825/2824

EAST COAST REGION (CONTINUED)

- 4) **Kerteh**
10B, Bandar Baru Kerteh
24300 Kerteh, Terengganu
Tel : (09) 826 1644/1645
- 5) **Ketereh**
Lot PT 383 & PT 384
Kedai Ketereh, Bandar Ketereh
16450 Ketereh, Kelantan
Tel : (09) 788 6377/6376
- 6) **Jalan Kebun Sultan, Kota Bharu**
Lot 1182-1183, Jalan Kebun Sultan
15350 Kota Bharu, Kelantan
Tel : (09) 744 1776/1654
- 7) **Kuala Dungun**
K231, Jalan Besar, Kuala Dungun
23000 Dungun, Terengganu
Tel : (09) 848 1416/1575
- 8) **Kuala Terengganu**
59, Jalan Sultan Ismail
20200 Kuala Terengganu Terengganu
Tel : (09) 622 1478/6478
- 9) **Jalan Telok Sisek, Kuantan**
45, Jalan Telok Sisek
25000 Kuantan, Pahang
Tel : (09) 516 4475/4517/3763
- 10) **Mentakab**
Lot 94 & 95, Jalan Temerloh
28400 Mentakab, Pahang
Tel : (09) 278 1976/1971
- 11) **Pasir Mas**
18A, Jalan Tengku Ahmad
17000 Pasir Mas, Kelantan
Tel : (09) 790 9088/8066
- 12) **Raub**
Lot PT 16477 & 16478
Pusat Perniagaan Indrapura
Jalan Tras
27600 Raub, Pahang
Tel : (09) 355 5077/5515

SOUTHERN REGION

- 1) **Jalan Dedap, Taman Johor Jaya**
7 & 9, Jalan Dedap 18
Taman Johor Jaya
81100 Johor Bahru, Johor
Tel : (07) 355 5226/5327/0844/3277
- 2) **Jalan Bendahara 12**
Taman Ungku Tun Aminah
62, 64 & 66, Jalan Bendahara 12
Taman Ungku Tun Aminah
81300 Sekudai, Johor
Tel : (07) 557 1477/1097/9926/1790
- 3) **Johor Bahru City Square**
Lot J1-22 & J2-31
Level 1 & 2, Johor Bahru City Square
106 & 108, Jalan Wong Ah Fook
80000 Johor Bahru, Johor
Tel : (07) 224 5333/0333, 223 0573
- 4) **Permas Jaya, Johor**
Ground Floor
35 & 37, Jalan Permas 10/2
Bandar Baru Permas Jaya
81750 Johor Bahru, Johor
Tel : (07) 388 6741/6744/6746
- 5) **Senai**
180 & 181, Jalan Belimbing 1
81400 Senai, Johor
Tel : (07) 599 7154
- 6) **Taman Molek, Johor**
56 & 58, Jalan Molek 2/2
Taman Molek
81100 Johor Bahru, Johor
Tel : (07) 351 4643
- 7) **Taman Pelangi, Johor**
Suite 1-2, Level 1
Menara Pelangi
2, Jalan Kuning
Taman Pelangi
80400 Johor Bahru, Johor
Tel : (07) 334 3476/3481
- 8) **Taman Sentosa, Johor**
9 & 11, Jalan Sutera
Taman Sentosa
80150 Johor Bahru, Johor
Tel : (07) 332 2243/2244/2246
- 9) **Jalan Bandar, Pasir Gudang**
10A, Pusat Perdagangan
Jalan Bandar
81700 Pasir Gudang, Johor
Tel : (07) 251 1578/1573/6292,
2527717
- 10) **Kulai**
4 & 5, Taman Seraya
Kulai Besar
81000 Kulai, Johor
Tel : (07) 663 1911/1912
- 11) **Plentong, Johor**
Lot A17, Ground Floor
Giant Hypermarket
3, Jalan Masai Lama
Plentong
81750 Johor Bahru, Johor
Tel : (07) 352 7684, 358 2715/2716
- 12) **Pontian Kechil**
192, Jalan Bakek
Pontian Kechil
82000 Pontian, Johor
Tel : (07) 687 8368/8369/8123
- 13) **Simpang Renggam**
8 & 9, Jalan Kijang
86200 Simpang Renggam, Johor
Tel : (07) 755 8531/8532/7366
- 14) **Tampoi**
3, 3-01, 5, 5-01, Jalan Pembangunan
Desa Rahmat, Tampoi
81200 Johor Bahru, Johor
Tel : (07) 234 0678/0729
- 15) **Ulu Tiram**
1 & 2, Jalan Raya
81800 Ulu Tiram, Johor
Tel : (07) 861 3002/7609/3003
- 16) **9, Jalan Abdullah, Muar**
9, Jalan Abdullah
84000 Muar, Johor
Tel : (06) 952 2234, 951 9080
- 17) **Batu Pahat**
89, Jalan Rahmat
83000 Batu Pahat, Johor
Tel : (07) 431 7011/7022

SOUTHERN REGION (CONTINUED)

- 18) **Bekok**
G34 & G36, Jalan Wijaya
86500 Bekok, Johor
Tel : (07) 922 1639/1643
- 19) **Bukit Baru, Melaka**
Ground Floor, 5 & 6, Jalan DR 1
Taman Delima Raya
Bukit Baru, 75150 Melaka
Tel : (06) 232 1302/1298
- 20) **Jalan Dato' Rauf, Kluang**
18 & 20, Jalan Dato' Rauf
86000 Kluang, Johor
Tel : (07) 772 4111/4112
- 21) **Jalan Hang Tuah, Melaka**
477, Plaza Melaka
Jalan Hang Tuah
75300 Melaka
Tel : (06) 284 0473/0476
- including :-
Tesco Melaka (Sales Kiosk)
Lot 7, Tingkat Bawah
No. 1, Jalan Tun Razak
75400 Peringgit Melaka
Tel : (06) 283 5533
- 22) **Jementah**
Ground Floor, MCA Building
Jalan Muar
85200 Jementah, Johor
Tel : (07) 947 1578/1353
- 23) **Kota Melaka**
No. 57&59, Prime Square
Taman Melaka Raya
75000 Melaka
Tel : (06) 282 5030/5029
- 24) **Segamat**
110 & 111, Jalan Genuang
85000 Segamat, Johor
Tel : (07) 931 1366/1367/5442/5379
- 25) **Tangkak**
351 & 352, Jalan Muar
84900 Tangkak, Johor
Tel : (06) 978 6588/6591
- 26) **Yong Peng**
106, Jalan Besar
83700 Yong Peng, Johor
Tel : (07) 467 1006/1146

SABAH REGION

- 1) **Bandar Pasaraya, Sandakan**
Lot 59 Ground Floor
Bandar Pasaraya, Mile 4
90000 Sandakan, Sabah
Tel : (089) 208 101/102/104/100
- 2) **Inanam, Sabah**
Ground & First Floor
Lot 20 & 22, Block E
Inanam New Township, Phase II
89350 Inanam, Sabah
Tel : (088) 422 883
- 3) **Jalan Gaya, Kota Kinabalu**
81/83, Jalan Gaya
88000 Kota Kinabalu, Sabah
Tel : (088) 216 188, 213 982
- 4) **Jalan Tun Mustapha, Labuan**
Lot 1 & 2, Jati Shop Houses
Off Jalan Tun Mustapha
87007 Labuan
Wilayah Persekutuan Labuan
Tel : (087) 414 822/810
- 5) **Lahad Datu, Sabah**
Lot 1 & 2, Block A
Metro Commercial Complex
91100 Lahad Datu, Sabah
Tel : (089) 886 159/418
- 6) **Tawau, Sabah**
Ground & First Floor
Lot 5 Block 27
Fajar Complex, Jalan Mahkamah
Town Extension II
91000 Tawau, Sabah
Tel : (089) 777 355/233
- 7) **Wisma Khoo, Sandakan**
Sub Lot 1 - 7, Ground Floor
Wisma Khoo Siak Chiew
Lebuh Tiga, Jalan Sim Sim
Mail Bag No 4
90009 Sandakan, Sabah
Tel : (089) 218 777
- 2) **Jalan Kulas, Kuching**
Ground Floor Lot 363
Section Jalan Kulas
P. O. Box 2049
93740 Kuching, Sarawak
Tel : (082) 419 050, 426 586
- 3) **Jalan Padungan, Kuching**
256, Jalan Padungan
93100 Kuching, Sarawak
Tel : (082) 423 216, 252 088
- 4) **Lundu, Sarawak**
Lot 249-250
Jalan Blacksmith
Pekan Lundu
94500 Lundu, Sarawak
Tel : (082) 735 611
- 5) **Medan Raya, Kuching**
Lot 4, Tingkat Bawah
Bangunan MASJA
Medan Raya, Petrajaya
93050 Kuching, Sarawak
Tel : (082) 442 741, 449 135,
445 611
- 6) **Siburan, Sarawak**
No 2, Siburan Bazaar
17th Mile, Kuching Serian Road
94200 Siburan, Sarawak
Tel : (082) 862 808
- 7) **Simpang Tiga, Kuching**
No 11, Jalan Simpang Tiga
P. O. Box 3000
93758 Kuching, Sarawak
Tel : (082) 417 817, 411 817
- Including:
Kuching International Airport
Arrival Hall
Peti Surat 1070, 93722 Kuching
Sarawak
Tel : (082) 463 768
- 8) **Sri Aman, Sarawak**
Lot 839, Jalan Sabu, 95000
Sri Aman, Sarawak
Tel : (083) 320 979/980

SARAWAK REGION

- 1) **Batu Kawah , Kuching**
Bd 104/204 & 105/205
Batu Kawah New Township
Jalan Batu Kawa
93250 Kuching, Sarawak
Tel : (082) 455 650, 450 487

SARAWAK REGION (CONTINUED)

- 9) **Tabuan Jaya, Sarawak**
891-892
Lorong Bayor Bukit 2A
Tabuan Jaya, Shopping Centre
Jalan Wan Alwi
93350 Kuching, Sarawak
Tel : (082) 366 823/828
- 10) **UNIMAS**
Bangunan Hal Ehwal Pelajar
Campus Tetap Unimas
KM 17, Kuching
Kota Samarahan Expressway
94300 Kota Samarahan
Sarawak
Tel : (082) 665 622/288
- 11) **Wisma Mahmud, Kuching**
Level 1
Wisma Mahmud
Jalan Sungei Sarawak
93100 Kuching, Sarawak
Tel : (082) 345 345/610
- 12) **31, Jalan Tunku Osman, Sibul**
No 31, Jalan Tuanku Osman
P. O. Box 26
96007 Sibul, Sarawak
Tel : (084) 314 455
- 13) **Boulevard Centre, Miri**
Ground Floor
Lot 2469 & 2470
Boulevard Commercial Centre
Jalan Boulevard Utama
98000 Miri, Sarawak
Tel : (085) 429 880
- 14) **Dalat, Sarawak**
Ground Floor
Pejabat Daerah Dalat
96300 Dalat, Sarawak
Tel : (084) 864 841/842
- 15) **Jalan Masjid, Bintulu**
Ground Floor & 1st Floor
258 Taman Sri Dagang
Jalan Masjid
97000 Bintulu, Sarawak
Tel : (086) 331 133
- 16) **Jalan Nakhoda Gampar, Miri**
Lot 362, Block 9
Jalan Nakhoda Gampar
P. O. Box 1142
98008 Miri, Sarawak
Tel : (085) 411 882
- 17) **Kanowit, Sarawak**
Lots 127 & 128
No 65-66 Jalan Kubu
Kanowit Town District
96700 Kanowit, Sarawak
Tel : (084) 752 700
- 18) **Kapit, Sarawak**
Lot 504 Jalan Temenggong Jugah
96800 Kapit, Sarawak
Tel : (084) 797 771
- 19) **Lawas, Sarawak**
Lot No 355
Jalan Punang
98850 Lawas
Tel : (085) 285 657/659
- 20) **Marudi, Sarawak**
Lot 29, Jalan Kapitan Lim Ching Kiat
Marudi, 98050, Baram, Sarawak
Tel : (085) 756 721/722
- 21) **Sarikei, Sarawak**
Lot 1468
Repok Road
P. O. Box 738
96108 Sarikei, Sarawak
Tel : (084) 657 030
- 22) **Limbang, Sarawak**
Lot 1563 Jalan Buangsiol
98700 Limbang, Sarawak
Tel : (085) 212 398/399
- RHB ISLAMIC BANK BERHAD**
- 1) **Main Branch**
No. 19A-1-1 & 19A-1-2
Level 1, UOA Centre
No. 19, Jalan Pinang
50450 Kuala Lumpur
Tel : (03) 2161 1599
- 2) **Regional Office East Malaysia**
Lot 363, Jalan Kulas
93400 Kuching, Sarawak
Tel : (082) 274 950
- 3) **Kota Bharu Marketing Centre**
1185, Jalan Kebun Sultan
15350 Kota Bharu
Kelantan Darul Naim
Tel : (09) 747 2525
- 4) **Kuala Terengganu Marketing Centre**
1st Floor
59, Jalan Sultan Ismail
20200 Kuala Terengganu
Terengganu
Tel : (09) 626 2527
- 5) **Jalan Masjid India Marketing Centre**
No. 137 Jalan Bonus
Off Jalan Masjid India
50100 Kuala Lumpur
Tel : (03) 2693 6300
- 6) **Taman Indah Automobile Business Centre**
7 & 9, 2nd Floor Jalan SS2/1
Off Jalan Balakong, Taman Indah
Bt 11, 43200 Cheras
Selangor
Tel : (03) 9075 5959
- 7) **Dataran Glomac Marketing Centre**
A-G-03, Jalan SS 6/5A
Dataran Glomac
Pusat Bandar Kelana Jaya
47301 Kelana Jaya
Selangor
Tel : (03) 7805 7500
- 8) **Jalan Satok Marketing Centre**
Ground Floor, Lot 474 & 475
Section 6, KTLD
192-E & 192-F
Jalan Satok, 93400 Kuching
Sarawak
Tel : (082) 258 800
- 9) **Jalan Gaya Marketing Centre**
Lot 104, Ground & 1st Floor
Jalan Gaya
88000 Kota Kinabalu
Sabah
Tel : (088) 266 600

RHB INVESTMENT BANK BERHAD

- 1) **Head Office**
Level 10, Tower One
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel : (03) 9287 3888
- 2) **Melaka Branch**
Lot 9 & 10, 1st Floor
Bangunan Tabung Haji
Jalan Banda Kaba
75000 Melaka
Tel : (606) 283 3622
- 3) **Kuching Desk Office**
Suite 102, 1st Floor
Crown Tower
88 Jalan Pending
93450 Kuching
Sarawak
Tel : (082) 332 898, 342 898
- 5) **Sandakan**
Ground Floor, Block 11, Lot 8
Bandar Indah, Mile 4, North Road
90000 Sandakan, Sabah
Tel : (089) 235 893/898
- 6) **Ipoh**
No 37, Jalan Medan Ipoh 5
Bandar Baru Medan Ipoh
31400 Ipoh, Perak
Tel : (05) 546 3123/546 2021
- 7) **Johor Bahru**
Suite 18.06, Level 18
Johor Bahru City Square
(Office Tower)
106 - 108, Jalan Wong Ah Fook
80000 Johor Baharu, Johor
Tel : (07) 223 4982/223 7068

RHB INSURANCE BERHAD

- 1) **Head Office**
Level 8, Tower One, RHB Centre
Jalan Tun Razak, P.O. Box 10835
50726 Kuala Lumpur
Tel : (03) 9281 2731
Website: www.rhbinsurnace.com.my
- 2) **Pulau Pinang**
Menara Boustead Penang
Level 10, Unit No. 10-04
39, Jalan Sultan Ahmad Shah
10050 Penang
Tel : (04) 228 0311/228 0115
- 3) **Melaka**
No 339-A
Jalan Melaka Raya 3
Taman Melaka Raya
75000 Melaka
Tel : (06) 282 9978/283 9460
- 4) **Kota Bharu**
Lot 344, Ground Floor,
Jalan Sultan Yahya Petra
15200 Kota Bharu
Kelantan
Tel : (09) 746 1611

- 13) **Klang**
No.2A (Ground & 1st Floor)
Jalan Tiara 2D/KU1
Bandar Baru Klang
41150 Klang, Selangor
Tel : (03) 3342 0026

RHB BUREAU DE CHANGE

- 1) **Low Cost Carrier Terminal (LCCT)-KLIA**
Lot LCIA 01
International Arrival Hall
Lost Cost Carrier Terminal, KLIA
Tel : (03) 8787 4351
- 2) **KL International Airport (Departure)**
Lot 13a Departure Level Main Terminal Building
Kuala Lumpur International Airport
64000, Selangor
Tel : (03) 8787 3257
- 3) **KL International Airport (Arrival)**
Lot No. ARR 5A
Arrival Level Main Terminal Building
Kuala Lumpur International Airport
64000, Selangor
Tel : (03) 8787 1562
- 4) **KL Sentral**
Unit 7, Level 1 (Arrival Hall)
City Air Terminal
KL Sentral Station
50470, W.P.Kuala Lumpur
Tel : (03) 2273 5000
- 5) **Kota Raya Complex**
Lot G 17, Ground Floor
Jalan Cheng Lock
50000 Kuala Lumpur
Tel: (03) 2072 0881
- 6) **Penang International Airport**
Lot CM 18
Penang International Airport
11900, Bayan Lepas
Pulau Pinang
Tel : (04) 643 4769
- 7) **Kuching International Airport**
Arrival Hall Peti Surat 1070
93722, Kuching
Sarawak
Tel : (082) 463 768

LIST OF OVERSEAS BRANCHES

- 1) **Brunei**
RHB Bank Bhd
Bandar Seri Begawan Branch
Unit G.02, Ground Floor, Block D
Kompleks Yayasan
Sultan Haji Hassanal Bolkiah
Bandar Seri Begawan
Brunei Darussalam
Tel : (673) 223 1325
- 2) **Thailand**
RHB Bank Bhd, Bangkok Branch
Level 10, Liberty Square, 287 Silom
Road, Bangrak, Bangkok 10500
Thailand
Tel : (662) 631 2000
- 3) **Singapore**
Executive Office, #05-00
90 Cecil Street, Singapore
Tel : (02) 6220 2736

SINGAPORE OPERATIONS

- 1) **Cecil Street Branch**
#01-00, 90 Cecil Street Singapore
Tel : (02) 6222 1059
- 2) **Bukit Merah Branch**
Blk 131, Jalan Bukit Merah
#01-1577/1579, Singapore
Tel : (02) 6273 9168
- 3) **Bukit Timah Branch**
440/442 Upper Bukit Timah Road The
Rail Mall
Singapore 678064
Tel : (02) 6765 1678
- 4) **Geylang Branch**
537 Geylang Road
Singapore 389492
Tel : (02) 6747 8969
- 5) **Jalan Besar Branch**
10 Jalan Besar
#01-03, Sim Lim Tower
Singapore 208787
Tel : (02) 6296 5842
- 6) **Katong Branch**
14-18 East Coast Road
Singapore 428741
Tel : (02) 6344 5353
- 7) **Upper Serangoon Branch**
1 Yio Chu Kang Road
Singapore 545506
Tel : (02) 6282 6778

notice of 13th annual general meeting



NOTICE IS HEREBY GIVEN that the Thirteenth (13th) Annual General Meeting of the Company will be held at Grand Prince Ballroom, Level 3, Prince Hotel & Residence, Jalan Conlay, 50450 Kuala Lumpur on Monday, 2 June 2008 at 9.30 a.m. to transact the following businesses:-

AGENDA

As Ordinary Business:-

- | | |
|--|------------------------------|
| 1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2007 and the Directors' and Auditors' Reports thereon. | Ordinary Resolution 1 |
| 2. To declare a final dividend of 8.6% less 26% income tax in respect of the financial year ended 31 December 2007 as recommended by the Directors. | Ordinary Resolution 2 |
| 3. To re-elect the following Directors retiring under Article 84 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:- | |
| (i) YBhg Datuk Haji Faisal Siraj; | Ordinary Resolution 3 |
| (ii) YBhg Datuk Tan Kim Leong; | Ordinary Resolution 4 |
| (iii) Mr Michael Joseph Barrett; and | Ordinary Resolution 5 |
| (iv) YBhg Dato' Mohamed Khadar Merican | Ordinary Resolution 6 |
| 4. To approve the payment of Directors' fees totalling RM333,863.01 for the financial year ended 31 December 2007; | Ordinary Resolution 7 |
| 5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company, at a remuneration to be determined by the Directors. | Ordinary Resolution 8 |

As Special Business:-

6. To consider and, if thought fit, to pass the following Special Resolution:-

Proposed Amendments To The Articles Of Association of RHB Capital Berhad

"THAT the proposed amendments to the Articles of Association of the Company as set out in Appendix 1 of this Notice be and are hereby approved and adopted."

Special Resolution

7. To transact any other business for which notice has been duly received.

notice of 13th annual general meeting (continued)

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of Members at the Thirteenth (13th) Annual General Meeting of the Company to be held on 2 June 2008, a final dividend of 8.6% less 26% income tax for the financial year ended 31 December 2007, will be paid on 18 June 2008 to Depositors whose names appear in the Record of Depositors as at 5 June 2008.

A Depositor shall qualify for entitlement to the dividend only in respect of:-

- a. Securities transferred into the Depositor's securities account before 4.00 p.m. on 5 June 2008 in respect of transfers;
- b. Securities deposited into the Depositor's securities account before 12.30 p.m. on 3 June 2008 in respect of securities exempted from mandatory deposit; and
- c. Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Azman Shah Md Yaman
(LS 0006901)
Company Secretary

Kuala Lumpur
9 May 2008

NOTES:

Appointment of Proxy

1. A member entitled to attend and vote at the general meeting is entitled to appoint up to two (2) proxies to attend and vote in his place. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. The Form of Proxy must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, be executed under its common seal or under the hand of its attorney duly authorised in writing.
3. If the Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
4. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account which is credited with ordinary shares of the Company.
5. The Form of Proxy or other instruments of appointment must be deposited at the office of the Share Registrar of the Company, Symphony Share Registrars Sdn Bhd, at Level 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur at least 48 hours before the time fixed for holding the meeting or any adjournment thereof.

Requirement under Appendix 8A, Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad

The details of the Directors who are standing for re-election are set out from page 22 to page 24 of the Annual Report of the Company. The details of their interest in the securities of the Company and its related corporations, if any, are set out on page 222 of the Annual Report of the Company.

Explanatory Note On Special Business:-

Resolution pursuant to the proposed amendments to the Articles of Association of the Company

The Special Resolution, if passed, will bring the Company's Articles of Association in tandem with the amendments prescribed under the Listing Requirements of Bursa Malaysia Securities Berhad and the Companies Act, 1965 as well as enhance the administration of the Company's internal processes.

DETAILS OF THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF RHB CAPITAL BERHAD

The existing Articles of Association of the Company ("Existing Articles") are proposed to be amended by the alterations, modifications, deletion and/or additions of the Existing Articles to comply with the relevant provisions of the Listing Requirements of Bursa Malaysia Securities Berhad and the Companies Act, 1965 as well as enhance the administration of the Company's internal processes.

Article No.	Existing Articles	Proposed Amendments To Articles
INTERPRETATION		
Article 2	"Central Depository" means Malaysian Central Depository Sdn Bhd (Company No. 165570-W).	"Depository" means Bursa Malaysia Depository Sdn Bhd (165570-W) . <i>(The term "Central Depository", wherever it appears in the Articles of Association of the Company, shall be replaced with the term "Depository").</i>
	"Depositor" means a holder of Securities Account as defined by the Central Depositories Act.	"Depositor" means a holder of a Securities Account established by the Depository .
	"Market Day" means any day between Monday and Friday which is not a market holiday of the Stock Exchange or Public Holiday.	"Market Day" means a day on which the stock market of the Stock Exchange is open for trading in securities .
	"Member" means a member of the Company being any person/persons for the time being holding shares in the Company and whose names appear in the Register (except the Malaysian Central Depository Nominees Sdn Bhd) including depositors whose names appear on the Record of Depositors who is a registered shareholder of the Company.	"Member" means a member of the Company being any person/persons for the time being holding shares in the Company and whose names appear in the Register (except the Malaysian Central Depository Nominees Sdn Bhd) and/or in including depositors whose names appear on the Record of Depositors as a registered shareholder of the Company.
	"Stock Exchange" means Kuala Lumpur Stock Exchange and/or other stock exchange on which the Securities of the Company are quoted.	"Stock Exchange" means Bursa Malaysia Securities Berhad and/or other stock exchange on which the Securities of the Company are quoted.
SHARE – POWER TO ISSUE PREFERENCE SHARES		
Article 5(a)	The total nominal value at any time of issued preference shares shall not exceed the total nominal value of issued ordinary shares;	Deleted.

Article No.	Existing Articles	Proposed Amendments To Articles
Article 5(b)	The holders of preference shares shall have the same rights as the holders of ordinary shares as regards receiving notices, reports and audited financial statements and attending general meetings of the Company but shall only have the right to vote at any meeting convened for the purpose of reducing the capital, or winding up, or sanctioning the disposal of the whole of the Company's property, business and undertaking, or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividend or part of the dividend on such shares is in arrears for more than six (6) months or during the winding up of the Company;	Renumbered as Article 5(a).
Article 5(c)	The Company may issue further preference capital ranking equally with, or in priority to, preference shares already issued; and	Renumbered as Article 5(b).
Article 5(d)	The holders of preference shares shall be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up.	Deleted.
TRANSFER OF SECURITIES		
Article 29 (9)	The Register of Transfers and Register may be closed and for such period as the Directors may from time to time determine provided always that it shall not be closed for more than thirty (30) days in any year. Any notice of intention to fix the books closing date and the reason therefore shall be published in a daily newspaper circulating in Malaysia and shall also be given to the Stock Exchange; such notice shall state the books closing date, which shall be at least twelve (12) market days after the date of notification to the Stock Exchange, and the address of share registry at which documents will be accepted for registration. The said notice shall also state the purpose or purposes for which the Register is being closed. At least three (3) market days prior notice shall be given to the Central Depository to prepare the appropriate Record of Depositors provided that where the Record of Depositors is required in respect of corporate actions at least seven (7) market days prior notice shall be given to the Central Depository.	The Register of Transfers and Register may be closed and for such period as the Directors may from time to time determine provided always that it shall not be closed for more than thirty (30) days in any year. Any notice of intention to fix the books closing date and the reason therefore shall be published in a daily newspaper circulating in Malaysia and shall also be given to the Stock Exchange; such notice shall state the books closing date, which shall be at least ten (10) market days after the date of notification to the Stock Exchange, and the address of share registry at which documents will be accepted for registration. The said notice shall also state the purpose or purposes for which the Register is being closed. At least three (3) market days prior notice shall be given to the Depository to prepare the appropriate Record of Depositors provided that where the Record of Depositors is required in respect of corporate actions at least seven (7) market days prior notice shall be given to the Depository .

Article No.	Existing Articles	Proposed Amendments To Articles
GENERAL MEETINGS – TIME AND PLACE		
Article 46A	New provision	<p>(1) The Company may hold a meeting of its members at more than one venue within Malaysia using any technology that allows members a reasonable opportunity to participate in the meeting; and</p> <p>(2) Participation by members at different venues shall be counted as quorum.</p>
NOTICE OF GENERAL MEETINGS – NOTICE OF MEETINGS		
Article 47(a)	<p>The notices convening meeting shall be given to all Members (other than those who are not entitled to receive notices of general meetings of the Company under the provisions of these Articles or the terms of issue of the shares held by them) and to the Company's Auditors at least fourteen (14) days before the meeting or at least 21 days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. The length of notice in every case shall be calculated exclusive of the day on which the notice is served or deemed to be served and the day for which it is given. At least fourteen (14) days' notice or 21 days' notice in the case where any special resolution is proposed where it is the annual general meeting, of every such meeting shall be given by advertisement in the daily press and in writing to the Stock Exchange.</p>	<p>The notices convening meeting shall be given to all Members (other than those who are not entitled to receive notices of general meetings of the Company under the provisions of these Articles or the terms of issue of the shares held by them) and to the Company's Auditors at least fourteen (14) days before the meeting or at least twenty-one (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. The length of notice in every case shall be calculated exclusive of the day on which the notice is served or deemed to be served and the day for which it is given. At least fourteen (14) days' notice or twenty-one (21) days' notice in the case where any special resolution is proposed or where it is the annual general meeting, of every such meeting shall be given by way of advertisement in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper and in writing to the Stock Exchange.</p>
Article 47(c)	<p>The Company shall request the Central Depository in accordance with the Rules, to issue a Record of Depositors, as at a date not less than three (3) market days before the general meeting (hereinafter referred to as "the general meeting Record of Depositors"). Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1966 (where applicable), a Depositor shall not be regarded as a Member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the general meeting Record of Depositors.</p>	<p>The Company shall request the Depository in accordance with the Rules, to issue a Record of Depositors, as at the latest date which is reasonably practicable which shall in any event be not less than three (3) market days before the general meeting (hereinafter referred to as "the general meeting Record of Depositors"). Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1966 (where applicable), a Depositor shall not be regarded as a Member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the general meeting Record of Depositors.</p>

Article No.	Existing Articles	Proposed Amendments To Articles
DIRECTOR – DIRECTORS TO BE NATURAL PERSONS		
Article 71	All Directors of the Company shall be natural persons.	Deleted.
VACATION OF OFFICE BY DIRECTORS		
Article 101	The office of a Director shall be vacated:-	The office of a Director shall be vacated:-
	(a) if he becomes bankrupt;	(a) if he becomes bankrupt during his term of office;
	(b) if he becomes of unsound mind or a person whose estate or person becomes liable to be dealt with in any way under the law relating to mental disorder;	(b) if he becomes of unsound mind during his term of office or a person whose estate or person becomes liable to be dealt with in any way under the law relating to mental disorder;
	(c) if he is ineligible to be a Director by reason of any of the provisions of Section 56 of the Banking and Financial Institutions Act, 1989 and any modifications thereof for the time being in force and any guidelines issued by Bank Negara Malaysia that are applicable to the Company;	No Change
	(d) if by notice in writing to the Company he resigns his office;	
	(e) if he is prohibited from acting as a Director by reasons of any order made under the Act;	
	(f) if he is removed from office pursuant to a resolution passed under the provisions of Article 85;	
	(g) if he ceases to be a Director by virtue of the Act; or	
	(h) if he is absent from more than 50% of the total board of Directors' meetings held during each financial year unless approval is obtained from the Stock Exchange to waive this requirement.	(h) if he is absent from more than 50% of the total board of Directors' meetings held during each financial year. unless approval is obtained from the Stock Exchange to waive this requirement.

Article No.	Existing Articles	Proposed Amendments To Articles
FINANCIAL STATEMENTS – MEMBERS TO HAVE COPIES OF FINANCIAL STATEMENTS		
Article 122	A printed copy of every balance sheet including every document required by law to be annexed thereto which is to be laid before the Company in general meeting together with a copy of the Auditors' report, shall before the date of the meeting to be delivered or sent by post to every Member of and every holder of debentures of the Company on a request being made by him to the Company, provided that this Article shall not require a copy of those documents to be sent to any Member of whose address the Company is not aware.	(a) A printed copy of every balance sheet including every document required by law to be annexed thereto which is to be laid before the Company in general meeting together with a copy of the Auditors' report, shall before the date of the meeting to be delivered or sent by post to every Member of and every holder of debentures of the Company on a request being made by him to the Company, provided that this Article shall not require a copy of those documents to be sent to any Member of whose address the Company is not aware; and
		(b) Subject to compliance with the requirements of the Stock Exchange and other relevant authorities, if any, the Company may issue its annual report in CD-ROM or in such other form of electronic media through which images, data, information or other material may be viewed whether electronically or howsoever.

Note:-

The remaining Articles of Association not highlighted here shall remain unchanged. The numbering of the Articles of Association shall be accordingly amended, where necessary, consequence of the above proposal.

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proxy form



RHB CAPITAL BERHAD

(Company No. 312952-H)
(Incorporated in Malaysia under the Companies Act, 1965)

No. of Ordinary Shares Held

I/We _____ NRIC/Passport/Company No. _____
(Name in block letters)

of _____
(Full address)

being a member of RHB CAPITAL BERHAD hereby appoint :-

(Name & NRIC No.) _____ of _____
and/or*

(Name & NRIC No.) _____ of _____

or failing him/her, the CHAIRMAN OF THE MEETING, as my/our* proxy to vote for me/us* and on my/our* behalf at the Thirteenth (13th) Annual General Meeting of the Company to be held at Grand Prince Ballroom, Level 3, Prince Hotel & Residence, Jalan Conlay, 50450 Kuala Lumpur on Monday, 2 June 2008 at 9.30 a.m. and at any adjournment thereof.

The proportion of my/our* holding to be represented by my/our* proxies are as follows:-

First Proxy (1) First Proxy (2)

My/Our proxy is to vote as indicated below:

	Resolutions	For	Against
Ordinary Resolution 1	To receive and adopt the Audited Financial Statements and Reports.		
Ordinary Resolution 2	To approve the payment of a final dividend of 8.6% less 26% income tax for the financial year ended 31 December 2007.		
Ordinary Resolution 3	To re-elect YBhg Datuk Haji Faisal Siraj as Director.		
Ordinary Resolution 4	To re-elect YBhg Datuk Tan Kim Leong as Director.		
Ordinary Resolution 5	To re-elect Mr Michael Joseph Barrett as Director.		
Ordinary Resolution 6	To re-elect YBhg Dato' Mohamed Khadar Merican as Director.		
Ordinary Resolution 7	To approve the payment of Directors' fees totalling RM333,863.01 for the financial year ended 31 December 2007.		
Ordinary Resolution 8	To re-appoint the Auditors of the Company and to authorise the Directors to fix their remuneration.		
Special Resolution	To approve the proposed amendments to the Articles of Association of the Company.		

(Please indicate with an "X" in the spaces provided above as to how you wish to cast your vote. If no specific directions as to voting are given, the proxy shall vote or abstain from voting at his/her full discretion)

Dated _____, 2008

Signature

* Delete if not applicable

(If shareholder is a corporation,
this part should be executed under seal)

Note

- A member entitled to attend and vote at the general meeting is entitled to appoint up to two (2) proxies to attend and vote in his place. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- The Form of Proxy must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, be executed under its common seal or under the hand of its attorney duly authorised in writing.
- If the Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
- Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account which is credited with ordinary shares of the Company.
- The Form of Proxy or other instruments of appointment must be deposited at the office of the Share Registrar of the Company, Symphony Share Registrars Sdn Bhd, at Level 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur at least 48 hours before the time fixed for holding the meeting or any adjournment thereof, or in the case of a poll, at least 24 hours before the time appointed for the taking of the poll.
- Registration counter will open from 8.30 a.m. to 9.30 a.m. on the meeting day to facilitate shareholders'/proxies' registration.

Please fold here

**POSTAGE
STAMP**

The Share Registrar of **RHB CAPITAL BERHAD**
SYMPHONY SHARE REGISTRARS SDN BHD
Level 26, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur

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