RHB CAPITAL BERHAD
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RHB Centre
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50400 Kuala Lumpur
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rhb.com.my

RHB CAPITAL BERHAD
ANNUAL REPORT **2008**

The RHB Banking Group is

moving forward with confidence

on the back of a successful transformation programme that has helped enhance the Group's standing and reputation, both locally and regionally. With our building blocks well in place, we are well on track to be one of the top three financial services providers in ASEAN by 2020.

our core values

innovation

- "Innovation is the ability to see change as an opportunity – not a threat"
- Keep an open mind
- Ways to enhance the lives of our customers and those around us
- Apply "Start, Stop, Continue" in all we do

quality service

- "Service which exceeds the expectation of our customers"
- Efficient, reliable and consistent
- Take ownership and accountability of what we do
- Have passion, commitment and drive to serve

teamwork

- “Serving one another to achieve a common objective”
- Lend a helping hand
- “One RHB team with one RHB face”
- Working together with each other

customer focus

- “Our Customers are No1: We shall understand their needs, build a strong and lasting relationship with them, and take all efforts to exceed their expectations”
- Provide best “Customer Service Experience”
- Simplified processes
- Walk that extra mile

respect

- “Treat others the way you would want to be treated”
- Be honest and sincere
- Take responsibility for your actions
- Express empathy and selflessness

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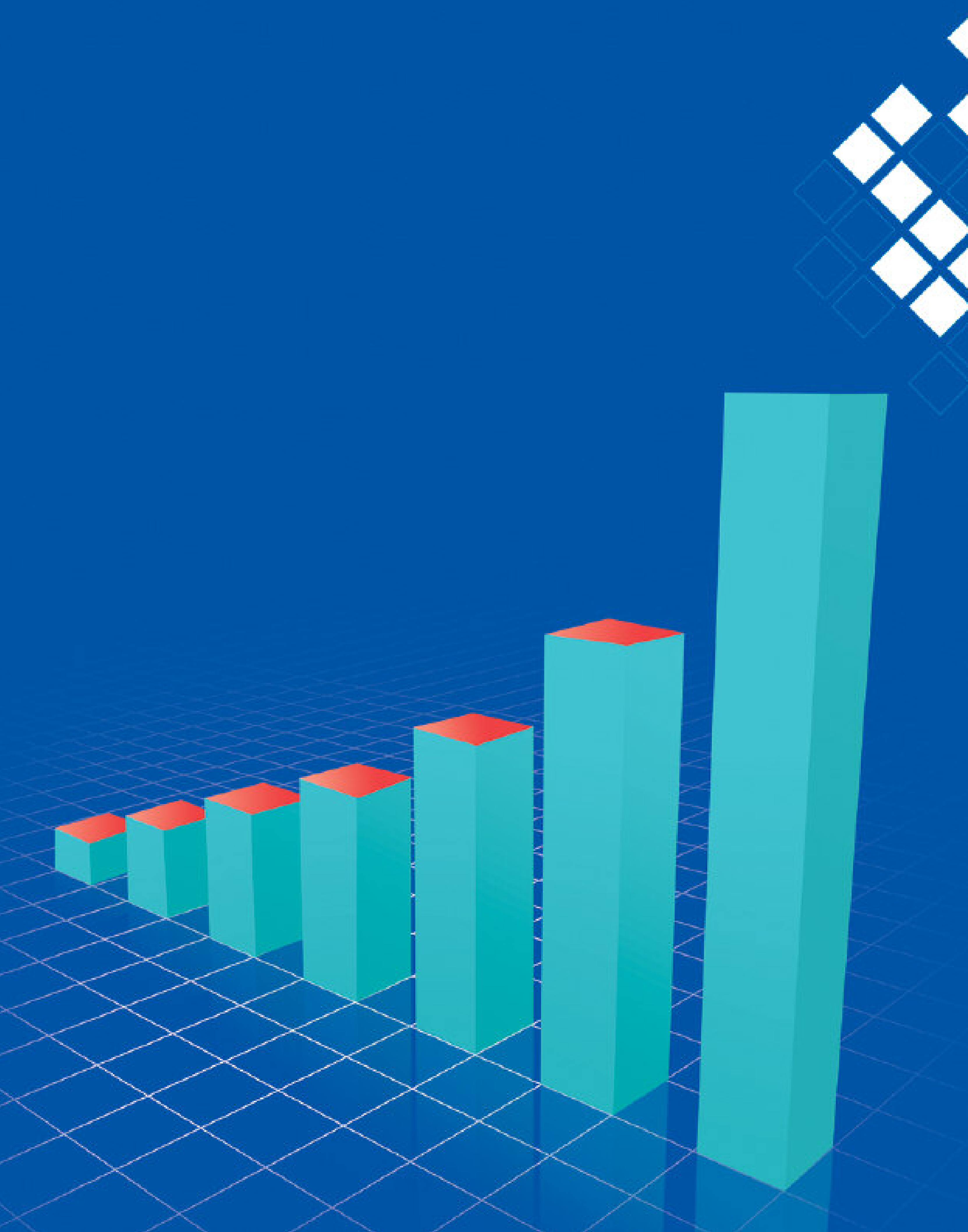


performance driven:

Group Financial Highlights ◆ Simplified Group Balance Sheets ◆ Five-Year Group Financial Summary ◆ Summary of Five-Year Group Growth ◆ Segmental Analysis ◆ Group Quarterly Performance

group financial highlights

	2008	2007
PROFITABILITY (RM million)		
Operating revenue	**6,001**	6,157
Operating profit before allowances	**1,932**	1,883
Profit after INCPS* dividends and before taxation	**1,422**	1,137
Net profit attributable to equity holders of the Company	**1,049**	713
KEY BALANCE SHEET DATA (RM million)		
Total assets	**104,533**	105,154
Portfolio of securities	**21,155**	20,477
Loans, advances and financing	**60,596**	54,555
Total liabilities	**96,692**	98,080
Deposits from customers	**73,962**	75,793
Shareholders' equity	**7,814**	7,048
Commitments and contingencies	**60,735**	56,609
FINANCIAL RATIOS (%)		
Profitability Ratios		
Net return on average equity	**14.1**	11.9
Net return on average assets	**1.0**	0.7
Asset Quality/Loan Ratios		
Net non-performing loans ratio	**2.2**	3.4
Loan loss coverage	**90.3**	71.4
Gross loans to deposits ratio	**85.4**	75.0

* Irredeemable Non-cumulative Convertible Preference Shares.

simplified group balance sheets

Assets–2008

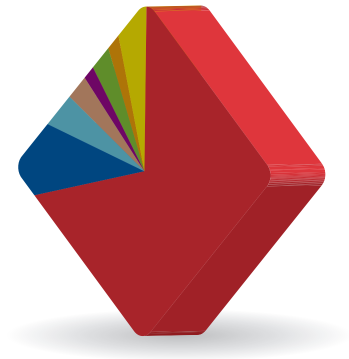
- **58.0%** Loans, advances and financing
- **20.2%** Portfolio of securities
- **13.7%** Cash and short-term funds
- **1.5%** Statutory deposits
- **0.5%** Deposits and placements with banks and other financial institutions
- **0.1%** Securities purchased under resale agreements
- **6.0%** Other assets (including goodwill)

Liabilities & Equity–2008

- **70.8%** Deposits from customers
- **8.3%** Deposits and placements of banks and other financial institutions
- **5.4%** Reserves
- **4.7%** Bills and acceptances payable
- **3.3%** Borrowings
- **2.1%** Subordinated obligations
- **2.1%** Share Capital
- **3.3%** Other liabilities

Assets–2007

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



Liabilities & Equity–2007

- **72.1%** Deposits from customers
- **8.2%** Deposits and placements of banks and other financial institutions
- **4.7%** Reserves
- **3.8%** Bills and acceptances payable
- **1.8%** Borrowings
- **3.5%** Subordinated obligations and INCPS*
- **2.0%** Share Capital
- **3.9%** Other liabilities

* Irredeemable Non-cumulative Convertible Preference Shares.

five-year group financial summary

	2008	2007	2006	2005	2004^
OPERATING RESULTS (RM million)					
Profit after INCPS* dividends and before taxation	**1,422**	1,137	830	579	717
Net profit attributable to equity holders of the Company	**1,049**	713	438	316	442
KEY BALANCE SHEET DATA (RM million)					
Total assets	**104,533**	105,154	103,310	89,898	82,137
Loans, advances and financing	**60,596**	54,555	53,393	48,359	43,912
Total liabilities	**96,692**	98,080	97,258	84,392	76,979
Deposits from customers	**73,962**#	75,793#	57,526	49,921	50,167
Paid-up capital	**2,153**	2,153	1,823	1,823	1,823
Shareholders' equity	**7,814**	7,048	4,928	4,493	4,212
Commitments and contingencies	**60,735**	56,609	56,940	46,115	43,958
SHARE INFORMATION					
Gross dividend per share - (sen)	**19.6**	13.6	8.0	3.5	10.0
Net assets per share - (RM)	**3.6**	3.3	2.7	2.5	2.3
Net tangible assets per share - (RM)	**1.9**	1.8	2.1	1.8	1.7
Basic earnings per share - (sen)	**48.7**	35.8	24.0	17.3	24.2
Share price - (RM)	**3.90**	5.85	3.42	2.21	2.34
Market capitalisation (RM'million)	**8,399**	12,598	6,236	4,030	4,267
FINANCIAL RATIOS (%)					
Profitability Ratios					
Net return on average equity	**14.1**	11.9	9.3	7.3	10.9
Net return on average assets	**1.0**	0.7	0.5	0.4	0.6
Cost / income ratio	**43.9**	44.4	44.5	49.2	51.1
Asset Quality/Loan Ratios					
Gross loans to deposits ratio	**85.4**	75.0	97.6	102.4	94.1
Net non-performing loans ratio	**2.2**	3.4	4.6	5.1	6.0 @
Loan loss coverage	**90.3**	71.4	63.9	63.2	64.1
Ordinary Shares					
Gross dividend yield	**5.0**	2.3	2.3	1.6	4.3
Dividend payout ratio	**30.0**	30.2	24.2	14.6	29.7

^ The Company changed its financial year end from 30 June to 31 December with effect from the financial period ended 31 December 2004. Accordingly, the results for that financial period are for eighteen months.

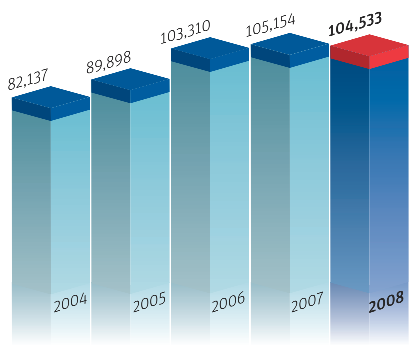
* Irredeemable Non-cumulative Convertible Preference Shares.

\# Including Treasury Money Market Time Deposits.

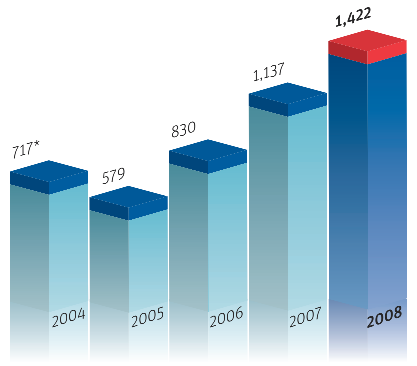
@ Based on 6 months classification.

summary of five-year group growth

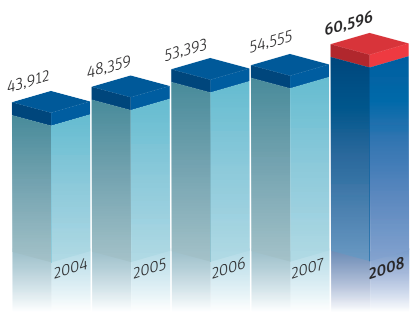
TOTAL ASSETS
RM Million



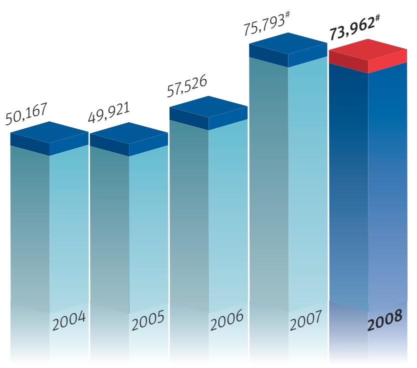
PROFIT AFTER INCPS** DIVIDENDS AND BEFORE TAXATION
RM Million



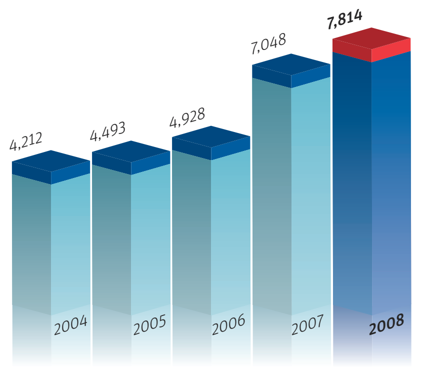
LOANS, ADVANCES AND FINANCING
RM Million



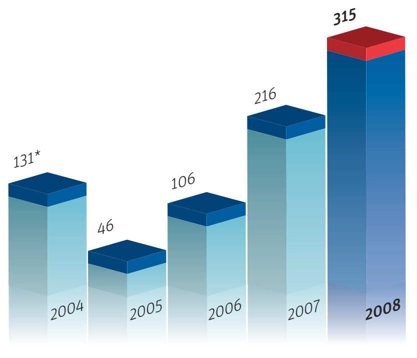
DEPOSITS FROM CUSTOMERS
RM Million



SHAREHOLDERS' EQUITY
RM Million



NET DIVIDENDS
RM Million



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

** Irredeemable Non-cumulative Convertible Preference Shares.

\# Including Treasury Money Market Time Deposits.

segmental analysis

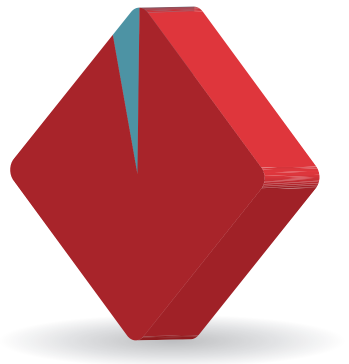
for the year ended 31 December 2008

OPERATING REVENUE
by Business Segment

- **45.7%** Retail Banking
- **26.8%** Treasury and money market
- **18.5%** Corporate and Investment Banking
- **4.7%** Islamic Banking business
- **3.8%** International Banking
- **0.5%** Others

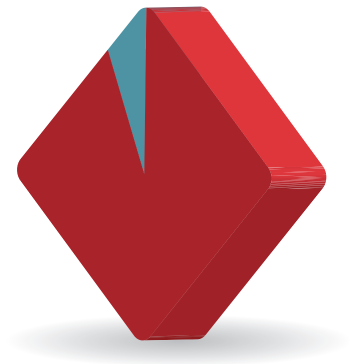
ASSETS EMPLOYED
by Business Segment

- **36.4%** Retail Banking
- **29.3%** Treasury and money market
- **18.9%** Corporate and Investment Banking
- **9.1%** Islamic Banking business
- **5.9%** International Banking
- **0.4%** Others



OPERATING REVENUE
by Geographical Location

- **96.3%** Malaysia
- **3.7%** Overseas



ASSETS EMPLOYED
by Geographical Location

- **93.9%** Malaysia
- **6.1%** Overseas

group quarterly performance

	First Quarter	Second Quarter	2008 Third Quarter	Fourth Quarter	Year 2008
FINANCIAL PERFORMANCE (RM million)					
Operating revenue	**1,503.0**	**1,498.8**	**1,489.5**	**1,509.5**	**6,000.8**
Net interest income	**530.3**	**559.9**	**553.9**	**572.2**	**2,216.3**
Operating profit before allowances	**462.5**	**502.9**	**486.7**	**480.0**	**1,932.1**
Profit after INCPS* dividends and before taxation	**309.9**	**361.9**	**488.7**	**262.0**	**1,422.5**
Profit attributable to equity holders of the Company	**222.4**	**271.1**	**358.3**	**196.9**	**1,048.7**
Earnings per share (sen)	**10.3**	**12.6**	**16.7**	**9.1**	**48.7**
Dividend per share (sen)					
– Interim	**–**	**9.0**	**–**	**–**	**9.0**
– Proposed	**–**	**–**	**–**	**10.6**	**10.6**

	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	502.1	532.5	521.0	543.3	2,098.9
Operating profit before allowances	461.1	579.8	451.7	390.1	1,882.7
Profit after INCPS* dividends and before taxation	273.5	287.4	309.8	266.2	1,136.9
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)					
– Interim	–	5.0	–	–	5.0
– Final	–	–	–	8.6	8.6

* Irredeemable Non-cumulative Convertible Preference Shares.

in safe hands:

corporate information

BOARD OF DIRECTORS

Dato' Mohamed Khadar Merican
Independent Non-Executive Chairman

Datuk Azlan Zainol
Non-Independent Non-Executive Director

COMPANY SECRETARY

Azman Shah Md Yaman

AUDIT COMMITTEE

Datuk Tan Kim Leong
Chairman

Datuk Azlan Zainol

Datuk Haji Faisal Siraj

Group Risk Management Committee#

Dato' Mohd Salleh Hj Harun
Chairman

Datin Khamarzan Ahmed Meah

Datuk Tan Kim Leong

Haji Khairuddin Ahmad

Patrick Chin Yoke Chung

Group Nominating Committee#

Datuk Haji Faisal Siraj
Chairman

Datuk Azlan Zainol

Datuk Tan Kim Leong

Johari Abdul Muid

Ismael Fariz Ali

Group Remuneration and Human Resource Committee#

Datuk Tan Kim Leong
Chairman

Datuk Azlan Zainol

Datuk Haji Faisal Siraj

Johari Abdul Muid

Ismael Fariz Ali

Datuk Haji Faisal Siraj
Senior Independent Non-Executive Director

Johari Abdul Muid
Non-Independent Non-Executive Director

Datuk Tan Kim Leong
Independent Non-Executive Director

Michael Joseph Barrett
Group Managing Director

SENIOR MANAGEMENT

Michael Joseph Barrett
Group Managing Director

Dato' Tajuddin Atan
Managing Director, RHB Bank Berhad
(effective 1 May 2009)

Norazzah Sulaiman
Chief Operating Officer, RHB Capital Berhad

Kellee Kam Chee Khiong
Chief Financial Officer, RHB Capital Berhad

Chay Wai Leong
Head, Corporate & Investment Banking

Jamelah Jamaluddin
Head, Islamic Banking

Renzo Christopher Viegas
Head, Retail Banking

Michael Lim Kheng Boon
Chief Operating Officer, RHB Banking Group

Koh Heng Kong
Head, Insurance

Sharifatul Hanizah Said Ali
Head, Investment Management

Nik Hasniza Nik Ibrahim
Head, Group Human Resource

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
P. O. BOX 10192
50706 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

The committee is shared with relevant subsidiaries of the Group.

RHB Banking Group corporate structure

as at 15 April 2009

RHB CAPITAL BERHAD

Commercial Banking Group

RHB Bank Berhad

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

Investment Banking Group

RHB Investment Bank Berhad

- RHB Investment 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
- Vietnam Securities Corporation *(Vietnam)* (49%)

Others

RHB Insurance Berhad (79.5%)

- RHB Equities Sdn Bhd [1]
  - KYB Sdn Bhd
- RHB Capital (Jersey) Limited *(Jersey Island)*
  - Rashid Hussain Securities (Philippines), Inc. *(Philippines)* [2]
  - PT Rashid Hussain Securities *(Indonesia)* (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
- RHBF Sdn Bhd
  - KYF Sdn Bhd

Notes:

The subsidiary companies are wholly-owned unless otherwise stated.

Dormant company

Associate company

Jointly Controlled Entity

(1) With effect from 1 July 2001, the company's activities relate primarily to recovery of outstanding debts.
(2) The company has ceased operations from the close of business on 10 December 2001.
(3) The company has ceased operations on 31 July 2001 and commenced proceedings for members' voluntary dissolution.

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


RHB

board of directors

from left to right:

Datuk Haji Faisal Siraj
Senior Independent Non-Executive Director

Dato' Mohamed Khadar Merican
Independent Non-Executive Chairman

Datuk Azlan Zainol
Non-Independent Non-Executive Director

Datuk Tan Kim Leong
Independent Non-Executive Director

Johari Abdul Muid
Non-Independent Non-Executive Director

Michael Joseph Barrett
Group Managing Director

profile of the board of directors

DATO' MOHAMED KHADAR MERICAN

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

Dato' Mohamed Khadar Merican ("Dato' Mohamed Khadar") was appointed as an Independent Non-Executive Director of RHB Capital on 1 January 2008 and had recently been appointed as the Independent Non-Executive Chairman.

Dato' Mohamed Khadar has had more than 21 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. Dato' Mohamed Khadar has held various senior management positions in Pernas 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 those of President and Chief Operating Officer.

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.

Dato' Mohamed Khadar's other directorships in public companies include RHB Investment Bank Berhad, Rashid Hussain Berhad (In Members' Voluntary Liquidation), AirAsia Berhad and Astro All Asia Networks Plc.

Dato' Mohamed Khadar attended twelve out of fifteen 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.

DATUK AZLAN ZAINOL

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

Datuk Azlan Zainol ("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 Audit Committee, Group Nominating Committee and Group Remuneration and Human Resource Committee of RHB Capital.

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.

Datuk Azlan is also currently the Chief Executive Officer of the Employees Provident Fund Board ("EPF"). He has more than 28 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.

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

Datuk Azlan attended fifteen out of fifteen 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.

DATUK HAJI FAISAL SIRAJ

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

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

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.

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. 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.

Datuk Faisal's other directorship in public companies includes RHB Islamic Bank Berhad (Chairman) and RHB Insurance Berhad.

Datuk Faisal attended fifteen out of fifteen 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.

JOHARI ABDUL MUID

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

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 of RHB Capital.

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

Encik Johari has more than 28 years of experience in the financial sector. He started his career as a Money Market Dealer with Asian International Merchant Bankers Berhad in 1981. From 1983 to 1994, he was with Commerce International Merchant Bankers Berhad, working in the Treasury Division and was made the Head of Treasury in 1988. He became the Senior Vice President of Institutional Sales in 1995, within a year of joining CIMB Securities Sdn Bhd ("CIMB Securities"), where he was responsible in setting up the Institutional Sales Team of CIMB Securities. Prior to joining 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 of EPF.

Encik Johari's other directorships in public companies include RHB Bank Berhad, RHB Islamic Bank Berhad, Rashid Hussain Berhad (In Member's Voluntary Liquidation) and Iskandar Investment Berhad (formerly known as South Johor Investment Corporation Berhad).

Encik Johari attended thirteen out of fifteen 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.

DATUK TAN KIM LEONG

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

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

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.

Datuk Tan is currently the Executive Chairman of BDO Binder Malaysia. With over 38 years of experience with major corporate and multinational organisation, 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 and had, on 3 February 2009, been appointed as the Governor of Yayasan Bursa Malaysia.

Datuk Tan's other directorships in public companies include RHB Investment Bank Berhad, Goldis Berhad, MCIS Zurich Insurance Berhad, KL Industrial Services Bhd, The Amoy Canning Corporation (Malaya) Berhad and Gul Technologies Singapore Ltd.

Datuk Tan attended fifteen out of fifteen 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.

MICHAEL JOSEPH BARRETT

(58 years of age – American)
Group Managing Director

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

He has vast banking experience spanning over 30 years with Chase Manhattan Bank, USA N.A where his last position was as the Chief Executive Officer and President of Chase Manhattan Bank, USA N.A.

Mr Barrett was appointed as the Chief Executive Officer of RHB Bank Berhad in 2005 and was subsequently appointed as the MD of RHB Bank Berhad from October 2007 to April 2009.

He holds a Bachelor of Science in Economics and Business Administration from Alfred University, Alfred, New York and a Masters in Business Administration in Finance from Fordham University, Bronx, New York.

Mr Barrett attended fifteen out of fifteen 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.

chairmen of the key operating subsidiaries

from left:

Datuk Azlan Zainol RHB Bank Berhad | **Dato Abdullah Mat Noh** RHB Investment Bank Berhad | **Datuk Haji Faisal Siraj** RHB Islamic Bank Berhad | **Dato' Mohd Salleh Hj Harun** RHB Insurance Berhad | **Dato' Mohamed Khadar Merican** RHB Investment Management Sdn Bhd

chairman's statement

Dear Shareholder,

RHB Capital Berhad (RHB Capital) has stayed the course in delivering yet another year of robust growth. This has been achieved despite the global economic turmoil that has significantly impacted financial institutions across the globe.

Clearly, Malaysia's far-sighted and prudent approach in developing its banking framework, led by Bank Negara Malaysia with the support of other key regulators, has provided the financial services industry with the necessary foundation to remain resilient and relevant amidst this turbulent operating environment.

Against this backdrop, the 2008 financial year for RHB Capital Berhad (RHB Capital) was another benchmark year for the RHB Banking Group, marking the first full year it has operated as a fully integrated Universal Bank introduced as part of its Group-wide Transformation Initiative in 2007.

Our bold commitment to change on a comprehensive basis has indeed borne positive results as the financial year under review marked the first time the Group's profit after tax has exceeded RM1.0 billion.

Furthermore, our continued vigilance in managing our risk profile and strengthening our asset quality by effectively managing credit while intensifying recovery efforts have placed us in an advantageous position, more so in these challenging times.

On this encouraging note and on behalf of the Board of Directors, I am pleased to present the Annual Report for RHB Capital for the financial year ended 31 December 2008.

FINANCIAL PERFORMANCE

The ability to effectively function and deliver products and services as a one-stop financial institution via our various strategic business units proved to be the springboard for our strengthened results in 2008.

For the financial year ended 31 December 2008, the Group registered a profit before tax of RM1.4 billion, up 25% as compared with RM1.1 billion recorded in the previous financial year. This was achieved on the back of an improved turnover of RM3.5 billion compared with RM3.4 billion recorded in the previous financial year. This was driven by improvements in net interest income and significantly lower non-performing loans (NPLs).

Accompanying these factors was the fact that our earnings was further bolstered by the Group's acquisition of the minority interest in RHB Bank Berhad that propelled the Group's net profit attributable to equity holders further by an impressive 47% to RM1.05 billion compared with RM712.9 million a year ago.

In terms of RHB Capital's loan portfolio, we were focused in targeting key areas of the Malaysian economy, namely loans for working capital as well as for purchases of residential property and transport vehicles. Loans extended for these segments amounted to RM46.1 billion or 73% of the Group's total loan portfolio.

The Group successfully registered an increase of 11.2% in loans and advances to RM63.2 billion as at 31 December 2008. Consequently, this led to an overall increase of 6% or RM117.4 million in net interest income to RM2.2 billion during the year.

We further heightened and enhanced our efforts in monitoring and assessing risks with a view to strengthening the quality of our loan portfolio while boosting recovery of NPLs.

On this score, we recorded lower allowance for losses on loans and financing of RM499.6 million during the year as compared with RM574.1 million recorded in 2007. The net NPL ratio also improved to 2.24% from 3.43% as at 31 December 2007 with the Group's loan loss coverage also seeing marked increase to 90% from 71% a year ago.

For the financial year ended 31 December 2008, RHB Bank recorded a significant 45% jump in profit before tax to RM1.3 billion compared with the previous financial year. RHB Bank remained the Group's largest contributor with a contribution of 90% to RHB Capital's bottom-line in 2008. RHB Bank also remains strongly capitalised with shareholders equity of RM6.3 billion as at 31 December 2008, while its Risk-Weighted Capital Adequacy Ratio and Core Capital Ratio were at 12.4% and 8.5% respectively.

The Group's Investment Banking business also recorded growth during an especially challenging year in the investment banking sector, with RHB Investment Bank Berhad recording a profit before tax of RM135.7 million, which was an increase of 4% compared with the previous financial year. This was primarily due to the business unit's strong position in the investment banking sector featuring strongly on the relevant league tables, during the year under review.

Malaysia's aspirations to remain the global Islamic financial hub continue to gain significant traction as mirrored in the continued growth of our Islamic banking business. For the year under review, this business unit recorded a profit before tax of RM281 million. Excluding the one-off capital market transaction gain of RM70 million in 2007, our Islamic banking business grew by 9% on the back of an 18% increase in gross loans and advances.

In 2008, the Group's insurance business also recorded positive growth with a 16% increase in gross premium to RM232.1 million compared with RM200.3 million in 2007. As a result of our strong performance in 2008, the Group's shareholders' fund strengthened further to RM7.8 billion while net assets per share rose to RM3.63 as at 31 December 2008 compared with RM3.27 for the previous financial year.

DIVIDEND

As one of the leading public listed financial institutions in Malaysia, we are cognisant of our mandate to improve shareholder value. Towards this end, we had in 2007 set out a comprehensive dividend policy to reward and enhance value to our shareholders.

In view of the strong performance of the Group, and staying true to our commitment to shareholder value creation, a final dividend of 10.6 sen, less 25% tax, has been proposed.

Cumulatively, with the interim dividend paid earlier, total dividends paid out for the year ended 31 December 2008 will meet the Company's stated dividend policy of a 30% payout of its earnings, notwithstanding the more challenging outlook for 2009.

CORPORATE DEVELOPMENTS

The year under review was a busy one for the RHB Group in terms of corporate and organisational developments. As a whole, these initiatives play a key role in enabling us to achieve our long-term aspiration to become one of the top three financial services providers in ASEAN by 2020.

One of the more notable developments during the year was the unveiling of the RHB Banking Group's new logo on 7 May 2008. This was a significant milestone for the Group as it symbolised the bold, refreshed direction the Group is taking in terms of its business approach as well as the way it is committed to nurturing its human capital to deliver continued growth and success.

Contemporary, intelligent, confident, progressive and friendly are some of the characteristics that have been infused into the new logo and with this new coat-of-arms in place, the entire Group has been galvanised to rally behind its qualities to achieve our overall goals.

In terms of increasing the Group's reach in the international banking arena, the RHB Banking Group was granted a license to open its first representative office in Vietnam by the State Bank of Vietnam in October 2008. In addition, the Group had, in November 2008, successfully completed its acquisition of a 49% stake in the Vietnam Securities Corporation, a licensed securities company in Vietnam that specialises in brokerage, consultancy, portfolio management and securities depository services.

Our entry into Vietnam, one of Asia's fastest growing economies, will enable the Group to lay the foundation that will help us tap the enormous growth potential of the Indochina region. At the same time, with our ability to operate as "One RHB" following the on-going success of

For the financial year ended 31 December 2008, the Group registered a profit before tax of RM1.4 billion, up 25% as compared with RM1.1 billion recorded in the previous financial year. This was achieved on the back of an improved turnover of RM3.5 billion compared with RM3.4 billion recorded in the previous financial year. This was driven by improvements in net interest income and significantly lower non-performing loans (NPLs).

our Transformation programme, we are now in a better position for the regional cross-selling of our products and services amongst our franchises in Singapore, Thailand and Brunei.

As for corporate undertakings during the year under review, the Group completed the offer to purchase the remaining 1,104,469,561 irredeemable non-cumulative convertible preference shares (INCPS) of RM1.00 each in RHB Bank Berhad, representing 80.73% of the issued and paid-up INCPS of RHB Bank not already held by RHB Capital Berhad. With the completion of the repurchase, the Group has reduced its cost of capital and reduced the potential threat of dilution in its shareholding in RHB Bank.

The year under review also saw our majority shareholders, the Employees Provident Fund (EPF) of Malaysia, completing the sale of a 25% stake in RHB Capital Berhad to Abu Dhabi Commercial Bank P.J.S.C.. This landmark strategic partnership will pave the way for the Group to tap prospects in the Gulf Cooperation Council (GCC) region while further strengthening its capabilities in delivering its Islamic banking products and services internationally.

CHALLENGES AND PROSPECTS

The financial and banking sector globally has undergone tremendous levels of stress this year as the catalyst to the unprecedented global economic slowdown.

Again, testament to Malaysia's financial framework, our banking system remains stable and we have most likely avoided the brunt of the fallout as experienced by our counterparts in other countries, particularly in the West.

The Board of Directors remain committed to ensuring that we are able to sustain growth and enhance shareholder value in the long term with a view to achieve the Group's vision to be one of the leading financial powerhouses in the region.

While risk assessment and management will remain an important priority for the Group, we are also mindful of the role we play to spur the Malaysian economy and we will be committed to making credit available to those who qualify.

In terms of the operating outlook, we expect the sizeable stimulus package unveiled in March 2009 and Bank Negara Malaysia's proactive management of interest rates to result in the continued growth of the country's banking sector, albeit at a slower pace than the previous years. We will continue to ensure that the management and all employees of the Group work as one integrated workforce to enhance our competitiveness and seize opportunities to move ahead of our competitors.

ACKNOWLEDGEMENTS

The success we have achieved to date is attributed to our team of dedicated and talented employees. Clearly, the engine to drive growth in any organisation lies in its human capital, our greatest asset.

On this note, the Board of Directors would like to express our deepest gratitude to our management team and employees for their unwavering support, dedication and perseverance.

We would also like to extend our appreciation to our valued shareholders, business partners, Bank Negara Malaysia and all regulatory bodies who have supported us in achieving our goals.

Dato' Mohamed Khadar Merican
Independent Non-Executive Chairman

values that guide us:

Statement on Corporate Governance ◆ Statement on Internal Control ◆ Audit Committee Report ◆ Risk Management Framework ◆ Ethics, Integrity and Trust ◆ Compliance Framework

statement on corporate governance

The Board of Directors ("Board") of RHB Capital Berhad ("RHB Capital" or 'the Company") believes that good corporate governance is the foundation of a successful organization. Therefore, the Board continuously strives to ensure that best practices are adopted in establishing accountability and integrity of the Board and the Management. The corporate governance structure of RHB Capital is principally based on the Malaysian Code on Corporate Governance ("the Code") as well as the Guidelines on Corporate Governance for Licensed Institutions ("Revised BNM/GP1") issued by Bank Negara Malaysia ("BNM").

In driving the objectives, the Board takes cognizance that by advocating good corporate governance and upholding ethical standards, the Group could maintain its competitive advantage which is crucial for the long-term success of the Company as well as the Group. In addition thereto, realizing that the business is not only responsible to its shareholders but also to its stakeholders, the Board constantly reviews its corporate responsibility initiatives in ensuring positive social impact as well as long term sustainability and growth.

The Board has developed a charter that sets out the key corporate governance principles adopted by the Board ("Charter"). In adhering to the responsibilities set out in the Charter, the Members of the Board are expected to perform their duties with integrity, honesty and in a professional manner in accordance with the law in serving the interest of its shareholders and stakeholders. The Charter addresses among others, the following matters:

- Responsibilities of the Board;
- Board Meetings;
- Supply of information;
- Maintaining Board independence and Board balance;
- Remuneration levels of Directors;
- Re-election, retirement and resignation of Directors;
- Continuous education of Directors;
- Responsibilities of Directors;
- Responsibilities of Senior Independent Non-Executive Director;
- Responsibility of the Chairperson;
- Financial reporting;
- Investor relations and shareholders' communication; and
- Relationship with other stakeholders.

BOARD OF DIRECTORS

Duties And Responsibilities Of The Board

Core responsibilities of the Board include the following:

- review, approve and monitor the implementation of the Group's strategic business plans and fundamental policies;
- maintain an effective system of internal controls as well as identifying and managing principal risks in ensuring efficient operations and stable financial environment;
- providing guardianship of the Group's corporate values and ethical principles in parallel with the goal to enhance shareholders' value;
- monitor as well as evaluate the performance of the Management to ensure that the performance criteria remains dynamic; and
- formulate a succession plan for the Group in ensuring long-term business continuity.

The day-to-day management of the Company as well as the Group is delegated to the Group Managing Director ("MD") who is responsible to among others, ensure the successful implementation of the Board's decisions. The distinct and separate duties and responsibilities of the Group MD and other Non-Executive Directors ("NEDs") ensure a balance of power and authority towards the establishment of an effective Board.

The Group MD was appointed pursuant to the transformation exercise undertaken by the Group in late 2007. As the Group MD, his key responsibility is to steer and lead the Group's Strategic Business Units ("SBUs") and Strategic Functional Units ("SFUs") towards achieving the Group's visions and goals. In carrying out these tasks, the Group MD is supported by a Central Management Committee ("CMC") which comprises of key management personnel of the Group. Among the objectives of the CMC are as follows:

- to provide strategic guidance to the SBUs and SFUs;
- to recommend to the Board of the Company and other entities within the Group the implementation of key strategic business plans and policies; and
- to assist the Board of the Company and other entities in reviewing performances and business efficiencies of the Group.

The CMC is governed by its terms of reference.

Board Composition And Balance

The Board currently comprises one (1) Independent Non-Executive Chairman, two (2) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors and the Group MD. The composition is in compliance with the Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Revised BNM/GP1.

Being a financial services group, the Board recognizes that its Members must have the appropriate mix of skills as well as the necessary knowledge, experience and commitment to effectively contribute towards the growth and expansion of the Group as a whole. Furthermore, being on the Board of a bank/financial holding company would require the Members to be responsive to the constantly changing and challenging global financial landscape.

The Chairman ensures the orderly conduct of the Board and that issues presented to the Board are adequately discussed and assessed before a decision is taken. To further increase the effectiveness of the Board, the independent directors bring with them independent and objective judgement to the decision making process and is responsible to protect the interests of the minority shareholders.

The Board periodically reviews its size and composition in maintaining the right mix of skills experience and expertise.

A brief profile of each Director is presented on pages 22 to 24 of this Annual Report.

Code Of Ethics And Business Conduct

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

(i) establish the appropriate ethical standards for Directors based on acceptable beliefs and values;

(ii) uphold the spirit of corporate responsibility and accountability in line with the governing laws, regulations and guidelines; and

(iii) document and emphasise to the Directors, the integral obligation of each Director in performing his duties to act in a manner that is lawful, honest, ethical and free from any conflict of interest situations or perceived conflict of interest.

The Group had also implemented a Group Code of Ethics and Conduct that is applicable to all its employees with the objective to maintain a high standard of ethical and professional conduct of its employees.

Board Meetings and Access to Information

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

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

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

The Board has direct access to information of the Group through the Senior Management as well as the advice and services of the Company Secretary. In addition, Directors may also seek independent professional advice, at the Company's expense, when deemed necessary for the proper discharge of their duties.

The Board convened fifteen (15) meetings for the financial year ended 31 December 2008. The attendance of each Director in office at the end of the financial year at the aforesaid Board meetings are set out below:

Name of Director	Total Meetings Attended	Percentage of Attendance (%)
Dato' Mohamed Khadar Merican	12/15	80
Datuk Azlan Zainol	15/15	100
Datuk Haji Faisal Siraj	15/15	100
Datuk Tan Kim Leong	15/15	100
Johari Abdul Muid	13/15	87
Charles Lew Foon Keong[1]	6/7	86
Eirvin Bee Knox[2]	3/3 *	100
Michael Joseph Barrett	15/15	100

1 Ceased to be a Director on 1 June 2008.
2 Appointed as a Director on 24 October 2008 and resigned on 2 March 2009.
* Based on the number of Board meetings held since his appointment to the Board.

Appointments And Re-election To The Board

RHB Capital, being a bank holding company, is governed by the Revised BNM/GP1 in the appointment of new Directors and the re-appointment of its existing Directors upon the expiry of their respective tenures of office as approved by BNM.

The Group Nominating Committee will review and assess the proposed re-appointments of Directors. The result of the individual assessment conducted via the Board Effective Evaluation ("BEE") exercise will be highlighted by the Chairman of the Group Nominating Committee to the Board. Upon the approval by the Board, the application for the re-appointment will be submitted to BNM for approval.

The Board had also adopted an internal guideline on the Tenure of Appointment and Re-appointment of Independent Directors with the main objective of preserving the independence of independent Directors and address long serving Directors of the Group.

Article 80 of the Company's Articles of Association provides that at least one-third of the Board is subject to retirement by rotation at each Annual General Meeting. Retiring Directors can offer themselves for re-election. Directors who are appointed during the financial year are subject to re-election by shareholders at the next Annual General Meeting held following their appointments.

Directors' Training

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

Conferences, seminars and education programs attended by the Directors of the Company in 2008 encompassed various topics such as the following:

Board & Corporate Governance	• Update on Corporate Governance Regulatory Framework and Current issue – "Effective Governance The Way Forward" • Board Remuneration on the Upswing – A Foreseeable Trend? • Financial Institutions Directors' Education Program*
Islamic Banking and Finance	• Enhancing The Resilience And Stability Of The Islamic Financial System
Banking & Finance	• Sovereign Wealth Management Conference • Central Bank Asset Management Seminar
Investment Banking	• Derivatives – "Effective or Costly?" • An Overview of the Malaysian Capital Market – Capital Markets and Services Act 2007 and Regulation of the Securities Market
Risk Management	• Workshop on Risk and Capital Management
Others	• Commercial Law in Indonesia

* Developed and organized by BNM and Perbadanan Insurans Deposit Malaysia, in collaboration with International Centre for Leadership in Finance (ICLIF), aimed at promoting high impact Boards in financial institutions.

The Non-Executive Directors of the Company and the Group also attend local and/or overseas training programs organized by credible training organizations under the Board High Performance Program ("BHPP") which serves as a platform to equip the Directors with the necessary knowledge and tools to effectively discharge their duties and responsibilities as well as provide the Directors with global business perspectives and skills that would engender organizational excellence.

In 2008, two (2) Directors attended the following programs at Harvard Business School, US under the BHPP:

- Making Corporate Board More Effective; and
- Audit Committees In The New Era Of Governance.

Board Performance Evaluation

The Board had continuously conducted the BEE exercise on the Board and Board Committees with the objective of assessing the effectiveness of the Board and Board Committees as a whole, as well as the individual directors. The BEE is based on a combination of self and peer assessment methodologies performed via a customised questionnaire. The results of the BEE are presented to the Group Nominating Committee as well as the Board of the Company for notation. Overall, the 2008 assessment produced satisfactory results.

Apart from the BEE exercise, during the year, the Board also engaged an external consultant to perform a Board Performance Improvement Program ("BPIP") which is an enhancement of the BEE. Among the objective of the BPIP is to conduct an independent review of the structure, processes and documentation with regards to the Board in governing the Company and the Group. The findings and results from the work performed by the external consultant as well as the recommendations thereof in addressing the gaps and issues identified were tabled to the Group Nominating Committee and the Board of the Company for deliberation and Management's further action.

Board Committees

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

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

In compliance with the requirements of the LR of Bursa Securities, the Company maintains its own Audit Committee. A Group Audit Committee was formed at RHB Bank Berhad for RHB Bank Berhad and other entities of the Group.

The functions and terms of reference of the Group Board Committees/Audit Committee are clearly defined and comply with the relevant governing laws, regulations and guidelines among others the Code and the Revised BNM/GP1. The members of the Group Board Committees of the Company comprise of the Directors of the Company and that of the operating entities within the Group to ensure a fair representation across the entities in pursuing the interest of the entities concerned.

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

Group Nominating Committee

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

Meetings of the Group Nominating Committee are held as and when required and at least once a year. The Group Nominating Committee met 9 times during financial year 2008.

The composition of the Group Nominating Committee and the attendance of the members at meetings held in 2008 are as follows:

	Attendance at Meetings
Datuk Haji Faisal Siraj (Independent Non-Executive Director/Chairman)	9/9 (100%)
Datuk Azlan Zainol (Non-Independent Non-Executive Director)	8/9 (89%)
Datuk Tan Kim Leong (Independent Non-Executive Director)	9/9 (100%)
Johari Abdul Muid (Non-Independent Non-Executive Director)	7/9 (78%)
Ismael Fariz Ali (Independent Non-Executive Director)	8/9 (89%)

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

- To provide a documented, formal and transparent procedure for the appointment of directors, board committee members, Group Shariah Committee members, chief executive officers and key senior management officers as well as 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.

Audit Committee

The Audit Committee comprises NEDs, a majority of whom are independent.

The Audit Committee meets regularly with the internal auditors. Whenever deemed necessary, the Audit Committee together with the senior management of the respective companies in the Group meet with 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 8 Audit Committee meetings were held.

The Audit Committee also meets twice a year with the external auditors without the presence of the Management pursuant to the requirement of the terms of reference.

The composition of the Audit Committee and the attendance of the members thereof together with the terms of reference and activities of the Audit Committee during the financial year are set out in the Audit Committee Report at page 47 to page 50 of this Annual Report.

Group Remuneration and Human Resource Committee

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

Meetings of the Group Remuneration and Human Resource Committee are held as and when required and at least once a year. The Committee met 12 times during the financial year 2008.

The composition of the Group Remuneration and Human Resource Committee and the attendance of the members at meetings held in 2008 are as follows:

	Attendance at Meetings
Datuk Tan Kim Leong (Independent Non-Executive Director/Chairman)	12/12 (100%)
Datuk Azlan Zainol (Non-Independent Non-Executive Director)	10/12 (83%)
Datuk Haji Faisal Siraj (Independent Non-Executive Director)	12/12 (100%)
Johari Abdul Muid (Non-Independent Non-Executive Director)	9/12 (75%)
Ismael Fariz Ali (Independent Non-Executive Director)	9/12 (75%)

The salient Terms of Reference of the Committee are as follows:

- To provide a formal and transparent procedure for developing the remuneration policy for directors, board committee members, chief executive officers, Group Shariah Committee members and key senior management officers of the Group and ensuring that their compensation is competitive and consistent with the Group's culture, objectives and strategy;
- To recommend to the Board on the policies, strategies and framework for the RHB Capital Group in relation to staff remuneration, rewards and benefits;
- To oversee and review the scope and quality of human resource projects/programs of the Group; and
- To oversee the disciplinary procedures, regulations and preventive measures as well as to ensure implementation and adherence to the disciplinary procedures.

Group Risk Management Committee

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

The Committee met 12 times during the financial year 2008.

The composition of the Committee and the attendance of the members at meetings held in 2008 are as follows:

	Attendance at Meetings
Dato' Mohd Salleh Hj Harun (Independent Non-Executive Director/Chairman)	12/12 (100%)
Datin Khamarzan Ahmed Meah (Independent Non-Executive Director)	9/12 (75%)
Datuk Tan Kim Leong (Independent Non-Executive Director)	11/12 (92%)
Haji Khairuddin Ahmad (Independent Non-Executive Director)	12/12 (100%)
Patrick Chin Yoke Chung (Independent Non-Executive Director)	12/12 (100%)

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

- to provide oversight and governance of risks at the Group;
- to oversee senior management's activities in managing credit, market, liquidity, operational, legal and other risk and to ensure that the risk management process of each entity in the Group is in place and functioning;
- to promote the management of the Group's risk in accordance with a risk-return performance management framework;
- 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.

Group Shariah Committee

Apart from the above Board Committees, the Group has also established its Group Shariah Committee, which is housed at RHB Islamic Bank Berhad. The Group Shariah Committee comprise of qualified local and foreign Shariah Professionals to act as the Shariah advisor for the Group.

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

- to advise the Group on all Shariah matters to ensure the business operations of the Group comply with Shariah Principles where applicable; and
- to advise the Group to consult the National Shariah Advisory Council ("NASC"), where relevant, on any Shariah matters which has not been resolved or endorsed by NASC.

DIRECTORS' REMUNERATION

The remuneration of Directors is determined at levels which enable the Group to attract and retain Directors with the relevant experience and expertise required to navigate the Group effectively. For the NEDs, the level of remuneration reflects the level of responsibilities undertaken by the particular NED concerned in the Company and of the Group.

All NEDs are paid directors' fees as well as attendance allowances for Board and Board Committee meetings that they attend. The directors' fees payable to the NEDs are subject to the approval of the shareholders.

Under the existing remuneration framework, the annual directors' fees for NEDs is RM60,000.00 per director. Apart from the abovementioned, meeting attendance allowances are paid for Board and Board Committee Members at the rate between RM1,000.00 and RM1,500.00 per meeting per director depending on the nature of the meeting. NEDs who hold memberships on the Board Committees are also entitled to Board Committee allowances payable on annual basis at the end of each financial year. The Board Committees allowance payable to NEDs are reflective of the duties and functions of the Board Committees in the Company and of the Group.

The remuneration strategy for the MDs within the Group is to pay competitively, and through the use of an integrated pay and benefits structure, to reward corporate and individual performance in line with their contribution to the organization.

At the Company's level, the total Directors' remuneration paid/payable to the NEDs for the financial year 2008 are as follows:

	NEDs (RM)
Annual Directors' Fees	336,229.51
Other Allowances*	235,783.23
Total	572,012.74

* Comprise of meetings attendance allowances and Board Committees' allowances.

The aggregate remuneration of the NEDs of the Company (comprising remuneration received from the Company and its subsidiaries during the financial year 2008), analyzed into the following bands are as follows:

Aggregate Remuneration	Number of Directors
RM10,001 – RM50,000	1
RM50,001 – RM100,000	–
RM100,001 – RM150,000*	1
RM150,001 – RM200,000	–
RM200,001 – RM250,000	1
RM250,001 – RM300,000	1
RM300,001 – RM350,000	3

* Inclusive of a director who has ceased to be a director during the financial year.

Further details on Directors' remuneration are disclosed under Note 34 of the Notes to the Financial Statements in this Annual Report.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

The Group built up and maintained a close rapport with analysts and fund managers, whose analyses and reports help investors 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.

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. The Group continues to put emphasis on Corporate Responsibilities ("CR") by engaging itself on initiatives that cuts across and give sustainable benefits to the community at large. The details of the Group's CR activities are reported on page 92 to page 95 of this 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 clarification. Through these briefings, the Group has also managed to obtain valuable feedback from the investing community. RHB Banking Group's management also conducted regular meetings with fund managers and analysts to provide information and updates on the development of the Group on an ongoing basis. In 2008, the investors relation team has met with over 100 analysts, fund managers and investors via formal briefing, face-to-face meetings, tele-conferencing and overseas road show. 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 Investors' Relation website.

Information on new products and services is communicated to customers and shareholders through various media. 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 the annual general meeting as a forum to present their views and obtain feedback from the RHB Banking Group's Management and Directors as well as external auditors.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board ensures that the shareholders are provided with a clear, balanced and meaningful assessment of the Company's financial performance, position and its future prospect through the Annual Audited Financial Statements, quarterly reports and corporate announcements on significant events affecting the Company in accordance with the LR of Bursa Malaysia. The Chairman's Statement on pages 26 to 31 of this Annual Report provide an overview of the Company and the Group's financial performance for the financial year 2008.

A Directors' Responsibility Statement for the Annual Audited Financial Statements of the Company and the Group is set out on page 110 of this Annual Report.

Internal Control

An overview of the Company and the Group's systems of internal control is contained in the Statement on Internal Control set out on pages 45 and 46 of this Annual Report.

Relationship with External Auditors

The Board maintains a formal and transparent professional relationship with the External Auditors via the Audit Committee. The role of the Audit Committee in relation to the External Auditors is disclosed in the Audit Committee Report set out on pages 47 to 50 of this Annual Report.

Compliance with the Code

The Board is satisfied that the Company has complied with the principles and best practices outlined in the Code as at 31 December 2008.

This Statement of Corporate Governance was approved by the Board of Directors on 31 March 2009.

ADDITIONAL 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 financial year 2008.

Material Contracts involving Directors' and Major Shareholders' Interest

There were no material contracts of RHB Capital and its subsidiaries involving directors' and major shareholders' interests which subsisted at the end of 12 months financial period from 1 January 2008 to 31 December 2008.

statement on internal control

INTRODUCTION

Pursuant to paragraph 15.27(b) of the Bursa Malaysia Securities Berhad's Listing Requirements, a listed issuer must ensure that its Board of Directors ("Board") includes in its annual report a statement about the state of its internal control. The revised Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal controls to safeguard shareholders' investments and the Group's assets.

Set out below is the Board's Statement on Internal Control, which has been prepared in accordance with the "Guidance for Directors of Public Listed Companies" issued by Bursa Malaysia Securities Berhad.

RESPONSIBILITY

The Board acknowledges its 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.

KEY INTERNAL CONTROL PROCESSES

Risk Management Framework

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

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

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

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

Internal Audit

The Group Internal Auditors perform regular reviews of the Group's operational processes and system of internal controls. Group Internal Audit adopts a risk-based approach to determine the auditable units and frequency of audit, and the annual audit plans are reviewed and approved by the respective Audit Committees, namely Audit Committee of the Company and the Group Audit Committee of RHB Bank Berhad (which undertakes the functions of the Audit Committee of the major operating entities within the Group, such as RHB Bank Berhad, RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad). Results of the audits conducted by the Group Internal Auditors are reported to the respective Audit Committees while follow-up and review of the status of actions taken on the auditors' recommendations are carried out by the Management via the various Management Audit Committees established at the key operating companies in the Group. The minutes of meetings of the Management Audit Committees are tabled to the Group Audit Committee of RHB Bank Berhad for notation.

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

Further details of the activities undertaken by the Audit Committee of the Company are set out in the Audit Committee Report.

Compliance

The compliance function established at Group level is to monitor the compliance with the regulatory requirements among others, Bursa Malaysia Securities Berhad's Listing Requirements. In addition, a centralised compliance unit established at subsidiary level is for the purpose of monitoring operational compliance of the relevant subsidiaries.

Compliance reporting to the Board is done on a 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.

Other Key Elements Of Internal Control

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

- The Group Managing Director oversees the operations of the Strategic Business Units ("SBU") and Strategic Functional Units ("SFU") within the Group. In addition to that, the Central Management Committee (comprising key management personnel of the Group) manages the Group's strategic direction and provides strategic guidance to the SBUs and SFUs. Appointment of the key management personnel of the Group shall be evaluated by the Group's Nominating Committee and Group Remuneration and Human Resource Committee prior to 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 make recommendations to the Board for approval, if such is required. The ultimate responsibility for the final decision on all matters lies with the Board;
- Delegation of authority including authorisation limits at various levels of management 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;
- There is clear procedure for investment appraisal including equity investment or divestment and capital expenditure;
- There are proper guidelines for hiring and termination of staff, formal training programmes for staff, annual performance appraisal and other relevant procedures in place to ensure that staff are adequately trained and competent in carrying out their duties and 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; and
- 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.

To complement the Group's system of internal controls, a comprehensive incident reporting and incident management framework has been rolled out across the Group to ensure proper escalation and management of incidents that had occurred as well as ensuring necessary steps are taken to effectively mitigate any potential risks that may arise.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.24 of the Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Internal Control. Their review was performed in accordance with Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal control of the Group. RPG 5 does not require the external auditors to and they did not consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures.

audit committee report

ACTIVITIES OF THE AUDIT COMMITTEE AND THE INTERNAL AUDIT FUNCTION DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

Activities Of The Audit Committee

During the financial year ended 31 December 2008 ("year"), a total of 8 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.	Datuk Tan Kim Leong – appointed as Chairman w.e.f 1 June 2008 (Chairman/Independent Non-Executive Director)	3 out of 3 meetings
2.	Datuk Azlan Zainol (Member/Non-Independent Non-Executive Director)	8 out of 8 meetings
3.	Datuk Haji Faisal Siraj (Member/Senior Independent Non-Executive Director)	8 out of 8 meetings
4.	Lew Foon Keong – ceased to be Chairman on 1 June 2008 (Chairman/Senior Independent Non-Executive Director)	5 out of 5 meetings

On 1 June 2008, Datuk Tan Kim Leong, an Independent Non-Executive Director, was appointed as Chairman of the Committee in place of Lew Foon Keong who ceased to be the Chairman of the Committee on the same date.

The Committee's activities are concentrated at RHB Capital Berhad and its direct subsidiaries, excluding RHB Bank Berhad, RHB Islamic Bank Berhad, RHB Investment Bank Berhad and RHB Insurance Berhad which have separate audit committees. These audit committees were subsequently consolidated and a Group Audit Committee at RHB Bank Berhad was established on 1 July 2008.

The main activities undertaken by the Committee during the year are summarised as follows:

- Reviewed the quarterly unaudited financial 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 approval by the Board;
- Reviewed with the external auditors, their audit plan, audit strategy and scope of work for the year, as well as the results of their annual audit;
- Met twice with the external auditors for discussion without the presence of the management;
- Reviewed the non-audit services rendered by the external auditors and the related fees;
- Evaluated the performance of the external auditors and made recommendations to the Board on their appointment and audit fees;
- Reviewed and approved the annual internal audit plan to ensure adequacy of scope and coverage of the identified auditable areas including staffing requirements;
- Reviewed the status of completion of the internal audit plan, the internal audit reports, audit recommendations made and management's response to these recommendations as well as actions taken to improve the system of internal controls and procedures;
- Reviewed the revised Terms of Reference of the Committee and recommended the same for approval by the Board;

- Reviewed the Group Internal Audit Charter of the group internal audit function and recommended the same for approval by the Board;
- Reviewed the related party transactions entered into by the Company and its subsidiaries;
- Reviewed the minutes of meetings of the Group's other audit committees and subsequently, the Group Audit Committee, 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/Group Audit Committee; and
- Tabled the minutes of each Committee meeting to the Board for notation, and for further direction by the Board, where necessary.

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

(a) Banking and Finance
- Enhancing the resilience and stability of the Islamic Financial System
- Derivatives – effective or costly?
- Financial Institutions Directors Education programme

(b) Board and Corporate Governance
- Board remuneration on the upswing – a foreseeable trend?
- Effective governance the way forward

(c) Risk Management
- Risk and capital management

Internal Audit Function

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

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

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

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

The costs incurred for the group internal audit function for the financial year was approximately RM13 million.

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.

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 endeavor.

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 compensate for the risks taken. In addition, risk management seeks to ensure that risk decisions are consistent with strategic business objectives.

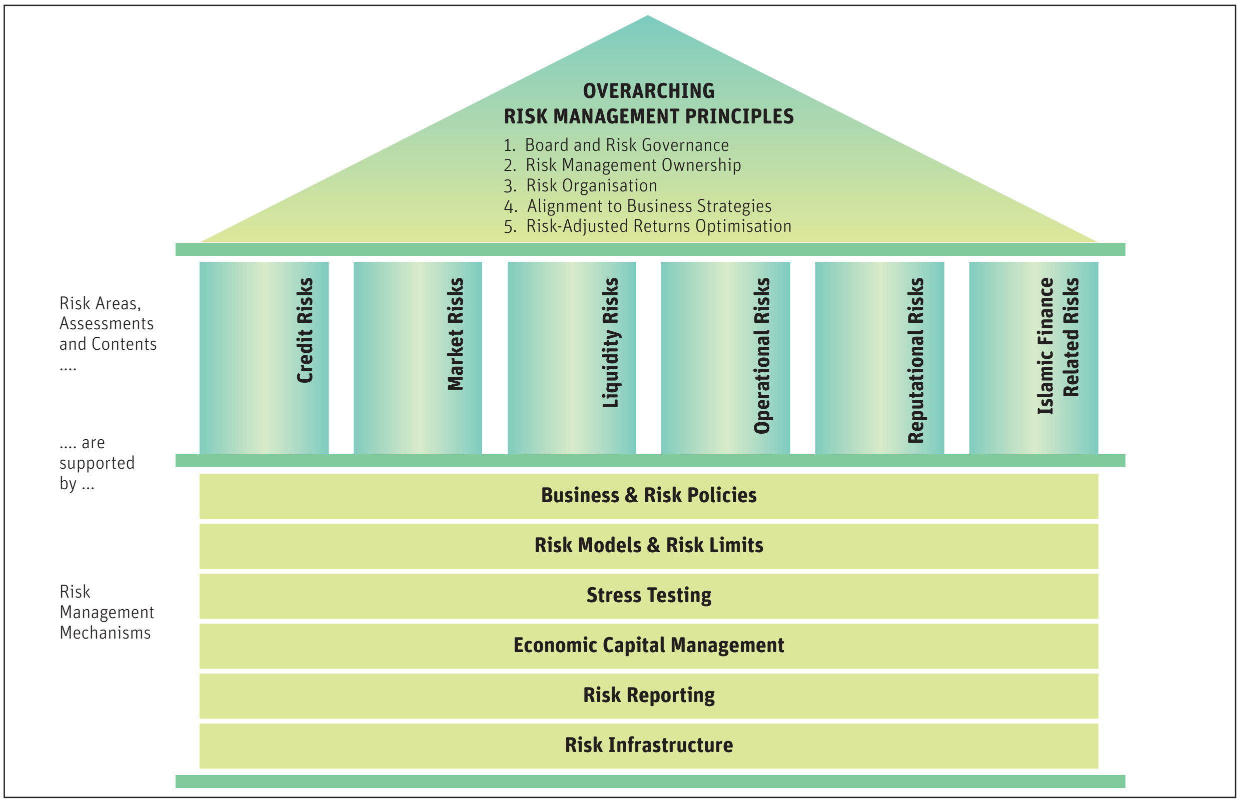
To this extent, the Group's Risk Management Framework governs the management of risks in the banking group. The Framework operates on two interlocking layers:

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 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 describe some of these risk management content areas.

2. OVERARCHING RISKMANAGEMENT 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

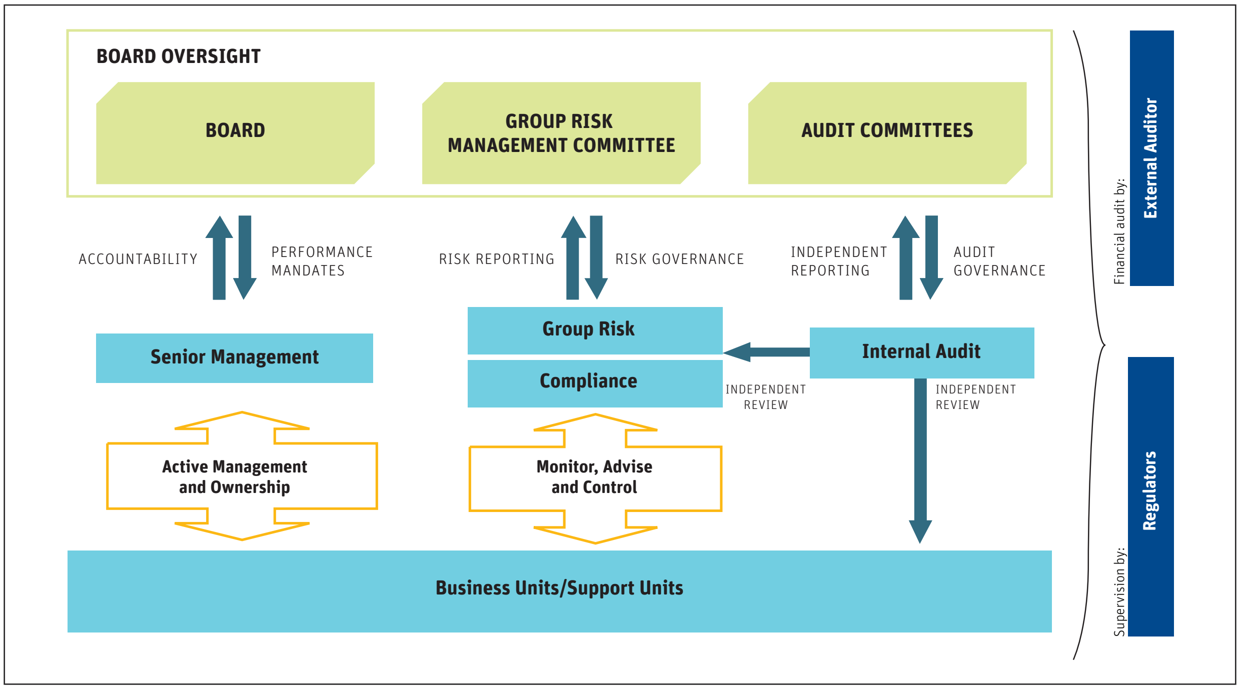
2.1 Principle 1

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:

- Maintenance of ultimate accountability for risk management oversight at the respective Board 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 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; and
- 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.

In 2008, the GRMC has met on a monthly basis and significant traction has been gained in the enhancement of risk management in the Group. The consolidation has and continues to accrue important strategic benefits, which includes:

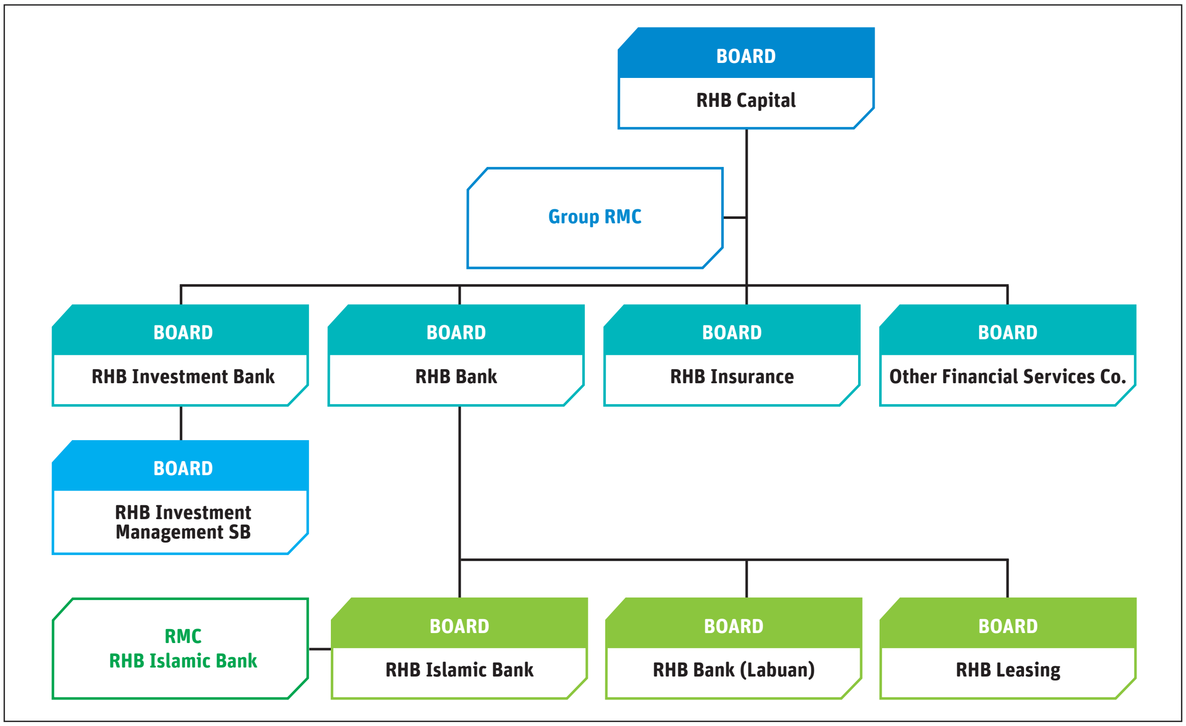
- Facilitating consistencies across the Group in relation to
  - risk management frameworks,
  - risk management policies,
  - risk management practices, and
  - risk measurement models;
- Promoting the communication of risk governance tone and appetite amongst the directors and managements of the key 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 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 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; 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 retention and reorientation of the Risk Management Committee of RHB Islamic Bank towards focusing on the risk management issues of the Islamic bank, particularly in relation to risk issues unique to Islamic finance, has promoted the achievement of the intended objectives of enhancing the risk management of the Group's Islamic finance business.

The following diagram illustrates the corporate structure and risk management committee linkage of the Banking Group. The diagram does not represent any relative seniority between the different Boards of each company as each Board is independently accountable to the company for which it is empanelled:



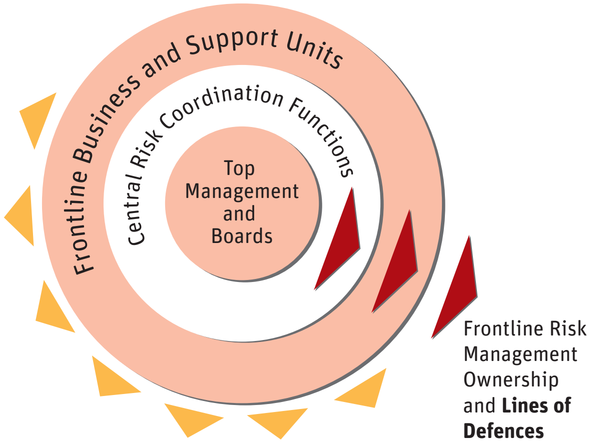
2.2 Principle 2

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 defences



Frontline business and functional units are the first line of defence and is responsible for the 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 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 management, the GRMC and the Boards on risk issues of, and impacts on, the Banking Group; and
- Administering the delegation of discretionary powers to management personnel within the Group

The **Compliance** function is centrally managed and provides assurance to management that the Group's activities are in compliance with external requirements and internal policies and procedures.

The **Audit** function independently reviews and reports on the adequacy and integrity of the Group's internal control systems and information management systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

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 functional units for identification, measurement, monitoring and control of risks.	Continuous/periodic monitoring, review, and transaction checks, and 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.

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 have the responsibility to set 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 establishment 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 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 ascertains if business and functional units comply with key controls for regulations, policies and procedures;
- Risk Management function advise and conducts 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 the 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 incorporate 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 fulfilment 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 in developing and refining 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 modelling or for which statistical modelling is impractical given the nature of the business. In these cases, generic models or standard prudential underwriting polices and rules are applied.

In relation to empirical credit risk application models and probabilities of default computations, the Group has completed most of its developmental work and model coverage of the Group's loans and financing portfolio is very high. In relation to the corporate risk model, the Group has been monitoring grade migrations on a monthly basis (see summary depiction in diagram below) which has helped in improving credit risk management. The retail credit risk models have incorporated behavioural factors within its construct, and the Group expects to complete enhanced behavioral modeling and regrading developmental works in 2009.

Corporate Credit Grades Migratory Dispersion

In 2008, the Banking Group proceeded upon the next stages of risk infrastructure development work which relates to the empirical modelling of recoveries on defaults, and the enhancement of a facility rating model to complement the present counter-party risk rating model. This developmental effort continues and is scheduled for completion in 2009 In addition, additional independent validations of the risk models are being 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 include (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/losses that are 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, analyses 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 analyses 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 Group currently analyses 32 main sectors each with their own sub sectors. The main sectors are as listed:

Finance and Insurance	Wholesale and Retail	Education	Healthcare
Building Material	Construction	Commercial Property	Real Estate
Hospitality	Residential Property	Textiles and Apparels	Recycling
Utilities	Oil and Gas	Petroleum Refinery and Products	Batteries and Cell
Forestry / Logging	Wood Product	Furniture	Paper and Paper Products
Palm Oil	Food & Beverage Processing	Livestock Farming	Fisheries
Shipping	Logistics	Automotive	Communications
Rubber & Plastics Product	Wires and Cables	Iron & Steel	Electronics

The desired continual improvements in credit risk management require the skills and capabilities of the Banking Group's personnel to be advanced. In this respect, the Banking Group continues to invest heavily in our best practice internal credit training curriculum and accreditation framework developed in 2007 that is in addition to and which complements existing industry credit risk accreditation curriculums. To date, 330 branch managers and assistant branch managers of the Bank have successfully completed our said internal credit training curriculum and passed the examinations leading to accreditation, while another 260 commercial account relationship managers have attended advanced level modules to augment their credit skills.

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 2008.

4. MARKET RISKS

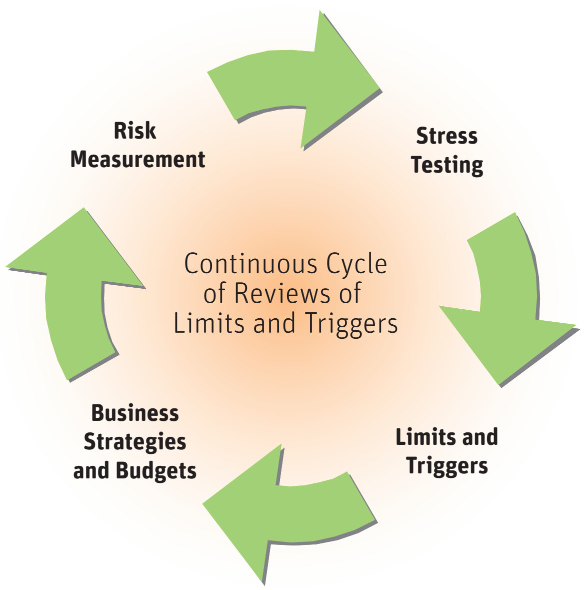
Market risk can be described as the risk of loss of earnings in on- and off-balance sheet positions arising from movements in market risk factors such as foreign exchange rates, interest rates, equity prices, and commodity prices and in their respective correlation and volatility.

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. Given the extraordinary global financial events of 2008, briefings to the Group ALCO were held on a weekly basis in 2008.

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, the management will deliberate and determine on the course of action required (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 analyses 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 the interest rate, foreign exchange, derivatives and equities segments of the Banking Group's Treasury portfolio, and the development initiatives of the Banking Group is to continue to extend the measurement to a broader range of instruments and portfolios.

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.

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 are 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 is 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 plans and operations.

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 result in a decline in the customer base, costly litigation, or revenue reductions. In the extreme case, reputation risk may lead to liquidity crises 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 advance its reputation risk management capabilities. Given the more critical liquidity risk impact of reputational risk events, the treatment and preparation for reputation risk management is also considered under the liquidity risk management framework of the Banking Group.

The key elements for the 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 organization; and
- Establishing and continually updating crisis management plans

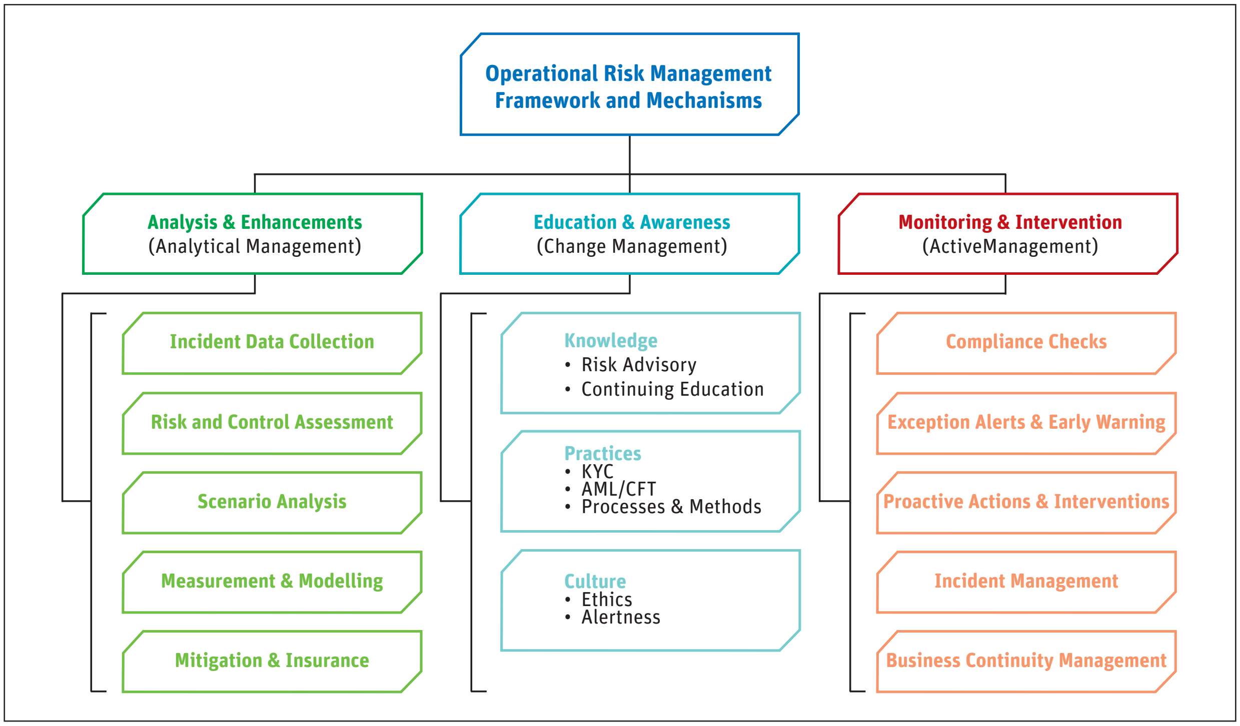
7. OPERATIONAL RISKS

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 the 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 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 managing operational risk and acting as the first line of defence 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, seek 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 the 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.

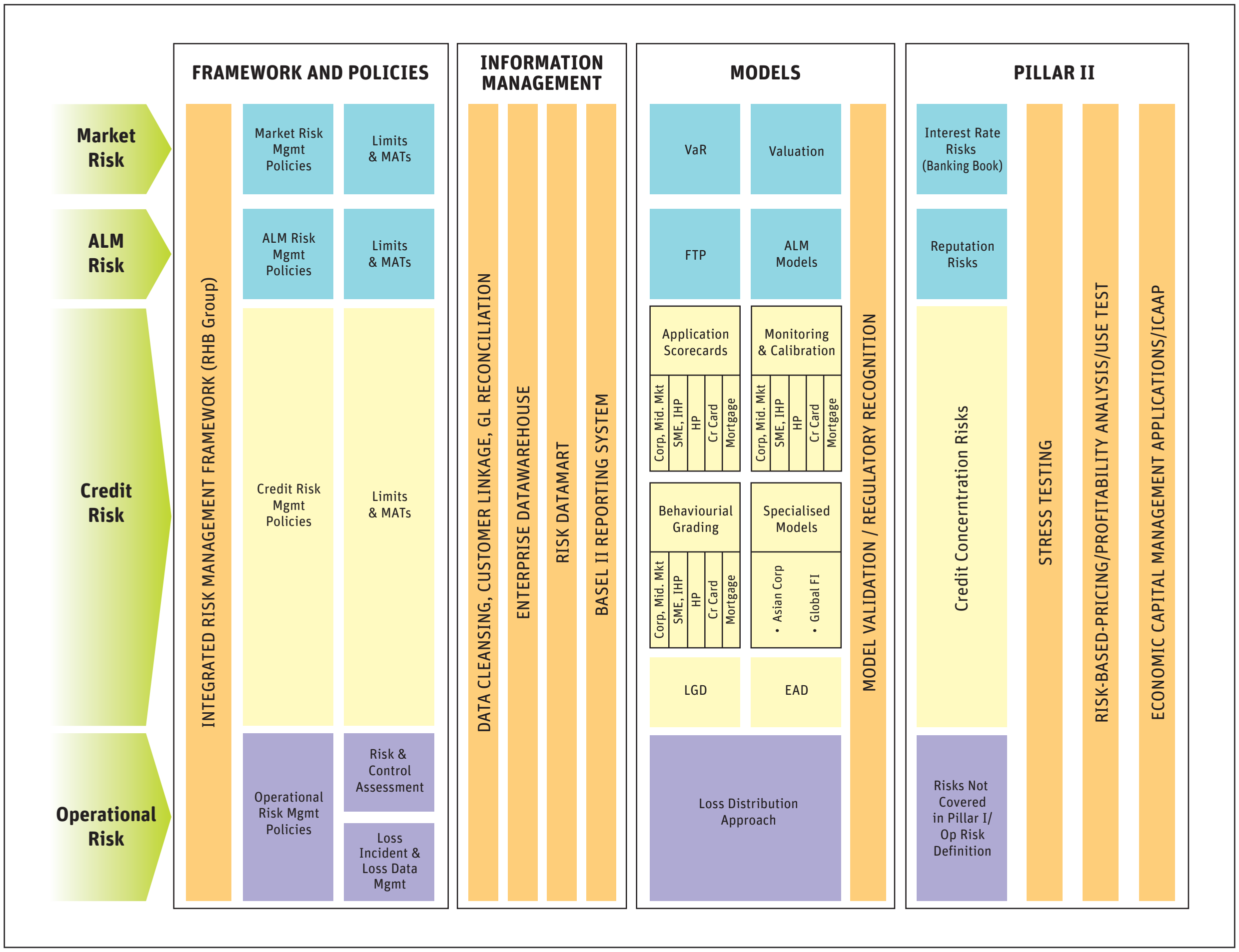
RHB Islamic Bank has prudential measures in place, including capital and reserves provisions, to manage the unique risks of Islamic banking. Fiduciary infrastructure and requirements are particularly heightened in the Islamic banking units; and significant investments in skilled resources and capabilities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

9. CAPITAL MANAGEMENT AND BASEL II

The RHB Banking Group has spent a number of years preparing 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, which 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 are clearly in line with the aspirations of the Group to continually enhance risk management and be 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 have been completed to date have already yielded significant benefits to the Group and put the businesses on an advanced footing to:

- enhance our economic capital management;
- refine risk based pricing methods for our products and services; and
- improve asset quality across the businesses of the Group.

The RHB Bank is developing capabilities for the advanced approaches of the Basel II capital accord and is expected to migrate to the Basel II standards in the year 2010 and thereafter.

ethics, integrity and trust

CODE OF ETHICS AND CONDUCT

The establishment of our Code of Ethics and 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.

We continue 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 Ethics and Conduct, among others are:

1. Professional Standard
2. Conflict of Interest
3. Misuse of Position
4. Misuse of Information
5. Integrity of Records & Transactions
6. Confidentiality
7. Fair & Equitable Treatment
8. Compliance with Applicable Rules and Regulations

The Group Code of Ethics and 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.

compliance framework

OVERVIEW

Increasing expectations for good governance and complex demands of legislative and regulatory compliance are presenting a growing challenge for organizations of all sizes. On a worldwide basis, the number of reported cases of frauds, non-compliance and irregularities is on the rise. Thus, while pursuing business goals, financial institutions need to navigate through adherence to regulations and also demonstrate benefits and value of it to an organization's bottom line. These poses great challenges for compliance function i.e. though growing in importance; it is also rigorously evaluated to deliver the expected value to the stakeholders.

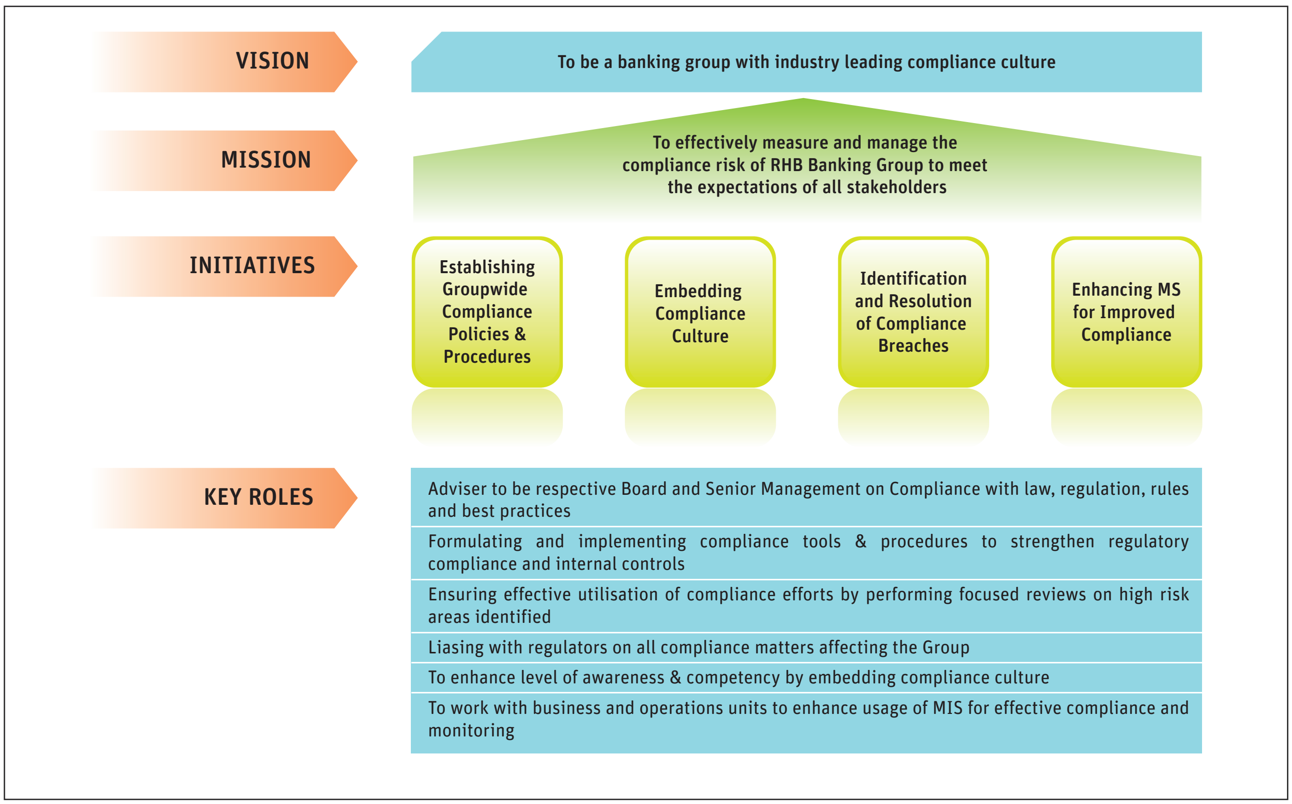
RHB upholds the adoption and infusion of good corporate governance principles and international best practices as a basic tenet of running and growing its business. The principles in the BIS Paper on Compliance and the Compliance Function in Banks issued in 2005 remains an important guide for the Group on how the compliance function is established though the function may continuously evolve to meet the growing demand of compliance for the Group.

COMPLIANCE RISK MANAGEMENT

The main thrust of compliance risk management is to protect the Group's integrity and reputation as the main provider of financial services as well as enhancement of shareholders value. With a vision to be a banking group with industry leading compliance culture, the following four objectives have been outlined:

- To be most compliant banking group;
- Enabling business growth and compliance;
- Zero tolerance for regulatory breaches; and
- Minimize operational losses.

To achieve these objectives, the Group's underlying mission is continue to effectively measure and manage the compliance risk of the Group to meet the expectations of all stakeholders. To realize these ambitions, the Group's compliance framework is put into effect through implementation of the following governance content (as depicted in the following diagram) :



Against continuously evolving financial landscape and emerging challenges, the year 2008 saw further progress being made towards rationalizing the compliance function. The group transformation exercise has established wider spectrum of compliance from entity-based to group-wide compliance function. Consistent with this approach, the compliance function is supervised centrally at Central Compliance with support from compliance teams at RHB Investment, RHB Islamic, RHB Insurance, Legal & Compliance from holding company as well as our overseas branches and subsidiaries.

At the apex of compliance is the Board which oversees and provides strategic direction for compliance in the Group. Group Risk Management Committee (GRMC) is the Board's committee where senior management team provides adequate reporting and information for effective oversight of the Group's compliance activities. This structure allows the GRMC to be focused on high level Group risk and compliance issues, including strategic, policy, reputational risks as well as to formulate appropriate risk mitigation measures at macro level. Central Compliance is responsible for developing and maintaining compliance framework which encapsulates the development of policies and procedures, providing the assessments on compliance issues and how the issues are being addressed as well as adoption of compliance sound practices.

SHARIAH COMPLIANCE

The Group has established policies and procedures as its internal control mechanism pertinent to the Shariah advisory and development as well as Shariah compliance matters so as to ensure the Group is in compliance with the Shariah rules and principles at all the times in its entire spectrum of Islamic banking and Islamic financial services operations. Further, the Group Shariah Committee plays a vital role in complementing the Group to satisfy the Shariah governance requirements and promoting the Group as a prominent player in Islamic banking and finance industry. This accomplishment will inevitably command the public confidence and boost the industry to a greater height as a whole.

KEY INITIATIVES

The compliance spectrum covers areas of credit, operations, investment banking, treasury, Islamic banking, investment management, insurance and anti-money laundering and counter financing of terrorism. The structure of compliance within the Group has a focused approach in managing compliance at the respective entities, overseas operations and supports the Group vision to emerge as main financial services provider in ASEAN by year 2020.

The compliance activities in 2008 were focused on multi-pronged strategies to raise the bar on compliance governance in support of the group transformation project. These activities involved enhancement of the compliance methodologies and tools, off-site surveillance, on-site review and embedding of compliance culture.

In support of the Group's objectives, Central Compliance identified four key initiatives to deliver distinctive value to the organization in achieving its compliance objectives.

1. Establishing Group-Wide Compliance Policies and Procedures

A comprehensive set of policies and procedures that institutionalized the right and wrong is integral to promoting a sound compliance culture. It is imperative for the Group to develop compliance policies along with procedures on how to comply with specific regulations. Timely revision on policies and procedures were also vital for the Group to keep abreast with the regulations as well as industry's best practices. In this respect, various new policies and procedures were introduced in support of the enlarged function within the Group.

2. **Embedding Compliance Culture**

In line with the strategy to promote robust compliance culture and to institute continual awareness, effective knowledge management is a key challenge in ensuring staff of the Group are aware and manage their activities in tandem with the risks undertaken. The monthly Compliance Newsletter to all staff of the Group highlights updates on compliance issues around the world as well as lesson learnt to ensure such malpractices do not occur in the organization. Numerous awareness programs, learning initiatives and computer based self tests are carried out to continuously instill and promote compliance culture amongst the staff. Bearing in mind of the continuous evolution of regulatory requirements and sound-practices, there is continued focus on education and awareness creation.

3. **Enhancing Management Information System for Improved Compliance**

Continuous enhancement of Management Information System (MIS) is a key enabler in enhancing compliance process efficiency and supports the achievement of compliance objectives. Reliable management information system will deliver business value while enabling compliance with rules and regulations efficiently. Thus, adequate amount of resources are focused on enhancing the MIS to ensure it eases everyone in meeting the regulatory and internal standards. There various initiatives are undertaken to ensure availability of an effective MIS on the ground.

4. **Identification and resolution of compliance breaches**

One of the vital efforts is strengthening compliance is incident management process. To ensure the integrity of incident reporting and its importance for subsequent development of compliance risk measurement and monitoring process, significant attention continues to be directed at streamlining the identification, resolution and reporting of non-compliance incidences. The risk of loss that arises from inadequate systems, controls or human error or other management failure continues to be critical role and responsibility of each entity. In this respect, on-going concerted effort in managing incidents reporting initiatives were taken which is aimed at ensuring minimum incidences and losses.

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. In a nutshell, the monthly reporting cover all aspects which are generally categorized into compliance with statutory/regulatory requirements, compliance with internal policies and procedures, operational losses incurred as well as anti-money laundering and counter financing of terrorism measures.

ANTI-MONEY LAUNDERING AND COUNTER FINANCING OF TERRORISM (AML/CFT)

As one of the Malaysian banking group with an extensive network of branches throughout the country, the organization is at the forefront of the Government's and Bank Negara Malaysia's initiatives and efforts in the prevention of the use of the banking system for illicit and laundering activities.

The Group has established processes and infrastructure for the prevention and detection of illicit and laundering activities as well as financing of terrorism activities, amongst which is the Group's Anti-money Laundering and Counter Financing of Terrorism Program, which sets out the following:

- Accountability of each level of employee for anti-money laundering detection and prevention;
- Education and training in preventing and detecting money laundering; and
- Extensive procedures covering customer identification, account opening, record keeping and recognition and reporting of suspicious transactions

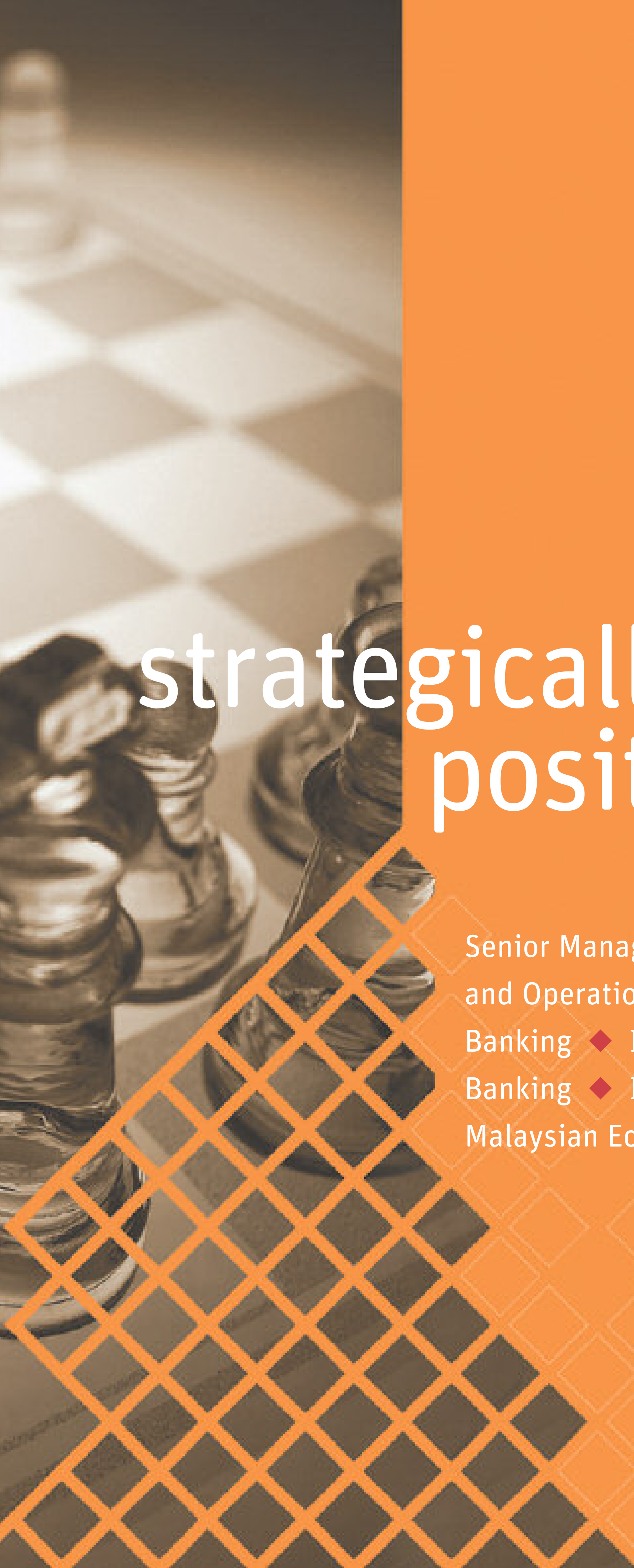
The AML/CFT measures continue to focus on ensuring effectiveness of reporting by all business and functional units to Central Compliance. AML/CFT self-compliance continues to provide avenue for Central Compliance to gauge understanding of business and support units on AML/CFT and act as a tool to enhance future measures. In addition, various initiatives on learning programs were continued in 2008 to raise awareness among the employee and appreciate the importance of their roles in avoiding the Group to become a conduit for money launderer.

VALUE OF COMPLIANCE

A robust framework and program are vital to encapsulate that the Group has the foundation to ensure internal controls are in place to comply with laws and regulations. To date the respective entity Boards, senior management and all employees extend their fullest cooperation to Central Compliance and endeavour to create and promote a compliance culture within their respective entity. Overall, compliance awareness across the Group progressed in the year, evident from the growing reference to Central Compliance in all strategic dialogues and various levels of decision-making forums across the Group.

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

Strong compliance culture supports effective implementation and promotes more efficient, collaborative compliance-related process and ultimately minimizes the instances of non-compliance, enables early identification of systemic issues and provides Board and senior management with a level of comfort on the state of compliance. This has helped to preserve the Group's integrity and reputation whilst improving the corporate image of the Group as a respectable organization thus increasing shareholders' value.



strategically positioned:

Senior Management ◆ Overview of Business and Operations ◆ Corporate & Investment Banking ◆ International Banking ◆ Retail Banking ◆ Islamic Banking ◆ Review of The Malaysian Economy

Senior Management

1. **Michael Joseph Barrett**
   Group Managing Director

2. **Dato' Tajuddin Atan**
   Managing Director,
   RHB Bank Berhad

3. **Norazzah Sulaiman**
   Chief Operating Officer,
   RHB Capital Berhad

4. **Kellee Kam Chee Khiong**
   Chief Financial Officer,
   RHB Capital Berhad

5. **Chay Wai Leong**
   Head, Corporate & Investment Banking

6. **Azman Shah Md Yaman**
   Company Secretary

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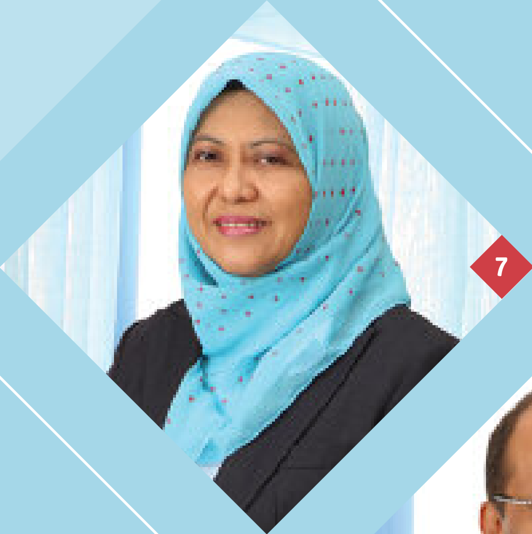
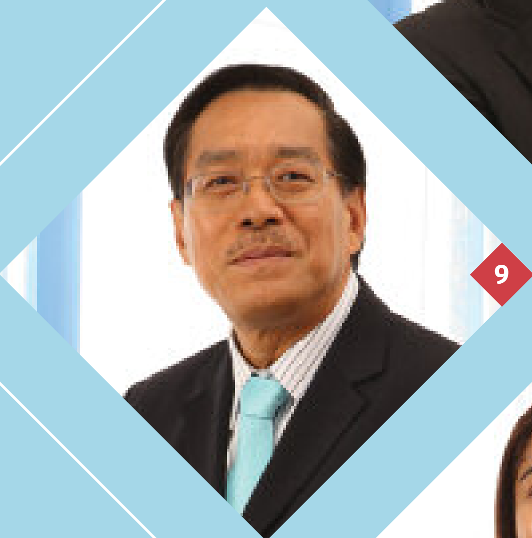




7\. **Jamelah Jamaluddin**
Head, Islamic Banking

8\. **Renzo Christopher Viegas**
Head, Retail Banking

9\. **Michael Lim Kheng Boon**
Chief Operating Officer,
RHB Banking Group

10\. **Koh Heng Kong**
Head, Insurance

11\. **Sharifatul Hanizah Said Ali**
Head, Investment Management

12\. **Nik Hasniza Nik Ibrahim**
Head, Group Human Resource

overview: business and operations

The year 2008 was indeed a trying year for the banking industry, both globally and domestically. Nevertheless, it is in these challenging times that the strength, competitiveness and reliability of a banking institution such as ours can truly be tested and proven.

Clearly, by embracing positive change, the Group has managed to weather the storm and continues to remain sound in terms of our competitiveness and growth potential.

The year under review was marked by several important operational milestones for the Group. It was the first full year that we operated as a Universal Bank, in which we delivered our entire spectrum of financial solutions as 'one RHB' to our customers. It was also a year during which we steered our transformation towards achieving greater growth and delivered tangible cutting edge services to our customers. This was complemented by the introduction of our new brand identity.

corporate & investment banking

RHB Investment Bank, a part of the RHB Banking Group's Corporate and Investment Banking Strategic Business Unit (SBU), was able to further solidify its competitive edge despite the challenges in the investment banking sector for the year under review.

In 2008, our market position in the Malaysian capital markets was noticeably strengthened, particularly in the areas of Initial Public Offerings (IPOs) as well as equity and debt capital and mergers and acquisitions markets. We were the No.1 IPO advisor for Main Board listings in Malaysia in terms of total value of the IPOs completed during the year. At the same time, we maintained our Top 3 position in both the equity capital market (ECM) and debt capital market (DCM) categories.

We were able to capture an impressive 34% market share of IPOs concluded in 2008. One of the more notable IPOs where we had acted as advisors was the listing of Perwaja Holdings Berhad on the Main Board of Bursa Malaysia. This advisory initiative turned out to be the largest IPO of the year and was even voted "Best IPO 2008" by Malaysia's leading financial weekly.

From the DCM perspective, RHB Investment Bank was also instrumental in helping to open up the Malaysian market to foreign issuers by successfully bringing in the first ever issuance for a Middle Eastern multilateral institution, the Gulf Investment Corporation (GIC) and the first ever issuance for a South Korean issuer, the Export-Import Bank of Korea (KEXIM).

KEXIM's inaugural RM1.0 billion conventional medium term notes (MTN) issuance was oversubscribed by 1.5 times. The issue was the first to arise out of KEXIM's RM3.0 billion Multi-Currency Conventional and/or Islamic MTN Programme and represents the first ever issue by a Korean entity in the Ringgit debt market.

RHB Investment Bank was also active in financing deals in accordance with Shariah principles. Together with RHB Islamic Bank, we successfully raised RM745 million in a Sukuk Programme for Projek Lintasan Shah Alam (PLSA). This initiative was the first of its kind in Malaysia that innovatively combines the Shariah concepts of Ijarah (for construction finance) and Mudharabah (for working capital) in a project finance transaction. The deal was recognised as one that meets the strict structuring guidelines of the Gulf Corporation Council.

We also led the RM845 million Sukuk issuance for MRCB Southern Link's greenfield toll-road project financing which was achieved amid bearish global markets. Together with the Sukuk Programme, the deal also featured a conventional term loan financing and this combination optimised rating aspects and maximised cost efficiency.

Our peers also recognised our strengths in the debt capital markets. We were the lead managers for raising funds for banks in the Malaysian bond market. These banks included Public Bank Berhad, CIMB Bank Berhad, Overseas Chinese Banking Corporation Limited, The Industrial Bank of Korea and Woori Bank.

RHB Investment Bank's achievement in the debt capital markets was widely acknowledged both domestically and internationally by a series of awards won in 2008 that included:

- The coveted "Malaysia Bond House of the Year 2008" award by IFR Asia, for our role in making Malaysia a strong regional player in the funding of foreign issuers.

- "Malaysia Capital Markets Deal of the Year" from IFR Asia for our role as Joint Lead Arranger in Binariang GSM's RM15.35 billion Islamic issuance.

- Asiamoney's Country Award for the "Best Deal in Malaysia" with the Binariang GSM RM12.0 billion (US3.6 billion) multi-tranche bond.

- "Deal of the Year" and "Malaysia Deal of the Year" by Islamic Finance News for Projek Lintasan Shah Alam's RM330 million Sukuk al Ijarah and RM415 million Sukuk al Mudharabah.

- "Best Islamic Financing Deal" from FinanceAsia for MRCB Southern Link's RM845 million Project Financing Sukuk.

2008 was also an active year for our corporate lending activities, spurred by the improved performance from deals originated by the Investment Banking unit which gave better yields on loans. Gross loans and advances reported double digit growth of 16.1% to RM15.2 billion. We jointly arranged Astro Global Ventures (L) Ltd's USD300 million and Titan Chemical (L) Ltd's USD332.5 million syndicated term loans. Coupled with this, gross deposits also grew by a healthy 4.3% to RM9.1 billion.

We ended the financial year with the Corporate & Investment Banking unit recording a strong performance by registering more than a 100% increase in profit before tax to RM336.3 million compared with RM154.0 million a year ago. This amounted to a contribution of 24% to the Group's overall bottom-line, up from 14% last year.

The primary factors that led to this enhanced performance can be attributed to a 32% or RM92.3 million increase in net interest income as well as improved recovery of bad debts year on year.

Prospects and Challenges

We remain committed to being a key participant in the segment and will continue our strategy of executing headline deals and being focused on Return on Equity. We expect the corporate and investment banking sector to remain challenging for 2009. However, our momentum built over the last two years places us in a strong position to meet these challenges.

On the regional front, the Corporate and Investment Banking unit has strengthened its franchise in Singapore, Vietnam and Thailand in 2008. We aim to continue to build on this foothold in our bid to become a strong full financial service brand in the region.

international banking

Our neighbouring countries which we operate in have been impacted by the global economic crisis. This in turn affected the Group's International Banking business. However, our focus continues to be on the long term and we are certain the region will bounce back stronger than ever.

Given the current global economic situation, the Group has embraced a more prudent approach towards mergers and acquisitions regionally. The valuations of potential banks that are synergistic to our growth remain relatively high despite the reverberating impact of the financial crisis. Hence, we are confident that this approach will prove beneficial to the Group in the long run given the prospects for securing better valuations in the foreseeable future.

On this note, the Group is still on track to achieving our vision to become one of the top three leaders in banking in the ASEAN region by 2020. This stems from our success in making further inroads into countries where we have already gained a firm placing during the year under review.

At the same time, we were also successful in gaining entry into Vietnam, one of the most dynamic and high-growth countries in the world.

Singapore

The RHB Banking Group has proven time and again that it is able to compete and succeed on a level playing field against larger if not longer established international peers.

In Singapore, we stand tall amongst our peers in offering exceptional customer service. In 2008, we became the first and only bank in Singapore and Malaysia to be awarded the prestigious "Best Customer Experience Management of the Year Award" for the Banking Service category.

This award was conferred by the Asia Pacific Customer Service Consortium in Hong Kong to organisations that have demonstrated the highest standards in service excellence regionally. Prior to this, in January 2007, the Group was also awarded the Singapore Service Class (S-Class) award conferred by SPRING Singapore.

Excellent customer service is often the differentiating factor when it comes to competing for customers. These recognitions will play an integral role in enhancing our brand's position as a premier 'one-stop' financial services provider in one of the world's leading financial hubs.

On this score, despite the bearish sentiments in Singapore during the period under review, the city-state still offers significant prospects for our business as it is highly-linked to the international marketplace.

Moving forward, our business in Singapore will be focused on expanding our client base and securing new deals in corporate and investment banking.

Vietnam

Vietnam offers exciting prospects for the RHB Banking Group. Due to a dynamic workforce and an ever-growing affluent middle class, the country remains one of the leading destinations of choice for investors worldwide.

In its successful bid to gain a firm foothold in this high-growth nation, RHB Banking Group was awarded with a license to open a representative office in Ho Chi Minh City by the State Bank of Vietnam in October 2008. The RHB Group aims to take full advantage of the representative license to build its network and linkages that will become its enabler towards developing a strong banking franchise in Vietnam in the foreseeable future.

Thailand

Our core business in Thailand comprises the commercial and high net worth wealth management sectors. We intend to expand our Thai distribution capabilities further with the expected liberalisation of the country's banking regulations.

Brunei Darussalam

Brunei remains an identified growth market for the Group. In underlining our confidence in the growth potential of this country, the Group increased its capital investment by B$30 million in 2007 and continued to leverage on its expanded capabilities in growing its business in 2008.

Prospects and Challenges

The immediate term will be challenging to say the least given the impact of the world economic crisis on the countries we have a presence in.

However, we believe that this is an ideal time to lay the groundwork in fortifying our brand presence and continue to leverage on our expertise to build trust and foster closer relationships with our respective market segments.

A regional recovery is imminent; it is just a question of when. The Group intends to be in the right position to seize the opportunities that will arise when the bull starts its charge in the greater economies of these nations.

retail banking

The positive impact of the RHB Banking Group's Transformation Program was clearly reflected in the performance of the Retail Banking strategic business unit (SBU), the primary contributor to the Group's overall bottom-line.

While previously operating as separate business focuses, the transformation process saw the various elements of retail banking, namely consumer, commercial, finance and insurance being successfully brought together under one cohesive SBU.

This move ultimately enabled the Group to serve the needs of our large-base retail customers with a broad range of packaged financial solutions that include secured and personal loans, credit cards, wealth management, business loans, hire purchase financing, trade financing and insurance.

Concurrently, the Group was also able to leverage on operational efficiencies in the utilisation of shared resources across products, which improved cost management and margins.

For the year ended 31 December 2008, our Retail Banking business recorded a turnover of RM1.9 billion, marking a 1% increase compared with the previous year. This translated to an improved pre-tax profit of 4% to RM705.3 million in 2008 compared with the previous financial year.

Our objective of being a "one-stop" financial solutions provider has been the cornerstone of our improved performance. In addition, our focus to aggressively expand our mortgage business, by delivering innovative first-in-market type home loan products, has paid off handsomely for the Group.

New mortgage acquisitions during the year under review improved significantly to RM3.7 billion from RM1.6 billion registered in the previous financial year. In terms of our mortgage books, the highest monthly booking registered in 2008 was recorded at RM426 million, which is a significant jump compared with the average monthly bookings of RM133million recorded in the previous financial year. Overall, our mortgage books experienced a remarkable 7.85% growth in 2008, making this year a record year for our mortgage business.

Innovative products such as the RHB My Flexi Home Loan and the RHB Revolving Home Loan, which reflect our emphasis in offering our customers tangible value, were the flagship products that brought about the sterling performance of our mortgage business. The RHB Revolving Home Loan, in particular, was the first home loan product in the industry with an evergreen revolving feature.

Our Retail Banking unit also benefitted from the reinforcement of our sales and distribution channels via a streamlined and goal-oriented workforce that is managed by a capable team of six regional directors. With strong products and improved capabilities to reach out to our customers, our sales volume rose distinctly during the year, resulting in gross loans, advances and financing growth of 10%.

In terms of our loan portfolio, the business unit also realised encouraging growth in 2008. Loan volume increased due to the adoption of risk-based pricing, empowerment and the reduction of loan approval time for personal financing.

Consumer Banking

With a revenue and asset contribution in 2008 of 53% and 50% respectively, the Consumer Banking segment remains the primary contributor to the Group's Retail Banking unit.

As at 31 December 2008, total deposits for this segment amounted to RM22.4 billion, marking an increase of 1% compared with the previous year. Of this, the MaxCash current account saw a 72% rise in deposits, while the Multi Currency Account deposits and savings deposits increased by 80% and 4% respectively. Furthermore, our mortgage loans approvals also grew RM1.9 billion compared to a year ago.

For loans and advances, this segment saw an increase of 11% while ASB financing was higher by 21% in 2008 compared with a year ago. Commercial Property Financing and Home Loans increased by 36% and 8% respectively. This was complemented with strong growth in the personal loans business segment, which registered a growth of RM369.8 million. The catalyst to this growth was due to the fact that our approval and disbursement process were greatly improved during the year.

Our credit card business recorded an increase of 8% in 2008 compared with 2007. This was primarily due to the higher growth in average monthly spending during the year by holders of the Platinum Business and Travel Money credit cards.

With a view to encourage higher deposits, Max FD 2, which is a 6-month step rate Fixed Deposit, was introduced alongside a series of marketing campaigns to appeal to depositors.

Our Consumer Banking segment also scored positive points with customers through its RHB's CashConnect Debit card that was launched during the financial year. The debit card provides customers with an alternative payment tool for access to their funds, making it a convenient payment vehicle. In enhancing this product's appeal, we also incorporated a 0.5% rebate each time it is used for retail purchases.

Moving forward, the Consumer Bank will continue to increase our market share by focusing on innovative products and adoption of "Quality Service" as a key differentiator against our competitors.

In addition to the mass customer segment, RHB Banking Group will also focus on the high net worth customer segment, which is relatively untapped by the Group. We believe that by leveraging on our expertise to offer products that meet the customers risk appetite and financial objective, more so during these challenging times, we will be able to grow this segment's contribution towards our bottom line.

In terms of deposits, we need to develop our existing customer base while reaching out to new market segments. Apart from focusing our efforts in offering tailored products of higher value compared to our competitors, we will also improve our service delivery. Towards this end, we are currently undertaking measures to enhance RHB Bank's Internet Banking system to make it more convenient, accessible and user-friendly for our customers.

The debit card business provides appealing growth prospects for the Group and we aim to become one of Malaysia's leading debit card issuers. This aspiration can be achieved by capitalising on our newly launched debit cards while forging strategic alliances with leading brands to bolster awareness and appeal. One such strategic partnership was sealed in early 2009 with a leading Malaysian hypermarket chain.

As for loans and advances, we plan to be more proactive in helping our customers manage their finances while offering greater flexibility and value in our new product range. At the same time, we will also be prudent in assessing risk and debt recovery.

Commercial Banking

The small-and-medium sized enterprises (SME) market remains an important sector for the RHB Banking Group. By building on our track record, the Commercial Banking segment was able to record an improved SME market share of 9% in 2008 compared with 7% the previous year. This further solidified our position as the 4th largest SME lender in Malaysia.

We have made major inroads in gaining market share because of our ability to outperform the industry. As at 31 December 2008, the Group recorded a 27% growth in SME loans outstanding compared with 2007, while the industry only recorded an average growth of 1% on a year-on-year basis. Commercial current account deposits also increased by 5% in 2008 compared with 2007.

As a testimony to our strong share-of-voice in the SME market, our Commercial Banking segment was again conferred with the Sahabat SMI Award for the fourth consecutive year by the SMI Association of Malaysia. We were also an eighth time recipient of the Top SMI Supporter Award conferred by the Credit Guarantee Corporation (CGC).

In the foreseeable future, the country's SME sector, particularly the manufacturing and trading industries, will be impacted by the global economic downturn. This will invariably result in declining credit. As such, our Commercial Banking segment aims to maintain asset quality for both loans and deposits in order to sustain the momentum.

Finance Business

Hire-purchase financing, including Asset Base Financing, which makes up the bulk of our Finance business, recorded a notable growth in 2008. Loans and advances grew by 11% in 2008 compared with a year ago.

The year under review also saw substantial growth in the segment's automobile financing loans with a 95% year-on-year growth compared with the industry growth of only 16% in loans approved. As a result, our market share of the auto financing business jumped to 6% in 2008 from 4% in 2007.

The Group will continue to strive for sustained growth of its finance business. We will be introducing attractive financing packages and enhancing our distribution channels without losing sight of the importance of effective risk management.

On this note, the current 2009 financial year will see the implementation of the ABF Credit Scoring Model based on a pre-defined target market and credit parameters. This will greatly bolster our efficiency as well as improve risk management. Several programmes such as the car ownership staff loyalty program and the car loan refinancing program are expected to contribute further to this segment.

Insurance

In 2008, this segment recorded a 16% increase in gross premium to RM232.1 million compared with RM200.3 million in 2007.

In order to further develop the potential of this segment, we will focuss on growing our customer base by leveraging on a Group-wide database; solidifying our relationship with our agents through an effective management and training program; as well as designing and offering new products while expanding our distribution channels.

Corporate Developments

One of the most significant and highly visible corporate developments for the Retail Banking unit in 2008 was the Group-wide rebranding initiative. More than just presenting a new logo, this initiative communicated to our existing and potential retail customers our refreshed direction and brand promise.

Coupled with tangible improvements in our reach and distribution capabilities as well as the enhancement of our service delivery systems and infrastructure, the new RHB brand has done much to instill confidence and elicit support from our stakeholders.

In terms of reach and distribution, we were focused in effectively tapping prospects in high growth areas, particularly in the dynamic State of Sabah. In Kota Kinabalu, we opened two new conventional bank branches at the new lifestyle shopping mall, One Borneo, as well as at the high-traffic Lintas Station Complex in the Luyang township. Additionally, we have also opened a banking kiosk at the East Coast Mall in Kuantan, Pahang, to cater to customers in the area.

The opening of new branches was complemented by the renovation and relocation of 37 of our existing branches in line with our new Sales & Service Model concept. The concept was designed to not only allow our customers greater convenience and access to our branches but also provide them with a fulfilling and pleasant experience when they step into our banks.

As such, the renovation involves the expansion of the sales area for greater ease of interaction as well as creating a layout of our retail floor that exudes a friendly yet efficient ambiance. We have also enhanced our electronic banking and self-service area in these branches for greater access and comfort of our customers.

On the same note, the year under review also saw the successful upgrading of the Group's Call Centre's system and infrastructure. In tandem with our efforts to offer our customers an integrated banking experience, our new and improved Call Centre enables the Group to better manage service quality and address customers' need. Concurrently, as a continuous effort to improve customer service standards, we have obtained re-certification for MSISO 9001:2000 Quality Management System Certifications.

Prospects and Challenges

While the retail banking sector in Malaysia may not be as seriously impacted by the global economic crisis when compared with some of its international counterparts, we expect 2009 to be a demanding year nevertheless.

Hence, it is important that each core element of our retail banking segment continues to explore and take advantage of the synergies and resources within the Group to acquire more business from existing customers while seeking to attract new ones. Our goal is to increase business scalability by simultaneously providing and extracting greater value from our clients.

We are confident that we will be able to strengthen our retail business further by offering innovative financial solutions that meet our customers' requirements and expectations, while at the same time providing a satisfying banking experience.

islamic banking

The Islamic Banking Strategic Business Unit (RHB Islamic) is seen as a key growth driver for the Group. In line with Malaysia's aspirations of being the preferred International Islamic Financial Hub, RHB Islamic is well poised to tap the opportunities that are present in the local and foreign marketplace to achieve rapid growth.

Discerning retail and enterprise clients who prefer the unique characteristics offered by Shariah-based financial products and services can rely on RHB Islamic to offer a wide range of solutions to meet their varied needs. These include business financing and investment banking services as well as retail products such as home financing and automobile financing that are in compliance with Islamic principles.

Our unique selling proposition in customising solutions towards the unique needs and wants of the customers has clearly been reflected in our performance. For the year under review, RHB Islamic recorded a profit before tax of RM115.8 million on the back of a turnover of RM455.2 million. In addition, our stature in the Islamic banking community has also been reaffirmed by a Euromoney Report which placed RHB Islamic in the No. 5 position amongst its peers in the country.

Islamic Investment Banking

During the year under review, our Islamic Investment Banking segment successfully completed several initiatives that positively impacted the Group's overall performance.

Reflecting the synergies that stem from the Group-wide transformation programme, RHB Islamic Bank Berhad and RHB Investment Bank Berhad in 2008 structured and arranged a Sukuk programme for Projek Lintasan Shah Alam Sdn Bhd (PLSA). The Sukuk programme was aimed at raising funds for the construction and development of the Lebuhraya Kemuning – Shah Alam (LKSA) highway. The initiative was completed via two Islamic Principles, namely Ijarah, which was up to RM330 million, and

Mudharabah, which was up to RM415 million. The Sukuk Programme was the first of its kind introduced in the Malaysian market that combined the Islamic principles of Ijarah and Mudharabah for the "greenfield" project finance transaction. This transaction was also accorded the "Deal of the Year 2008" and "Malaysian Deal of the Year 2008" by Islamic Finance News ("IFN").

RHB Islamic also co-led Islamic Development Bank's (IDB) RM1.0 billion Trust Certificate Issuance Programme. The Programme represented the first member country currency sukuk established by IDB and was successfully issued in August 2008. RHB Islamic is also one of the Joint Shariah Advisers for the Programme.

In June 2008, RHB Islamic had also acted as the Lead Arranger, together with BNP Paribas and Natixis Transport Finance as the Mandated Lead Arrangers, for a landmark Islamic aircraft financing transaction. The transaction involved the financing of eight new Airbus A320-200s for USD336 million for AirAsia Berhad via a French Single Investor Ijarah (FS2I). The transaction won various awards, amongst others, "Cross Border Deal of the Year 2008" and "Ijarah Deal of the Year 2008" by Islamic Finance News, "Aircraft Deal of the Year-Asia 2008" by Jane's Transport Finance and "Most Innovative Deal of the Year 2008" by Air Finance Journal.

RHB Islamic Bank and Press Metal Sarawak Sdn Bhd (PMS), a subsidiary of Press Metal Berhad, also concluded a Syndicated Islamic Term Financing Facility Agreement of up to RM355 million during the year. The objective of this initiative was to raise funds for the design, construction, operation and maintenance of an aluminium smelting plant in Mukah, Sarawak.

In addition, RHB Islamic Bank alongside two other leading financial institutions signed a RM116 million syndicated Financing (Commodity Murabahah/Tawarruq-i) and Al Ijarah Thumma Al Bai with Columbia Asia Sdn Bhd for the development of three new hospital buildings.

Islamic International Business

Malaysia is well on-track to becoming a global Islamic financial hub. Moreover, the Islamic financial sector has proven to be robust against the backdrop of the worldwide economic downturn which was precipitated by a credit crisis.

In tandem with the country's aspiration and the ever-growing appeal of Islamic finance, our Islamic International Business segment has been tasked to spearhead the Group's Islamic Banking unit in the international arena. The segment will ultimately seek to attract and secure a greater pool of international clients by offering a broad range of attractive Islamic financial products and services.

In 2008 the Group's Islamic International Business segment played a pivotal role in the establishment of RHB Bank Singapore's Islamic Banking Department. Singapore, being an international financial hub, provides an ideal springboard for our Islamic Banking Unit to reach out and attract new market segments.

Islamic Consumer Banking

Our Consumer Banking segment recorded a total asset of RM1.82 billion compared with RM1.88 billion registered last year.

In 2008, we successfully launched Az Zahra Privilege Ladies Banking (Az Zahra); the region's first privilege banking targeted towards high net worth ladies in Malaysia. The concept was mooted on the basis that women today are more involved in the development of the nation's economy and are a large growing pool of high net worth individuals.

This exclusive banking service sets a new milestone not only for RHB Islamic, but also for the local banking industry. Through Az Zahra, we are looking at enhancing our wealth management offerings to cater to this untapped market.

Az Zahra customers will enjoy personalised service with the highest level of confidentiality, access to RHB Islamic's dedicated Privilege Ladies Banking as well as products with preferential rates and discounts.

Our Islamic Private Banking on the other hand, offers total wealth management solutions that begin with the creation of customers' wealth to the distribution of wealth. Our complete range of wealth management products and services comprise of Unit Trust, Islamic Estate Planning as well as Takaful.

Additionally, our Equity Home Financing-i which was introduced a year ago recorded an asset size of RM83.8 mil. RHB Islamic also offers automobile financing via its Hire Purchase-i which registered an asset size of RM740.5 mil compared with RM337.3 mil last year.

Islamic Institutional Banking (Corporate and Commercial Banking)

During the year under review, our Corporate and Commercial Banking segment introduced new products to offer Small and Medium Enterprises (SMEs) enhanced access to financing for any stage of an SME's business lifecycle.

These include the Industrial Hire Purchase-i which is based on the Shariah concept of Ijarah Thumma al-Bai'. Through this, an SME is able to acquire and refinance commercial equipment, machinery or vehicles through affordable and flexible payments. Term Financing-I, which is based on the concept of Murabahah, Istisna' or Ijarah, was also launched during the year.

To complement our range of products for the SMEs, we also have Murabahah Revolving Credit-i, Commodity Murabahah Overdraft-i, Commodity Murabahah Term Financing-i and Commodity Murabahah Revolving Credit-i.

As for Trade Services, our range of products include Letter of Credit-i, Trust Receipt-i, Acceptance Bills-i, Shipping Guarantee-i, Bank Guarantee-i, Inwards and Outward Bills for Collection-i.

Corporate Development

A clear reflection of the significance of Islamic banking to the Group growth as well as the growing demand for Islamic financial products amongst consumers in Malaysia, the year under review saw the opening of four new RHB Islamic Bank branches. The location of these branches were mainly in high growth city centers, namely at Pusat Bandar Kelana Jaya, Selangor; Jalan Satok, Kuching, Sarawak; Taman Flora Utama, Batu Pahat, Johor; and Kubang Kerian, Kelantan.

This was further complemented with upgrading efforts of all marketing centres to become fully-fledged branches, which is currently in its final phase. To ensure optimum awareness and to facilitate promotion of these branches, we have and will continue to organise Branch Opening and Islamic Banking Fiestas nationwide.

We intend to strengthen our presence by opening more branches nationwide with the aim of having at least one branch in each state.

Prospects and Challenges

Due to the economic landscape during the year under review, we were confronted with many industry challenges.

Nevertheless, finance industry participants continue to realise that Islamic banking and finance is still a viable platform for growth. Competition intensified with increasing market players offering Shariah-based products and services. In recognising this challenge, RHB Islamic Bank will be steadfast in offering customised products and services that are competitive and appealing to our market segments.

In the immediate term, we intend to grow our Consumer and Commercial Banking solutions while leveraging on the Group's brand identity.

Our Product Development experts will also evaluate market conditions on a timely basis with a view to introduce new products that cater to the needs of our existing and potential customer base.

Michael Joseph Barrett
Group Managing Director

DEEPENING GLOBAL CREDIT CRISIS HURT MALAYSIA'S ECONOMIC GROWTH

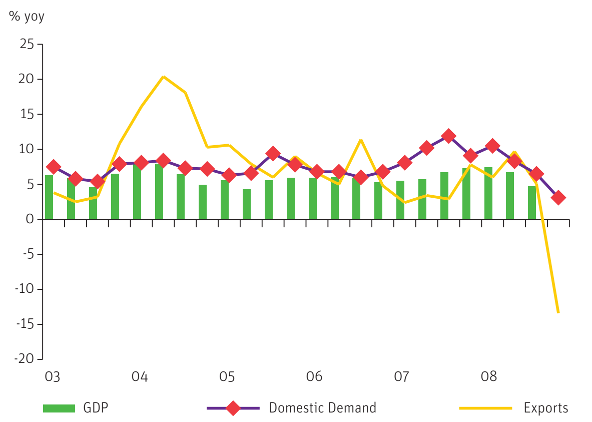
The Malaysian economy held up relatively well in the first half of the year, before succumbing to the deepening global credit crisis in late 2008. As a result, economic growth slowed down to 4.6% in 2008, from 6.3% in 2007 *(see Table 1)*. The deepening credit crisis wreaked havoc in developed countries, causing the Organisation for Economic Cooperation and Development's (OECD) countries to suffer the biggest contraction in output in more than 30 years in the final quarter of 2008. This, in turn, led to a decline in Malaysia's real exports in the 4Q, causing growth to slow down to 1.5% in 2008, from +4.2% in 2007 *(see Chart 1)*. Confidence among consumers, and businesses in particular, which were already hurt by the sharp rise in fuel prices in June, fell further in late 2008 when exports began to tumble and retrenchment started to rise. Consequently, consumer spending slowed down to 8.4% in 2008, from 10.8% in the previous year. Similarly, private investment weakened markedly to 1.5%, from 11.7% during the same period. The significant surge in building material costs, especially in the 3Q of the year, forced public investment to slow down during the year, while public consumption held up relatively well. In a preemptive move to cushion the economy from the deepening credit crisis, the Government introduced the RM7bn first stimulus package on 4 November and subsequently implemented a larger stimulus package of RM60bn on 10 March 2009.

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

	2007	2008	2009f
		% yoy	
Consumption			
Public sector	6.6	11.6	7.1
Private sector	10.8	8.4	1.2
Gross Fixed Capital Formation	9.6	1.1	-10.8
Public sector	7.4	0.7	7.0
Private sector	11.7	1.5	-27.3
Aggregate Domestic Demand	9.8	6.9	-0.9
Exports of Goods & Services	4.2	1.5	-12.2
Imports of Goods & Services	5.4	2.2	-8.2
GDP	**6.3**	**4.6**	**-3.5**

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

Chart 1: Economic Growth Dragged Down By The Sharp Slowdown In Exports



Source: Department of Statistics

OUTPUT IN MOST SECTORS WEAKENED, EXCEPT AGRICULTURE

In line with a slowdown in exports, the increase in manufacturing output slackened to 1.3% in 2008, from 3.1% in 2007 *(see Table 2)*. Services growth also moderated to 7.3%, from 9.7% during the same period, on account of slower consumer spending and trade activities. Similarly, construction activities grew at a slower pace during the year, disrupted by the surge in building material costs and house buyers turned cautious as a result of economic uncertainties. These were made worse by a contraction in mining output, as some LNG plants were shut down for maintenance. Agriculture production, however, bounced back during the year, mainly on account of a strong pick-up in palm oil production.

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

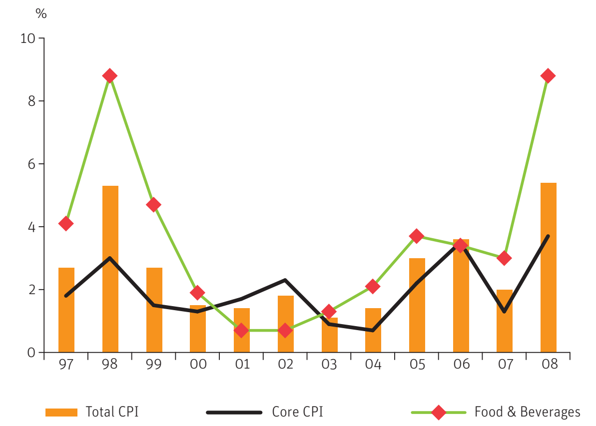
	2007	2008	2009f
		% yoy	
Real Gross Domestic Product	**6.3**	**4.6**	**-3.5**
Agriculture, forestry & fishing	2.2	3.8	1.0
Mining & quarrying	3.3	-0.8	0.2
Manufacturing	3.1	1.3	-12.5
Construction	4.6	2.1	-2.4
Services	9.7	7.3	0.3

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

INFLATION ROSE SIGNIFICANTLY

The sharp rise in crude oil prices forced the Government to raise retail petrol and diesel prices significantly in June. This move resulted in the transport costs surging by a whopping 22.7% yoy in the following month. This, coupled with the surge in food & non-alcoholic beverage prices as a result of a sharp jump in food and commodity prices globally, pushed the headline inflation to a high of 5.4% in 2008, from +2.0% in 2007 *(see Chart 2)*.

Chart 2. Inflation Surged, But Will Ease Sharply In 2009

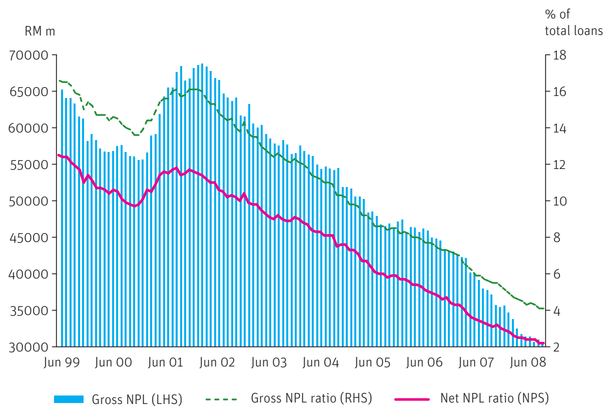


Source: Department of Statistics

EASING MONETARY POLICY WITH LOWER INTEREST RATES

The monetary policy eases towards the latter part of the year to support the economic growth. As a result, the broader monetary aggregate, M3, expanded at a stronger pace of 11.9% yoy in 2008, compared with 9.5% in 2007. Similarly, loan growth picked up to 12.8%, from 8.6% during the same period, on account of stronger demand for loans from both retail and corporate borrowers. Interest rates were cut towards the end of the year given the deterioration in economic conditions. Meanwhile, the 3-month net non-performing loan ratio of the banking system dropped to 2.2% of total loans by end-2008, pointing to an improvement in the asset quality *(see Chart 3)*.

Chart 3. Banking System Asset Quality Improved, But Will Deteriorate This Year



Source: Bank Negara Malaysia

EXTERNAL POSITION REMAINED STRONG, RINGGIT MOVEMENT WAS VOLATILE

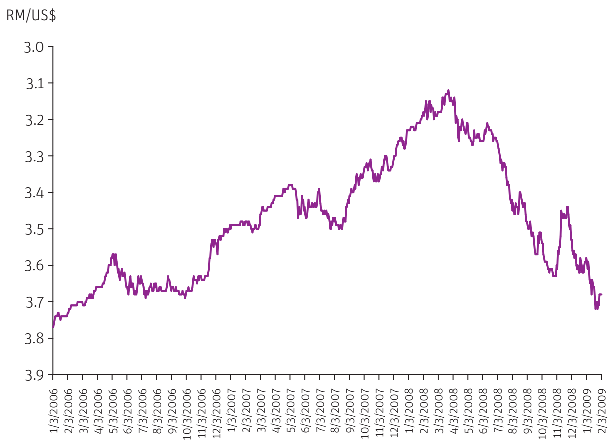
On the back of a stronger growth in exports compared to that of imports, boosted by a surge in commodity prices, the surplus of the current account of the balance of payments improved further to RM129.9bn or 18.6% of GNI in 2008, the highest level achieved since the currency crisis in 1997 *(see Table 3)*. This was underpinned by higher surplus in the merchandise trade, which was offset partially by a larger deficit in income account and higher remittances by foreign labour. Services account continued to record a small surplus during the year. The financial account, however, recorded a larger outflow during the year, mainly on account of a substantial outflow of portfolio funds, as foreign investors turned cautious on the Malaysian market. At the same time, the outflow of direct investment worsened during the year. Consequently, the country's balance of payments shrank by RM18.2bn in 2008. This resulted in a drop of US$9.8bn in the country's foreign exchange reserves to US$91.5bn at end-2008. Despite the drop, the foreign exchange reserves remained at a comfortable level, sufficient to finance about 7.4 months of retained imports. The high level of foreign exchange reserves would continue to provide an underlying support to the ringgit. The ringgit, however, reversed its course and depreciated by 8.5% against the US$ in May-December, after having appreciated by 4.7% in the first four months of the year, mainly on account of a strengthening US dollar as investors flight for safety during global economic uncertainties *(see Chart 4)*.

Table 3. Balance of Payments

	2007	2008	2009f
		RMbn	
Current Account	**100.4**	**129.9**	**64.7**
(% of GNI)	(16.0)	(18.6)	(9.5)
Goods	127.7	170.1	101.3
Services	2.4	1.7	1.1
Income	-13.9	-24.9	-20.9
Current transfers	-15.7	-17.0	-16.8
Financial account	-37.7	-123.6	-39.5
Basic balance	62.6	6.9	25.2
Errors & omissions	-17.3	-25.1	-15.0
Overall balance	45.3	-18.2	10.2
Outstanding reserves*	335.7	317.4	327.7
(US$)*	101.3	91.5	96.4

* As at end-period
Source: Department of Statistics, RHBRI
f: RHBRI's forecasts

Chart 4. Ringgit Weakened Mainly On Account of A Strengthening US Dolar



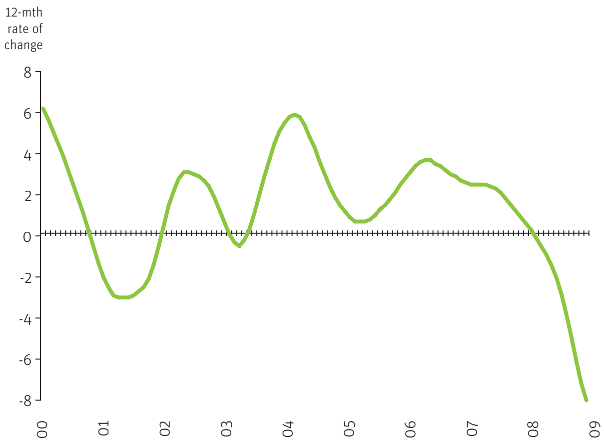
Source: Bloomberg

OUTLOOK FOR 2009

Severe global recession will adversely affect Malaysia's exports

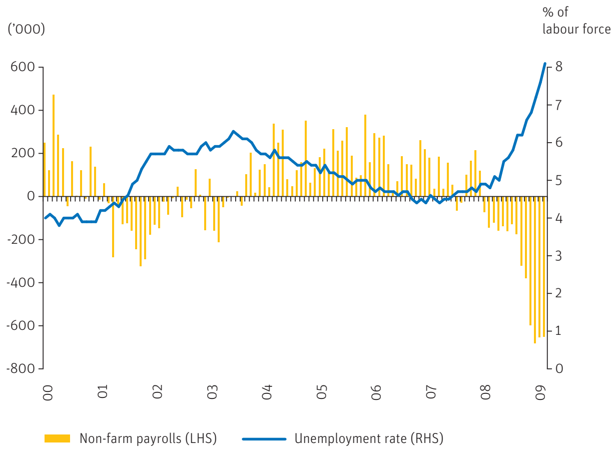
Going forward, developed countries' economies are still deteriorating, while economic growth in the major non-OECD member countries is likely to slow down sharply. This is reflected in the OECD composite leading indicator's 12-month rate of change, which contracted for the 11th successive month and by a larger magnitude in January *(see Chart 5)*. Already, the US recession deepened in the 4Q and job market continues to worsen *(see Chart 6)*, suggesting that its economic conditions are likely to remain weak in 1H 2009, although its economic contraction might have hit the bottom in 4Q 2008. Similarly, consumer and business confidence continues to worsen in the Euroland, and Japan's economic outlook remains bleak. As a result, the International Monetary Fund (IMF) cut its global GDP forecast again to between -1.0% and -0.5%, after having downgraded its forecast for the third time in January to a mere 0.5%. The global downturn, which has hurt demand for electronic products, one of Malaysia's key exports, will in turn hit Malaysia's overall exports adversely. In this regard, Malaysia's real exports are envisaged to contract by 12.2% in 2009, compared with +1.5% in 2008.

Chart 5. OECD Composite Leading Indicator Points To Gloomier Economic Outlook



Source: OECD

Chart 6. US Job Market Worsening



Source: Bureau of Labour Statistics, US

ECONOMIC GROWTH TO CONTRACT IN 2009

The sharp fall in Malaysia's exports coupled with rising retrenchment will likely hurt business and consumer confidence, which has already worsened in the 4Q. As a result, domestic demand is envisaged to contract by 0.9% in 2009, from +6.9% in 2008. Whilst consumer spending is projected to weaken markedly during the year, it will unlikely fall off the cliff given high savings, rising consumerism and favourable demographic structure of the population. Real private investment is expected to fall sharply, due to falling industrial capacity utilisation rate and investors delaying the implementation of projects on the back of economic uncertainties. Although the Government has introduced the second and a bigger stimulus package of RM60bn or 9.0% of GDP, there is still a time-lag in implementation. As a whole, real GDP is projected to contract by 3.5% in 2009, the first in 11 years and compared with +4.6% in 2008.

INFLATION NO LONGER A THREAT, ROOM FOR INTEREST RATE TO EASE FURTHER

Meanwhile, the current account of the balance of payments will continue to generate a healthy surplus in 2009, albeit smaller compared to the previous year. This will help to build up the country's foreign exchange reserves and provide an underlying support for the ringgit. Inflation, on the other hand, is no longer a threat and there is still room for the Central Bank to cut interest rates given that the country's economic conditions are likely to deteriorate.

touching hearts and minds:

Corporate Responsibility

corporate responsibility

The RHB Banking Group, being a leading financial services provider, has always been mindful of its responsibilities to the community through the practice of good corporate citizenship. After all, it is because of the loyal support of the communities we serve, along with the rest of our stakeholders, that we have grown to where we are today.

Reuniting Families

In line with this commitment, the Group has embraced a corporate responsibility (CR) philosophy that is predicated on a holistic approach. We believe that CR should encompass wide-ranging yet meaningful contributions to our society at large while at the same time, be the guiding principle in our day-to-day operations, business activities and corporate conduct.

Towards this end, 2008 has indeed been a very active year for the Group in terms of spearheading or supporting various CR programmes that have benefited a comprehensive cross-spectrum of our stakeholders.

For Our Children

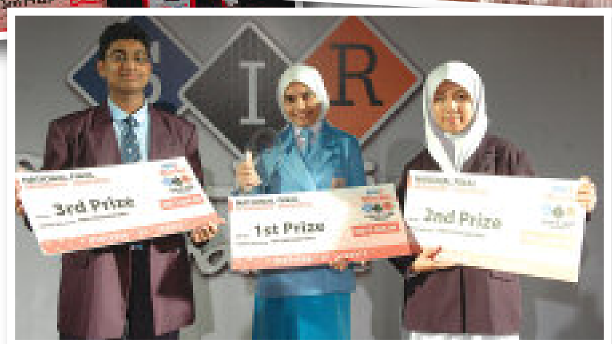
One of our major CR achievements during the year under review was the successful expansion of the Group's 'Missing Children – Reuniting Families' programme.

The programme was initially launched in partnership with Polis DiRaja Malaysia (PDRM) in late 2007. It was premised on the fact that the Group is able to leverage on its strong presence and reach to offer the authorities and concerned families an alternative channel of communications to members of the public to assist in the location of missing children.

During the initial stage, we collaborated with the police to distribute posters of missing children at all our branches, ATM machines as well as shopping malls and public transportation hubs which were ever-ready to lend us their support. We have also gone as far as investing in full-page coloured advertisements on missing children for optimum publicity.

Throughout 2008, we were focused in expanding this programme by inculcating crime prevention habits amongst children that will help protect them against crime. Towards this end, we developed a series of crime prevention tips for kids that were published in major newspapers.

Subsequently, these tips were assembled into an easy-to-read 12-page bilingual booklet entitled Crime Prevention Tips for Kids, which was jointly produced by the Group and PDRM and sanctioned by the Ministry of Education. A total of 150,000 booklets have been distributed to date and students from 170 primary schools nationwide are now better informed about safety.



In addition, in a bid to effectively drive, the Group embarked on a series of 'Safety Awareness' roadshows throughout the year in primary schools that are located within high-risk urban areas. All in all, RHB visited a total of 17 schools in Kuala Lumpur, Selangor, Kota Kinabalu, Penang, Johor Bahru, Pahang and Kuching, positively impacting a total of more than 4000 students.

With the positive feedback we have received from all quarters, the Group will be steadfast in its commitment to enhance this programme further in this current financial year.

Education

In addition to safety and crime prevention, the Group has also taken a steadfast position in contributing positively to the educational development of future Malaysians. We strongly believe that this is a worthwhile investment because it is our future human capital that will drive corporate Malaysia forward.

On this core, given that English continues to be an integral language in the global corporate arena, the Group has collaborated with one of the country's leading dailies, The New Straits Times, to introduce a nationwide spelling competition themed The RHB-New Straits Times Spell-It-Right ('SIR') Challenge.

Officially launched by the Deputy Prime Minister, YAB Datuk Seri Mohd Najib Tun Haji Abdul Razak in April 2008, this spelling competition attracted the participation of 283 secondary schools and 207 primary schools nationwide involving a total of close to 2000 students. Bessima Jamal from SMK Lok Yuk Likas, Sabah and Victor Teoh of SK Bukit Damansara were named the National Champions for the secondary and primary categories respectively.

Three Primary and three Secondary National Champions were presented with their prizes at The National Finals held at the National Museum Auditorium by the Minister of Education, Dato' Hishammuddin Tun Hussein in August 2008.

In the same vein, the Group also introduced the 'Let's Learn With RHB' programme during the year. This programme, in collaboration with the Ministry of Education, was introduced as part of an effort to upgrade the resource centres of schools in rural areas. It is the Group's sincere hope that this effort will go a long way towards inculcating a good reading habit among young Malaysians while at the same time increasing the student's standard of general knowledge. At the end of the project, a total of 14 schools from 14 states in the country each received 600 to 800 books as well as a desktop computer for their resource centres.

Other Initiatives

Caring for our community

Contributing positively to the community has always been part and parcel of our CR efforts and we do not limit ourselves to race, religion, cultural difference or even location. In 2008, the Group contributed a new ambulance costing RM160,000 to Lembaga Tabung Haji (LTH) as an initiative to ensure sick or injured Malaysian pilgrims performing the Haj receive immediate medical attention, as well as to help ferry ailing pilgrims to Arafah to perform the Wukuf.

We also had the pleasure of treating a total of 100 residents of the Woman's Aid Organisation (WAO), HOSPIS Malaysia and Rumah HOPE to the screening of My Fair Lady The Musical at the Plenary Hall of the Kuala Lumpur Convention Centre. Poppy Tierney, who played the main character Eliza Doolittle, met the children in April 2007 when the Group made the ticket pledge during a visit to Rumah HOPE.


RHB

on target:

Awards and Recognition ◆ Calendar of Significant Events 2008

awards and recognition

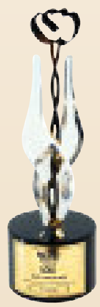
RHB BANK BERHAD

- **Credit Guarantee Corporation Berhad: Top SMI Support Award**

- **SMI Association of Malaysia: Sahabat SMI Award**

- **Asia Pacific Customer Service Consortium, Hong Kong: Best Customer Experience Management of the Year (Banking Service)**

- **Malaysia Brand Equity Award: Business Leadership Awards (BLAS) in consumer and commercial banking segment**



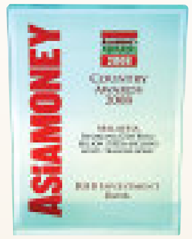
RHB INVESTMENT BANK BERHAD

IFR Asia:

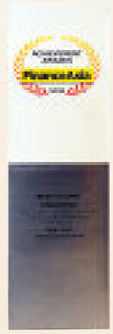
- **Malaysia Bond House of the Year**
- **Malaysia Capital Markets Deal of the Year**
  - Binariang GSM RM15.35 billion Islamic issuance
- **Issuer of the Year**
  - Export-Import Bank of Korea (KEXIM) RM1 billion bond issue

Asiamoney:

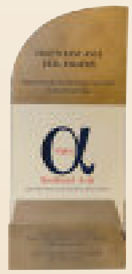
- **Country Award – Best Deal in Malaysia**
  - Binariang GSM RM12 billion (US3.6 billion) multi-tranche bond
- **Best Overall Local Brokerage – 3rd place**
- **Best Local Brokerage for Mega Funds – 3rd place**



- **Finance Asia: Deal Award – Best Islamic Financing**
  - MRCB Southern Link RM845 million project financing sukuk



- **Alpha Southeast Asia: Most Innovative Deal of the Year in Southeast Asia**
  - Export-Import Bank of Korea (KEXIM) RM1 billion bond issue



The Edge Malaysia:

- **Best Corporate Finance Deal**
  - EPF's disposal of 25% stake in RHB Capital Berhad to Abu Dhabi Commercial Bank for RM3.9 billion
- **Best IPO of the Year**
  - Perwaja Holdings Berhad RM367.01 million Main Board IPO

- **Islamic Finance News: Deal of the Year & Malaysia Deal of the Year**
  - Projek Lintasan Shah Alam (PLSA) RM330 million Sukuk al Ijarah & RM415 million Sukuk al Mudharabah

- **The Asset: The Best Sellside Individuals – Local Currency Bonds (Malaysia)**
  - Azli Abdul Jamil

- **Bursa Malaysia: Top Financial Futures Broker Award 2008**

RHB RESEARCH INSTITUTE SDN BHD

Asiamoney:

- **Best Overall Macroeconomics Research**
  - 2nd place
- **Best Macroeconomics Research for Mega Funds**
  - 3rd place
- **Best Overall Banks Research**
  - 3rd place

The Edge Malaysia:

- **Best Fixed Income Research House**
  - 1st place
- **Best Equity Research House**
  - 3rd place

- **Best Strategist**
  - 3rd place Lim Chee Sing
- **Best Economist**
  - 3rd place Lim Chee Sing & 4th place Peck Boon Soon
- **Best Banking Analyst**
  - 1st place Low Yee Huap
- **Best Construction/Building Materials Analyst**
  - 1st place Joshua Ng/Chye Wen Fei
- **Best Plantations Analyst**
  - 2nd place Hoe Lee Leng
- **Best Telecoms/Technology Analyst**
  - 2nd place David Chong
- **Best Media Analyst**
  - 2nd place David Chong
- **Best Technical Analyst**
  - 3rd place Khoo Ban Yu

The Edge Malaysia-StarMine Awards 2009:

- **Broker Ranking Awards – Mid and Small-Cap Recommendations** – 1st place
- **Top Industry Stock Pickers for Consumer Products**
  - 2nd place Hoe Lee Leng
- **Top Industry Stock Pickers for Transport**
  - 2nd place Joshua Ng Chin Yuing

RHB INVESTMENT MANAGEMENT SDN BHD

Morningstar Fund Awards (Malaysia):

- **Islamic Balanced** – RHB Mudharabah Fund
- **Failaka 2008 Islamic Fund Awards**
  - Best Malaysian Islamic Bond Fund (One-Year) – RHB Islamic Bond Fund
- **The Asset Magazine 2008 Awards**
  - Top 5 Most Astute Investors in Local Currency Bonds in Malaysia

RHB ISLAMIC BANK BERHAD

Islamic Finance News:

- **Deal of the Year & Malaysia Deal of the Year**
  - Projek Lintasan Shah Alam (PLSA) – Sukuk al Ijarah & Sukuk al Mudharabah – Lead Arranger & Advisor

- **Cross Border Deal of the Year & Ijarah Deal of the Year**
  - Both awards are for the club deal arranged for the lease of seven Airbus A320-200 aircrafts to AirAsia

calendar of significant events 2008

corporate events

1. **January 2008**
   RHB Investment Bank:
   Presentation to Institutional Investors by the Export-Import Bank of Korea

2. **February 2008**
   RHB Insurance:
   Official Launch of HomeSmart Insurance, Annual TravelProtector Insurance, Medisure Insurance

3. **March 2008**
   RHB Bank:
   Official Launch of the RHB My1 Revolving Home Loan

4. **April 2008**
   RHB Investment Bank:
   Underwriting Ceremony for Innity Corporate Berhad

5. **April 2008**
   RHB Islamic:
   Official Launch of RHB Islamic Az Zahra Privilege Ladies Banking

6. **April 2008**
   RHB Bank:
   Official Launch of the RHB Business Platinum Card

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7. **May 2008**
   RHB Investment Management:
   Official Launch of the RHB Commodities Protected Fund

8. **May 2008**
   RHB Banking Group Rebranding Exercise:
   Official Launch of New Logo

9. **August 2008**
   RHB Bank:
   Official Launch of the RHB Cash-Connect & MyCash-i Debit Cards

10. **August 2008**
    RHB Bank:
    Official Opening of 1 Borneo Branch, Kota Kinabalu

11. **October 2008**
    RHB Islamic:
    Official Opening of Batu Pahat Branch, Johor

12. **October 2008**
    RHB Investment & RHB Islamic:
    Signing Ceremony Programme of RM745 Million with Projek Lintasan Shah Alam Sdn Bhd (PLSA) Berhad

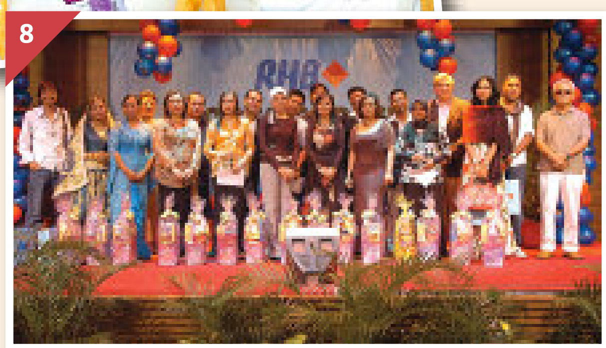
social events

1. **May 2008**
   Labour Day Celebration

2. **July 2008**
   RHB Singapore Cup

3. **July 2008**
   RHB Children's Academic Excellence Awards

4. **July 2008**
   RHB Recognition Night for Sportsmen & Sportswomen



5. **July 2008**
   Children's Football Clinic at Jurong West Stadium, Singapore

6. **September 2008**
   RHB Staff Iftar *(Buka Puasa)* at RHB Centre, Jalan Tun Razak

7. **September 2008**
   Majlis Iftar with the Media

8. **December 2008**
   RHB Idol Finals

our contribution to the society

1. **February 2008**
   Blood Donation Drive

2. **April 2008**
   RHB Banking Group's CR:
   Official Launch of the RHB-NST Spell-It-Right Challenge (SIR)

3. **August 2008**
   RHB NST Spell-It-Right (SIR) National Finals

4. **August 2008**
   The Edge-Bursa Malaysia Rat Race 2008

5. **September 2008**
   RHB Banking Group's CR:
   Spreading Syawal Joy – A Visit to Pondok Penyayang Raudhah, Gombak, Selangor

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6. **September 2008**
RHB Banking Group's CR:
Spreading Syawal Joy – A Visit to Rumah Ehsan, Kuala Kubu Baru, Selangor

7. **October 2008**
RHB Banking Group's CR:
Crime Prevention Tips for Kids Roadshow, Kuantan

8. **November 2008**
RHB Banking Group's CR:
Let's Learn with RHB Programme, Merlimau, Melaka

9. **December 2008**
RHB Banking Group's Hari Raya Qurban Donation

6

financials:

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

analysis of the financial performance

The following management discussion should be read in conjunction with the audited consolidated financial statements for FY2008 of RHB Capital Berhad and its subsidiary companies.

ANALYSIS OF THE BALANCE SHEET

Total Assets

The Group's total assets stood at RM104.5 billion as at 31 December 2008, a marginal decrease of 0.6% over the previous financial year. The decrease was mainly due to a decline in short term funds and liquid assets, partly offset by higher net loans, advances and financing. As at 31 December 2008, net loans, advances and financing remain the largest component of the total assets at 58.0% (2007: 51.9%), and registered a growth of 11.2% in financial year 2008 compared to 1.2% the year before.

Cash and short term funds and deposits and placements with banks and other financial institutions

The Group's cash and short term funds declined by 24.7% to RM14.3 billion in 2008, while deposits and placements with banks and other financial institutions decreased by RM2.8 billion (83.5%) to RM0.6 billion in 2008. The net reduction demonstrated the Group's concerted effort to reduce its reliance on treasury money operations and further strengthening its core banking activities through prudent lending and transactional banking services.

Securities purchased under resale agreements

The securities purchased under resale agreements declined by RM461.3 million (81.2%) to RM106.6 million as at 31 December 2008 mainly due to lower Malaysian Government Securities purchased under resale agreement with Bank Negara Malaysia.

Securities portfolio

The Group's securities portfolio comprises of securities held-for-trading, securities available-for-sale and securities held-to-maturity. The largest component of the Group's securities portfolio is the securities held-to-maturity which made up 45% of the portfolio as at end 2008, followed by securities available-for-sale (29%) and securities held-for-trading (26%) respectively.

Compared to 31 December 2007, the Group's securities held-to-maturity expanded by 36.6% to RM9.6 billion mainly due to higher negotiable instrument of deposits, securities related to Malaysian government and private debt securities.

However, the Group's securities available-for-sale contracted by RM1.5 billion (19.0%) to RM6.2 billion as at 31 December 2008 mainly due to decrease in holding of Bank Negara Malaysia monetary notes and negotiable instrument of deposits.

Loans, advances and financing

The Group's gross loans, advances and financing increased by 11.2% to RM63.2 billion as at 31 December 2008, primarily fuelled by growth in the retail business and small and medium enterprises ('SME'), covering working capital, residential mortgages, credit cards and loans for purchase of transport vehicles. Loans extended for these categories accounted for 76% of the Group's total loan portfolio.

Lending to the household sector recorded a growth of 10.7% to RM26.0 billion, in particular to cater for purchase of motor vehicles, residential mortgages and credit cards, and accounted for 41.2% of the Group's total gross loans, advances and financing. Lending to the SME sector saw a growth of 23.4% to RM10.6 billion and represented 16.7% of the Group's total gross loans, advances and financing as at the end of December 2008.

In line with our commitment to make our Islamic banking business a larger part of the Group's portfolio, the Group's gross financing and advances from Islamic business recorded a growth of 18.1% to RM 5.5 billion, focusing on residential mortgages, working capital and purchase of transport vehicles.

Non-performing loans ('NPL') volume decreased by RM325.2 million (10.3%) to RM2.8 billion during the financial year resulting in the net NPL ratio decreasing from 3.4% in 2007 to 2.2% in 2008, closely tracking the industry average. The gross NPL ratio also improved to 4.5% in 2008 from 5.6% a year ago. Loan loss coverage improved to 90.3% in 2008, up from 71.4% in the previous year. The improvement in asset quality was as a result of the Group's robust and prudent credit and risk management policies, as well as improved collection and recovery efforts.

Total Liabilities and Shareholders' Equity

Total liabilities decreased by RM1.4 billion (1.4%) to RM96.7 billion in 2008, mainly due to a decrease in deposits from customers and the repurchase of the Irredeemable Non-Cummulative Convertible Preference Shares ("INCPS") from its holders.

Shareholders' equity increased by 10.9% to RM7.8 billion as at 31 December 2008 from the year before. The increase was largely due to the higher current year net profit of RM1.0 billion, partly offset by dividend payments of RM280.5 million made during the financial year.

Deposits from customers

Approximately 89% of the Group's funding as at 31 December 2008 was from deposits from customers. Deposits from customers declined marginally by RM1.8 billion (2.4%) to RM74.0 billion in 2008, mainly due to a decrease in money market time deposits ('MMTD') of RM4.8 million. Excluding the MMTDs, total deposits from customers comprising fixed deposits, current and savings deposits recorded a growth of 5.2%.

Deposits from individuals, viewed as a stable source of funds, accounted for 33.3% of the Group's total deposits from customers having grown by 5.0% to RM24.6 billion from the previous year.

With a 2.4% decrease in customer deposits and the 11.2% increase in gross loans, advances and financing, the gross loans to customer deposits ratio increase to 85.4% as at 31 December 2008 from 75.0% in the previous year.

Deposits and placements of banks and other financial institutions

Deposits and placements of banks and other financial institutions remained at RM8.7 billion in 2008 and 2007, as part of the Group funding and liquidity management activities.

Borrowings

Borrowings increased by RM1.5 billion (78.3%) to RM3.4 billion as at 31 December 2008, mainly as a result of part financing the redemption of the INCPS.

Subordinated obligations

The Group's subordinated obligations decreased by RM425 million (15.9%) to RM2.2 billion in 2008, mainly due to the redemption of USD150 million Tier II Subordinated Notes during the financial year.

Capital Adequacy

As at 31 December 2008, RHB Bank Berhad remained strongly capitalised with a risk weighted capital ratio of 12.42% and Tier-1 capital ratio of 8.51%. RHB Islamic Bank Berhad's risk-weighted capital ratio and Tier-1 capital ratio as at end 2008 were 13.54% and 12.07% respectively while RHB Investment Bank Berhad's risk-weighted capital ratio and Tier-1 capital ratio were 23.00% and 17.14% respectively.

ANALYSIS OF THE INCOME STATEMENT

Net interest income

Net interest income of the Group increased by 5.6% to RM2,216.3 million in 2008 from RM2,098.9 million in 2007, due to the expansion of the Group's loans base and improved net interest margins.

Net interest income represented the main contributor of the Group's total income, amounting to 64.3% (2007: 61.9%) of total income.

Other operating income

Other operating income was lowered by 1.4% from RM961.2 million in 2007 to RM947.7 million in 2008, primarily as a result of a lower net gain from sale of securities and transactional fee income, partly offset by higher gains from foreign exchange activities.

The decrease in fee income by 11.9% to RM520.0 million in 2008 was mainly from lower brokerage income and unit trust fee income as a result of weaker stock market conditions and lower trading volumes on Bursa Malaysia.

Other operating income comprised 27.5% (2007: 28.4%) of the Group's total income.

Income from Islamic Banking business

Income from the Islamic Banking business decreased by 14.4% from RM328.3 million in 2007 to RM281.0 million in 2008 mainly due to a one off capital market transaction gain recorded in 2007 of RM70.0 million. Excluding the one off capital market transaction gain, the Group's Islamic Banking business grew by approximately 8.8% on the back of an 18.1% increase in gross financing and advances.

Income from Islamic Banking business comprised 8.2% (2007: 9.7%) of the Group's total income.

Other operating expenses

The Group's other operating expenses increased marginally by 0.5% to RM1,513.0 million in 2008 and as a result the Group's cost to income ratio remained at 44%.

Personnel cost, which accounted for 58.6% of the Group's total other operating expenses, increased by 8.2% to RM886.1 million primarily due to annual salary increments and increased staff strength. The number of employees of the Group stood at 9,876 as at the end of 2008 as compared to 9,648 as at the end of 2007.

The Group's on-going cost management initiatives have yielded good results, with establishment, marketing and administration expenses recording a decrease without sacrificing business growth and new investments.

Allowance for losses on loans, advances and financing and other losses

The Group's net allowance for losses on loans, advances and financing and other losses reduced by 13.0% to RM499.6 million in 2008 primarily due to higher bad debts recovered, partly offset by higher net specific allowance and general allowance made during the financial year as more prudent provisioning was made in anticipation of a potential deterioration in asset quality which may possibly be brought about by the global economic slow down. Bad debts recovered increased by RM230.4 million (230.1%) to RM330.5 million in 2008.

Impairment loss

The Group's impairment loss decreased by RM51.9 million (83.4%) to RM10.4 million in 2008. The higher impairment loss in previous year was due to isolated impairment on securities available-for-sale converted from loan resolutions.

Taxation

The effective tax rate for the financial year ended 31 December 2008 of 26.2% was higher than the statutory tax rate mainly due to certain expenses not deductible for tax purposes.

Minority interests

Minority interests reduced significantly from RM109.1 million in 2007 to RM1.0 million in 2008, as the Company re-purchased the remaining 30% equity interest not already owned 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 2008.

The Directors have applied the appropriate and relevant accounting policies on a consistent basis and made judgements and estimates that are reasonable and fair in preparing the financial statements of the Group and of the 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 231 of the Audited Statutory Financial Statements.

statutory financial statements

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 2008.

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 taxation	1,422,449	118,539
Taxation	(372,694)	(29,622)
Net profit for the financial year	1,049,755	88,917

DIVIDENDS

The dividends paid by the Company since 31 December 2007 were as follows:

	RM'000
In respect of the financial year ended 31 December 2007:	
Final dividend of 8.6% less 26% tax paid on 18 June 2008	137,048
In respect of the financial year ended 31 December 2008:	
Interim dividend of 9.0% less 26% tax paid on 30 September 2008	143,421

At the forthcoming Annual General Meeting, a final gross dividend in respect of the current financial year of 10.6% less 25% tax amounting to RM171.2 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 2009 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

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

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 non-performing debts and financing, 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 non-performing debts and financing 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 and financing, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and the 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 ordinary course of business.

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 operations of the Group and the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

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	
Datuk Haji Faisal Siraj	
Datuk Tan Kim Leong	
Michael Joseph Barrett	
Dato' Mohamed Khadar Merican	
Eirvin Bee Knox	(appointed on 24 October 2008 and resigned on 2 March 2009)
Lew Foon Keong	(ceased to be a director on 1 June 2008)

Pursuant to Article 80 of the Company's Articles of Association, Datuk Azlan Zainol and Johari Abdul Muid 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, the directors in office at the end of the financial year holding securities of the Company and its related corporations are as follows:

	Number of ordinary shares of RM1.00 each			
	As at 1.1.2008	**Bought**	**Sold**	**As at 31.12.2008**
The Company				
Dato' Mohamed Khadar Merican				
– Direct	40,000	19,770	–	59,770

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

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 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.

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 OUTLOOK FOR 2008

Year 2008 marks the first full year that the RHB Banking Group has operated under its new Universal Banking Structure delivering its products and services through 4 Strategic Business Units. 2008 proved to be a challenging year underpinned by significant inflationary pressures and adverse capital and treasury markets conditions for the first half of year followed by an unprecedented global financial crisis which saw economic growth globally and domestically slow down significantly. Against this backdrop, the commendable financial performance of the Group in 2008 bears testament to the benefits of the Transformation Program unveiled in 2007.

BUSINESS STRATEGY AND OUTLOOK FOR 2009

Year 2009 is expected to be a challenging year for the banking industry given the prospects of a sharper and more prolonged global economic downturn leading to potential threats to asset quality and demand for banking products and services. The Group expects a GDP growth for Malaysia in 2009 to be lower than the growth recorded in 2008. In addition, domestic demand is expected to weaken in 2009 as the decline in external demand for the country's exports threatens to hurt business and consumer confidence. As a result, consumer spending is envisaged to slow down and business spending will likely drop. However, with the proactive measures undertaken by the Government and Bank Negara Malaysia in the introduction of a stimulus package to cushion the downturn as well as reduction in the interest rates, the Group is optimistic that there will be continued loan growth and demand for banking products and services, albeit at a slower rate.

The Group will focus on 3 key areas in 2009 to maintain the momentum of its financial performance and compete effectively in the more challenging operating conditions in 2009.

Firstly, the Group will continue to keep close with our customers and continue to deliver relevant products and services to meet their changing needs. We are cognizant of the fact that the changes in the economic environment impact our customers in a variety of ways and we must keep pace with the changing needs to meet their expectations.

Secondly, we shall increase focus on the quality of assets and the repayment ability of our customers, putting greater emphasis on monitoring and prevention as well as restructuring of loans, if viable, to better match the changes in our customer's cashflows. The Group has invested significant amount of resources directed to provide a robust risk management framework and effective collection capabilities. These efforts are expected to keep rises in delinquencies under control and cushion the Group from significant deterioration in asset quality. The focus on loans would be on seeking quality customers from both the retail and business segments.

BUSINESS STRATEGY AND OUTLOOK FOR 2009 (CONTINUED)

Thirdly, we shall implement effective cost containment and improvements in efficiency by leveraging on the Group's scale, technology and effective expense management. The creation of centralised shared services pursuant to the Transformation Program allows the Group to leverage on its scale and introduce greater transparency and control in expenses throughout the Group.

Overall, we expect the banking sector to remain resilient and the Group expects the operating conditions to be challenging yet manageable in 2009. We believe that the Group Transformation Program introduced in 2007 and the adoption of the Universal Banking Structure will allow the Group to better navigate the more challenging operating environment expected in 2009.

RATINGS BY RATING AGENCIES

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

Agencies	Date accorded	Ratings
RHB Bank Berhad (‘RHB Bank’)		
RAM Rating Services Berhad (‘RAM’)	August 2008	Long Term Rating – AA3 Short Term Rating – P1
Standard & Poor's	December 2008	Long Term Counterparty Credit Rating – BBB Short Term Counterparty Credit Rating – A-2 Bank Fundamental Strength Rating - C
Moody's Investors Service	December 2008	Long Term Bank Deposits Rating – A3 Short Term Bank Deposits Rating – P-1 Bank Financial Strength – D
RHB Investment Bank Berhad ('RHB Investment Bank')		
RAM	August 2008	Long Term Rating – A2 Short Term Rating – P1
RHB Islamic Bank Berhad ('RHB Islamic Bank')		
RAM	April 2008	Long Term Rating – AA3 Short Term Rating – P1

RATINGS BY RATING AGENCIES (CONTINUED)

Description of the ratings accorded

(a) RAM

(i) Long term 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

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

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.

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.

(iii) 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
Managing Director

Kuala Lumpur
11 March 2009

balance sheets

as at 31 December 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
ASSETS					
Cash and short term funds	2	**14,346,451**	19,048,148	**20,619**	476,455
Securities purchased under resale agreements		**106,565**	567,836	**–**	–
Deposits and placements with banks and other financial institutions	3	**555,126**	3,365,740	**1,253**	1,211
Securities held-for-trading	4	**5,325,966**	5,761,145	**–**	–
Securities available-for-sale ('Securities AFS')	5	**6,212,714**	7,674,258	**–**	–
Securities held-to-maturity	6	**9,616,812**	7,041,480	**–**	–
Loans, advances and financing	7	**60,596,120**	54,554,651	**–**	–
Clients' and brokers' balances	8	**175,303**	246,870	**–**	–
Other assets	9	**549,448**	649,267	**33,806**	32,903
Derivative assets	10	**380,161**	109,157	**–**	–
Amounts due from subsidiaries	11	**–**	–	**10,319**	9,677
Statutory deposits	12	**1,579,678**	1,673,865	**–**	–
Tax recoverable		**94,929**	52,887	**54,804**	28,297
Deferred tax assets	13	**275,016**	249,119	**–**	–
Investments in subsidiaries	14	**–**	–	**8,782,439**	7,350,910
Investments in associates	15	**11,137**	15,533	**–**	–
Investments in joint venture	16	**26,349**	–	**–**	–
Prepaid land lease	17	**102,779**	99,594	**–**	–
Property, plant and equipment	18	**792,046**	760,791	**373**	673
Goodwill	19	**3,786,169**	3,283,953	**–**	–
TOTAL ASSETS		**104,532,769**	105,154,294	**8,903,613**	7,900,126

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

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
LIABILITIES AND EQUITY					
Deposits from customers	20	**73,962,224**	75,793,231	**–**	–
Deposits and placements of banks and other financial institutions	21	**8,682,147**	8,670,331	**–**	–
Bills and acceptances payable		**4,935,512**	3,959,943	**–**	–
Clients' and brokers' balances	22	**289,053**	368,436	**–**	–
Other liabilities	23	**1,498,770**	1,606,923	**53,420**	37,727
Derivative liabilities	10	**384,879**	129,242	**–**	–
Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')		**1,173,754**	1,854,873	**–**	–
Amounts due to subsidiaries	11	**–**	–	**153,093**	155,329
Taxation		**91,196**	101,626	**–**	–
Deferred tax liabilities	13	**1,760**	593	**16**	16
Borrowings	24	**3,432,534**	1,925,677	**2,776,559**	1,594,977
Subordinated obligations	25	**2,240,000**	2,665,000	**–**	–
Irredeemable non-cumulative convertible preference shares ('INCPS')	26	**–**	1,004,431	**–**	–
TOTAL LIABILITIES		**96,691,829**	98,080,306	**2,983,088**	1,788,049
Share capital	27	**2,153,475**	2,153,475	**2,153,475**	2,153,475
Reserves	28	**5,660,952**	4,894,885	**3,767,050**	3,958,602
		7,814,427	7,048,360	**5,920,525**	6,112,077
Minority interests		**26,513**	25,628	**–**	–
TOTAL EQUITY		**7,840,940**	7,073,988	**5,920,525**	6,112,077
TOTAL LIABILITIES AND EQUITY		**104,532,769**	105,154,294	**8,903,613**	7,900,126
COMMITMENTS AND CONTINGENCIES	41	**60,734,924**	56,608,914	**–**	–

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

income statements

for the financial year ended 31 December 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Interest income	29	**4,772,060**	4,867,321	**1,465**	46,928
Interest expense	30	**(2,555,717)**	(2,768,412)	**(149,424)**	(95,518)
Net interest income/(expense)		**2,216,343**	2,098,909	**(147,959)**	(48,590)
Other operating income	31	**947,704**	961,177	**297,050**	1,372,199
		3,164,047	3,060,086	**149,091**	1,323,609
Income from Islamic Banking business	32	**281,007**	328,323	**–**	–
		3,445,054	3,388,409	**149,091**	1,323,609
Other operating expenses	33	**(1,513,005)**	(1,505,709)	**(30,552)**	(45,158)
Operating profit before allowances		**1,932,049**	1,882,700	**118,539**	1,278,451
Allowance for losses on loans, financing and other losses	35	**(499,596)**	(574,115)	**–**	–
Impairment loss	36	**(10,364)**	(62,293)	**–**	–
		1,422,089	1,246,292	**118,539**	1,278,451
Share of results of associates		**424**	218	**–**	–
Share of results of joint venture		**(64)**	–	**–**	–
Profit before INCPS dividends and taxation		**1,422,449**	1,246,510	**118,539**	1,278,451
INCPS dividends	37	**–**	(109,597)	**–**	–
Profit after INCPS dividends and before taxation		**1,422,449**	1,136,913	**118,539**	1,278,451
Taxation	38	**(372,694)**	(314,848)	**(29,622)**	(343,656)
Net profit for the financial year		**1,049,755**	822,065	**88,917**	934,795
Attributable to:					
– Equity holders of the Company		**1,048,734**	712,930	**88,917**	934,795
– Minority interests		**1,021**	109,135	**–**	–
		1,049,755	822,065	**88,917**	934,795
Earnings per share (sen)					
– basic	39	**48.7**	35.8		

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 2008

Group	Note	Share capital RM'000	Share premium RM'000	Reserve funds RM'000	Other reserves RM'000	AFS reserves RM'000	Translation reserves RM'000	Retained profits RM'000	Sub-total RM'000	Minority interests RM'000	Total equity RM'000
		<------------------- Attributable to equity holders of the Company							------------------->		
Balance as at 1 January 2008		**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**
Currency translation differences		**–**	**–**	**–**	**–**	**–**	**(726)**	**–**	**(726)**	**–**	**(726)**
Unrealised net loss on revaluation of securities AFS		**–**	**–**	**–**	**–**	**(27,443)**	**–**	**–**	**(27,443)**	**(169)**	**(27,612)**
Net transfer to income statement on disposal or impairment of securities AFS		**–**	**–**	**–**	**–**	**23,432**	**–**	**–**	**23,432**	**(12)**	**23,420**
Deferred tax		**–**	**–**	**–**	**–**	**2,539**	**–**	**–**	**2,539**	**45**	**2,584**
Income and expenses recognised directly in equity		**–**	**–**	**–**	**–**	**(1,472)**	**(726)**	**–**	**(2,198)**	**(136)**	**(2,334)**
Net profit for the financial year		**–**	**–**	**–**	**–**	**–**	**–**	**1,048,734**	**1,048,734**	**1,021**	**1,049,755**
Total income and expenses recognised for the financial year		**–**	**–**	**–**	**–**	**(1,472)**	**(726)**	**1,048,734**	**1,046,536**	**885**	**1,047,421**
Transfer in respect of statutory requirements		**–**	**–**	**276,640**	**–**	**–**	**–**	**(276,640)**	**–**	**–**	**–**
Ordinary dividends	40	**–**	**–**	**–**	**–**	**–**	**–**	**(280,469)**	**(280,469)**	**–**	**(280,469)**
Balance as at 31 December 2008		**2,153,475**	**2,352,093**	**1,944,654**	**8,563**	**22,785**	**(10,875)**	**1,343,732**	**7,814,427**	**26,513**	**7,840,940**

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 2008 (continued)

Group	Note	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	Minority interests RM'000	Total equity RM'000
		<-------Attributable to equity holders of the Company								------->		
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 of securities AFS		–	–	–	–	–	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)
Net 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	27	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 2008 (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 2008		**2,153,475**	**2,352,093**	**1,606,509**	**6,112,077**
Net profit for the financial year		**–**	**–**	**88,917**	**88,917**
Ordinary dividends	40	**–**	**–**	**(280,469)**	**(280,469)**
Balance as at 31 December 2008		**2,153,475**	**2,352,093**	**1,414,957**	**5,920,525**
Balance as at 1 January 2007		1,823,475	1,114,593	830,184	3,768,252
Net profit for the financial year		–	–	934,795	934,795
Ordinary dividends	40	–	–	(158,470)	(158,470)
Issue of ordinary shares	27	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

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

cash flow statements

for the financial year ended 31 December 2008

Group	Note	2008 RM'000	2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before INCPS dividends and taxation		**1,422,449**	1,246,510
Adjustments for:			
Allowance for losses on loans, financing and other losses		**830,055**	677,384
Interest suspended		**96,228**	97,911
Property, plant and equipment			
– depreciation		**78,704**	91,668
– impairment loss		**188**	–
– gain on disposal		**(98)**	(842)
– written off		**78**	123
Amortisation of prepaid land lease		**510**	499
Impairment loss on securities		**10,083**	62,293
Accretion of discounts for borrowings and subordinated obligations		**3,979**	2,953
Share of results of associates		**(424)**	(218)
Share of results of joint venture		**64**	–
Loss on liquidation of subsidiaries		**–**	398
Interest income from securities		**(715,421)**	(960,213)
Investment income from securities		**(55,554)**	(33,912)
Net gain arising from sale/redemption of securities		**(78,200)**	(123,820)
Unrealised loss on revaluation of securities and derivatives		**30,339**	51,324
Unrealised foreign exchange (gain)/loss		**(14,491)**	35,435
Accretion of discount less amortisation of premium		**(34,625)**	(21,207)
Gross dividend income from securities		**(12,115)**	(8,655)
Gain on disposal of investment in associates		**(2,249)**	–
Operating profit before working capital changes		**1,559,500**	1,117,631
(Increase)/Decrease in operating assets:			
Securities purchased under resale agreements		**461,271**	2,123,705
Deposits and placements with banks and other financial institutions		**2,810,614**	2,224,680
Securities held-for-trading		**465,676**	(552,543)
Loans, advances and financing		**(6,969,373)**	(1,939,016)
Clients' and brokers' balances		**71,567**	(69,843)
Other assets		**374,355**	159,896
Amount due from Rashid Hussain Berhad		**–**	1,236,030
Statutory deposits		**94,187**	231,178
		(2,691,703)	3,414,087

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

Group	Note	2008 RM'000	2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
Increase/(Decrease) in operating liabilities:			
Deposits from customers		**(1,831,007)**	18,267,699
Deposits and placements of banks and other financial institutions		**11,816**	(2,906,787)
Obligations on securities sold under repurchase agreements		**–**	(14,995,199)
Bills and acceptances payable		**975,569**	181,185
Clients' and brokers' balances		**(79,383)**	117,064
Other liabilities		**(108,119)**	(263,842)
Recourse obligation on loans sold to Cagamas		**(681,119)**	(1,024,411)
		(1,712,243)	(624,291)
Cash (used in)/generated from operations		**(2,844,446)**	3,907,427
Taxation paid		**(460,338)**	(363,962)
Taxation recovered		**15,083**	50,631
Net cash (used in)/generated from operating activities		**(3,289,701)**	3,594,096
CASH FLOWS FROM INVESTING ACTIVITIES			
Net (purchase)/sale of securities		**(1,091,169)**	4,638,192
Increase in investments in subsidiaries		**(1,506,647)**	(3,373,541)
Purchase of property, plant and equipment		**(108,742)**	(74,448)
Increase in investments in an associate		**–**	(26)
Interest received from securities		**479,028**	687,842
Investment income received from securities		**24,205**	16,701
Proceeds from disposal of property, plant and equipment		**141**	5,514
Dividend income received from securities		**10,936**	6,318
Capital repayment upon liquidation of subsidiaries		**–**	2,408
Proceeds from disposal of an associate		**7,069**	–
Investments in joint venture		**(27,400)**	–
Net cash (used in)/generated from investing activities		**(2,212,579)**	1,908,960

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

cash flow statements

for the financial year ended 31 December 2008 (continued)

Group	Note	2008 RM'000	2007 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of borrowings		**2,338,050**	669,380
Repayment of borrowings		**(848,178)**	(280,440)
Net proceeds from issuance of subordinated notes		**70,000**	2,170,000
Redemption of subordinated notes		**(479,100)**	(965,000)
INCPS dividends paid		**–**	(79,984)
Dividends paid to minorities		**–**	(49,121)
Dividends paid to equity holders of the Company		**(280,469)**	(158,470)
Proceeds from issuance of ordinary shares		**–**	1,567,500
Payment to hire-purchase creditors		**(560)**	(356)
Net cash generated from financing activities		**799,743**	2,873,509
Net (decrease)/increase in cash and cash equivalents		**(4,702,537)**	8,376,565
Cash and cash equivalents at the beginning of the financial year		**19,048,118**	10,671,553
Cash and cash equivalents at the end of the financial year		**14,345,581**	19,048,118
Cash and cash equivalents comprise the following:			
Cash and short term funds	2	**14,346,451**	19,048,148
Overdrafts	24	**(870)**	(30)
		14,345,581	19,048,118
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		**14,206,488**	18,875,932
Accounts held in trust for clients and remisiers		**137,024**	167,985
		14,343,512	19,043,917

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

cash flow statements

for the financial year ended 31 December 2008 (continued)

Company	Note	2008 RM'000	2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**118,539**	1,278,451
Adjustments for:			
Interest expense		**149,424**	95,518
Unrealised foreign exchange gain		**(1,737)**	(452)
Property, plant and equipment			
- depreciation		**465**	662
- loss/(gain) on disposal		**4**	(1)
Waiver of debts by a subsidiary		**–**	(25,761)
Loss/(Gain) on liquidation of subsidiaries		**118**	(1,766)
Dividend income		**(294,944)**	(1,343,131)
Interest income		**(1,465)**	(46,928)
Operating loss before working capital changes		**(29,596)**	(43,408)
Increase in deposits and placements with banks and other financial institutions		**(42)**	(40)
(Decrease)/Increase in inter-company balances		**(1,141)**	1,261,666
Increase in other assets		**(889)**	(9)
(Decrease)/Increase in other liabilities		**(2,383)**	2,279
Cash (used in)/generated from operations		**(34,051)**	1,220,488
Taxation recovered		**9,177**	9,836
Net cash (used in)/generated from operating activities		**(24,874)**	1,230,324
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income received from subsidiaries		**229,638**	959,854
Proceeds from disposal of property, plant and equipment		**–**	5
Interest income received		**1,451**	1,488
Proceeds from disposal of a subsidiary		**–**	152
Purchase of property, plant and equipment		**(169)**	(44)
Increase in investment in subsidiaries		**(1,506,647)**	(3,373,541)
Capital repayment from a subsidiary		**75,000**	–
Capital repayment upon liquidation of a subsidiary		**–**	2,370
Net cash used in investing activities		**(1,200,727)**	(2,409,716)

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

cash flow statements

for the financial year ended 31 December 2008 (continued)

Company	Note	2008 RM'000	2007 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of borrowings		**1,992,800**	603,240
Repayment of borrowings		**(815,000)**	(280,440)
Interest expense paid		**(127,846)**	(89,055)
Dividends paid to equity holders of the Company		**(280,469)**	(158,470)
Proceeds from issuance of ordinary shares		**–**	1,567,500
Payment to hire-purchase creditors		**(560)**	(356)
Net cash generated from financing activities		**768,925**	1,642,419
Net (decrease)/increase in cash and cash equivalents		**(456,676)**	463,027
Cash and cash equivalents at the beginning of the financial year		**476,425**	13,398
Cash and cash equivalents at the end of the financial year		**19,749**	476,425
Cash and cash equivalents comprise the following:			
Cash and short term funds	2	**20,619**	476,455
Overdrafts	24	**(870)**	(30)
		19,749	476,425

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 2008

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 financial 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 in this summary of significant accounting policies), 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 those activities relating to the Islamic Banking business which have been undertaken by the Group in compliance with Shariah principles. Islamic Banking generally refers to the acceptance of deposits and granting of financing under the Shariah principles.

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires directors to exercise their judgement in the process of applying the Group's and the 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, amendments to published standards and interpretations to existing standards 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 periods beginning 1 January 2008. The revised FRS that is relevant to the Group and the Company are as follows:

- FRS 107 Cash Flows Statements
- FRS 112 Income Taxes
- FRS 118 Revenue
- FRS 121 The Effects of Changes in Foreign Exchange Rates
- FRS 134 Interim Financial Reporting
- FRS 137 Provisions, Contingent Liabilities and Contingent Assets

The adoption of the above revised FRS does not have any significant financial impact on the results of the Group and the Company.

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) Basis of preparation of the financial statements (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted are as follows:

The new accounting standards and interpretations to existing standards that are relevant and mandatory for the Group and the Company for financial periods beginning 1 January 2009 or later periods, but which the Group and the Company have not early adopted, are as follows:

- FRS 8 Operating Segments (effective for accounting periods beginning on or after 1 July 2009). FRS 8 replaces FRS 114_{2004} Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of FRS 8 will require additional disclosure requirements in the Group's financial statements.

- IC Interpretation 9 Reassessment of Embedded Derivatives (effective for accounting periods beginning on or after 1 January 2010). IC Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The adoption of IC 9 does not have any significant financial impact on the results of the Group and the Company.

- IC Interpretation 10 Interim Financial Reporting and Impairment (effective for accounting periods beginning on or after 1 January 2010). IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The adoption of IC 10 does not have any significant financial impact on the results of the Group.

- FRS 139 Financial Instruments: Recognition and Measurement (effective for accounting periods beginning on or after 1 January 2010). FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group will apply this standard when effective. Nevertheless, the accounting policies of the Group incorporate requirements of the Revised Guidelines on Financial Reporting for Licensed Institutions ('BNM/GP8') which includes selected principles of FRS 139.

- FRS 4 Insurance Contracts (effective for accounting periods beginning on or after 1 January 2010). This FRS applies to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contract that it holds.

- FRS 7 Financial Instruments: Disclosure (effective for accounting periods beginning on or after 1 January 2010). FRS 7 replaces the disclosures requirements currently in FRS 132 Financial Instruments: Disclosures and Presentation. FRS 7 requires disclosure of quantitative and qualitative information about exposure to risks arising from financial instruments, including minimum disclosures about credit risk, market risk and liquidity risk.

In respect of FRS 139, FRS 4 and FRS 7, the Group and the Company have applied the transitional provision in the respective standards which exempts the Group and the Company from disclosing the possible impact arising from the initial application of the standard on the Group's and the Company's financial statements.

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 122_{2004} 'Business Combinations';
- internal group reorganisations, as defined in FRS 122_{2004}, consolidated on/after 1 July 2001 but with agreement dates before 1 January 2006 where:
  - the ultimate shareholders remain the same, and the rights of each such shareholder, relative to the others, are unchanged; and
  - the minorities' share of net assets of the Group is not altered by the transfer; 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 122_{2004} and FRS 3 to apply these Standards prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with these Standards.

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

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) Basis of consolidation (continued)

(a) Subsidiaries (continued)

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

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

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 and joint venture

Investments in associates and joint venture are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' and joint ventures' 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, which includes goodwill identified at the date of acquisition, less accumulated impairment loss.

When the Group's share of losses in an associate and joint venture equals or exceeds its interest in the associate and joint venture, 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 and joint venture.

Unrealised gains on transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the associates and joint venture; 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 and joint venture 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 Company 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.

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(3) Investments in subsidiaries (continued)

Investments in subsidiaries are stated at cost less accumulated 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 (27) on impairment of non-financial assets.

(4) Investments in associates and joint venture

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.

Joint ventures are those corporations or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities requiring unanimous consent of the parties sharing control.

Investments in associates and joint venture are stated at cost less accumulated 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 (27) on impairment of non-financial assets.

(5) Goodwill

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

Goodwill is stated at cost less accumulated impairment loss and is tested at least annually for impairment. Impairment loss on goodwill is not reversed. Gains and losses on the disposal of a subsidiary or associate include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ('CGU') for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose. Refer to accounting policy Note (27) 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 measured at fair value at initial recognition and subsequently carried at fair value. Any gain or loss arising from changes in the fair value or arising from derecognition of such securities is recognised in the income statement.

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) Securities (continued)

(a) Securities held-for-trading (continued)

Pursuant to amendments to BNM Revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8), the banking subsidiaries are now permitted by BNM for the period from 1 July 2008 to 31 December 2009 to reclassify non-derivatives held-for-trading securities into held-to-maturity securities or available-for-sales securities.

Reclassifications are made at fair value as of the date of reclassification. The fair value of the securities on the date of reclassification becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. The effective interest rates for the securities reclassified are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(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 carried at amortised cost using the effective interest method, less accumulated impairment loss. Any gain or loss is recognised in the income statement when the securities are derecognised or impaired and through the amortisation process. Refer to accounting policy Note (28) on impairment of securities.

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

If the Group sold or reclassified more than an insignificant amount of the held-to-maturity securities portfolio before maturity (other than under those conditions specified in BNM/GP8) during the current financial year or the last two preceding financial years, the entire category would be tainted and reclassified as available-for-sale securities at fair value. The difference between the carrying value and fair value at the date of reclassification is recognised directly in equity.

(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 and subsequently carried at fair value less accumulated impairment loss. Any gain or loss arising from changes in fair value, net of income tax, is recognised directly in equity, except for impairment loss and foreign exchange gain and loss. Refer to accounting policy Note (28) on impairment of securities.

Until the securities AFS are derecognised or impaired, at which time the cumulative gains or losses previously recognised in equity shall be transferred to the income statement.

Equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost less any impairment loss.

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.

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) Securities (continued)

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

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 (28) on impairment of securities.

(7) 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.

(8) Loans, advances and financing

Loans, advances and financing are recognised when cash is advanced to borrowers. They are initially recorded at fair value, which is the cash given to originate the loans and advances, and subsequently are carried at amortised cost, which is represented by the outstanding balance, net of allowances for bad and doubtful debts and unearned interest. They are derecognised when either borrowers repay their obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred. Refer to accounting policy Note (24) on allowances for losses on loans, advances and financing and other losses.

(9) Receivables

Clients' and brokers' balances arising from share and stock-broking business are carried at cost, net of allowance for bad and doubtful debts (anticipated realisable values). The allowance for bad and doubtful debts is made in conformity with the minimum requirements of allowance for bad and doubtful debts specified in Rule 1104.1 of Schedule 7 (Chapter 11) of the Rules of Bursa Malaysia Securities Berhad ('Bursa Securities').

Other receivables are carried at cost, net of allowance for bad and doubtful debts (anticipated realisable values). An estimate is made for allowance for bad and 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.

(10) Foreclosed properties

Foreclosed properties are stated at lower of cost or net realisable value. 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 (27) on impairment of non-financial assets.

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Buildings	2% to $3^1/_3$%
Renovations and improvements	7.5% to 20%
Computer equipment	20% to $33^1/_3$%
Furniture, fittings and equipment	7.5% to 20%
Motor vehicles	20% to 25%

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

Gains or 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 (27) on impairment of non-financial assets.

(12) Derivative financial instruments and hedge accounting

Derivatives 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) Derivative financial instruments and hedge accounting (continued)

(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.

(13) Bills and acceptances payable

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

(14) 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.

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.

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(15) 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.

(16) 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.

(17) 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.

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(18) 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.

(19) 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.

(20) 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 the Company 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.

(21) Dividends payable

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

(22) Cash and cash equivalents

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

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

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(23) 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.

(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.

(24) Allowance for losses on loans, advances and financing and other losses

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.

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(24) Allowance for losses on loans, advances and financing and other losses (continued)

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 is in conformity with the minimum requirements of revised BNM's Guidelines on the 'Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debt' ('Revised BNM/GP3'). BNM has granted indulgence to the Group from complying with the requirement on the impairment of loans under the Revised BNM/GP3 which states that impaired credit facilities should be measured at their estimated recoverable amount (present value of estimated future cash flows discounted at original effective interest rate). This requirement superseded the loan impairment requirement previously in the BNM/GP8.

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 Securities.

(25) 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.

(26) 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 accepts voluntary redundancy in exchange for these benefits.

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(27) Impairment of non-financial assets

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

The recoverable amount is the higher of a non-financial assets' fair value less costs to sell and value in use. For the purpose of assessing impairment, non-financial assets are grouped at the lowest levels for which there is separately identifiable cash flow/CGU. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

(28) 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.

(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.

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(29) 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, associates and joint ventures distribution 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, associates and joint venture except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences 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 is 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.

(30) 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.

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.

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(30) Currency conversion and translation (continued)

(b) Transactions and balances (continued)

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.

(31) 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) Impairment of securities

Assessment of impairment of securities is made in accordance with the guidance in the revised BNM/GP8 in determining when the investment is impaired. Management judgement is required to evaluate the duration and extent to which the fair value of the investment is below its carrying value and when there is indication of impairment in the carrying value of the securities.

(d) Fair value of financial instruments

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The degree of management judgement involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that are traded actively and have quoted market prices or parameters readily available, there is little-to-no subjectivity in determining fair value. When observable market prices and parameters do not exist, management judgement is necessary to estimate fair value. The fair value of financial instruments that are not traded in an active market are determined using valuation techniques based on assumptions of market conditions existing at the balance sheet date, including reference to quoted market prices and independent dealer quotes for similar securities and discounted cash flow method.

(e) 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 2008

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	
	2008	**2007**	**2008**	**2007**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and balances with banks and other financial institutions	**961,113**	980,824	**619**	535
Money at call and deposit placements maturing within one month	**13,385,338**	18,067,324	**20,000**	475,920
	14,346,451	19,048,148	**20,619**	476,455

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

	Group	
	2008	**2007**
	RM'000	**RM'000**
Cash and balances with banks and other financial institutions	**6,629**	6,759
Money at call and deposit placements maturing within one month	**130,395**	161,226
	137,024	167,985

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Licensed banks	**245,003**	2,151,505	**1,253**	1,211
Licensed investment banks	**7,123**	11,235	**–**	–
BNM	**300,000**	1,200,000	**–**	–
Other financial institutions	**3,000**	3,000	**–**	–
	555,126	3,365,740	**1,253**	1,211

Included in deposits and placements with licensed banks are:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deposits pledged to licensed banks	**2,040**	1,907	**420**	407

4 SECURITIES HELD-FOR-TRADING

	Group	
	2008 RM'000	2007 RM'000
At fair value		
Money market instruments:		
Malaysian government securities	**1,039,468**	200,497
Malaysian government treasury bills	**156,842**	19,657
Malaysian government investment issues	**143,706**	353,081
BNM monetary notes	**856,920**	396,106
Cagamas bonds	**–**	19,272
Khazanah bonds	**11,367**	202,813
Bankers' acceptances and Islamic accepted bills	**307,712**	800,263
Negotiable instrument of deposits	**829,367**	1,278,675
Singapore government securities	**–**	103,306
	3,345,382	3,373,670

4 SECURITIES HELD-FOR-TRADING (CONTINUED)

	Group 2008 RM'000	Group 2007 RM'000
Quoted securities:		
In Malaysia		
Shares	**32,615**	56,553
Unit trust	**3,929**	2,335
Outside Malaysia		
Shares	**3,189**	7,581
Unquoted securities:		
In Malaysia		
Private debt securities	**1,862,000**	2,079,537
Outside Malaysia		
Private debt securities	**–**	20,048
Structured notes	**78,851**	–
Fixed rate notes	**–**	221,421
	5,325,966	5,761,145

During the financial year, the Group has reclassified certain securities held-for-trading to securities held-to-maturity category. The reclassification has been accounted for based on the amendment to revised BNM/GP8 Guidelines dated September 2008, which is effective from 1 July 2008 until 31 December 2009.

The fair values of the reclassified securities held-for-trading as of the respective dates of reclassification are as follows:

	Group 2008 RM'000	Group 2007 RM'000
At fair value:		
Amount reclassified from securities held-for-trading to securities held-to-maturity	**129,322**	–

The net loss arising from changes in fair value recognised to income statement in respect of the reclassified securities held-for-trading are as follows:

	Group 2008 RM'000	Group 2007 RM'000
Amount recognised during the financial year	**(1,852)**	(1,615)

As at the date of reclassification, the effective interest rates on the reclassified securities held-for-trading, based on the new cost, ranged from 3.71% to 5.44% per annum with the expected recoverable cash flows of approximately RM136.5 million (2007: No such reclassification permitted).

5 SECURITIES AVAILABLE-FOR-SALE

	Group 2008 RM'000	Group 2007 RM'000
At fair value		
Money market instruments:		
Malaysian government securities	**687,425**	219,972
Malaysian government investment issues	**428,666**	18,257
Malaysian government treasury bills	**–**	196,667
BNM monetary notes	**7,968**	1,618,338
Cagamas bonds and Cagamas Mudharabah bonds	**119,451**	410,370
Khazanah bonds	**–**	9,738
Negotiable instrument of deposits	**112,912**	1,262,834
Bankers' acceptances and Islamic accepted bills	**–**	34,044
Singapore government securities	**263,895**	81,010
Singapore government treasury bills	**143,996**	285,910
Thailand government bonds	**20,402**	–
Quoted securities:		
In Malaysia		
Corporate loan stocks	**23,869**	75,981
Shares	**5,338**	9,957
Warrants	**695**	–
Outside Malaysia		
Shares	**5**	11
Floating rate notes	**–**	156
Unquoted securities:		
In Malaysia		
Private debt securities	**3,840,047**	3,009,646
Shares	**168,499**	167,979
Corporate loan stocks	**162,909**	105,077
Outside Malaysia		
Private debt securities	**61,674**	11,556
Corporate loan stocks	**2,432**	2,315
Structured notes	**162,531**	154,440
	6,212,714	7,674,258

6 SECURITIES HELD-TO-MATURITY

	Group 2008 RM'000	Group 2007 RM'000
At amortised cost		
Money market instruments:		
Malaysian government securities	**1,912,922**	1,364,197
Malaysian government investment issues	**592,585**	82,774
Cagamas bonds and Cagamas Mudharabah bonds	**848,571**	819,407
Khazanah bonds	**281,839**	570,490
Negotiable instrument of deposits	**2,116,307**	774,095
Singapore government securities	**119,660**	–
Thailand government securities	**225,603**	247,568
Unquoted securities:		
In Malaysia		
Private debt securities	**1,660,224**	1,193,992
Corporate loan stocks	**70,589**	87,316
Bonds	**27,201**	27,201
Shares	**2,700**	2,700
Prasarana bonds	**1,855,582**	1,978,309
Outside Malaysia		
Floating rate notes	**39,194**	37,370
Private debt securities	**20,601**	–
Structured notes	**74,964**	100,000
	9,848,542	7,285,419
Accumulated impairment loss	**(231,730)**	(243,939)
	9,616,812	7,041,480

The carrying value of securities held-to-maturity, which was transferred from securities held-for-trading as at 31 December 2008 is RM126,767,000 (2007: NIL). The fair value for these securities as at 31 December 2008 is RM127,162,000 (2007: NIL).

Included in unquoted shares is a third party redeemable preference shares amounting to RM1,500,000 (2007: 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.

7 LOANS, ADVANCES AND FINANCING

	Group	
	2008 RM'000	2007 RM'000
Overdrafts	**6,463,296**	6,259,416
Term loans/financing		
– housing loans/financing	**13,578,913**	12,608,753
– syndicated term loans/financing	**2,851,708**	2,128,744
– hire-purchase receivables	**10,853,474**	9,856,706
– lease receivables	**240,857**	264,807
– other term loans/financing	**14,467,930**	12,689,939
Bills receivable	**1,576,790**	2,282,049
Trust receipts	**504,202**	465,381
Claims on customers under acceptance credits	**6,074,089**	5,044,613
Staff loans/financing	**377,252**	391,729
Credit/charge cards receivables	**2,104,609**	1,630,493
Revolving credits	**5,668,471**	4,645,240
	64,761,591	58,267,870
Unearned interest and income	**(1,600,817)**	(1,453,768)
Gross loans, advances and financing	**63,160,774**	56,814,102
Allowance for bad and doubtful debts and financing		
– general	**(1,106,697)**	(999,186)
– specific	**(1,457,957)**	(1,260,265)
Net loans, advances and financing	**60,596,120**	54,554,651

Included in term loans are housing loans and hire-purchase receivables sold to Cagamas with recourse amounting to RM1,173,754,000 (2007: RM1,854,873,000).

The remaining maturities of gross loans, advances and financing are as follows:

Maturing within one year	**18,743,437**	18,417,508
One to three years	**6,443,021**	5,681,752
Three to five years	**5,709,324**	5,046,403
Over five years	**32,264,992**	27,668,439
	63,160,774	56,814,102

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group 2008 RM'000	Group 2007 RM'000
(a) Loans, advances and financing analysed by type of customers are as follows:		
Domestic non-bank financial institutions		
– others	**623,891**	717,257
Domestic business enterprises		
– small medium enterprises	**10,559,463**	8,556,747
– others	**21,249,115**	20,629,923
Government and statutory bodies	**109,406**	224,665
Individuals	**26,020,910**	23,514,044
Other domestic entities	**29,320**	21,204
Foreign entities		
– Malaysia operation	**1,152,232**	551,240
– Singapore operation	**2,968,173**	2,224,271
– Thailand operation	**301,795**	249,332
– Brunei operation	**146,469**	125,419
	63,160,774	56,814,102

	Group 2008 RM'000	Group 2007 RM'000
(b) Loans, advances and financing analysed by type of interest/profit rate sensitivity are as follows:		
Fixed rate		
– housing loans/financing	**1,737,043**	1,731,614
– hire-purchase receivables	**9,419,595**	8,430,436
– other fixed rate loans/financing	**4,362,495**	3,498,681
Variable rate		
– base lending rate plus	**22,895,096**	20,339,184
– cost-plus	**19,167,016**	17,337,990
– other variable rates	**5,579,529**	5,476,197
	63,160,774	56,814,102

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group 2008 RM'000	Group 2007 RM'000
(c) Loans, advances and financing analysed by purpose are as follows:		
Purchase of securities	**2,062,553**	2,268,943
Purchase of transport vehicles	**7,505,560**	6,567,105
Purchase of landed property:		
– residential	**14,089,035**	13,152,861
– non-residential	**3,003,469**	2,215,150
Purchase of property, plant and equipment other than land and building	**4,043,123**	2,773,449
Personal use	**1,998,894**	2,152,457
Credit card	**2,104,609**	1,630,493
Purchase of consumer durables	**74,569**	92,947
Construction	**2,077,193**	1,633,169
Working capital	**24,468,116**	21,904,612
Other purpose	**1,733,653**	2,422,916
	63,160,774	56,814,102

	Group 2008 RM'000	Group 2007 RM'000
(d) Non-performing loans, advances and financing analysed by purpose are as follows:		
Purchase of securities	**50,494**	55,513
Purchase of transport vehicles	**225,720**	270,881
Purchase of landed property:		
– residential	**1,048,642**	1,057,187
– non-residential	**140,924**	153,936
Purchase of property, plant and equipment other than land and building	**81,098**	68,441
Personal use	**105,419**	125,543
Credit card	**56,368**	44,725
Purchase of consumer durables	**4,403**	6,605
Construction	**114,410**	126,788
Working capital	**1,004,891**	1,234,212
Other purpose	**7,749**	21,462
	2,840,118	3,165,293

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group 2008 RM'000	Group 2007 RM'000
(e) Movements in non-performing loans, advances and financing are as follows:		
Balance as at the beginning of the financial year	**3,165,293**	4,277,037
Classified as non-performing during the financial year	**3,206,526**	3,467,477
Amount recovered	**(504,970)**	(1,015,758)
Reclassified as performing	**(2,564,643)**	(2,430,980)
Amount written off	**(465,166)**	(1,115,789)
Loans/financing converted to securities	**–**	(15,586)
Exchange difference	**3,078**	(1,108)
Balance as at the end of the financial year	**2,840,118**	3,165,293
Specific allowance	**(1,457,957)**	(1,260,265)
Net non-performing loans, advances and financing	**1,382,161**	1,905,028
Ratio of net non-performing loans, advances and financing as % of gross loans, advances and financing less specific allowance	**2.2%**	3.4%

	Group 2008 RM'000	Group 2007 RM'000
(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	**1,260,265**	1,755,408
Allowance made during the financial year	**937,219**	1,061,428
Transferred to accumulated impairment loss in value of securities	**–**	(11,128)
Amount recovered	**(214,613)**	(409,575)
Amount written off	**(526,468)**	(1,135,450)
Exchange difference	**1,554**	(418)
Balance as at the end of the financial year	**1,457,957**	1,260,265

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

(f) Movements in allowance for bad and doubtful debts and financing accounts are as follows: (continued)

	Group 2008 RM'000	Group 2007 RM'000
General allowance		
Balance as at the beginning of the financial year	**999,186**	976,214
Net allowance made during the financial year	**104,997**	24,567
Exchange difference	**2,514**	(1,595)
Balance as at the end of the financial year	**1,106,697**	999,186
As % of gross loans, advances and financing less specific allowance	**1.8%**	1.8%

8 CLIENTS' AND BROKERS' BALANCES

Clients' and brokers' balances are stated net of specific and general allowance for doubtful debts of RM8,888,000 (2007: RM8,623,000) and RM146,000 (2007: RM273,000) respectively.

9 OTHER ASSETS

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Other debtors, deposits and prepayments	**343,351**	462,091	**33,740**	32,851
Accrued interest receivable	**206,097**	187,176	**66**	52
	549,448	649,267	**33,806**	32,903

Other debtors, deposits and prepayments of the Group are stated net of allowance for doubtful debts of RM7,088,000 (2007: RM6,171,000).

Included in other debtors, deposits and prepayments of the Group and the Company is a deposit of RM32,800,000 (2007: 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)

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

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

	Group	
	2008 RM'000	**2007 RM'000**
Derivative assets	**380,161**	109,157
Derivative liabilities	**(384,879)**	(129,242)
	(4,718)	(20,085)

		Group	
	Contract or underlying principal amount RM'000	**Year-end positive fair value RM'000**	**Year-end negative fair value RM'000**
2008			
Foreign exchange related contracts:			
– forwards/swaps	**9,222,647**	**155,679**	**(150,776)**
– options	**121,636**	**3,076**	**(2,175)**
– cross-currency interest rate swaps	**1,390,364**	**23,661**	**(21,172)**
Interest rate-related contracts:			
– futures	**1,980,000**	**–**	**(11,625)**
– swaps	**9,104,451**	**197,745**	**(199,131)**
		380,161	**(384,879)**
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)

11 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayments.

12 STATUTORY DEPOSITS

Included in statutory deposits are:

(a) non-interest bearing statutory deposits of RM1,579,578,000 (2007: RM1,673,765,000) 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.

(b) non-interest bearing statutory deposits of RM100,000 (2007: 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.

13 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	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Deferred tax assets	**275,016**	249,119	**–**	–
Deferred tax liabilities	**(1,760)**	(593)	**(16)**	(16)
	273,256	248,526	**(16)**	(16)
Balance as at the beginning of the financial year	**248,526**	238,245	**(16)**	(45)
Transfer from income statement (Note 38)	**21,936**	8,838	**–**	29
Transfer from equity	**2,584**	1,453	**–**	–
Exchange difference	**210**	(10)	**–**	–
Balance as at the end of the financial year	**273,256**	248,526	**(16)**	(16)

The deferred tax assets and liabilities have been adjusted to take into account the reduction in tax rate to 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.

13 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Group	Leasing business RM'000	Property, plant and equipment RM'000	Securities AFS RM'000	General allowance on loans, advances and financing RM'000	Tax losses RM'000	Provision for liability RM'000	Other temporary differences RM'000	Total RM'000
2008								
Balance as at the beginning of the financial year	**15,469**	**(14,279)**	**(10,247)**	**242,039**	**4,537**	**701**	**10,306**	**248,526**
Transfer (to)/from income statement	**(1,885)**	**(5,686)**	**–**	**24,879**	**–**	**(259)**	**4,887**	**21,936**
Transfer from/(to) equity	**–**	**–**	**2,586**	**–**	**–**	**–**	**(2)**	**2,584**
Exchange difference	**–**	**–**	**–**	**–**	**209**	**–**	**1**	**210**
Balance as at the end of the financial year	**13,584**	**(19,965)**	**(7,661)**	**266,918**	**4,746**	**442**	**15,192**	**273,256**
2007								
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 (to)/from 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

Company	Property, plant and equipment 2008 RM'000	2007 RM'000
Balance as at the beginning of the financial year	**(16)**	(45)
Transfer from income statement	**–**	29
Balance as at the end of the financial year	**(16)**	(16)

13 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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	
	2008	**2007**
	RM'000	**RM'000**
Unabsorbed tax losses carried forward	**3,129,685**	3,144,718
Unabsorbed capital allowances carried forward	**39,969**	39,924
	3,169,654	3,184,642

14 INVESTMENTS IN SUBSIDIARIES

	Company	
	2008	**2007**
	RM'000	**RM'000**
Unquoted shares in Malaysia companies, at cost		
– ordinary shares	**8,972,974**	7,128,500
– preference shares	**–**	413,687
Unquoted shares in companies outside Malaysia, at cost	**7,167**	7,167
	8,980,141	7,549,354
Accumulated impairment loss on subsidiaries	**(197,702)**	(198,444)
	8,782,439	7,350,910

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 2008 %	Effective equity interest 2007 %	Principal activities
RHB Bank Berhad[1]	Malaysia	3,318,085,121	**100**	100	Commercial banking
RHB Islamic Bank Berhad	Malaysia	523,424,002	**100**	100	Islamic Banking
RHB Bank (L) Ltd	Malaysia	USD54,000,000	**100**	100	Offshore banking
RHB International Trust (L) Ltd	Malaysia	USD40,000	**100**	100	Offshore trust company
RHB Corporate Services Sdn Bhd	Malaysia	150,000	**100**	100	Corporate secretarial services

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest 2008 %	Effective equity interest 2007 %	Principal activities
RHB Capital Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	**100**	100	Nominee services for Malaysian beneficial shareholders
RHB Capital Nominees (Asing) Sdn Bhd	Malaysia	10,000	**100**	100	Nominee services for foreign beneficial shareholders
RHB Investment Ltd[2]	Singapore	S$19,000,000	**100**	100	Property investment and rental
Banfora Pte Ltd[2]	Singapore	S$25,000,000	**100**	100	Property investment and rental
RHB Bank Nominees Pte Ltd[2]	Singapore	S$100,000	**100**	100	Nominee services
RHB Leasing Sdn Bhd	Malaysia	10,000,000	**100**	100	Leasing
RHB Trade Services Limited[3]	Hong Kong	HK$2	**100**	100	Processing of letters of credit reissuance favouring Hong Kong beneficiaries
RHB Capital Properties Sdn Bhd	Malaysia	21,800,000	**100**	100	Property investment
Utama Assets Sdn Bhd	Malaysia	2,300,000	**100**	100	Property investment
RHB Investment Bank Berhad	Malaysia	263,646,000	**100**	100	Investment banking
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
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	Malaysia	10,000,000	**100**	100	Asset management services and management of unit trust funds

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest 2008 %	Effective equity interest 2007 %	Principal activities
RHB Research Institute Sdn Bhd	Malaysia	500,000	**100**	100	Research services
RHB Private Equity Holdings Sdn Bhd	Malaysia	11,650,002	**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 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[4]	Malaysia	20,000,000	**100**	100	Equity related services
RHB Capital (Jersey) Limited	Jersey, Channel Islands	GBP4,012	**100**	100	Investment holding
RHB Capital Berhad's dormant subsidiaries					
RHB Bena Sdn Bhd[5]	Malaysia	5,000,000	**–**	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[5]	Malaysia	10,000	**–**	100	Dormant
Kwong Yik Nominees (Asing) Sdn Bhd[5]	Malaysia	10,000	**–**	100	Dormant
KYB Trust Management Sdn Bhd[5]	Malaysia	2	**–**	100	Dormant

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest 2008 %	Effective equity interest 2007 %	Principal activities
RHB Capital Berhad's dormant subsidiaries (continued)					
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[5]	Malaysia	100,000	**–**	100	Dormant
KYB Sdn Bhd	Malaysia	1,735,137,489	**100**	100	Dormant
Rashid Hussain Securities (Philippines) Inc[2,6]	Philippines	PHP180,000,000	**100**	100	Dormant
PT Rashid Hussain Securities[2,7]	Indonesia	IDR35,000,000,000	**85**	85	Dormant
RHB Bank's dormant subsidiaries					
UMBC Sdn Bhd	Malaysia	499,999,818	**100**	100	Dormant
RHB Delta Sdn Bhd	Malaysia	175,000,000	**100**	100	Dormant
USB Nominees Sdn Bhd[8]	Malaysia	10,000	**100**	100	Dormant
USB Nominees (Tempatan) Sdn Bhd[8]	Malaysia	10,000	**100**	100	Dormant
USB Nominees (Asing) Sdn Bhd[8]	Malaysia	10,000	**100**	100	Dormant
RHB Delta Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	**100**	100	Dormant
INFB Jaya Sdn Bhd[8]	Malaysia	50,000,000	**100**	100	Dormant
Utama Gilang Sdn Bhd	Malaysia	800,000,000	**100**	100	Dormant
U.B. Nominees (Tempatan) Sdn Bhd[8]	Malaysia	10,000	**100**	100	Dormant

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest 2008 %	Effective equity interest 2007 %	Principal activities
RHB Investment Bank's dormant subsidiaries					
RHB Venture Capital Sdn Bhd	Malaysia	2	**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
RHB Unit Trust Management Berhad	Malaysia	5,000,000	**100**	100	Dormant

Notes:

1 On 27 March 2008, the entire RHB Bank's INCPS of 1,368,099,145 was converted into new ordinary shares of RM0.50 each.

2 Subsidiaries audited by overseas firms associated with PricewaterhouseCoopers, Malaysia.

3 Subsidiary not audited by PricewaterhouseCoopers.

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

5 The company has commenced members' voluntary winding up on 26 November 2007 and has accordingly been dissolved on 23 September 2008.

6 The company has ceased operations effective from the close of business on 10 December 2001.

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

8 The company has commenced members' voluntary winding up on 25 March 2008 and has accordingly been dissolved on 22 January 2009.

15 INVESTMENTS IN ASSOCIATES

	Group 2008 RM'000	Group 2007 RM'000
Balance as at the beginning of the financial year	**15,533**	15,289
Share of post acquisition results	**424**	218
Additional investment	**–**	26
Disposal of an associate	**(4,820)**	–
Balance as at the end of the financial year	**11,137**	15,533

The details of the associates are as follows:

Name of company	Country of incorporation	Paid-up share capital	Effective equity interest 2008 %	Effective equity interest 2007 %	Principal activities
Positive Properties Sdn Bhd	Malaysia	RM23,192,000	**50**	50	Property investment
CMS Trust Management Berhad[1]	Malaysia	RM6,765,300	**–**	49	Management of unit trust funds

Note:

1 The equity interest in the company has been disposed on 10 March 2008 for a total consideration of approximately RM7,069,000.

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 after taxation RM'000
2008	**11,170**	**33**	**543**	**424**
2007	30,213	14,680	7,090	218

16 INVESTMENTS IN JOINT VENTURE

	Group 2008 RM'000	Group 2007 RM'000
Share of net assets of the joint venture	**12,145**	–
Premium on acquisition	**14,204**	–
	26,349	–

The Group's share of post acquisition income and expenses, assets and liabilities of the joint venture are as follows:

	Group 2008 RM'000	Group 2007 RM'000
Income	**25**	–
Expenses	**(89)**	–
Net losses for the year	**(64)**	–
Non-current assets	**319**	–
Current assets	**12,640**	–
Current liabilities	**(814)**	–
Net assets	**12,145**	–

There are no capital commitments or contingent liabilities relating to the Group's interest in joint venture as at 31 December 2008.

The details of the joint venture entity are as follows:

Name of company	Country of incorporation	Paid-up share capital	Effective equity interest 2008 %	Effective equity interest 2007 %	Principal activities
Vietnam Securities Corporation	Vietnam	VND135 billion	**49**	–	Stockbroking business and corporate finance advisory

17 PREPAID LAND LEASE

Group	Leasehold land Less than 50 years RM'000	Leasehold land 50 years or more RM'000	Total RM'000
2008			
Cost			
Balance as at the beginning of the financial year	**1,047**	**125,576**	**126,623**
Exchange difference	**–**	**4,340**	**4,340**
Reclassification	**379**	**–**	**379**
Balance as at the end of the financial year	**1,426**	**129,916**	**131,342**
Accumulated amortisation			
Balance as at the beginning of the financial year	**468**	**4,642**	**5,110**
Charge for the financial year	**35**	**475**	**510**
Exchange difference	**–**	**9**	**9**
Reclassification	**106**	**–**	**106**
Balance as at the end of the financial year	**609**	**5,126**	**5,735**
Accumulated impairment loss			
Balance as at the beginning of the financial year	**–**	**21,919**	**21,919**
Exchange difference	**–**	**909**	**909**
Balance as at the end of the financial year	**–**	**22,828**	**22,828**
Carrying amount as at the end of the financial year	**817**	**101,962**	**102,779**

	Less than 50 years	50 years or more
Future amortisation of prepaid land lease are as follows:		
– Not later than one year	**35**	**474**
– Later than one year and not later than five years	**141**	**1,898**
– More than five years	**641**	**122,418**
	817	**124,790**

17 PREPAID LAND LEASE (CONTINUED)

Group	Leasehold land Less than 50 years RM'000	Leasehold land 50 years or more RM'000	Total RM'000
2007			
Cost			
Balance as at the beginning of the financial year	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	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	–	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

18 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land 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
2008							
Cost							
Balance as at the beginning of the financial year	145,333	495,590	177,272	768,295	220,599	19,085	1,826,174
Additions	–	44	29,183	75,276	3,635	604	108,742
Disposals	–	–	–	(96)	(42)	(560)	(698)
Written off	–	–	(375)	(3,179)	(2,725)	(176)	(6,455)
Exchange difference	67	2,297	486	508	328	(12)	3,674
Reclassifications	–	(379)	(1,744)	–	1,744	–	(379)
Balance as at the end of the financial year	145,400	497,552	204,822	840,804	223,539	18,941	1,931,058
Accumulated depreciation							
Balance as at the beginning of the financial year	–	96,181	127,159	613,747	204,025	14,221	1,055,333
Charge for the financial year	–	9,937	8,038	50,239	8,577	1,913	78,704
Disposals	–	–	–	(96)	(33)	(526)	(655)
Written off	–	–	(375)	(3,177)	(2,649)	(176)	(6,377)
Exchange difference	–	574	373	580	307	7	1,841
Reclassifications	–	(106)	–	–	–	–	(106)
Balance as at the end of the financial year	–	106,586	135,195	661,293	210,227	15,439	1,128,740

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land 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
2008							
Accumulated impairment loss							
Balance as at the beginning of the financial year	**1,136**	**4,313**	**–**	**4,601**	**–**	**–**	**10,050**
Addtions	**188**	**–**	**–**	**–**	**–**	**–**	**188**
Exchange difference	**–**	**34**	**–**	**–**	**–**	**–**	**34**
Balance as at the end of the financial year	**1,324**	**4,347**	**–**	**4,601**	**–**	**–**	**10,272**
Net book value as at the end of the financial year	**144,076**	**386,619**	**69,627**	**174,910**	**13,312**	**3,502**	**792,046**

Included in the property, plant and equipment of the Group are assets held for sale amounting to RM1,356,626 (2007: NIL). The fair value of these assets as at 31 December 2008 is RM2,578,002 (2007: NIL).

Group	Freehold land 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
2007							
Cost							
Balance as at the beginning of the financial year	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

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	**Freehold land 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**
2007							
Accumulated depreciation							
Balance as at the beginning of the financial year	–	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	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

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included in the freehold land and buildings of the Group is a property at net book value of RM247,628,852 (2007: RM252,484,946) belonging to a wholly-owned subsidiary which has been charged as collateral for the Company's borrowings as at 31 December 2008.

The above property, plant and equipment include the following assets under construction:

	Group	
	2008 RM'000	2007 RM'000
At cost		
Renovations	**34,773**	14,455
Computer equipment and software	**55,869**	34,392
	90,642	48,847

Company	Computer equipment and software RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
2008					
Cost					
Balance as at the beginning of the financial year	**366**	**572**	**2,156**	**242**	**3,336**
Additions	**53**	**14**	**–**	**102**	**169**
Disposal	**–**	**(9)**	**–**	**–**	**(9)**
Balance as at the end of the financial year	**419**	**577**	**2,156**	**344**	**3,496**
Accumulated depreciation					
Balance as at the beginning of the financial year	**247**	**336**	**1,941**	**139**	**2,663**
Charge for the financial year	**69**	**113**	**215**	**68**	**465**
Disposal	**–**	**(5)**	**–**	**–**	**(5)**
Balance as at the end of the financial year	**316**	**444**	**2,156**	**207**	**3,123**
Net book value as at the end of the financial year	**103**	**133**	**–**	**137**	**373**

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Computer equipment and software RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
2007					
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

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Accumulated depreciation and impairment loss				
Balance as at the beginning of the financial year	**1,065,383**	988,056	**2,663**	2,003
Balance as at the end of the financial year	**1,139,012**	1,065,383	**3,123**	2,663

Included in the net book value of motor vehicles of the Company is an amount of NIL (2007: RM215,000) which is purchased under hire-purchase arrangement.

19 GOODWILL

	Group	
	2008	**2007**
	RM'000	**RM'000**
Balance as at the beginning of the financial year	**3,283,953**	1,167,513
Arising from acquisition of ordinary and preference shares from the minorities of a subsidiary	**–**	2,116,440
Arising from conversion of INCPS into subsidiary's ordinary shares	**502,216**	–
Balance as at the end of the financial year	**3,786,169**	3,283,953

The carrying amounts of goodwill allocated to the Group's CGU are as follows:

	Group	
	2008	**2007**
	RM'000	**RM'000**
CGU		
Corporate and Investment Banking	**778,339**	688,816
Retail Banking	**1,379,242**	1,185,404
Treasury and money market	**1,366,164**	1,195,412
Islamic Banking business	**258,570**	210,467
Others	**3,854**	3,854
	3,786,169	3,283,953

Due to the Group Transformation Programme undertaken by the Group during the financial year:

(i) the commercial banking business units which formed part of wholesale banking business in previous financial year has been re-organised into retail banking business. As such, the amount of goodwill allocated to commercial banking business of RM174,777,000 has been re-allocated to retail banking CGU during the financial year; and

(ii) wholesale banking has been re-named as Corporate and Investment Banking business during the financial year.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets/forecasts approved by directors covering a four-year (2007: three-year) period. Cash flows beyond the four-year period are assumed to grow at 3.0% (2007: 2.5%) 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:

19 GOODWILL (CONTINUED)

	Discount rate	
	2008	2007
	%	%
CGU		
Corporate and Investment Banking	**9.4**	9.8
Retail Banking	**8.1**	9.8
Treasury and money market	**9.5**	10.9
Islamic Banking business	**8.1**	9.8
Others	**8.1**	13.6

The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Impairment was not required for goodwill arising from all the business segments. Management believes that any reasonable possible change to the assumptions applied is not likely to cause the recoverable amount of all the business segments to be lower than its carrying amount.

20 DEPOSITS FROM CUSTOMERS

	Group	
	2008	2007
	RM'000	RM'000
Demand deposits	**17,241,377**	17,106,591
Savings deposits	**5,393,709**	5,153,557
Fixed deposits	**50,963,753**	52,971,787
Negotiable instrument of deposits	**363,385**	561,296
	73,962,224	75,793,231

(a) The maturity structure of fixed deposits and negotiable instrument of deposits is as follows:

Due within six months	**42,907,683**	46,186,525
Six months to one year	**7,731,280**	6,738,982
One year to three years	**680,983**	389,541
Three years to five years	**7,192**	218,035
	51,327,138	53,533,083

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

Government and statutory bodies	**5,419,837**	4,734,585
Business enterprises	**41,155,294**	45,436,540
Individuals	**24,644,304**	23,477,921
Others	**2,742,789**	2,144,185
	73,962,224	75,793,231

21 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2008 RM'000	2007 RM'000
Licensed banks	**5,216,205**	3,757,638
Licensed investment banks	**262,650**	458,605
BNM	**888,472**	2,205,622
Other financial institutions	**2,314,820**	2,248,466
	8,682,147	8,670,331

22 CLIENTS' AND BROKERS' BALANCES

Included in clients' and brokers' balances are clients' trust balances held by a subsidiary in trust of RM211,995,000 (2007: RM181,537,000).

23 OTHER LIABILITIES

		Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Accrued interest payable		**446,528**	469,417	**49,052**	30,416
Other creditors and accruals		**511,556**	673,519	**4,222**	6,605
General insurance fund	(a)	**184,196**	157,972	**–**	–
Short term employee benefits		**182,654**	134,108	**–**	–
Lessee deposits		**79,704**	85,260	**–**	–
Prepaid instalment		**82,327**	71,352	**–**	–
Remisiers' trust deposits		**9,579**	12,761	**–**	–
Amount due to Danaharta	(b)	**1,782**	1,828	**–**	–
Hire-purchase creditors	(c)	**146**	706	**146**	706
Amount payable for creation of units due to funds		**298**	–	**–**	–
		1,498,770	1,606,923	**53,420**	37,727

23 OTHER LIABILITIES (CONTINUED)

	Group 2008 RM'000	Group 2007 RM'000
(a) General insurance fund		
Provision for outstanding claims	**119,236**	99,252
Unearned premium reserve	**64,960**	58,720
	184,196	157,972

(b) 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.

(c) Hire-purchase creditors

	Group and Company 2008 RM'000	Group and Company 2007 RM'000
Minimum lease payment		
– not later than one year	**149**	405
– later than one year and not later than two years	**–**	338
	149	743
Future finance charges on hire-purchase	**(3)**	(37)
Present value of hire-purchase creditors	**146**	706
Current	**146**	376
Non-current	**–**	330
	146	706
Present value of hire-purchase creditors		
– not later than one year	**146**	376
– later than one year and not later than two years	**–**	330
	146	706

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% (2007: 5.40%) per annum.

24 BORROWINGS

		Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Secured:					
Revolving credits	(a)	**20,000**	20,000	**20,000**	20,000
Term loans	(a)	**240,000**	240,000	**240,000**	240,000
Unsecured:					
Revolving credits	(b)	**743,800**	–	**743,800**	–
Term loans:					
RM Term loans	(c(i))	**750,000**	396,000	**750,000**	396,000
USD Term loans	(c(ii))	**655,975**	330,700	**–**	–
Overdrafts	(d)	**870**	30	**870**	30
RM600 million 6 years Serial Fixed Rate Bonds	(e)	**597,927**	596,363	**597,927**	596,363
RM350 million Fixed Rate Bonds	(f)	**343,962**	342,584	**343,962**	342,584
RM150 million 7 years Commercial Papers/Medium Term Notes	(g)	**80,000**	–	**80,000**	–
		3,432,534	1,925,677	**2,776,559**	1,594,977

Schedule repayment of borrowings:				
Within one year	**230,195**	689,099	**195,670**	656,029
One year to three years	**2,277,764**	364,884	**2,156,927**	298,744
Three years to five years	**562,062**	706,344	**423,962**	640,204
Over five years	**362,513**	165,350	**–**	–
	3,432,534	1,925,677	**2,776,559**	1,594,977

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 (2007: RM20,000,000) and RM240,000,000 (2007: 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 (2007: RM1,500,000) and RM420,000 (2007: RM407,000) respectively;
(iii) assignment of rental proceeds from the said property; and
(iv) corporate guarantee by a subsidiary of RM240,000,000 (2007: RM240,000,000).

The secured revolving credit facilities and term loans bear interest at rates ranging from 4.19% to 4.84% (2007: 4.18% to 5.22%) and 4.30% to 4.45% (2007: 4.00% to 6.75%) per annum respectively.

(b) Revolving credits (unsecured)

The unsecured revolving credit facilities of RM743,800,000 (2007: RMNIL) bear interest at rates ranging from 4.20% to 5.40% (2007: NIL) per annum.

24 BORROWINGS (CONTINUED)

(c) Term loans (unsecured)

(i) RM Term loans

The unsecured term loans of the Company bears interest at the rate of 4.41% (2007: 4.20%) per annum.

(ii) USD Term loans

On 7 April 2006, RHB Bank, a wholly-owned subsidiary, entered into an agreement with Japan Bank for International Cooperation (JBIC), to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 11 years. Disbursement of USD50 million and USD30 million were done on 29 June 2006 and 20 October 2006 respectively. Final disbursement of USD20 million was done on 31 January 2007. The said loan is repayable on 8 March and 8 September each year for 20 equal instalments commencing on 8 March 2008 until 8 September 2017 and bears a floating interest rate of British Bankers Association Interest Settlement Rate in USD (BBA LIBOR) plus 0.395% per annum. The average interest rates ranging from 3.17% to 5.96% (2007: 5.69% to 5.96%) per annum.

On 24 March 2008, RHB Bank entered into agreement with JBIC to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 10 years. Disbursement of USD100 million was done on 30 May 2008. The said loan is repayable on 8 March and 8 September each year for 20 equal instalments commencing 8 September 2010 to 8 March 2020 and bears a floating interest rate of BBA LIBOR plus 0.315% per annum. The average interest rate ranging from 3.17% to 5.96% per annum.

(d) Overdrafts (unsecured)

The unsecured overdrafts bear interest at rates ranging from 7.05% to 8.05% (2007: 8.05% to 8.80%) 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.

(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.

(g) RM150 million 7 years Commercial Papers/Medium Term Notes

On 30 September 2008, the Company issued RM80 million nominal value Commercial Papers, with a tenure of 6 months, at a discount rate of 4.40% per annum.

25 SUBORDINATED OBLIGATIONS

		Group	
		2008	2007
		RM'000	RM'000
6.625% USD150 million Tier II Subordinated Notes 2002/2013	(a)	**–**	495,000
5.0% RM1,300 million Tier II Subordinated Notes 2007/2017	(b)	**1,300,000**	1,275,000
5.5% RM700 million Tier II Subordinated Notes 2007/2022	(b)	**700,000**	700,000
5.3% RM200 million Tier II Subordinated Notes 2007/2017	(c)	**195,000**	195,000
5.5% RM45 million Tier II Subordinated Notes 2008/2018	(d)	**45,000**	–
		2,240,000	2,665,000

(a) 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.

RHB Bank had exercised its option to fully redeem the Sub-Notes on 25 January 2008.

(b) 5.0% RM1,300 million Tier II Subordinated Notes 2007/2017 and 5.5% RM700 million Tier II 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

25 SUBORDINATED OBLIGATIONS (CONTINUED)

(b) 5.0% RM1,300 million Tier II Subordinated Notes 2007/2017 and 5.5% RM700 million Tier II Subordinated Notes 2007/2022 (continued)

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

The RM Subordinated Notes constitute direct unsecured obligations of 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.

(c) 5.3% RM200 million Tier II Subordinated Notes 2007/2017

On 10 December 2007, RHB Investment Bank, a wholly-owned subsidiary, 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 were 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 annually at 0.5% per annum. Coupon payments are payable semi-annually in arrears, with the last payment to be made on the maturity date.

(d) 5.5% RM45 million Tier II Subordinated Notes 2008/2018

On 21 April 2008, RHB Investment Bank has successfully issued the remaining RM45 million nominal value of the Subordinated Notes ('Sub-Notes') at par and qualify as Tier II Capital of RHB Investment Bank for the purpose of BNM's capital adequacy requirement.

The Sub-Notes proceeds raised were utilised for RHB Investment Bank's general working capital.

The coupon for Sub-Notes shall be accrued at the rate of 5.50% per annum and commencing from the beginning of the sixth year from the issue date, the coupon rate shall be stepped up annually at 0.50% per annum. Coupon payments are payable semi-annually in arrears, with the last payment to be made on maturity date.

26 IRREDEEMABLE NON-CUMULATIVE CONVERTIBLE PREFERENCE SHARES ('INCPS')

At the end of previous financial year, the Company had received valid acceptances from two INCPS holders totalling 100,038,329 INCPS for a purchase consideration of RM150,058,000.

The Company had on 7 March 2008 completed the purchase of the above transaction and now owned all outstanding INCPS of RHB Bank. Subsequent to the acquisition, the Company had informed RHB Bank to convert its entire holding in INCPS into new ordinary shares of RHB Bank. The conversion was completed on 27 March 2008 (Refer to Note 47(a)). The increase in equity holding of RHB Bank is shown in Note 14 as increase in cost of investments in subsidiary.

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

  (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.

27 SHARE CAPITAL

	Company 2008 RM'000	Company 2007 RM'000
Ordinary shares of RM1.00 each		
Authorised:		
Balance as at the beginning/end of the financial year	**2,500,000**	2,500,000
Issued and fully paid:		
Balance as at the beginning of the financial year	**2,153,475**	1,823,475
Issued during the financial year	**–**	330,000
Balance as at the end of the financial year	**2,153,475**	2,153,475

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 translation reserves comprises all foreign exchange differences from the translation of the financial statements of foreign subsidiaries and joint venture.

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

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.

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 RM1,287,000,000 (2007: RM1,420,000,000) and RM183,000,000 (2007: RM183,000,000) respectively out of its retained profits as at 31 December 2008.

29 INTEREST INCOME

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Loans, advances and financing				
– interest income other than recoveries from non-performing loans	**3,179,874**	3,053,133	**–**	–
– recoveries from non-performing loans	**183,907**	194,819	**–**	–
Money at call, deposits and placements with financial institutions	**748,386**	692,206	**1,465**	1,526
Securities purchased under resale agreements	**37,932**	105,592	**–**	–
Securities held-for-trading	**170,359**	177,521	**–**	–
Securities AFS	**227,644**	368,874	**–**	–
Securities held-to-maturity	**279,486**	308,226	**–**	–
Others	**16,629**	63,271	**–**	45,402
	4,844,217	4,963,642	**1,465**	46,928
Accretion of discount less amortisation of premium	**14,484**	(2,109)	**–**	–
Interest suspended	**(86,641)**	(94,212)	**–**	–
	4,772,060	4,867,321	**1,465**	46,928

30 INTEREST EXPENSE

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deposits and placements of banks and other financial institutions	**249,680**	383,907	**–**	–
Deposits from customers	**1,914,593**	1,796,900	**–**	–
Obligations on securities sold under repurchase agreements	**9**	211,843	**–**	–
Borrowings	**168,016**	112,348	**148,515**	92,455
Subordinated obligations	**119,081**	110,785	**–**	–
Recourse obligation on loans sold to Cagamas	**72,982**	111,900	**–**	–
Others	**31,356**	40,729	**909**	3,063
	2,555,717	2,768,412	**149,424**	95,518

31 OTHER OPERATING INCOME

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Fee income				
Service charges and fees	**163,762**	160,136	**–**	–
Commission	**116,977**	119,459	**–**	–
Brokerage	**63,221**	122,046	**–**	–
Commitment fees	**46,487**	43,419	**–**	–
Guarantee fees	**50,858**	45,361	**–**	–
Unit trust fee income	**2,895**	39,032	**–**	–
Corporate advisory fees	**12,483**	15,186	**–**	–
Underwriting and arrangement fees	**22,888**	16,553	**–**	–
Fund management fees	**19,711**	10,607	**–**	–
Other fee income	**20,691**	18,181	**–**	–
	519,973	589,980	**–**	–
Net gain/(loss) arising from sale/ redemption of securities and derivatives				
Net gain/(loss) from sale of				
– securities held-for-trading	**73,229**	82,719	**–**	–
– securities AFS	**(3,490)**	23,084	**–**	–
Net gain from redemption of				
– securities held-to-maturity	**2,305**	2,943	**–**	–
Derivatives	**1,976**	(1,000)	**–**	–
	74,020	107,746	**–**	–
Unrealised gain/(loss) on revaluation of securities and derivatives				
Securities held-for-trading	**(44,481)**	(55,183)	**–**	–
Derivatives	**(1,355)**	5,168	**–**	–
	(45,836)	(50,015)	**–**	–

31 OTHER OPERATING INCOME (CONTINUED)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Gross dividend income from				
Securities held-for-trading	**2,604**	2,396	**–**	–
Securities AFS	**9,378**	6,259	**–**	–
Securities held-to-maturity	**133**	–	**–**	–
Subsidiaries	**–**	–	**294,944**	1,343,131
	12,115	8,655	**294,944**	1,343,131
Other income				
Foreign exchange gain/(loss)				
– realised	**261,866**	252,764	**–**	–
– unrealised	**14,491**	(35,520)	**1,737**	452
Underwriting surplus before management expenses	**40,501**	30,922	**–**	–
Net gain/(loss) on disposal of property, plant and equipment	**98**	842	**(4)**	1
Rental income	**3,700**	3,484	**–**	–
Gain/(Loss) on liquidation of subsidiaries	**–**	(398)	**(118)**	1,766
Gain on disposal of an associate	**2,249**	–	**–**	–
Waiver of debts by a subsidiary	**–**	–	**–**	25,761
Other operating income	**52,027**	41,938	**491**	1,088
Other non-operating income	**12,500**	10,779	**–**	–
	387,432	304,811	**2,106**	29,068
	947,704	961,177	**297,050**	1,372,199

32 INCOME FROM ISLAMIC BANKING BUSINESS

	Group	
	2008 RM'000	2007 RM'000
Income derived from investment of depositors' fund	**399,972**	372,443
Income derived from investment of shareholders' fund	**54,964**	106,729
	454,936	479,172
Transfer from PER	**2,163**	10,943
	457,099	490,115
Income attributable to depositors	**(176,092)**	(161,792)
	281,007	328,323

33 OTHER OPERATING EXPENSES

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Personnel costs				
Salaries, bonus, wages and allowances	**717,375**	629,008	**8,692**	8,033
Defined contribution plan	**106,414**	91,331	**1,210**	919
Other staff related costs	**62,350**	98,362	**1,231**	1,543
	886,139	818,701	**11,133**	10,495
Establishment costs				
Property, plant and equipment				
– depreciation	**78,704**	91,668	**465**	662
– written off	**78**	123	**–**	–
Amortisation of prepaid land lease	**510**	499	**–**	–
Information technology expenses	**87,383**	93,283	**12**	104
Repair and maintenance	**47,325**	46,937	**340**	484
Rental of premises	**35,442**	32,016	**1,219**	1,413
Water and electricity	**17,728**	15,635	**57**	43
Rental of equipment	**12,681**	11,435	**54**	47
Insurance	**10,462**	12,201	**3**	3
Others	**7,870**	8,870	**–**	–
	298,183	312,667	**2,150**	2,756
Marketing expenses				
Dealers' handling fee	**5,359**	18,648	**–**	–
Advertisements and publicity	**38,200**	42,446	**1,359**	1,936
Sales commission	**41,342**	44,960	**–**	–
Others	**67,417**	79,373	**12,351**	1,877
	152,318	185,427	**13,710**	3,813
Administration and general expenses				
Auditors' remuneration				
– statutory audit				
– Malaysia	**1,383**	1,709	**155**	195
– overseas	**517**	622	**–**	–
– non-audit	**1,121**	1,134	**100**	113
Communication expenses	**76,285**	71,700	**269**	403
Legal and professional fee	**11,778**	32,591	**2,709**	25,629
Others	**85,281**	81,158	**326**	1,754
	176,365	188,914	**3,559**	28,094
	1,513,005	1,505,709	**30,552**	45,158

Included in the personnel costs of the Group and the Company are directors' remuneration (excluding estimated monetary value of benefits-in-kind) totalling RM5,509,000 (2007: RM2,573,000) and RM572,000 (2007: RM699,000) respectively as disclosed in Note 34.

34 DIRECTORS' REMUNERATION

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Managing director				
Salaries, bonus and other remuneration	**3,870**	447	**–**	–
Estimated monetary value of benefits-in-kind	**296**	70	**–**	–
	4,166	517	**–**	–
Non-executive directors				
Fees	**1,054**	1,258	**336**	334
Other remuneration	**585**	868	**236**	365
Estimated monetary value of benefits-in-kind	**–**	35	**–**	–
	1,639	2,161	**572**	699
	5,805	2,678	**572**	699

The remuneration attributable to the Group Managing director of the Group, including benefits-in-kind during the financial year amounted to RM4,166,000 (2007: RM517,000 is in respect of period from the date of appointment to 31.12.2007). 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	
	2008 RM'000	2007 RM'000
Specific allowance		
– made during the financial year	**937,219**	1,061,428
– written back	**(214,613)**	(409,575)
	722,606	651,853
General allowance		
– made during the financial year	**104,997**	24,567
Bad debts		
– written off	**5**	475
– recovered	**(330,459)**	(100,102)
Write-back on amount recoverable from Danaharta	**–**	(3,167)
Specific allowance for other debtors	**2,447**	489
	499,596	574,115

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 RM130,064,000 (2007: RM107,636,000).

36 IMPAIRMENT LOSS

	Group	
	2008 RM'000	**2007 RM'000**
Charge for the financial year		
– securities AFS	**27,313**	80,581
– securities held-to-maturity	**–**	27,957
– property, plant and equipment	**188**	–
– foreclosed properties	**93**	–
	27,594	108,538
Reversal for the financial year		
– securities AFS	**(4,201)**	(29,978)
– securities held-to-maturity	**(13,029)**	(16,267)
	(17,230)	(46,245)
	10,364	62,293

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

	Group	
	2008 RM'000	**2007 RM'000**
INCPS dividends paid and payable		
– NIL (2007: 10%) per annum (gross)	**–**	109,597

The INCPS dividends are paid in accordance with the terms of the INCPS (as disclosed in Note 26).

38 TAXATION

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Income tax based on profit for the financial year				
– Malaysian income tax	**389,799**	350,864	**29,463**	343,685
– overseas tax	**4,116**	5,900	**–**	–
Deferred tax (Note 13)	**(21,936)**	(8,838)	**–**	(29)
Tax on INCPS dividends	**–**	(29,613)	**–**	–
	371,979	318,313	**29,463**	343,656
Under/(Over) provision in respect of prior years	**715**	(3,465)	**159**	–
	372,694	314,848	**29,622**	343,656
Current tax				
Current year	**393,915**	327,151	**29,463**	343,685
Under/(Over) provision in respect of prior years	**715**	(3,465)	**159**	–
	394,630	323,686	**29,622**	343,685
Deferred tax				
Origination and reversal of temporary differences	**(21,936)**	(14,205)	**–**	(29)
Change in tax rate	**–**	9,298	**–**	–
Reversal of previously recognised deferred tax assets	**–**	(3,931)	**–**	–
	(21,936)	(8,838)	**–**	(29)
Tax expense	**372,694**	314,848	**29,622**	343,656

38 TAXATION (CONTINUED)

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	
	2008	2007	**2008**	2007
	%	%	**%**	%
Tax at Malaysian statutory tax rate	**26.0**	27.0	**26.0**	27.0
Tax effects in respect of:				
Effect of different tax rate in Labuan/ other countries	**(0.7)**	(1.0)	**–**	–
Non taxable income	**(1.1)**	(0.9)	**(10.0)**	(0.6)
Non allowable expenses	**1.6**	2.8	**8.9**	0.5
Under/(Over) provision in respect of prior years	**–**	(0.3)	**0.1**	–
Other temporary differences not recognised in prior years	**0.4**	(0.7)	**–**	–
Change in tax rate	**–**	0.8	**–**	–
	26.2	27.7	**25.0**	26.9

	Group	
	2008	2007
	RM'000	RM'000
Tax savings as a result of the utilisation of tax losses brought forward from previous years from which the related credit is recognised during the financial year	**2,750**	5,165

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	
	2008	2007
	RM'000	RM'000
Profit attributable to equity holders of the Company (RM'000)	**1,048,734**	712,930
Issued ordinary shares at 1 January ('000)	**2,153,475**	1,823,475
Effect of shares issued on 2 July 2007 ('000)	**–**	165,452
Weighted average number of ordinary shares in issue ('000)	**2,153,475**	1,988,927
Basic earnings per share (sen)	**48.7**	35.8

39 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

31 December 2008

There were no dilutive potential ordinary shares outstanding as at 31 December 2008.

31 December 2007

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 2008 are as follows:

	Group and Company			
	2008		2007	
	Gross dividend per share	Amount of dividends, net of tax	Gross dividend per share	Amount of dividends, net of tax
Ordinary shares				
Interim dividend	**9.0%**	**143,421**	5.0%	78,602
Proposed final dividend	**10.6%**	**171,199**	8.6%	137,048
	19.6%	**314,620**	13.6%	215,650

At the forthcoming Annual General Meeting, a final gross dividend in respect of the current financial year of 10.6% less 25% tax amounting to RM171,199,000 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 2009 when approved by the shareholders.

Dividends recognised as distribution to ordinary equity holders of the Company:

	Group and Company			
	2008		2007	
	Gross dividend per share	Amount of dividends, net of tax	Gross dividend per share	Amount of dividends, net of tax
Ordinary shares				
Interim dividend	**9.0%**	**143,421**	5.0%	78,602
Final dividend for 2007/2006	**8.6%**	**137,048**	6.0%	79,868
	17.6%	**280,469**	11.0%	158,470

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	2008 Principal amount RM'000	2008 Credit equivalent amount* RM'000	2008 Risk weighted amount RM'000	2007 Principal amount RM'000	2007 Credit equivalent amount* RM'000	2007 Risk weighted amount RM'000
Direct credit substitutes	**2,389,294**	**2,389,294**	**2,024,897**	1,934,342	1,934,342	1,735,900
Transaction-related contingent items	**2,119,930**	**1,059,966**	**766,891**	2,148,577	937,788	630,851
Short term self-liquidating trade-related contingencies	**1,694,141**	**338,829**	**221,320**	2,591,345	518,269	345,287
Obligations under underwriting agreements	**399,900**	**199,950**	**164,815**	577,900	213,620	213,620
Other asset sold with recourse and commitment with certain drawdown	**41,544**	**41,544**	**8,309**	2,514	–	–
Irrevocable commitments to extend credit						
– maturity not exceeding one year	**25,933,455**	**282,115**	**281,034**	25,146,610	–	–
– maturity exceeding one year	**4,958,351**	**2,479,176**	**2,250,946**	3,998,690	1,999,345	1,807,986
Foreign exchange-related contracts						
– less than one year	**9,344,283**	**229,785**	**82,948**	9,267,919	163,635	46,240
– one year to less than five years	**9,364**	**1,063**	**396**	8,970	1,153	412
– more than five years	**1,381,000**	**204,225**	**71,014**	925,960	161,555	66,503
Interest rate-related contracts						
– less than one year	**2,009,714**	**4,342**	**1,014**	2,867,590	5,174	1,185
– one year to less than five years	**8,625,522**	**438,681**	**90,956**	5,657,810	125,013	29,552
– more than five years	**449,215**	**48,583**	**10,463**	347,060	26,981	6,231
Others	**1,379,211**	**3,718**	**3,718**	1,133,627	–	–
	60,734,924	**7,721,271**	**5,978,721**	56,608,914	6,086,875	4,883,767

* 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.

For previous financial year, the credit equivalent amount ('CE') and risk weighted amount ('RWA') of the Group were computed in accordance with BNM's Guidelines on Risk Weighted Capital Adequacy Framework for Credit and Market (Basel I).

For the current financial year, the CE and RWA of the Group are an aggregate of CE and RWA of its commercial banking subsidiary, which is computed in accordance with Basel I, and the CE and RWA of its Islamic bank subsidiary and investment banking subsidiary, which is computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (CAFIB): Standardised Approach for Credit and Market Risk and BNM's Revised Capital Adequacy Framework: Standardised Approach for Credit and Market Risk (Basel II) respectively.

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	
	2008	**2007**
	RM'000	**RM'000**
Rental of premises		
Within one year	**31,127**	28,009
Between one to five years	**22,458**	16,359
More than five years	**4,367**	9
	57,952	44,377

43 CAPITAL COMMITMENTS

	Group	
	2008	**2007**
	RM'000	**RM'000**
Capital expenditure for property, plant and equipment:		
– authorised and contracted for	**57,092**	27,961
– authorised but not contracted for	**68,660**	77,565
	125,752	105,526

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
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 14	Subsidiaries
Key management personnel	The key management personnel of the Group and the Company consists of: – 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)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

(b) Significant related party balances and transactions

In addition to related party disclosures mentioned in Note 11, 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 in previous year, the ultimate holding body, are disclosed from 3 July 2007, which is the effective date of the commencement of the relationship.

44 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Group	Immediate and ultimate holding body RM'000	Key management personnel RM'000	Other related parties RM'000
2008			
Income			
Income on deposits and placements with banks and other financial institutions	–	–	120
Interest on loans, advances and financing	–	124	–
Insurance premium	–	28	874
Management fees	–	–	490
Brokerage fee	8,050	3	–
Fund management fees	3,177	–	–
	11,227	155	1,484
Expenses			
Interest on deposits from customers	100,827	305	5
Security service fees	–	–	193
Property management fees	–	–	615
Other expenses	–	–	67
	100,827	305	880
Amount due from			
Loans, advances and financing	–	5,681	293
Deposits and placements with banks and other financial institutions	–	–	3,000
Other assets	3	–	61
Fund management fees	688	–	–
	691	5,681	3,354
Amount due to			
Deposits from customers	2,563,342	18,118	16,761
Other liabilities	–	–	436
	2,563,342	18,118	17,197

44 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Group	Immediate and ultimate holding body RM'000	Key management personnel RM'000	Other related parties RM'000
2007			
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			
Deposits from customers	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

44 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Company	Immediate and ultimate holding body RM'000	Subsidiary companies RM'000	Other related parties RM'000
2008			
Income			
Interest on deposits and placements with other financial institutions	–	1,423	–
Management fees	–	–	490
	–	1,423	490
Expenses			
Rental of premises	–	1,219	–
Property management fees	–	–	77
Security service fees	–	–	33
Other expenses	–	16	–
	–	1,235	110
Amount due from			
Cash and short term funds	–	20,604	–
Inter-company balances	–	10,319	–
Other assets	–	–	29
	–	30,923	29
Amount due to			
Inter-company balances	–	153,093	–
Other liabilities	–	–	36
	–	153,093	36

44 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Company	Immediate and ultimate holding body RM'000	Subsidiary companies RM'000	Other related parties RM'000
2007			
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	–

44 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key Management Personnel

The remuneration of directors and other members of key management are as follows:

	Group		Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Short term employee benefits				
– fees	**1,054**	1,258	**336**	334
– salary and other remuneration	**13,187**	9,880	**2,700**	2,176
– benefits-in-kind	**420**	352	**53**	102
	14,661	11,490	**3,089**	2,612

The above includes directors' remuneration as disclosed in Note 34.

	Group	
	2008 RM'000	**2007 RM'000**
The approved limit on loans, advances and financing for key management personnel	**9,154**	2,621

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:

Corporate and Investment Banking

Corporate and Investment Banking ('CIB') 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.

45 SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format – by business segments (continued)

Corporate and Investment Banking (continued)

CIB also provide a full range of investment banking services (corporate finance, debt and equity capital market, stockbroking business, investment management services, unit trust funds management, futures and options broking and research services). Included under CIB 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.

Retail Banking

Retail Banking focuses on providing products and services to individual customers and small and medium sized enterprises. The products and services offered to customers include credit facilities (mortgages, hire-purchase financing, study loans, personal loans, trade finance and business loans), credit cards, remittance services, deposit collection, wealth management and insurance related products. This segment also includes lease financing activities carried out by RHB Leasing Sdn Bhd which is predominantly to middle market customers.

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. This segment also includes Funding Centre of RHB Bank.

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.

International Banking

International Banking focuses on providing banking related products and services tailored to the specific needs in foreign countries. Currently, the Group has established foreign operations in Singapore, Brunei and Thailand.

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.

45 SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format – by business segments (continued)

2008	Corporate and Investment Banking RM'000	Retail Banking RM'000	Treasury and money market RM'000	Islamic Banking business RM'000	International Banking RM'000	Others RM'000	Inter-segment elimination RM'000	Total RM'000
External revenue	1,110,160	2,742,100	1,605,604	281,007	225,955	35,945	–	6,000,771
Intersegment revenue	7,948	17,911	39,507	2,317	2,999	13,668	(84,350)	–
Segment revenue	1,118,108	2,760,011	1,645,111	283,324	228,954	49,613	(84,350)	6,000,771
Profit before unallocated expenses	305,232	808,120	576,295	171,441	29,409	1,426	–	1,891,923
Unallocated expenses								(469,834)
Profit after unallocated expenses								1,422,089
Share of results of associates								424
Share of results of joint venture								(64)
Profit before taxation								1,422,449
Taxation								(372,694)
Net profit for the financial year								1,049,755
Segment assets	19,591,195	37,833,908	30,430,197	9,422,015	6,159,908	303,041	–	103,740,264
Investments in associates								11,137
Investments in joint venture								26,349
Tax recoverable								94,929
Deferred tax assets								275,016
Unallocated assets								385,074
Total assets								104,532,769

45 SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format – by business segments (continued)

2008	Corporate and Investment Banking RM'000	Retail Banking RM'000	Treasury and money market RM'000	Islamic Banking business RM'000	International Banking RM'000	Others RM'000	Total RM'000
Segment liabilities	17,059,926	30,895,101	28,946,572	7,918,577	5,114,734	53,977	89,988,887
Taxation							91,196
Deferred tax liabilities							1,760
Borrowings							3,432,534
Subordinated obligations							2,240,000
Unallocated liabilities							937,452
Total liabilities							96,691,829
Other segment items							
Capital expenditure	7,981	66,945	8,852	21,185	2,767	1,012	108,742
Depreciation of property, plant and equipment	8,084	53,080	4,491	1,868	4,905	6,276	78,704
Amortisation of prepaid land lease	30	293	9	–	112	66	510
Other non-cash expenses other than depreciation	128,580	408,969	15,571	34,470	6,238	194	594,022[1]

Note:

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.

45 SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format – by business segments (continued)

2007	Corporate and Investment Banking RM'000	Retail Banking RM'000	Treasury and money market RM'000	Islamic Banking business RM'000	International Banking RM'000	Others RM'000	Inter-segment elimination RM'000	Total RM'000
External revenue	1,148,183	2,708,780	1,660,402	328,323	261,211	49,922	–	6,156,821
Intersegment revenue	8,142	17,677	32,309	294	2,422	23,793	(84,637)	–
Segment revenue	1,156,325	2,726,457	1,692,711	328,617	263,633	73,715	(84,637)	6,156,821
Profit before unallocated expenses	240,552	801,494	399,157	211,839	95,641	13,404	–	1,762,087
Unallocated expenses								(515,795)
Profit after unallocated expenses								1,246,292
Share of results of associates								218
Profit before INCPS dividends and taxation								1,246,510
INCPS dividends								(109,597)
Profit after INCPS dividends and before taxation								1,136,913
Taxation								(314,848)
Net profit for the financial year								822,065

45 SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format - by business segments (continued)

2007	Corporate and Investment Banking RM'000	Retail Banking RM'000	Treasury and money market RM'000	Islamic Banking business RM'000	International Banking RM'000	Others RM'000	Total RM'000
Segment assets	17,736,871	35,169,837	37,416,699	8,571,883	4,933,340	316,123	104,144,753
Investments in associates							15,533
Tax recoverable							52,887
Deferred tax assets							249,119
Unallocated assets							692,002
Total assets							105,154,294
Segment liabilities	13,436,088	29,320,147	37,356,511	7,319,321	4,231,304	38,390	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	5,679	37,856	3,599	23,392	3,456	466	74,448
Depreciation of property, plant and equipment	11,076	61,824	6,196	1,002	4,989	6,581	91,668
Amortisation of prepaid land lease	29	291	11	–	109	59	499
Other non-cash expenses other than depreciation	179,658	473,010	29,475	57,111	13,842	347	753,443[1]

Note:

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.

45 SEGMENT INFORMATION (CONTINUED)

(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.

2008	Revenue RM'000	Total assets RM'000	Capital expenditure RM'000
Malaysia	**5,778,305**	**98,184,986**	**105,975**
Outside Malaysia	**222,466**	**6,347,783**	**2,767**
	6,000,771	**104,532,769**	**108,742**

2007			
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

46 CAPITAL ADEQUACY RATIO

BNM guidelines on capital adequacy requires RHB Bank, RHB Islamic Bank and RHB Investment Bank to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. The capital adequacy ratio is computed based on the eligible capital in relation to the total risk-weighted assets as determined by BNM.

The capital ratios of RHB Bank are computed based on BNM's Guidelines on Risk Weighted Capital Adequacy Framework for Credit and Market (Basel I).

Previously, the capital ratios for RHB Islamic Bank and RHB Investment Bank are computed based on BNM's Guidelines on Risk Weighted Capital Adequacy Framework for Credit and Market Risk (Basel I). With effect from 1 January 2008, the capital ratio of RHB Islamic Bank and RHB Investment Bank are computed based on BNM's Capital Adequacy Framework for Islamic Banks (CAFIB): Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II) and BNM's Revised Capital Adequacy Framework: Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II) respectively.

Currently, the Group is not required to maintain any capital adequacy ratio requirements.

46 CAPITAL ADEQUACY RATIO (CONTINUED)

The capital adequacy ratios of RHB Bank, RHB Investment Bank and RHB Islamic Bank are as follows:

	RHB Bank	
	2008	**2007**
	RM'000	**RM'000**
Tier I capital		
Paid-up ordinary share capital	**3,318,085**	1,949,986
Paid-up INCPS	**–**	1,368,099
Share premium	**8,563**	8,563
Retained profits	**1,008,581**	477,564
Other reserves	**2,121,478**	1,894,070
	6,456,707	5,698,282
Less:		
Deferred tax assets	**(233,116)**	(207,222)
Goodwill	**(905,519)**	(905,519)
Total Tier I capital	**5,318,072**	4,585,541
Tier II capital		
Subordinated obligations	**2,000,000**	2,495,000
General allowance for bad and doubtful debts	**995,859**	893,728
Total Tier II capital before restriction	**2,995,859**	3,388,728
Maximum allowable subordinated obligations #	**2,000,000**	2,292,771
General allowance for bad and doubtful debts	**995,859**	893,728
Maximum allowable Total Tier II capital	**2,995,859**	3,186,499
Less:		
Investment in subsidiaries	**(628,640)**	(628,640)
Holdings of other financial institutions capital instruments	**–**	(38,625)
Total capital base	**7,685,291**	7,104,775
Capital ratios		
Before deducting proposed dividends:		
Core capital ratio	**8.77%**	8.32%
Risk-weighted capital adequacy ratio	**12.67%**	12.89%
After deducting proposed dividends:		
Core capital ratio	**8.51%**	8.32%
Risk-weighted capital adequacy ratio	**12.42%**	12.89%

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.

46 CAPITAL ADEQUACY RATIO (CONTINUED)

	RHB Islamic Bank 2008 RM'000	2007 RM'000
Tier I capital		
Paid-up ordinary share capital	**523,424**	523,424
Statutory reserve	**166,005**	123,062
Retained profits	**135,437**	92,494
	824,866	738,980
Less:		
Deferred tax assets	**(19,960)**	(22,956)
Total Tier I capital	**804,906**	716,024
Tier II capital		
General allowance for bad and doubtful debts	**97,984**	82,948
Total Tier II capital	**97,984**	82,948
Total capital base	**902,890**	798,972
Capital ratios		
Before deducting proposed dividends:		
Core capital ratio	**12.07%**	16.03%
Risk-weighted capital adequacy ratio	**13.54%**	17.89%
After deducting proposed dividends:		
Core capital ratio	**12.07%**	16.03%
Risk-weighted capital adequacy ratio	**13.54%**	17.89%

46 CAPITAL ADEQUACY RATIO (CONTINUED)

	RHB Investment Bank 2008 RM'000	RHB Investment Bank 2007 RM'000
Tier I capital		
Paid-up ordinary share capital	**263,646**	338,646
Statutory reserve	**278,549**	278,549
Retained profits	**169,098**	69,442
	711,293	686,637
Less:		
Deferred tax (assets)/liabilities	**(1,210)**	376
Goodwill	**(159,280)**	(159,280)
Total Tier I capital	**550,803**	527,733
Tier II capital		
Subordinated obligations	**245,000**	200,000
General allowance for bad and doubtful debts	**8,442**	15,278
Total Tier II capital	**253,442**	215,278
Less:		
Investment in subsidiaries	**(58,270)**	(48,270)
Investment in joint venture	**(27,399)**	–
Holdings of other financial institutions subordinated instruments	**–**	(25,000)
Total capital base	**718,576**	669,741
Capital ratios		
Before deducting proposed dividends:		
Core capital ratio	**19.25%**	14.61%
Risk-weighted capital adequacy ratio	**25.12%**	18.55%
After deducting proposed dividends:		
Core capital ratio	**17.14%**	14.61%
Risk-weighted capital adequacy ratio	**23.00%**	18.55%

47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(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')

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 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 invoked 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 INCPS ('Dissenting Holders').

On 7 March 2008, the Company completed the purchase of the Offer INCPS. Upon completion of the purchase Offer INCPS, the Company owned 100% of RHB Bank’s INCPS amounting to 1,368,099,145 INCPS of RM1.00 each.

On 18 March 2008, the Company informed RHB Bank that the Company intended to convert its entire INCPS into new ordinary shares of RM0.50 each in RHB Bank. The conversion was completed on 27 March 2008.

(b) Proposed corporate proposals by RHB Investment Bank, a wholly-owned subsidiary of the Company

RHB Investment Bank had on 16 October 2007, proposed to undertake among others, the following proposals:

(i) proposed issuance of up to RM245.0 million nominal value of Subordinated Notes ('Notes') under a Subordinated Note Programme ('the Sub-Notes Programme') (refer to Note 25(c) and (d));

(ii) proposed issuance of up to RM75.0 million nominal value of Hybrid Tier 1 Capital Securities ('HT1 Securities'); and

On 10 October 2008, the Company announced that the Securities Commission ('SC') had, vide its letter dated 30 September 2008, granted approval for an extension of time up to 10 October 2009 for the implementation of the proposed issuance HT1 Securities subject to the conditions as contained therein.

(iii) 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').

On 4 April 2008, the Company announced that the order of the High Court of Malaya, Kuala Lumpur confirmed the Proposed Capital Repayment has been lodged with the Registrar of Companies on 4 April 2008. Accordingly, the Proposed Capital Repayment has been completed.

47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(c) Proposed acquisition of a 49.0% stake in Vietnam Securities Corporation ('VSEC')

On 28 March 2008, the Company announced that RHB Investment Bank had on even date entered into a Share Subscription Agreement ('SSA') with VSEC for the subscription of new common shares in VSEC, representing 49.0% of the total enlarged issued and paid-up share capital for a total consideration of VND66,150,000,000 or equivalent to approximately RM13,266,563 (at the prevailing exchange rate of RM1:VND4,986.22, and this exchange rate shall be used throughout this announcement, where applicable) to be satisfied entirely by cash ('Proposed Subscription'). The Proposed Subscription is conditional upon, among others, the approvals of the relevant regulatory authorities in Malaysia and Vietnam.

RHB Investment Bank has also entered into a First Right of Refusal Agreement with the existing Vietnamese shareholders, granting RHB Investment Bank the right to arrange for the sale of VSEC Shares held by the existing shareholders to permitted prospective purchasers under the applicable Vietnamese laws after the Proposed Subscription.

On 10 September 2008, the Company announced that BNM had approved the Proposed Subscription, subject to RHB Investment Bank obtaining the necessary approvals from the Vietnam regulator(s) and shall fully comply with Vietnam's applicable laws and regulations.

On 13 October 2008, the Company announced that the SC had, vide its letter dated 7 October 2008, approved the Proposed Subscription subject to the conditions as contained therein. In the same announcement, the Company also announced that the State Securities Commission of Vietnam had, vide its letter dated 8 October 2008, approved the Proposed Subscription.

The Proposed Subscription will not have any effect on both the substantial shareholders' shareholding, and the issued and paid-up share capital of the Company. It is also not expected to have any material effect on the net assets per share, earnings per share and gearing of the Group.

None of the directors or major shareholders of the Company and persons connected to them are deemed to have any interest, direct or indirect, in the Proposed Subscription.

On 24 November 2008, the Company announced that the Proposed Subscription is deemed completed on 21 November 2008 upon fulfilment and satisfaction of all conditions precedent under the SSA.

(d) Proposed issuance of up to RM600 million nominal value of Hybrid Tier I Capital Securities ('HT1 Capital Securities') under Hybrid Tier I Capital Securities Programme ('HT1 Programme') by RHB Bank

The Company announced on 14 July 2008 that the SC had on 10 July 2008, approved the proposed issuance of HT1 Capital Securities under a HT1 Programme by RHB Bank, a wholly-owned subsidiary of the Company. RHB Bank has yet to issue the said HT1 Capital Securities as at to date.

The HT1 Programme will not have any effect on the share capital, the shareholdings of the substantial shareholders and net assets per share of the Company, and is not expected to have any material effect on the earnings per share of the Company for the financial year ended 31 December 2008.

47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(e) Proposed issuance of up to RM1.1 billion in nominal value Commercial Papers and/or Medium Term Notes under a Commercial Paper/Medium Term Note Programme ('CP/MTN Programme') by the Company

The Company announced on 11 December 2008 that the SC had on 2 December 2008, approved the proposed issuance of up to RM1.1 billion nominal value of commercial papers and/or medium term notes (collectively referred to as 'the Notes') under a CP/MTN Programme by the Company, subject to the terms and conditions stated therein.

On 17 December 2008, the Company announced that BNM, vide its letter dated 16 December 2008 had no objection for RHB Capital to issue up to RM1.1 billion of the Notes under the CP/MTN Programme.

The CP/MTN Programme will not have any effect on the share capital, the shareholdings of the substantial shareholders and net assets per share of the Company, is not expected to have material effect on the earnings per share of the Company for the financial year ended 31 December 2008.

None of the Directors, major shareholders of the Company and/or persons connected to them have any interest, direct or indirect, in the CP/MTN Programme.

The Company has yet to issue the said CP/MTN as at to date.

48 SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On 2 March 2009, on behalf of the Company, RHB Investment Bank had announced that RHB Bank had on even date executed a term sheet with AIA ('Term Sheet'), which constitutes the preliminary statement of the intentions of AIA and RHB Bank relating to the terms of the establishment of a 10-year mutually exclusive bancassurance relationship in Malaysia to: (i) sell conventional life insurance (individual and group) products developed by AIA for sale by RHB Bank ('Life Products') via RHB Bank network of offices and branches and other channels which will include telemarketing, direct marketing and worksite marketing; and (ii) market, promote and sell the Life Products to RHB Bank's customers through or with the cooperation of RHB Bank.

The Term Sheet is not intended to be a legally binding document or agreement between RHB Bank and AIA. A legally binding agreement will result only from the execution by AIA and RHB Bank of a definite bancassurance agreement which shall be entered into within 14 days upon RHB Bank obtaining the requisite approval from BNM and all other applicable regulatory approvals.

None of the directors or major shareholders of the Company and/or person connected to them has any interest, direct or indirect, in the bancassurance alliance.

49 CONTINGENT LIABILITIES

Guarantees issued

As at balance sheet date, the Company has extended unsecured guarantees totalling NIL (2007: RM24,500,000) and RM100,000,000 (2007: RM100,000,000) for borrowings and performance of its subsidiaries respectively. As at balance sheet date, NIL (2007: 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.

49 CONTINGENT LIABILITIES (CONTINUED)

Other contingent liabilities (continued)

(a) The Company (continued)

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 allowance in relation to the said counterclaim, in the financial statements for the financial year ended 31 December 2008.

(b) RHB Investment Bank and RHB Equities Sdn Bhd ('RHB Equities')

RHB Excel Sdn Bhd ('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.

Given that RHB Excel had won the counterclaim and the appeal from the plaintiff has yet to be heard, the management is of the view that no provision is necessary at this juncture.

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 programmes 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 have been formed at the operating subsidiaries in carrying out the process to ensure that all identifiable risks are addressed and managed adequately.

50 FINANCIAL INSTRUMENTS (CONTINUED)

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

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.

BANKING SUBSIDIARIES:
RHB BANK AND 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 the banking subsidiaries' 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 and reviews limits on the level of mismatch of interest rate re-pricing that may be undertaken. Likewise, fixed rate assets, especially long term assets, are subject to various limit parameters.

50 FINANCIAL INSTRUMENTS (CONTINUED)

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

BANKING SUBSIDIARIES:
RHB BANK AND RHB INVESTMENT BANK (CONTINUED)

Liquidity risk

ALCO plays a fundamental role in the asset/liability management of the banking subsidiaries, and establishes strategies that assist in controlling and reducing any potential exposures to liquidity risk.

Limits on the minimum portion of maturing funds available to meet obligations and the minimum level of inter-bank and other borrowing facilities are set to ensure adequate cover for withdrawals at unexpected levels of demand.

Defined liquidity management ratios are maintained and monitored on an active basis.

The banking subsidiaries' liquidity framework is subject to periodic stress tests and the results are constantly reviewed to ensure constant compliance with BNM's Liquidity Framework.

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

Credit risk

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.

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:

(i) The banking subsidiaries abide by a Board approved Group credit policy which supports the development of a strong credit culture with the objectives of maintaining a well diversified, evaluated and current portfolio. Market best practices are incorporated into this policy.

(ii) The banking subsidiaries ensure 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 Underwriting and Credit Committee, the Central Credit Committee and the Central Loans Committee sanction credits beyond well established prudential threshold. The adherence to the discretionary powers sanctioned by the Board is monitored by the Central Compliance function.

50 FINANCIAL INSTRUMENTS (CONTINUED)

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

BANKING SUBSIDIARIES:
RHB BANK AND RHB INVESTMENT BANK (CONTINUED)

Credit risk (continued)

In this respect, both RHB Bank and RHB Investment Bank have carried out the following various initiatives: (continued)

(iii) A risk rating system is used to categorise the risk of individual credits and determine whether the banking subsidiaries are 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) The banking subsidiaries are moving towards the advanced Basel II approaches by implementing key programme components which includes (i) enhancing the economic returns using established and proven credit risk framework and methodologies, (ii) implementing and using empirical credit scoring models for consumer financing and credit grading models for business loans, and (iii) designing and implementing modelling of expected and unexpected losses. In addition, an economic capital management framework incorporating advanced risk based pricing and funds transfer pricing has been developed, which also facilitates RHB Bank in meeting the Pillar II requirements of the Basel II Accord Internal Ratings Based Approach.

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 Banking Group 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 capabilities for the Advanced Measurement Approach of the Basel II Framework.

RHB Banking Group 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 Banking Group 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.

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.

In stockbroking activities, credit risk is mitigated through the establishment of appropriate approving authority structure for the extension of trading/credit limits. Within clearly defined guidelines approved by the Board and in line with the applicable laws and regulations, credit risk management also encompasses the systematic credit assessment, close monitoring of limits, exposures and concentration risk to counterparties or issuer, through timely management reporting procedures.

50 FINANCIAL INSTRUMENTS (CONTINUED)

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

RHB INVESTMENT BANK STOCKBROKING DIVISION ('the Division') (continued)

Credit risk (continued)

The Credit Control function of 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.

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.

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:

	< ---------- Non-trading book ---------- >								
Group	**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**	**Trading book RM'000**	**Total RM'000**	**Effective interest rate %**
2008									
ASSETS									
Cash and short term funds	13,385,338	–	–	–	–	961,113	–	14,346,451	3.30
Securities purchased under resale agreements	106,565	–	–	–	–	–	–	106,565	3.51
Deposits and placements with banks and other financial institutions	36,732	451,414	58,634	8,346	–	–	–	555,126	3.37
Securities held-for-trading	–	–	–	–	–	14,363	5,311,603	5,325,966	4.05
Securities AFS	542,617	130,108	354,283	2,879,845	2,110,041	195,820	–	6,212,714	5.07
Securities held-to-maturity	1,313,696	726,877	2,098,220	3,619,854	2,087,171	(229,006)	–	9,616,812	4.10
Loans, advances and financing									
– performing	36,365,436	7,868,907	5,107,229	6,159,217	4,819,786	81	–	60,320,656	6.64
– non-performing *	–	–	–	–	–	275,464	–	275,464	
Clients' and brokers' balances	87,944	–	–	–	–	87,359	–	175,303	2.21
Other assets	1,895	–	38	217	419	546,879	–	549,448	2.69
Derivative assets	–	–	–	–	–	–	380,161	380,161	
Statutory deposits	–	–	–	–	–	1,579,678	–	1,579,678	
Tax recoverable	–	–	–	–	–	94,929	–	94,929	
Deferred tax assets	–	–	–	–	–	275,016	–	275,016	
Investments in associates	–	–	–	–	–	11,137	–	11,137	
Investments in joint venture	–	–	–	–	–	26,349	–	26,349	
Prepaid land lease	–	–	–	–	–	102,779	–	102,779	
Property, plant and equipment	–	–	–	–	–	792,046	–	792,046	
Goodwill	–	–	–	–	–	3,786,169	–	3,786,169	
TOTAL ASSETS	51,840,223	9,177,306	7,618,404	12,667,479	9,017,417	8,520,176	5,691,764	104,532,769	

* This is arrived at after deducting the general allowance and specific allowance from the outstanding non-performing loans.

50 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest/Profit rate risk (continued)

Group	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	Trading book RM'000	Total RM'000	Effective interest rate %
	< ---- Non-trading book					---- >			
2008									
LIABILITIES AND EQUITY									
Deposits from customers	35,121,857	7,631,696	14,362,490	688,176	–	16,158,005	–	73,962,224	3.01
Deposits and placements of banks and other financial institutions	5,642,071	1,591,100	854,550	571,268	22,037	1,121	–	8,682,147	3.31
Bills and acceptances payable	1,724,912	2,165,463	825,119	–	–	220,018	–	4,935,512	3.70
Clients' and brokers' balances	–	–	–	–	–	289,053	–	289,053	
Other liabilities	16	32	98	–	–	1,498,624	–	1,498,770	5.40
Derivative liabilities	–	–	–	–	–	–	384,879	384,879	
Recourse obligation on loans sold to Cagamas	87,146	–	372,367	714,241	–	–	–	1,173,754	4.87
Taxation	–	–	–	–	–	91,196	–	91,196	
Deferred tax liabilities	–	–	–	–	–	1,760	–	1,760	
Borrowings	1,904,670	735,975	–	791,889	–	–	–	3,432,534	5.18
Subordinated obligations	–	–	–	1,540,000	700,000	–	–	2,240,000	5.19
Total liabilities	44,480,672	12,124,266	16,414,624	4,305,574	722,037	18,259,777	384,879	96,691,829	
Total equity	–	–	–	–	–	7,840,940	–	7,840,940	
TOTAL LIABILITIES AND EQUITY	44,480,672	12,124,266	16,414,624	4,305,574	722,037	26,100,717	384,879	104,532,769	
On balance sheet interest sensitivity gap	7,359,551	(2,946,960)	(8,796,220)	8,361,905	8,295,380				
Off balance sheet interest sensitivity gap	(70,872)	(76,984)	(477,498)	(737,446)	127,592				
TOTAL INTEREST-SENSITIVITY GAP	7,288,679	(3,023,944)	(9,273,718)	7,624,459	8,422,972				

50 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest/Profit rate risk (continued)

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	< Non-trading book					>			
	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	Trading book RM'000	Total RM'000	Effective interest rate %
2007									
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.

50 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest/Profit rate risk (continued)

Group	Non-trading book 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	Trading book RM'000	Total RM'000	Effective interest rate %
2007									
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
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	
On balance sheet interest sensitivity gap	5,293,827	(1,067,778)	(6,028,125)	9,068,831	3,424,392				
Off balance sheet interest sensitivity gap	(1,562,381)	424,120	(841,499)	(2,450,651)	69,578				
TOTAL INTEREST-SENSITIVITY GAP	3,731,446	(643,658)	(6,869,624)	6,618,180	3,493,970				

50 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest/Profit rate risk (continued)

	< ----	----	---- Non-trading book	----	----	---- >			
Company	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	Trading book RM'000	Total RM'000	Effective interest rate %
2008									
ASSETS									
Cash and short term funds	20,000	–	–	–	–	619	–	20,619	3.15
Deposits and placements with banks and other financial institutions	–	750	503	–	–	–	–	1,253	3.34
Other assets	–	–	–	–	–	33,806	–	33,806	
Amounts due from subsidiaries	–	–	–	–	–	10,319	–	10,319	
Tax recoverable	–	–	–	–	–	54,804	–	54,804	
Investments in subsidiaries	–	–	–	–	–	8,782,439	–	8,782,439	
Property, plant and equipment	–	–	–	–	–	373	–	373	
TOTAL ASSETS	20,000	750	503	–	–	8,882,360	–	8,903,613	
LIABILITIES AND EQUITY									
Other liabilities	16	32	98	–	–	53,274	–	53,420	5.40
Amounts due to subsidiaries	–	–	–	–	–	153,093	–	153,093	
Deferred tax liabilities	–	–	–	–	–	16	–	16	
Borrowings	1,904,670	80,000	–	791,889	–	–	–	2,776,559	5.59
Total liabilities	1,904,686	80,032	98	791,889	–	206,383	–	2,983,088	
Total equity	–	–	–	–	–	5,920,525	–	5,920,525	
TOTAL LIABILITIES AND EQUITY	1,904,686	80,032	98	791,889	–	6,126,908	–	8,903,613	
TOTAL INTEREST-SENSITIVITY GAP	(1,884,686)	(79,282)	405	(791,889)	–				

50 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest/Profit rate risk (continued)

Company	< Non-trading book					>			
	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	Trading book RM'000	Total RM'000	Effective interest rate %
2007									
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)	–				

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	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
2008									
Agriculture, hunting, forestry and fishing	–	–	–	27,231	22,666	2,727,046	–	2,776,943	1,048,814
Mining and quarrying	–	–	–	–	–	155,011	–	155,011	114,282
Manufacturing	–	–	357,007	235,394	169,985	10,816,298	4,794	11,583,478	12,113,343
Electricity, gas and water	–	–	208,355	312,639	70,572	501,995	1,722	1,095,283	490,152
Construction	–	–	81,373	182,261	45,961	3,429,876	1,004	3,740,475	5,248,702
Real estate	–	–	42,021	68,964	–	1,330,382	1,038	1,442,405	1,097,712
Purchase of landed property	–	–	–	52,685	16,236	16,806,770	–	16,875,691	1,364,527
Wholesale & retail trade and restaurants & hotels	–	–	–	508	–	8,952	12	9,472	–
General commerce	–	–	54,819	107,092	70,962	6,600,217	427	6,833,517	5,767,661
Transport, storage and communication	–	–	630,779	706,591	2,147,647	3,208,568	2,638	6,696,223	2,520,729
Finance, insurance and business services	2,075,175	–	1,672,648	2,506,991	3,726,358	3,420,134	59,651	13,460,957	18,715,718
Government and government agencies	12,217,482	106,565	2,239,233	1,825,817	3,345,202	26,037	8,231	19,768,567	445
Purchase of securities	–	–	–	–	–	1,720,862	175,449	1,896,311	568,950
Purchase of transport vehicles	–	–	–	–	–	5,408,215	–	5,408,215	386,579
Consumption credit	–	–	–	–	–	4,248,183	–	4,248,183	6,400,696
Hospital	–	–	–	3,029	–	–	52	3,081	–
Others	–	–	–	–	–	1,294,272	751,857	2,046,129	4,896,614
	14,292,657	106,565	5,286,235	6,029,202	9,615,589	61,702,818	1,006,875	98,039,941	60,734,924

* Excludes general allowances amounting to RM1,106,697,000.

50 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk (continued)

Group	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
2007									
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.

50 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk (continued)

Company	Cash and short term funds and deposits and placements with financial institutions RM'000	Amounts due from subsidiaries RM'000	Other financial assets RM'000	On-balance sheet total RM'000
2008				
Finance, insurance and business services	**21,872**	**–**	**99**	**21,971**
Others	**–**	**10,319**	**32,800**	**43,119**
	21,872	**10,319**	**32,899**	**65,090**
2007				
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

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.

51 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

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
2008				
Financial asset				
Loans, advances and financing	**60,596,120**	**60,395,066@**	**–**	**–**
Financial liabilities				
Deposits from customers	**73,962,224**	**73,875,858**	**–**	**–**
Recourse obligation on loans sold to Cagamas	**1,173,754**	**1,160,235**	**–**	**–**
Borrowings	**3,432,534**	**3,460,026**	**2,776,559**	**2,804,050**
Subordinated obligations	**2,240,000**	**2,161,927**	**–**	**–**
2007				
Financial asset				
Loans, advances and financing	54,554,651	54,423,626@	–	–
Financial liabilities				
Deposits 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	–	–

@ 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.

51 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

(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.

51 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(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.

(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 flows 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 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 11 March 2009.

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 230 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 2008 and of the financial results and cash flows of the Group and the Company for the financial year ended 31 December 2008 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
Managing Director

Kuala Lumpur
11 March 2009

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 230 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 11 March 2009 before me.

ZULKIFLY B. MAHMUD
COMMISSIONER FOR OATHS
Kuala Lumpur

independent auditors' report

to the members of RHB CAPITAL BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of RHB Capital Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 119 to 230.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with MASB approved accounting standards in Malaysia for Entities Other than Private Entities, Bank Negara Malaysia Guidelines and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB approved accounting standards in Malaysia for Entities Other than Private Entities, Bank Negara Malaysia Guidelines and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 to the financial statements.

(c) 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SOO HOO KHOON YEAN
(No. 2682/10/09 (J))
Chartered Accountant

Kuala Lumpur
11 March 2009

analysis of shareholdings
as at 15 April 2009

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	:	14,789

	No. of shareholders	% of shareholders	No. of shares held	% of shareholdings
Less than 100	536	3.62	22,243	0.00
100 – 1,000	4,722	31.93	4,237,738	0.20
1,001 – 10,000	7,946	53.73	29,998,158	1.39
10,001 – 100,000	1,294	8.76	39,045,183	1.81
100,001 – 107,673,734 (less than 5% of the issued shares)	289	1.95	318,916,910	14.81
107,673,735 (5% and above of the issued shares)	2	0.01	1,761,254,463	81.79
Total	**14,789**	**100.00**	**2,153,474,695**	**100.00**

list of thirty (30) largest shareholders

as at 15 April 2009

RANK	NAME	UNITS	%
1	EMPLOYEES PROVIDENT FUND BOARD	1,222,885,789	56.79
2	RHB NOMINEES (TEMPATAN) SDN BHD ADCB HOLDINGS (MALAYSIA) SDN BHD	538,368,674	25.00
3	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR GMO EMERGING MARKETS FUND	41,180,421	1.91
4	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD SKIM AMANAH SAHAM BUMIPUTERA	33,387,600	1.55
5	HSBC NOMINEES (TEMPATAN) SDN BHD NOMURA ASSET MGMT SG FOR EMPLOYEES PROVIDENT FUND	13,432,800	0.62
6	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	10,584,600	0.49
7	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	9,780,700	0.45
8	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AMERICAN INTERNATIONAL ASSURANCE BERHAD	9,726,600	0.45
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PRUDENTIAL FUND MANAGEMENT BERHAD	9,104,000	0.42
10	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	8,802,300	0.41
11	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG BERSAMA	8,648,400	0.40
12	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC GROWTH FUND	5,627,600	0.26
13	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR MELLON BANK (MELLON)	5,483,339	0.25
14	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC EQUITY FUND	4,304,000	0.20
15	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS FUND	3,920,200	0.18

list of thirty (30) largest shareholders
as at 15 April 2009 (continued)

RANK	NAME	UNITS	%
16	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	3,518,935	0.16
17	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND OMDG TEACHER'S RETIREMENT SYSTEM OF THE STATE OF ILLINOIS	3,157,059	0.15
18	ECML NOMINEES (ASING) SDN BHD DMG & PARTNERS SECURITIES PTE LTD FOR KEEN CAPITAL INVESTMENTS LTD (N2-60391) (009)	3,040,000	0.14
19	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JP MORGAN CHASE BANK, NATIONAL ASSOCIATION (NETHERLANDS)	2,855,743	0.13
20	BHLB TRUSTEE BERHAD PUBLIC REGIONAL SECTOR FUND	2,774,000	0.13
21	SBB NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	2,690,600	0.12
22	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC FAR-EAST DIVIDEND FUND	2,661,100	0.12
23	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD AMANAH SAHAM WAWASAN 2020	2,611,000	0.12
24	CARTABAN NOMINEES (ASING) SDN BHD STATE STREET FOR ISHARES INC	2,571,400	0.12
25	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC INDEX FUND	2,571,300	0.12
26	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JP MORGAN CHASE BANK NATIONAL ASSOCIATION (U.A.E)	2,516,743	0.12
27	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR PUBLIC AGGRESSIVE GROWTH FUND (N14011940110)	2,427,000	0.11
28	PERTUBUHAN KESELAMATAN SOSIAL	2,327,900	0.11
29	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR PB ASEAN DIVIDEND FUND (270334))	2,291,000	0.11
30	CITIGROUP NOMINEES (TEMPATAN) SDN BHD ING INSURANCE BERHAD (INV-IL PAR)	2,277,600	0.11

substantial shareholders
as at 15 April 2009

No	Substantial Shareholder	No. of Shares			
		Direct	%	Indirect	%
1.	Employees Provident Fund Board	1,237,919,689	57.48	–	–
2.	ADCB Holdings (Malaysia) Sdn Bhd	538,368,674	25	–	–
3.	ADCB Holdings (Labuan) Limited	–	–	538,368,674	25
4.	ADCB Holdings (Cayman) Limited	–	–	538,368,674	25
5.	Abu Dhabi Commercial Bank P.J.S.C.	–	–	538,368,674	25

directors' interests in securities of the company and its related corporations

as at 15 April 2009

The Company	Ordinary Shares of RM1.00 each	
	No.	%
Dato' Mohamed Khadar Merican – direct	59,770	*

Note: * Negligible percentage

list of top ten (10) properties

Location	Owner	Description of Property	Area (sq. m.)	Usage	Age of building (Years)	Tenure	Year of Expiry on Lease	Net Book Value 31.12.2008 (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	18	Freehold	-	126,414	1989
2. 426 Jalan Tun Razak	RHB Hartanah Sdn Bhd	16 storey office building	22,516	Office Space	12	Freehold	-	121,216	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	10	Freehold	-	9,195	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	7	Leasehold	2090	91,468	1999
Perak									
5. No. 2, 4, 6 & 8 Jalan Tun Sambathan Ipoh	RHB Bank Berhad	4 storey office building	630	Bank Branch	10	Freehold	-	5,872	1999
Singapore									
6. 90 Cecil Street	Banfora Pte Ltd	2 commercial buildings	796	Commercial Building	28	Leasehold	2980	100,091	1997
7. 10, Jalan Besar 01-03 Sim Lim Tower	RHB Bank Berhad	Ground Floor of office buildings	543	Bank Branch	29	Freehold	-	26,832	1999
8. 14A/B, 16A/B & 18A/B East Coast Road	RHB Bank Berhad	3 units of 3 storey shophouses	442	Bank Branch	49	Freehold	-	14,163	1999
9. 1/1A / 1B Yio Chu Kang Road	RHB Bank Berhad	First Floor of office buildings	101	Bank Branch	27	Freehold	-	10,655	1999
10. No. 537/539 Geylang Road	RHB Bank Berhad	3 storey shophouses	374	Bank Branch	84	Freehold	-	8,638	1999

group branch network

NORTHERN REGION

1) **Air Tawar**
33A & B, Jalan Besar
32400 Air Tawar, Perak
Tel : (05) 672 2385/4148
Fax : (05) 672 2168

2) **Bagan Serai**
243, Jalan Besar
34300 Bagan Serai, Perak
Tel : (05) 721 5715/5716
Fax : (05) 721 2486

3) **Gopeng**
Ground Floor
67 & 69, High Street
31600 Gopeng, Perak
Tel : (05) 359 1169/4524/1291
Fax : (05) 359 3291

4) **Gunung Rapat**
57 & 59, Medan Gopeng 1
Jalan Gopeng, Gunung Rapat
31350 Ipoh, Perak
Tel : (05) 312 3599/3851
Fax : (05) 312 6570

5) **Ipoh Garden South**
12 & 14 Tingkat, Taman Ipoh 6
Ipoh Garden South
31400 Ipoh, Perak
Tel : (05) 548 2532, 547 7888
Fax : (05) 547 8899

6) **Jalan Tun Sambanthan, Ipoh**
Lot 2, 4, 6 & 8, Jalan Tun
Sambanthan
30000 Ipoh
Perak
Tel : (05) 254 2135/2136
Fax : (05) 255 0050

7) **Jelapang**
433 & 435, Jalan Silibin
Taman Silibin
30760 Ipoh, Perak
Tel : (05) 526 6515/8518
Fax : (05) 526 2418

8) **Kampar**
81, 83 & 85, Jalan Gopeng
31900 Kampar, Perak
Tel : (05) 466 6202/6203
Fax : (05) 465 2216

9) **Kuala Kangsar**
6 & 7, Jalan Daeng Selili
33000 Kuala Kangsar, Perak
Tel : (05) 776 3772/1762
Fax : (05) 776 6836

10) **Kuala Kurau**
Ground & First Floor
19, Jalan Besar
34350 Kuala Kurau, Perak
Tel : (05) 727 7953/0939/7952
Fax : (05) 727 7155

11) **Menglembu**
Ground & First Floor
50 & 52, Jalan Besar
31450 Menglembu, Perak
Tel : (05) 281 6011/6017
Fax : (05) 281 6010

12) **Parit Buntar**
44, Jalan Teh Peh Kong
34200 Parit Buntar, Perak
Tel : (05) 716 1626/1627
Fax : (05) 716 2019

13) **Persiaran Greenhill, Ipoh**
62, Persiaran Greenhill
30450 Ipoh, Perak
Tel : (05) 253 3355, 255 4195
Fax : (05) 253 5053

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
Fax : (05) 641 3310

15) **Sitiawan**
25C, Jalan Datuk Ahmad Yunus
32000 Sitiawan
Perak
Tel : (05) 691 1411/1412/4669
Fax : (05) 691 9012

16) **Sungai Siput**
139 & 140, Jalan Besar
31100 Sungai Siput, Perak
Tel : (05) 598 2233/2234/8922
Fax : (05) 598 4094

17) **Sungkai**
18 & 19, Jalan Besar
35600 Sungkai, Perak
Tel : (05) 438 6708/6710
Fax : (05) 438 6720

18) **Taiping**
68 & 70, Jalan Kota
34000 Taiping, Perak
Tel : (05) 807 3276/3257/4749
Fax : (05) 806 3275

19) **Tasek**
699 & 701, Jalan Tasek
Taman Musim Bunga
31400 Ipoh, Perak
Tel : (05) 546 7363/7386/7370
Fax : (05) 548 7566

20) **Teluk Intan**
31 & 33, Jalan Intan 2
Bandar Baru Teluk Intan
36000 Teluk Intan, Perak
Tel : (05) 622 1654/1655
Fax : (05) 621 1228

21) **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
Fax : (04) 390 3976

22) **Bukit Mertajam**
1244 & 1246
Jalan Padang Lallang
Taman Desa Damai
14000 Bukit Mertajam, Pulau
Pinang
Tel : (04) 539 1171/1176
Fax : (04) 539 4148

23) **Butterworth**
6774, 6775 & 6776
Jalan Kg Gajah
12200 Butterworth, Pulau Pinang
Tel : (04) 331 5871/5872
Fax : (04) 332 3328

NORTHERN REGION (CONTINUED)

24) **Jalan Raja Uda, Penang**
Ground & Mezzanine Floor
6957 & 6958, Jalan Raja Uda
Raja Uda Light Industrial Park
12300 Butterworth, Pulau Pinang
Tel : (04) 332 4937/4860/4837
Fax : (04) 332 4946

25) **Sungai Bakap**
1433-1434, Jalan Besar
Sungai Bakap
Seberang Prai Selatan
14200 Sungai Jawi, Pulau Pinang
Tel : (04) 582 3629/3630
Fax : (04) 582 3580

26) **Ayer Itam**
15, Jalan Pasar
11500 Ayer Itam, Pulau Pinang
Tel : (04) 828 3522/5168
Fax : (04) 828 8554

27) **Bayan Baru**
42 A, B, C, Jalan Tengah
11950 Bayan Baru, Pulau Pinang
Tel : (04) 642 1880/1882
Fax : (04) 642 1884
Including:
Penang International Airport
Lot CM 18
Penang International Airport
11900 Bayan Lepas
Pulau Pinang
Tel : (04) 6434769
Fax : (04) 6435093

28) **Burmah House, Penang**
Ground & Mezzanine Floor
Suite G-02, Burmah House
405, Jalan Burmah, Pulau Tikus
10350 Pulau Pinang
Tel : (04) 227 4367/4364
Fax : (04) 227 4361

29) **Jelutong**
112 & 114
Jalan Tan Sri Teh Ewe Lim
11600, Pulau Pinang
Tel : (04) 282 6922/6921
Fax : (04) 282 6930

30) **Lebuh Pantai, Penang**
44, Lebuh Pantai
Georgetown, 10300 Pulau Pinang
Tel : (04) 262 1144/1109
Fax : (04) 261 8019

31) **Sungai Dua**
4H & 4J
Desa Universiti Comm Complex
Jalan Sungai Dua
11700 Gelugor, Pulau Pinang
Tel : (04) 658 5617/5620/5621
Fax : (04) 658 5609

32) **Jalan Bakar Arang, Sungai Petani**
27 & 28, Jalan Bakar Arang
08000 Sungai Petani, Kedah
Tel : (04) 422 2151/2152
Fax : (04) 421 6632

33) **Jalan Tunku Ibrahim, Alor Setar**
1519, Jalan Tunku Ibrahim
05700 Alor Setar
Kedah
Tel : (04) 731 6066/6144
Fax : (04) 733 3843

34) **Kuala Kedah**
Ground & First Floor
262 & 263, Block C
Bangunan Peruda
06600 Kuala Kedah, Kedah
Tel : (04) 762 5367/5366
Fax : (04) 762 5393

35) **Mergong, Alor Setar**
97J, Seberang Jalan Putra
05150 Alor Setar, Kedah
Tel : (04) 733 9279/9304
Fax : (04) 731 6059

36) **Padang Serai**
11 & 12, Lorong Berkat Satu
Taman Berkat
09400 Padang Serai, Kedah
Tel : (04) 485 5951/5952
Fax : (04) 485 0982

37) **Pulau Langkawi**
13 & 15, Jalan Pandak Mayah Satu
07000 Langkawi, Kedah
Tel : (04) 966 7511/512
Fax : (04) 966 7513

38) **Taman Pekan Baru, Sg Petani**
104, 105 & 106, Jalan Pengkalan
Tmn Pekan Baru, Sg Petani Baru
08000 Sungai Petani, Kedah
Tel : (04) 421 0786/9090
Fax : (04) 421 3401, 4230485

39) **Taman Semarak, Kulim**
43, Lorong Semarak 1
Taman Semarak
09000 Kulim, Kedah
Tel : (04) 491 5912/5913
Fax : (04) 491 5916

40) **Kangar**
41 & 43, Persiaran Jubli Emas
Taman Suriani
01000 Kangar, Perlis
Tel : (04) 977 6864/6867
Fax : (04) 977 6863

CENTRAL REGION

1) **75 Jalan Tun H.S. Lee, KL**
75, Jalan Tun H.S. Lee
50000 Kuala Lumpur
Tel : (03)2070 0233/6869
Fax : (03)2072 7591
Including:
Kota Raya Complex
Lot G17, Ground Floor
Kota Raya Complex
Jalan Cheng Lock
50000 Kuala Lumpur
Tel : (03) 2072 0881
Fax : (03) 2074 1910

2) **Bangsar Shopping Complex, KL**
G129 Ground Floor
Bangsar Shopping Centre
285, Jalan Ma'arof, Bangsar
59100 Kuala Lumpur
Tel : (03) 2284 6870/6872/6875
Fax : (03) 2284 6896

3) **Damansara Heights, KL**
Lots C9 - C12, Block C
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel : (03) 2095 7068/7069/7088
Fax : (03) 2093 7515

CENTRAL REGION (CONTINUED)

4) **Desa Sri Hartamas, KL**
6, Jalan 24/ 70A
Desa Sri Hartamas
50480 Kuala Lumpur
Tel : (03) 2300 2360/1754
Fax : (03) 2300 2358

5) **Jalan Bukit Bintang, KL**
58 - 60, Jalan Bukit Bintang
55100 Kuala Lumpur
Tel : (03) 2148 0901/2144 0875
Fax : (03) 21430645

6) **Jalan Ipoh, KL**
14 - 16, Jalan Ipoh
51200 Kuala Lumpur
Tel : (03) 4042 8068/8601/2573
Fax : (03) 4041 1411/4043 0653

7) **Jalan Maharajalela, KL**
Unit 1, Ground Floor
Bangunan Cheong Wing Chan
41 - 51, Jalan Maharajalela
50150 Kuala Lumpur
Tel : (03) 2274 9820/0475
Fax : (03) 2274 9843
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
Fax : (03) 2274 7000

8) **Jalan Pasar, KL**
50 - 52, Jalan Pasar
55100 Kuala Lumpur
Tel : (03) 2141 4167, 2148 7301
Fax : (03) 2142 8390, 2148 8967

9) **Jinjang Utara, KL**
Ground Floor
No. 3471-A, Jalan Besar
Jinjang Utara
52000 Kuala Lumpur
Tel : (03) 6257 7053/7808
Fax : (03) 6252 7158

10) **Kepong, KL**
321, Batu 7, Jalan Kepong
Kepong Baru
52100 Kuala Lumpur
Tel : (03) 6274 0022/0593/0463
Fax : (03) 6272 6521

11) **KLCC**
Lot G 34, Ground Level
Petronas Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel : (03) 2164 4423/4125/4128
Fax : (03) 2164 6213

12) **Kuala Lumpur Main**
Level 1, Tower Two
RHB Centre
426, Jalan Tun Razak
50400 Kuala Lumpur
Tel : (03) 9281 3030/6010
Fax : (03) 9287 4173
Including:
Menara Yayasan Tun Razak, Kuala Lumpur Service Centre
Ground Floor
Menara Yayasan Tun Razak
200, Jalan Bkt Bintang
55100 Kuala Lumpur
Tel : (03) 2162 5068
Fax : (03) 2162 1609

13) **Mid Valley, KL**
17-G and 17-1, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : (03) 2284 4339/4360/4353
Fax : (03) 2284 4350

14) **Overseas Union Garden, KL**
140 & 142 Jalan Mega Mendung
Bandar Complex, Batu 41/2
Jalan Kelang Lama
58200 Kuala Lumpur
Tel : (03) 7983 9863/9864/9861
Fax : (03) 7980 8081

15) **Pasar Borong, Selayang, KL**
53 & 55, Jalan 2/3A
Off KM 12, Jalan Ipoh
68100 Batu Caves, Kuala Lumpur
Tel : (03) 6136 3284/3169/8975
Fax : (03) 6136 3243

16) **Plaza OSK, KL**
Ground and Mezzanine Floor
Podium Block, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Tel : (03) 2164 4326/4315/4339
Fax : (03) 2161 2972/2164 3679

17) **Salak South, KL**
178-180, Main Street
Salak South
57100 Kuala Lumpur
Tel : (03) 7983 9177/9458/9306
Fax : (03) 7981 3357

18) **Segambut, KL**
42 & 42A, Jalan Segambut Tengah
Segambut
51200 Kuala Lumpur
Tel : (03) 6257 8777/8999/6888
Fax : (03) 6252 2801

19) **Setapak, KL**
257 & 259, Jalan Genting Kelang
53300 Setapak Kuala Lumpur
Tel : (03) 4023 7444/7476
Fax : (03)4024 1353

20) **Taman Midah, KL**
18 & 20, Jalan Midah Satu
Taman Midah
56000 Kuala Lumpur
Tel : (03) 9131 2826/2898
Fax : (03) 9130 0588

21) **Taman Shamelin, KL**
38-1-5, Shamelin Business Center
Jalan 4/91
Taman Shamelin Perkasa
56100 Kuala Lumpur
Tel : (03) 9282 7385/7386/7382
Fax : (03) 9282 7380

22) **Taman Sungai Besi, KL**
30, Ground & First Floor
Jalan 7/108C
Taman Sungai Besi
57100 Kuala Lumpur
Tel : (03) 7983 2105, 7984 3014
Fax : (03) 7981 8875

23) **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
Fax : (03) 7729 4077

CENTRAL REGION (CONTINUED)

24) **Wisma UOA**
Unit 50-G-02
Wisma UOA Damansara
50 Jalan Dungun
Damansara Heights
50490 Kuala Lumpur
Tel : (03) 2094 9840/2643
Fax : (03) 2094 9107

25) **Putrajaya (Precinct 8)**
Blok C - T.00 - U.02 & U.03
1, Jalan P 8 D
62250 Putrajaya
Tel : (03) 8889 2546/2548/2549
Fax : (03) 8889 2900

26) **`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
Fax : (03) 7728 3496

27) **48-50,Jalan SS15/4D Subang Jaya**
Lot 48-50 Jalan SS15/4D
Subang Jaya
47500 Selangor
Tel : (03) 5634 4970/4976/4973
Fax : (03) 5634 4848

28) **Ampang Point**
37 & 38, Jalan Memanda 7
Taman Dato' Ahmad Razali
Jalan Ampang
68000 Ampang Selangor
Tel : (03) 4252 1753/1907
Fax : (03) 4252 1898

29) **Bandar Baru Ampang, Selangor**
27G - 29G Ground Floor &
29A First Floor
Jalan Wawasan Ampang 2/3
Bandar Baru Ampang
68000 Ampang, Selangor
Tel : (03) 4270 2069/2068
Fax : (03) 4270 2060

30) **Bandar Baru Sungai Buloh**
391 & 392, Jalan 1A/1
Bandar Baru Sungai Buloh
47000 Sungai Buloh, Selangor
Tel : (03) 6156 1712/1713/1711
Fax : (03) 6156 7803

31) **Bandar Sri Damansara**
1 & 2, Jalan Tanjung SD 13/1
52200 Bandar Sri Damansara
Selangor
Tel : (03) 6274 5287/5532/5576
Fax : (03) 6274 2917

32) **Damansara Jaya**
22 & 24, Jalan SS 22/25
Damansara Jaya
47400 Petaling Jaya, Selangor
Tel : (03) 7729 5132/5137/3853
Fax : (03) 7729 9169

33) **IOI Mall, Puchong**
Lot G18A Grd Floor, IOI Mall
Batu 9, Jalan Puchong
Bandar Puchong Jaya
47100 Puchong, Selangor
Tel : (03) 5882 0870/0874/0875
Fax : (03) 5882 0871
including:
TESCO PUCHONG (Service Centre)
Lot 4A, Tingkat 1, Tesco Puchong
Jalan Bandar 3
Pusat Bandar Puchong
47100 Selangor
Tel : (03) 8075 7980/8196
Fax : (03) 8075 8361

34) **Jalan Meru, Kelang**
147 & 149
1 1/2 Miles, Jalan Meru
41050 Kelang, Selangor
Tel : (03) 3344 2751/2750
Fax : (03) 3344 2755

35) **Jalan Niaga, Shah Alam**
11, 13 & 15, Jalan Niaga 16/3A
Section 16
40000 Shah Alam, Selangor
Tel : (03) 5510 3131/3135/6289
Fax : (03) 5519 6166

36) **Jalan SS21/39, Damansara Utama**
2M & 2G Jalan SS 21/39
Damansara Utama
47400 Petaling Jaya, Selangor
Tel : (03) 7726 2306/2307/ 2308
Fax : (03) 7726 2305

37) **Jalan Stesen, Kelang**
24 & 26, Jalan Stesen
41000 Kelang, Selangor
Tel : (03) 3371 9669/9652,
Fax : (03) 3372 9613

38) **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
Fax : (03) 5513 1834
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 9085/1515
Fax : (03) 5512 8899

39) **Jenjarom**
M38 & M40, Jalan Besar
42600 Jenjarom, Selangor
Tel : (03) 3191 3422/3433/3477
Fax : (03) 3191 4328

40) **Kajang**
25, Jalan Raja Harun
Taman Hijau
43000 Kajang, Selangor
Tel : (03) 8736 0599/0177/2050
Fax : (03) 8733 8570

41) **Kampung Baru Sungai Buloh**
25, Jalan Public
Kampung Baru Sungai Buloh
47000 Sungai Buloh, Selangor
Tel : (03) 6156 9301/9302/9344
Fax : (03) 6156 8645

42) **KLIA**
Unit 2A & 2B Block D3
Jalan KLIA S3
Southern Common Facilities
KLIA Selatan
64000 KLIA, Selangor
Tel : (03) 8787 4799/4801
Fax : (03) 8787 4802

CENTRAL REGION (CONTINUED)

42) **KLIA (CONTINUED)**

KL International Airport (Arrival)
Lot No: ARR 5A, Arrival Level
Main Terminal Building
Kuala Lumpur International Airport
64000 KLIA
Selangor
Tel : (03) 8787 1562
Fax : (03) 8787 3479
&
KL International Airport (Departure)
Lot 13a, Departure Level
Main Terminal Building
Kuala Lumpur International Airport
64000 KLIA, Selangor
Tel : (03) 8787 3257
Fax : (03) 8787 3255
&
Low Cost Carrier Terminal (LCCT) - KLIA
Lot LCIA 01
International Arrival Hall
Low Cost Carrier Terminal
KLIA, Selangor
Tel : (03) 8787 4351
Fax : (03) 8787 4352

43) **Meru**
1, Lorong Pepauh 1A
Taman Pekan Meru
41050 Kelang, Selangor
Tel : (03) 3392 4501,/4502/4503
Fax : (03) 3392 4504

44) **Mines Shopping Fair, Selangor**
G20, The Mines Shopping Fair
Jalan Dulang, Off Jalan Balakong
Mines Resort City
43300 Seri Kembangan, Selangor
Tel : (03) 8942 5055/5157
Fax : (03) 8942 5218

45) **New Town, Petaling Jaya**
1, 3 & 5, Jalan 52/18
New Town Centre
46200 Petaling Jaya, Selangor
Tel : (03) 7956 9611/9612/1994
Fax : (03) 7957 8984

46) **Pandan Indah, Selangor**
Ground & Mezzanine Floor
7 & 9, Jalan Pandan Indah 4/2
55100 Pandan Indah, Selangor
Tel : (03) 4295 0981/2260
Fax : (03) 4295 7127

47) **Persiaran Sultan Ibrahim, Kelang**
33, Persiaran Sultan Ibrahim
41300 Kelang, Selangor
Tel : (03) 3342 0433/0434 /0435
Fax : (03) 33446405

48) **Port Klang**
Persiaran Raja Muda Musa
42000 Pelabuhan Kelang
Selangor
Tel : (03) 3165 6720
Fax : (03) 3166 1351
(Grd - Operations)
including:
Giant Bukit Tinggi, (Service Centre)
(Formerly Pandamaran Branch)
Lot A22 & A2
Persiaran Batu Nilam
Bandar Bukit Tinggi 1
Jalan Langat
41200 Klang
Tel : (03) 3323 6682/6684/7278
Fax : (03) 3323 7957

49) **Rawang**
Ground, First & Second Floor
10 & 11, Jalan Maxwell
48000 Rawang, Selangor
Tel : (03) 6092 5035/5036
Fax : (03) 6092 4788

50) **Section 14, Petaling Jaya**
1, Jalan 14/20
46100 Petaling Jaya, Selangor
Tel : (03) 7957 4742/4460
Fax : (03) 7955 6219

51) **Seri Kembangan, Selangor**
Lot 1484A & B, Jalan Besar
43300 Seri Kembangan, Selangor
Tel : (03) 8943 1455/1357/0276
Fax : (03) 8943 0441

52) **SS2, PJ**
157 & 159, Jalan SS2/24
Sg Way/Subang
47300 Petaling Jaya, Selangor
Tel : (03) 7875 3724/7895/3259
Fax : (03) 7875 6600
including:
Giant Kelana Jaya (Service Centre)
Lot F1- F3, Tingkat 1
Giant Hypermarket
No 33 Jalan SS 6/12
SS 6 Kelana Jaya
47301 Petaling Jaya, Selangor
Tel : (03) 7804 3658
Fax : (03) 7804 4048

53) **Sungai Pelek**
76 & 77, Jalan Besar
43950 Sungai Pelek, Selangor
Tel : (03) 3141 1176/1394
Fax : (03) 3141 1100

54) **Taman Indah, Selangor**
7 & 9, Jalan SS 2/1
Off Jalan Balakong
Taman Indah, Batu 11
43200 Cheras, Selangor
Tel : (03) 9074 0998/0997/1000
Fax : (03) 9074 1344

55) **Taman Megah, Petaling Jaya**
11 - 15, Jalan SS 24/11
Taman Megah
47301 Petaling Jaya, Selangor
Tel : (03) 7804 1258/7481/7090
Fax : (03) 7804 1629

56) **Taman Permata, Selangor**
Lot 6 & 7, Ground Floor
Giant Hypermarket Complex
Jalan Changkat Permata
Taman Permata
53300 Selangor
Tel : (03) 4106 9726, 9308, 9832
Fax : (03) 4106 9810

57) **Taman Suntex, Selangor**
5 & 6, Jalan Kijang 1
Taman Suntex, Batu 9
43200 Cheras, Selangor
Tel : (03) 9074 7888/7804
Fax : (03) 9074 7879

CENTRAL REGION (CONTINUED)

58) **Taman Taming Jaya, Selangor**
1, Jalan Taming Kanan 2
Taman Taming Jaya
43300 Balakong, Selangor
Tel : (03) 8961 1194/1195/1164
Fax : (03) 8961 1197

59) **Tanjong Karang**
Lot 1 & 3, Jalan Satu
Taman Tanjong Karang Baru
45500 Tanjong Karang, Selangor
Tel : (03) 3269 5039/8171/1812
Fax : (03) 3269 8078

60) **Tanjung Sepat**
1 & 3, Jalan Senangin Satu
Taman Tanjung
42809 Tanjung Sepat, Selangor
Tel : (03) 3197 4035/4235/4788
Fax : (03) 3197 4568

61) **UEP Subang Jaya**
47 & 49, Jalan USJ 10/1
UEP Subang Jaya
47620 Petaling Jaya, Selangor
Tel : (03) 5637 3592/3593/3594
Fax : (03) 5637 3941

62) **Bahau**
Ground & First Floor
Lot 982 & 983
Wisma UMNO Jempol
Jalan Gurney
72100 Bahau, Negeri Sembilan
Tel : (06) 454 1305/2722
Fax : (06) 454 4015

63) **Bandar Baru Nilai**
PT 7460 & 7461
Jalan Bandar Baru Nilai 1/1A
Putra Point, Bandar Baru Nilai
71800 Nilai, Negeri Sembilan
Tel : (06) 794 1006/1007/1008
Fax : (06) 799 6095

64) **Kuala Pilah**
Lots P.T. 9 & 10, Jalan Melewar
72000 Kuala Pilah
Negeri Sembilan
Tel : (06) 481 1442/1513
Fax : (06) 481 6478

65) **Rantau**
158 & 159, Jalan Besar
71200 Rantau
Negeri Sembilan
Tel : (06) 694 1969/1589
Fax : (06) 694 2690

66) **Simpang Pertang**
15, Jalan Helang
Taman Sri Pertang
72300 Simpang Pertang
Negeri Sembilan
Tel : (06) 492 9520/9550/9540
Fax : (06) 492 9190

67) **Seremban**
10 & 11
Jalan Dato' Abdul Rahman
70000 Seremban
Negeri Sembilan
Tel : (06) 763 8623/8555
Fax : (06) 762 0192

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
Fax : (06) 678 1477
Including:
Giant Senawang (Sales Kiosk)
Lot B42-B44
Giant Hypermarket Senawang
1571, Jalan Senawang
70450 Senawang
Negeri Sembilan
Tel : (06) 678 7369/7618
Fax : (06) 678 7658

EAST COAST REGION

1) **Bentong**
Lot 13 & 14, Jalan Loke Yew
28700 Bentong, Pahang
Tel : (09) 222 1648/1649
Fax : (09) 222 5944

2) **Jalan Telok Sisek, Kuantan**
45, Jalan Telok Sisek
25000 Kuantan, Pahang
Tel : (09) 516 4475/4517/3763
Fax : (09) 513 9554
Including:
East Coast Mall (Sales Kiosk)
Lot GF-02 & 02 Alfresco
Ground Floor
East Coast Mall, Kuantan
Tel :(09) 560 9599/9699
Fax : (09) 560 9499

3) **Jerantut**
Lot 4360 & 4361, Jalan Kuantan
27000 Jerantut, Pahang
Tel : (09) 266 5900/5901
Fax : (09) 266 5899

4) **Mentakab**
Lot 94 & 95, Jalan Temerloh
28400 Mentakab, Pahang
Tel : (09) 278 1976, 2781971
Fax : (09) 278 2034

5) **Raub**
Lot PT 16477 & 16478
Pusat Perniagaan Indrapura
Jalan Tras
27600 Raub, Pahang
Tel : (09) 355 5077/5155
Fax : (09) 355 2929

6) **Jln Kebun Sultan, Kota Bahru**
Lot 1182-1183, Jln Kebun Sultan
15350 Kota Bharu, Kelantan
Tel : (09) 744 1776/1654
Fax : (09) 748 1788

7) **Kemaman**
K-156C, Jalan Sulaimani
24000 Chukai, Terengganu
Tel : (09) 859 2825/2824
Fax : (09) 859 3771

8) **Kerteh**
10B, Bandar Baru Kerteh
24300 Kerteh, Terengganu
Tel : (09) 826 1644/1645
Fax : (09) 826 2171

EAST COAST REGION (CONTINUED)

9) **Kuala Dungun**
K231, Jalan Besar, Kuala Dungun
23000 Dungun, Terengganu
Tel : (09) 848 1416/1575
Fax : (09) 848 2996

10) **Kuala Terengganu**
59, Jalan Sultan Ismail
20200 Kuala Terengganu,
Terengganu
Tel : (09) 622 1478/6478
Fax : (09) 622 9379

11) **Ketereh**
Lot PT 383 & PT 384
Kedai Ketereh, Bandar Ketereh
16450 Ketereh, Kelantan
Tel : (09) 788 6377/6376
Fax : (09) 788 8721

12) **Pasir Mas**
18A, Jalan Tengku Ahmad
17000 Pasir Mas, Kelantan
Tel : (09) 790 9088/8066
Fax : (09) 790 2292

SOUTHERN REGION

1) **Bukit Baru, Melaka**
Ground Floor, 5 & 6, Jalan DR 1
Taman Delima Raya
Bukit Baru, 75150 Melaka
Tel : (06) 232 1302/1298
Fax : (06) 232 1319

2) **Jalan Hang Tuah, Melaka**
477, Plaza Melaka
Jalan Hang Tuah
75300 Melaka
Tel : (06) 284 0473/0476
Fax : (06) 284 4699
including:
Tesco Melaka (Sales Kiosk)
Lot 7, Tingkat Bawah
No. 1, Jalan Tun Razak
75400 Peringgit Melaka
Tel : (06) 283 5533
Fax : (06) 283 9555

3) **Kota Melaka**
No. 57 & 59, Prime Square
Taman Melaka Raya
75000 Melaka
Tel : (06) 282 5030/5029
Fax : (06) 282 5076

4) **Batu Pahat**
89, Jalan Rahmat
83000 Batu Pahat, Johor
Tel : (07) 431 7011/7022
Fax : (07) 431 1077

5) **Bekok**
G34 & G36, Jalan Wijaya
86500 Bekok
Johor
Tel : (07) 922 1639/1643
Fax : (07) 922 1525

6) **Jalan Abdullah, Muar**
9, Jalan Abdullah
84000 Muar, Johor
Tel : (06) 952 2234, 951 9080
Fax : (06) 952 9503

7) **Jalan Bandar, Pasir Gudang**
10A, Pusat Perdagangan
Jalan Bandar
81700 Pasir Gudang, Johor
Tel : (07) 251 1578 /1573/6292
Fax : (07) 251 1584, 2527719

8) **Jalan Dato' Rauf, Kluang**
18 & 20, Jalan Dato' Rauf
86000 Kluang, Johor
Tel : (07) 772 4111/4112
Fax : (07) 772 4094

9) **Jalan Dedap, Taman Johor Jaya**
7 & 9, Jalan Dedap 18
Taman Johor Jaya
81100 Johor Bahru, Johor
Tel : (07) 355 5226/5327/0844
Fax : (07) 355 5004

10) **Jementah**
Ground Floor, MCA Building
Jalan Muar
85200 Jementah, Johor
Tel : (07) 947 1578/1353
Fax : (07) 947 2404

11) **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
Fax : (07) 224 1264,

12) **Kulai**
4 & 5, Taman Seraya
Kulai Besar
81000 Kulai, Johor
Tel : (07) 663 1911/1912
Fax : (07) 663 2159

13) **Permas Jaya, Johor**
Ground Floor, 35 & 37 Jalan
Permas 10/2
Bandar Baru Permas Jaya
81750 Johor Bahru, Johor
Tel : (07) 388 6741/6744/6746
Fax : (07) 388 6749

14) **Plentong, Johor**
Lot A17, Ground Floor
Giant Hypermarket
3, Jalan Masai Lama, Plentong
81750 Johor Bahru, Johor
Tel : (07) 352 7684, 358 2715/2716
Fax : (07) 352 7689

15) **Pontian Kechil**
192, Jalan Bakek
Pontian Kechil
82000 Pontian, Johor
Tel : (07) 687 8368/8369/8123
Fax : (07) 687 9107

16) **Segamat**
110 & 111, Jalan Genuang
85000 Segamat, Johor
Tel : (07) 931 1366/1367/5442
Fax : (07) 932 3901

17) **Senai**
180 & 181, Jalan Belimbing 1
81400 Senai, Johor
Tel : (07) 599 6960/6546
Fax : (07) 599 6913

18) **Simpang Renggam**
8 & 9, Jalan Kijang
86200 Simpang Renggam
Johor
Tel : (07) 755 8531/8532/7366
Fax : (07) 755 8262

SOUTHERN REGION (CONTINUED)

19) **Taman Molek, Johor**
56 & 58, Jalan Molek 2/2
Taman Molek
81100 Johor Bahru, Johor
Tel : (07) 351 4641/4642/4643
Fax : (07) 351 4649

20) **Taman Pelangi, Johor**
Suite 1-2, Level 1, Menara Pelangi
2, Jalan Kuning, Taman Pelangi
80400 Johor Bahru, Johor
Tel : (07) 334 3476/3481
Fax : (07) 334 3482

21) **Taman Sentosa, Johor**
9 & 11, Jalan Sutera
Taman Sentosa
80150 Johor Bahru, Johor
Tel : (07) 332 2243/2244/2246
Fax : (07) 334 9441, 332 7251

22) **Taman Ungku Tun Aminah**
62, 64 & 66, Jalan Bendahara 12
Taman Ungku Tun Aminah
81300 Sekudai, Johor
Tel : (07) 557 1477/1097/9926
Fax : (07) 557 1553

23) **Tampoi**
3, 3-01, 5, 5-01
Jalan Pembangunan
Desa Rahmat, Tampoi
81200 Johor Bahru, Johor
Tel : (07) 234 0678/0729
Fax : (07) 234 0680

24) **Tangkak**
351 & 352, Jalan Muar
84900 Tangkak, Johor
Tel : (06) 978 6588/6591
Fax : (06) 978 6592

25) **Ulu Tiram**
1 & 2, Jalan Raya
81800 Ulu Tiram, Johor
Tel : (07) 861 3002/7609/3003
Fax : (07) 861 4088

26) **Yong Peng**
106, Jalan Besar
83700 Yong Peng, Johor
Tel : (07) 467 1006/1146
Fax : (07) 467 5137

SABAH REGION

1) **1-Borneo Hypermall**
Lot No: G-203, Ground Floor
1-Borneo Hypermall
Jalan Sulaman
88450 Kota Kinabalu
Tel : (088) 488 677/982/986
Fax : (088) 488 678

2) **Bandar Pasaraya, Sandakan**
Lot 59 Ground Floor
Bandar Pasaraya, Mile 4
90000 Sandakan, Sabah
Tel : (089) 208 101/102/104/100
Fax : (089) 228101

3) **Inanam, Sabah**
Ground & First Floor
Lot 20 & 22, Block E
Inanam New Township, Phase II
89350 Inanam, Sabah
Tel : (088) 422 883
Fax : (088) 423 011

4) **Jalan Gaya, Kota Kinabalu**
81/83, Jalan Gaya
88000 Kota Kinabalu, Sabah
Tel : (088) 216 188, 213 982
Fax : (088) 235 871

5) **Jalan Tun Mustapha, Labuan**
Lot 1 & 2, Jati Shop Houses
Off Jalan Tun Mustapha
87007 Labuan
Wilayah Persekutuan Labuan
Tel : (087) 414 822/810
Fax : (087) 414 449

6) **Lahad Datu, Sabah**
Lot 1 & 2, Block A
Metro Commercial Complex
91100 Lahad Datu, Sabah
Tel : (089) 886 159/418
Fax : (089) 886 163

7) **Lintas Station Complex Kota Kinabalu**
Lot No. 6-19, Ground Floor
Lintas Station Complex
Jalan Lintas, Luyang
88300 Kota Kinabalu, Sabah
Tel : (088) 244 698, 230 693
Fax : (088) 233 690

8) **Tawau, Sabah**
Ground & First Floor
Lot 5 Block 27, Fajar Complex
Jalan Mahkamah, Town Extension II
91000 Tawau, Sabah
Tel : (089) 777 355/233
Fax : (089) 764 684, 765 254

9) **Wisma Khoo, Sandakan**
Sub Lot 1 - 7, Ground Floor
Wisma Khoo Siak Chiew
Lebuh Tiga, Jalan Sim Sim
90009 Sandakan, Sabah
Tel : (089) 218 777
Fax : (089) 271 246

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
Fax : (082) 459 790

2) **Boulevard Centre, Miri**
Ground Floor, Lot 2469 & 2470
Boulevard Commercial Centre
Jalan Boulevard Utama
98000 Miri, Sarawak
Tel : (085) 429 880
Fax : (085) 429 881

3) **Dalat, Sarawak**
Ground Floor
Pejabat Daerah Dalat
96300 Dalat, Sarawak
Tel : (084) 864 841/842
Fax : (084) 864 824

4) **Jalan Kulas, Kuching**
Ground Floor Lot 363
Section Jalan Kulas
93740 Kuching, Sarawak
Tel : (082) 419 050/426 586
Fax : (082) 426 160

5) **Jalan Masjid, Bintulu**
Ground Floor & 1st Floor
258 Taman Sri Dagang
Jalan Masjid
97000 Bintulu, Sarawak
Tel : (086) 331 133
Fax : (086) 331 692

SARAWAK REGION

6) **Jalan Nakhoda Gampar, Miri**
Lot 362, Block 9
Jln Nakhoda Gampar
98008 Miri, Sarawak
Tel : (085) 411 882
Fax : (085) 415 682

7) **Jalan Padungan, Kuching**
256, Jalan Padungan
93100 Kuching, Sarawak
Tel : (082) 423 216, 252 088
Fax : (082) 415 453, 428 717

8) **31, Jln Tunku Osman, Sibu**
No 31, Jln Tuanku Osman
96007 Sibu, Sarawak
Tel : (084) 314 455
Fax: (084) 310 546

9) **Kanowit, Sarawak**
Lots 127 & 128
No 65-66 Jalan Kubu
Kanowit Town District
96700 Kanowit, Sarawak
Tel : (084) 752 700
Fax : (084) 752 711

10) **Kapit, Sarawak**
Lot 504 Jalan Temenggong Jugah,
96800, Kapit
Sarawak
Tel : (084) 797 771
Fax : (084) 797 775

11) **Lawas, Sarawak**
Lot No 355
Jalan Punang
98850 Lawas
Tel : (085) 285657/659
Fax : (085) 285529

12) **Limbang, Sarawak**
Lot 1563 Jalan Buangsiol
98700 Limbang, Sarawak
Tel : (085) 212 398/399
Fax : (085) 211 022

13) **Lundu, Sarawak**
Lot 249-250
Jalan Blacksmith
Pekan Lundu
94500 Lundu, Sarawak
Tel : (082) 735 611
Fax : (082) 735 220

14) **Marudi, Sarawak**
Lot 29, Jalan Kapitan Lim Ching
Kiat, Marudi
98050, Baram, Sarawak
Tel : (085) 756 721, 756 722
Fax : (085) 756 724

15) **Medan Raya, Kuching**
Lot 4, Tgkt Bawah
Bangunan MASJA
Medan Raya, Petrajaya
93050 Kuching, Sarawak
Tel : (082) 442 741/449 135
/445611
Fax : (082) 443 926

16) **Sarikei, Sarawak**
Lot 1468
Repok Road
96108 Sarikei, Sarawak
Tel : (084) 657 030
Fax : (084) 657 036

17) **Siburan, Sarawak**
No 2, Siburan Bazaar
17th Mile, Kuching Serian Road
94200 Siburan, Sarawak
Tel : (082) 862 808
Fax : (082) 862 880

18) **Simpang Tiga, Kuching**
No 11, Jln Simpang Tiga
93758 Kuching, Sarawak
Tel : (082) 417 817, 411 817
Fax : (082) 420 975
Including:
Kuching International Airport
Arrival Hall
93722 Kuching, Sarawak
Tel : (082) 463 768
Fax : (082) 464 355

19) **Sri Aman, Sarawak**
Lot 839, Jalan Sabu
95000 Sri Aman, Sarawak
Tel : (083) 320 979/980
Fax : (083) 320 975

20) **Tabuan Jaya, Sarawak**
891-892, Lorong Bayor Bukit 2A
Tabuan Jaya, Shopping Centre
Jalan Wan Alwi
93350 Kuching, Sarawak
Tel : (082) 366 823/828
Fax : (082) 366 826

21) **UNIMAS**
Bangunan Hal Ehwal Pelajar
Campus Tetap Unimas
KM 17, Kuching
Kota Samarahan Expressway
93400 Kota Samarahan, Sarawak
Tel : (082) 665 622/288
Fax : (082) 665 261

22) **Wisma Mahmud, Kuching**
Level 1, Wisma Mahmud
Jalan Sungei Sarawak
93100 Kuching, Sarawak
Tel : (082) 345 345/610
Fax : (082) 338 358/342 327

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
Fax : (03) 2161 0599

Jalan Masjid India Marketing Centre
137, Ground Floor
Jalan Bunus via Jalan Masjid India
50100 Kuala Lumpur
Tel : (03) 2693 6300
Fax : (03) 2693 7300

2) **Pusat Bandar Kelana Jaya Branch**
A-G-03, Jalan SS6/5A
Dataran Glomac
Pusat Bandar Kelana Jaya
Kelana Jaya
47301 Petaling Jaya, Selangor
Tel : (03) 7803 4614
Fax : (03) 7880 6716

Automobile Business Centre Taman Indah
2nd Floor, No. 7 & 9
Jalan SS2/1 Off Jalan Balakong
Taman Indah, Batu 11
43200 Cheras, Selangor
Tel : (03) 9075 5959
Fax : (03) 9075 3872

3) **Taman Flora Utama, Batu Pahat**
Ground Floor, No 1 & 2
Jalan Flora Utama 1
Taman Flora Utama
83000 Batu Pahat, Johor
Tel : (07) 433 6777
Fax : (07) 433 4848

RHB ISLAMIC BANK BERHAD CONTINUED)

4) **Kubang Kerian, Kota Bharu**
Lot 1679
Jalan Raja Perempuan Zainab 2
Bandar Baru Kubang Kerian
16150 Kota Bahru
Kelantan
Tel : (09) 764 0222
Fax : (09) 764 0700

5) **Paya Keladi, Kuala Terengganu**
Unit 20
Pusat Niaga Paya Keladi
20200 Kuala Terengganu
Terengganu
Tel : (09) 630 5757/5556
Fax : (09) 630 5533

6) **Jalan Gaya, Kota Kinabalu Marketing Centre**
No 104, Ground & 1st Floor
Jalan Gaya
88000 Kota Kinabalu
Sabah
Tel : (088) 266 600
Fax : (088) 265 500

7) **Jalan Satok**
Grand Floor, Lot474 & 475
Section 6, KLTD
192-E & 192-F, Jalan Satok
93400 Kuching, Sarawak
Tel : (082) 258 800
Fax : (082) 243 900

RHB INVESTMENT BANK BERHAD

1) **Head Office**
Level 10, Tower 1
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel : (03) 9287 3888
Fax : (03)

2) **Melaka Branch**
Lot 9 & 10, 1st Floor
Bangunan Tabung Haji
Jalan Banda Kaba
75000 Melaka
Tel : (06) 283 3622
Fax : (06) 284 9886

3) **Kuching Desk Office**
Suite 102 , 1st Floor
Crown Tower
88 Jalan Pending
93450 Kuching
Sarawak
Tel : (082) 332 898
Fax : (03) (082) 335 989

4) **Associate Company**
Vietnam Securities Corporation
8th Floor, 59 Quang Trung
Hai Ba Trung District
Hanoi, Vietnam
Tel : (84) 4 9446 066/67/68/69

RHB INSURANCE BERHAD

1) **Head Office**
Level 8, Tower One, RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel : (03) 9281 2731
Fax : (03) 9281 2729

2) **Pulau Pinang**
Menara Boustead Penang
Level 10, Unit No 10.04
No 39, Jalan Sultan Ahmad Shah
10050 Penang
Tel : (04) 228 0311/115
Fax : (04) 228 0310

3) **Ipoh**
No 37, Jalan Medan Ipoh 5
Bandar Baru Medan Ipoh
31400 Ipoh
Perak
Tel : (05) 546 3123/2021
Fax : (05) 546 1303

4) **Johor Bahru**
Suite 18.06, Level 18
JB City Square (Office Tower)
106 - 108, Jln Wong Ah Fook
80000 Johor Bahru
Johor
Tel : (07) 223 4982/7068
Fax : (07) 223 0824

5) **Kota Bharu**
Lot 344, Ground Floor
Jalan Sultan Yahya Petra
15200 Kota Bharu, Kelantan
Tel : (09) 746 1611
Fax : (09) 746 1612

6) **Sibu**
89, Ground Floor
Jalan Kampong Nyabor
96000 Sibu, Sarawak
Tel : (084) 331 660/084/876
Fax : (084) 331 873

7) **Klang**
No 2A, (Ground & Ist Floor)
Jalan Tiara 2D/KU1
Bandar Baru Klang
41150 Klang, Selangor
Tel : (03) 3342 0026
Fax : (03) 3342 1026

8) **Kota Kinabalu**
Lot No. C-02-06, 2nd Floor
Block C, Warisan Square
Jalan Tun Fuad Stephens
88000 Kota Kinabalu, Sabah
Tel : (088) 528 765 / 448 010
Fax : (088) 528 770

9) **Kuching**
G8 & 108, Ground & Ist Floor
Crown Towers
No 88, Jalan Pending
93450 Kuching, Sarawak
Tel : (082) 482 642/643
Fax : (082) 482 641

10) **Melaka**
No 339
Jalan Melaka Raya 3
Taman Melaka Raya
75000 Melaka
Tel : (06) 282 9978, 283 9460
Fax : (06) 282 0516

11) **Kuantan**
1st Floor, No 74/1
Jalan Teluk Sisik
25000 Kuantan, Pahang
Tel : (09) 515 7115, 516 1749
Fax : (09) 516 3372

12) **Kajang**
7, Jalan Raja Haroun
43000 Kajang
Selangor Darul Ehsan
Tel : (03) 8737 6067, 8733 6479
Fax : (03) 8737 9348

13) **Sandakan**
Groud Floor, Block 11, Lot 8
Bandar Indah
Mile 4, North Road
90000 Sandakan
Sabah
Tel : (089) 235 893 /898
Fax : (089) 275 882

RHB BUREAU DE CHANGE

1. **Taman Sentosa**
9 & 11, Jalan Sutera
Taman Sentosa
80150 Johore Bahru
Johor
Tel : (07) 332 2243/2244/2246
Fax : (07) 334 9441

2. **Low Cost Carrier Terminal, (LCCT)-KLIA**
Lot LCIA 01
International Arrival Hall
Lost Cost Carrier Terminal, KLIA
Tel : (03) 8787 4351
Fax : (03) 8787 4352

3. **KLCC**
Lot G 34, Ground Level
Petronas Twin Towers
Kuala Lumpur City Centre
50000 Kuala Lumpur
Tel : (03) 2164 4423/4125/128
Fax : (03) 2164 6213

4. **KL International Airport (Departure)**
Lot 13a Departure Level
Main Terminal Building
Kuala Lumpur International Airport
64000, Selangor
Tel : (03) 8787 3257
Fax : (03) 8787 3255

5. **KL International Airport (Arrival)**
Lot No. ARR 5A, Arrival Level
Main Terminal Building
Kuala Lumpur International Airport
64000, Selangor
Tel : (03) 8787 1562
Fax : (03) 8787 3479

6. **KLIA Satellite Building**
Lot SATP G04, East Zone
Passenger Level
Satellite Building
Kuala Lumpur International
Airport
Sepang
Tel : (03) 8787 4998
Fax : (03) 8787 4981

7. **KL Sentral**
Unit 7, Level 1 (Arrival Hall)
City Air Terminal
KL Sentral Station
50470, W.P.Kuala Lumpur
Tel : (03) 2273 5000
Fax : (03) 2274 7000

8. **Penang International Airport**
Lot CM 18 Penang International
Airport
11900, Bayan Lepas
Pulau Pinang
Tel : (04) 643 4769
Fax : (04) 643 5093

9. **1-Borneo Hypermall**
Lot No. G-203 Ground Floor
1-Borneo Hypermall
Jalan Sulaman
88450 Kota Kinabalu
Sabah
Tel : (088) 488 677/982/986
Fax : (088) 488178

10. **Kuching International Airport**
Arrival Hall
93722, Kuching
Sarawak
Tel : (082) 463 768
Fax : (082) 464 355

11. **Kota Raya Complex**
Lot G17, Ground Floor
Kota Raya Complex
Jalan Cheng Lock
50000 Kuala Lumpur
Tel : (03) 2072 0881
Fax : (03) 2074 1910

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, Jalan Pretty
Bandar Ser Begawan BS 8711
Negara Brunei Darussalam
Tel : (673) 223 1325
Fax : (673) 2237 487

2) **Thailand**
RHB Bank Bhd, Bangkok Branch
Level 10, Liberty Square, 287 Silom
Road, Bangrak, Bangkok 10500,
Thailand
Tel : (662) 631 2000
Fax : (662) 631 2018

3) **Singapore**
Executive Office, #05-00, 90 Cecil
Street, Singapore
Tel : (02) 6220 2736
Fax : (02) 6221 6446

SINGAPORE OPERATIONS

1) **Cecil Street Branch**
90 Cecil Street Singapore, #01-00
Singapore 069531
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) 6288 8054

notice of 14th annual general meeting

NOTICE IS HEREBY GIVEN that the Fourteenth (14th) Annual General Meeting of the Company will be held at Grand Prince Ballroom, Level 3, Prince Hotel & Residence, Jalan Conlay, 50450 Kuala Lumpur on Thursday, 18 June 2009 at 9.30 a.m. to transact the following Ordinary Businesses:-

AGENDA

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2008 and the Directors' and Auditors' Reports thereon. **Ordinary Resolution 1**

2. To declare a final dividend of 10.6% less 25% income tax in respect of the financial year ended 31 December 2008 as recommended by the Directors. **Ordinary Resolution 2**

3. To re-elect the following Directors retiring under Article 80 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:-

   (i) Datuk Azlan Zainol; and **Ordinary Resolution 3**

   (ii) Johari Abdul Muid. **Ordinary Resolution 4**

4. To approve the payment of Directors' fees totalling RM336,229.51 for the financial year ended 31 December 2008. **Ordinary Resolution 5**

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 6**

6. To transact any other business for which notice has been duly received.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of Members at the Fourteenth (14th) Annual General Meeting of the Company to be held on Thursday, 18 June 2009, a final dividend of 10.6% less 25% income tax for the financial year ended 31 December 2008, will be paid on 30 June 2009 to Depositors whose names appear in the Record of Depositors as at 19 June 2009.

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 19 June 2009 in respect of transfers;

b. Securities deposited into the Depositor's securities account before 12.30 p.m. on 17 June 2009 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
27 May 2009

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 239 of the Annual Report of the Company.

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proxy form

No. of Ordinary Shares Held

RHB CAPITAL BERHAD
(Company No. 312952-H)
(Incorporated in Malaysia under the Companies Act, 1965)

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 Fourteenth (14th) Annual General Meeting of the Company to be held at Grand Prince Ballroom, Level 3, Prince Hotel & Residence, Jalan Conlay, 50450 Kuala Lumpur, on Thursday, 18 June 2009 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 10.6% less 25% income tax for the financial year ended 31 December 2008.		
Ordinary Resolution 3	To re-elect Datuk Azlan Zainol as Director.		
Ordinary Resolution 4	To re-elect Johari Abdul Muid as Director.		
Ordinary Resolution 5	To approve the payment of Directors' Fee totaling RM336,229.51 for the financial year ended 31 December 2008.		
Ordinary Resolution 6	To re-appoint the Auditors of the Company and to authorise the Directors to fix their remuneration.		

(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 ______________________ , 2009

____
Signature

(If shareholder is a corporation, this part should be executed under seal)

* Delete if not applicable

Notes

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, or in the case of a poll, at least 24 hours before the time appointed for the taking of the poll.
6. Registration counter will open from 8.30 a.m. to 9.30 a.m. on the meeting day to facilitate shareholders/proxy registration

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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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