

# inspire

ANNUAL REPORT 2009

Pushing Boundaries



# Cover Rationale



At RHB, we acknowledge that our hard work and determination alone are not enough, and that without our customers' unwavering loyalty to us and unshakable belief in what we do and what we stand for, we would not be where we are today. Through our customers' invaluable support, we are inspired to pushing the boundaries, attaining greater heights, as evidenced by our regional expansion, and bringing more value to customers and shareholders alike.

# VISION

To be the top three financial institutions in ASEAN by the year 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 that 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 No. 1: We 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



inspire



▶ strategic



▶ synergy

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passion



▶ innovative

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# Group Financial Highlights

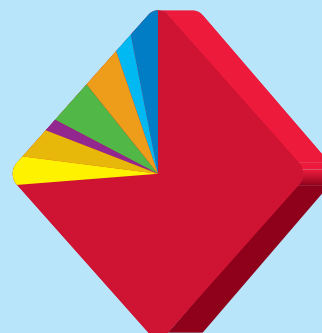
	2009	2008
<b>PROFITABILITY (RM million)</b>		
Operating revenue	5,425	6,001
Operating profit before allowances	2,099	1,932
Profit before taxation	1,538	1,422
Net profit attributable to equity holders of the Company	1,201	1,049
<b>KEY BALANCE SHEET DATA (RM million)</b>		
Total assets	114,951	104,533
Portfolio of securities	20,933	21,155
Loans, advances and financing	66,923	60,596
Total liabilities	106,211	96,692
Deposits from customers	84,841	73,962
Shareholders' equity	8,708	7,814
Commitments and contingencies	67,234	60,735
<b>FINANCIAL RATIOS (%)</b>		
<b>Profitability Ratios</b>		
Net return on average equity	14.5	14.1
Net return on average assets	1.1	1.0
<b>Asset Quality/Loan Ratios</b>		
Net non-performing loans ratio	2.2	2.2
Loan loss coverage	83.4	90.3
Gross loans to deposits ratio	82.1	85.4

# Simplified Group Balance Sheets



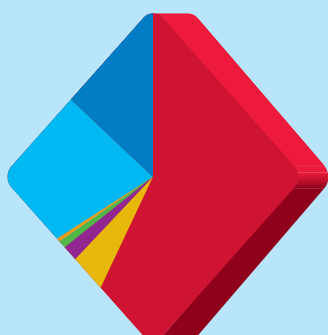
## Assets - 2009

- ◆ 58.2% Loans, advances and financing
- ◆ 14.5% Cash and short-term funds
- ◆ 18.2% Portfolio of securities
- ◆ 1.4% Securities purchased under resale agreements
- ◆ 1.9% Deposits and placements with banks and other financial institutions
- ◆ 0.3% Statutory deposits
- ◆ 5.5% Other assets (including goodwill)



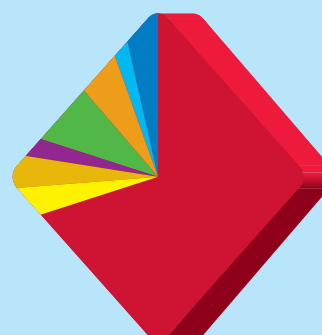
## Liabilities & Equity - 2009

- ◆ 73.8% Deposits from customers
- ◆ 3.3% Bills and acceptances payable
- ◆ 2.5% Subordinated obligations and Hybrid Tier-1 Capital Securities
- ◆ 5.7% Reserves
- ◆ 6.4% Deposits and placements of banks and other financial institutions
- ◆ 1.9% Share Capital
- ◆ 3.3% Borrowings
- ◆ 3.1% Other liabilities



## Assets - 2008

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



## Liabilities & Equity - 2008

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

# Five-Year Group Financial Summary

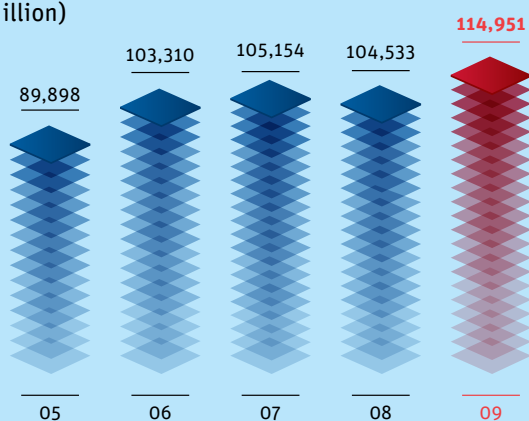
	2009	2008	2007	2006	2005
<b>OPERATING RESULTS (RM million)</b>					
Profit before taxation	1,538	1,422	1,137	830	579
Net profit attributable to equity holders of the Company	1,201	1,049	713	438	316
<b>KEY BALANCE SHEET DATA (RM million)</b>					
Total assets	114,951	104,533	105,154	103,310	89,898
Loans, advances and financing	66,923	60,596	54,555	53,393	48,359
Total liabilities	106,211	96,692	98,080	97,258	84,392
Deposits from customers	84,841*	73,962*	75,793*	57,526	49,921
Paid-up capital	2,153	2,153	2,153	1,823	1,823
Shareholders' equity	8,708	7,814	7,048	4,928	4,493
Commitments and contingencies	67,234	60,735	56,609	56,940	46,115
<b>SHARE INFORMATION</b>					
Gross dividend per share - (sen)	22.5	19.6	13.6	8.0	3.5
Net assets per share - (RM)	4.0	3.6	3.3	2.7	2.5
Net tangible assets per share - (RM)	2.3	1.9	1.8	2.1	1.8
Basic earnings per share - (sen)	55.8	48.7	35.8	24.0	17.3
Share price - (RM)	5.30	3.90	5.85	3.42	2.21
Market capitalisation (RM million)	11,413	8,399	12,598	6,236	4,030
<b>FINANCIAL RATIOS (%)</b>					
<b>Profitability Ratios</b>					
Net return on average equity	14.5	14.1	11.9	9.3	7.3
Net return on average assets	1.1	1.0	0.7	0.5	0.4
Cost / income ratio	42.7	43.9	44.4	44.5	49.2
<b>Asset Quality/Loan Ratios</b>					
Gross loans to deposits ratio	82.1	85.4	75.0	97.6	102.4
Net non-performing loans ratio	2.2	2.2	3.4	4.6	5.1
Loan loss coverage	83.4	90.3	71.4	63.9	63.2
<b>Ordinary Shares</b>					
Gross dividend yield	4.2	5.0	2.3	2.3	1.6
Dividend payout ratio	30.2	30.0	30.2	24.2	14.6

\* Including Treasury Money Market Time Deposit.

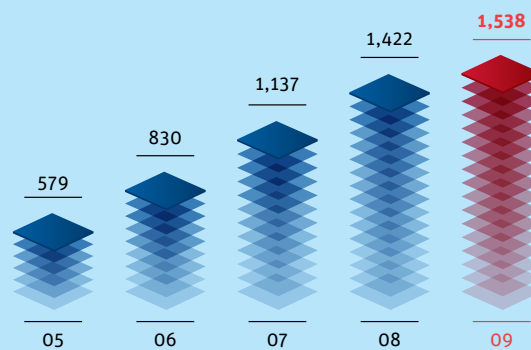


# Summary of Five-Year Group Growth

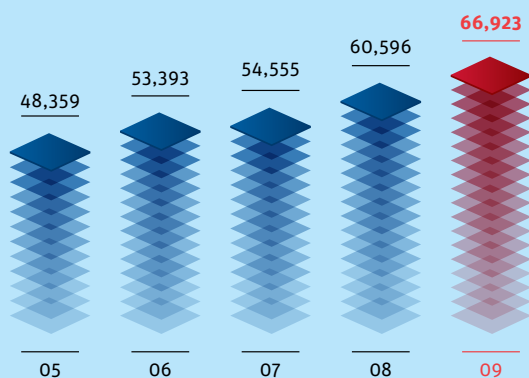
**Total Assets**  
(RM million)



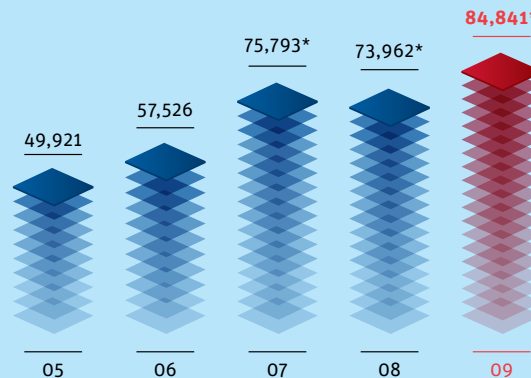
**Profit Before Taxation**  
(RM million)



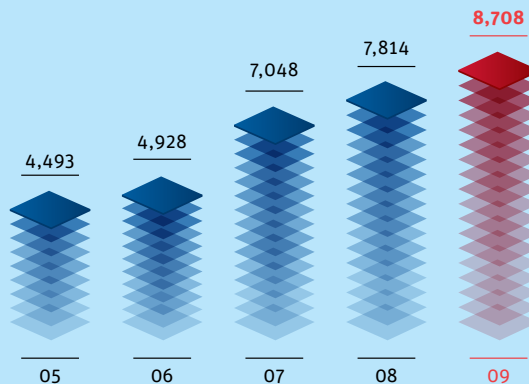
**Loans, Advances and Financing**  
(RM million)



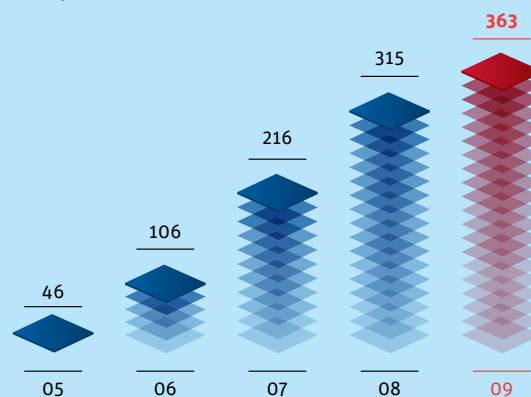
**Deposits from Customers**  
(RM million)



**Shareholders' Equity**  
(RM million)



**Net Dividends**  
(RM million)



\* Including Treasury Money Market Time Deposit.

# Segmental Analysis

For the Year Ended 31 December 2009



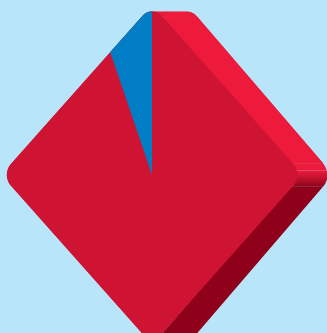
**OPERATING REVENUE**  
By Business Segment

- ◆ 50.1% Retail Banking
- ◆ 19.2% Treasury and money market
- ◆ 18.2% Corporate and Investment Banking
- ◆ 6.0% Islamic Banking business
- ◆ 5.6% International Banking
- ◆ 0.9% Others



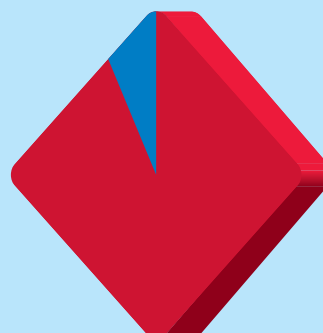
**ASSETS EMPLOYED**  
By Business Segment

- ◆ 35.2% Retail Banking
- ◆ 28.0% Treasury and money market
- ◆ 19.4% Corporate and Investment Banking
- ◆ 9.6% Islamic Banking business
- ◆ 6.5% International Banking
- ◆ 1.3% Others



**OPERATING REVENUE**  
By Geographical Location

- ◆ 94.4% Malaysia
- ◆ 5.6% Overseas



**ASSETS EMPLOYED**  
By Geographical Location

- ◆ 93.3% Malaysia
- ◆ 6.7% Overseas

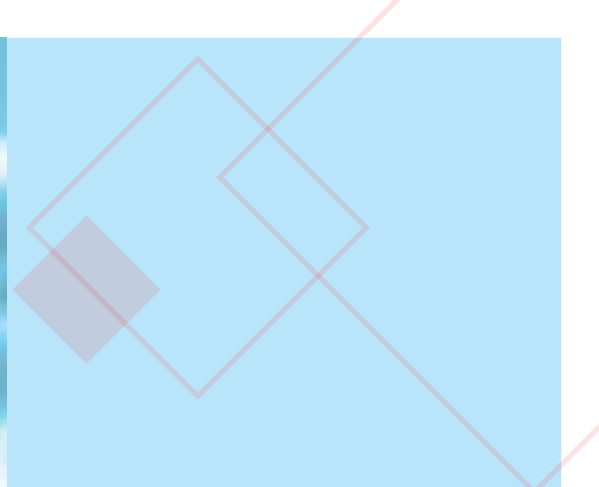
# Group Quarterly Performance

	First Quarter	Second Quarter	2009 Third Quarter	Fourth Quarter	Year 2009
<b>FINANCIAL PERFORMANCE (RM million)</b>					
Operating revenue	1,354.0	1,337.7	1,342.9	1,390.8	5,425.4
Net interest income	573.5	594.3	611.5	633.9	2,413.2
Operating profit before allowances	469.6	590.4	541.7	497.5	2,099.2
Profit before taxation	315.0	400.1	446.2	377.1	1,538.4
Profit attributable to equity holders of the Company	228.7	301.5	334.8	336.4	1,201.4
Earnings per share (sen)	10.6	14.0	15.6	15.6	55.8
Dividend per share (sen)					
- Interim	-	5.0	-	-	5.0
- Final	-	-	-	17.5	17.5

	First Quarter	Second Quarter	2008 Third Quarter	Fourth Quarter	Year 2008
<b>FINANCIAL PERFORMANCE (RM million)</b>					
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 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
- Final	-	-	-	10.6	10.6



strategic



◆ **Diversified Opportunities**

Understanding our business from every angle and with an open mind allows us to keep the wheels spinning for new ways to develop our business. By listening to our customers and our own instincts, we are able to plan and structure our financial services to meet their every need, and bring ourselves as well as our brand to the forefront of the industry.



# Corporate Information

## BOARD OF DIRECTORS

Dato' Mohamed Khadar Merican  
*Independent Non-Executive Chairman*

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

Johari Abdul Muid  
*Non-Independent Non-Executive Director*

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

Arul Kanda Kandasamy  
*Non-Independent Non-Executive Director*

Datuk Haji Faisal Siraj  
*Senior Independent Non-Executive Director*

Datuk Tan Kim Leong  
*Independent Non-Executive Director*

Dato' Tajuddin Atan  
*Group Managing Director*

## COMPANY SECRETARY

Azman Shah Md Yaman

## AUDIT COMMITTEE

Datuk Tan Kim Leong  
*Chairman*

Tan Sri Azlan Zainol  
Datuk Haji Faisal Siraj

## GROUP RISK MANAGEMENT COMMITTEE#

Haji Khairuddin Ahmad  
*Chairman*

Datuk Tan Kim Leong  
Patrick Chin Yoke Chung  
Johari Abdul Muid  
Haji Md Ja'far Abdul Carrim

## GROUP NOMINATING COMMITTEE#

Datuk Haji Faisal Siraj  
*Chairman*  
Tan Sri Azlan Zainol  
Datuk Tan Kim Leong  
Dato' Mohamed Khadar Merican  
Johari Abdul Muid

## GROUP REMUNERATION AND HUMAN RESOURCE COMMITTEE#

Datuk Tan Kim Leong  
*Chairman*  
Tan Sri Azlan Zainol  
Datuk Haji Faisal Siraj  
Dato' Mohamed Khadar Merican  
Johari Abdul Muid



## GROUP AUDIT COMMITTEE<sup>^</sup>

Ong Seng Pheow  
*Chairman*

Dato' Othman Jusoh

Datuk Tan Kim Leong

Patrick Chin Yoke Chung

Haji Md Ja'far Abdul Carrim

## GROUP CREDIT COMMITTEE<sup>\*</sup>

Dato Abdullah Mat Noh  
*Chairman*

Johari Abdul Muid

Dato' Mohamed Khadar Merican

Haji Khairuddin Ahmad

## GROUP RECOVERY COMMITTEE<sup>\*</sup>

Haji Khairuddin Ahmad  
*Chairman*

Tan Sri Azlan Zainol

Dato' Mohamed Khadar Merican

Dato Abdullah Mat Noh

## GROUP INFORMATION TECHNOLOGY STEERING COMMITTEE<sup>\*</sup>

Ong Seng Pheow  
*Chairman*

Johari Abdul Muid

Dato' Tajuddin Atan

Kellee Kam Chee Khiong

Ho Sin Kheong

## SENIOR MANAGEMENT

Dato' Tajuddin Atan  
*Group Managing Director*

Chay Wai Leong  
*Director, Corporate & Investment Banking*

Renzo Christopher Viegas  
*Director, Retail Banking/ Group Transaction Banking*

Kellee Kam Chee Khiong  
*Director, Group Finance*

Norazzah Sulaiman  
*Director, Group Corporate Services/ Group Human Resource*

Michael Lim Kheng Boon  
*Director, Global Financial Banking*

Amy Ooi Swee Lian  
*Director, Business Banking*

Datin Zaimah Zakaria  
*Director, Group Treasury*

Sharifatul Hanizah Said Ali  
*Head, Investment Management*

Koh Heng Kong  
*Head, Insurance*

## 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 10, 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 6, Symphony House  
Block D13, Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor  
Tel : (603) 7841 8000  
Fax : (603) 7841 8008

### Notes:

- # The committee is shared with relevant subsidiaries of the Group.
- <sup>^</sup> The committee resides at RHB Bank Berhad and is shared with relevant entities of the Group excluding RHB Capital Berhad.
- <sup>\*</sup> The committee resides at RHB Bank Berhad and is shared with relevant entities of the Group.

# RHB Banking Group Corporate Structure

As at 31 March 2010



## 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 <sup>(3)</sup>

# RHB Banking Group Corporate Structure

As at 31 March 2010

## 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 Unit Trust Management Berhad
- ◆ Vietnam Securities Corporation (*Vietnam*) (49%)

## OTHERS

- ◆ RHB Insurance Berhad (79.5%)
- ◆ RHB Equities Sdn Bhd <sup>(1)</sup>
  - ◆ KYB Sdn Bhd
- ◆ RHB Capital (Jersey) Limited (*Channel Islands*)
  - ◆ Rashid Hussain Securities (Philippines), Inc. (*Philippines*) <sup>(2)</sup>
- ◆ 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
- ◆ RHB Venture Capital Sdn Bhd
- ◆ RHB Kawal Sdn Bhd

#### Notes:

The subsidiary companies are wholly-owned unless otherwise stated.

Dormant company

Associate company

Jointly Controlled Entity

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

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

<sup>(3)</sup> The company has commenced members' voluntary winding-up on 13 July 2009.

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

## Board of Directors



from left to right:

DATUK TAN KIM LEONG

ARUL KANDA KANDASAMY

DATUK HAJI FAISAL SIRAJ

DATO' MOHAMED KHADAR MERICAN

Independent Non-Executive Director

Non-Independent Non-Executive Director

Senior Independent Non-Executive Director

Independent Non-Executive Chairman



from left to right:

**TAN SRI AZLAN ZAINOL**

**JOHARI ABDUL MUID**

**MOHAMED ALI AHMED HAMAD AL DHAHERI**

**DATO' TAJUDDIN ATAN**

Non-Independent Non-Executive Director

Non-Independent Non-Executive Director

Non-Independent Non-Executive Director

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. He was appointed as an Independent Non-Executive Chairman of RHB Capital on 12 May 2009. Dato' Mohamed Khadar serves as a Member of the Group Nominating Committee and the Group Remuneration and Human Resource Committee.

Dato' Mohamed Khadar has had more than 25 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) 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 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.

## **TAN SRI AZLAN ZAINOL**

(60 years of age – Malaysian)

Non-Independent Non-Executive Director

Tan Sri Azlan Zainol (“Tan Sri 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.

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

Tan Sri Azlan is also currently the Chief Executive Officer of the Employees Provident Fund Board. He has more than 29 years of experience in the financial sector, having been appointed as the Managing Director of AmBank Berhad and prior to that, as the Managing Director of AmFinance Berhad.

Tan Sri Azlan'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 (Singapore), MCL Land Limited (Singapore), ASIA Ltd (Singapore) and Commonwealth Africa Investments Limited.

Tan Sri 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.





## Profile of the Board of Directors

### **JOHARI ABDUL MUID**

(52 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, Group Remuneration and Human Resource Committee and Group Risk Management Committee.

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

Encik Johari has more than 29 years of experience in the financial sector. He started his career as a Money Market Dealer with Asian International Merchant Bankers Berhad in 1981. From 1983 to 1994, he was with Commerce International Merchant Bankers Berhad, working in the Treasury Division and was made the Head of Treasury in 1988. He became the Senior Vice President of Institutional Sales in 1995, within a year of joining CIMB Securities Sdn Bhd (“CIMB Securities”), where he was responsible in setting up the Institutional Sales Team of CIMB Securities. Prior to joining Employees Provident Fund Board (“EPF”) in August 2004, he was the Chief Investment Officer of ValueCap Sdn Bhd which he joined in February 2003. Encik Johari joined the EPF as the Chief Investment Officer heading the Equity Investment and Equity Research Departments. In 2007, he was promoted to Deputy Chief Executive Officer in charge of the Investment Division. He is currently the Deputy Chief Executive Officer of EPF overseeing Policy & Corporate Planning, Training and Human Resource.

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

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.

### **MOHAMED ALI AHMED HAMAD AL DHAHERI**

(37 years of age –United Arab Emirates)  
Non-Independent Non-Executive Director

Mr Mohamed Ali Ahmed Hamad Al Dhaheri (“Mr Al Dhaheri”) was appointed as a Non-Independent Non-Executive Director of RHB Capital on 19 June 2009.

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

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

Mr Al Dhaheri’s other directorships include RHB Bank Berhad, Abu Dhabi Commercial Bank, Abu Dhabi Investment Company and Al Hilal Takaful.

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



## Profile of the Board of Directors

### ARUL KANDA KANDASAMY

(34 years of age – Malaysian)

Non-Independent Non-Executive Director

Arul Kanda Kandasamy (“Mr Arul”) was appointed as a Non-Independent Non-Executive Director of RHB Capital on 20 July 2009.

Mr Arul holds an LL.B from the London School of Economics, an LL.M (with distinction in Corporate & Commercial Law) from University College London and is a UK qualified Barrister.

Mr Arul is currently the Executive Vice President, Head of Investment Banking Group and Head of Corporate Finance Division, Abu Dhabi Commercial Bank. Prior to this, Mr Arul was the Head of Islamic Financing Solutions at Barclays Capital, based in Dubai. He previously held various senior positions in CALYON, both in London and Bahrain, among others, as Director-Head of Islamic Banking, Director-Capital Markets, Calyon Bahrain and Associate Director-Securitisation, Calyon London.

Mr Arul’s other directorships in public companies include RHB Islamic Bank Berhad and RHB Investment Bank Berhad.

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

### DATUK HAJI FAISAL SIRAJ

(64 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 the Chairman of the Group Nominating Committee as well as a Member of the Audit Committee and Group Remuneration and Human Resource Committee.

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 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.



## Profile of the Board of Directors

### DATUK TAN KIM LEONG

(70 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.

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

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 the former Executive Chairman of BDO Binder Malaysia as well as the 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 and The Amoy Canning Corporation (Malaya) Berhad.

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.

### DATO’ TAJUDDIN ATAN

(50 years of age – Malaysian)  
Group Managing Director

Dato’ Tajuddin Atan (“Dato’ Tajuddin”) was appointed as the Group Managing Director of RHB Capital on 1 July 2009. Dato’ Tajuddin holds a Bachelor’s Degree in Science (Agribusiness) from Universiti Putra Malaysia and a Masters Degree in Business Administration from Ohio University, USA.

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

Dato’ Tajuddin currently also serves as the Managing Director of RHB Bank Berhad since May 2009. His other directorships in public companies include Bursa Malaysia Berhad, RHB Bank (L) Ltd and RHB International Trust (L) (Chairman). He is a Board Member of Amanah Ikhtiar Malaysia and he currently chairs the Special Committee for the Urban Poor Micro Finance Program. He is also a Corporate Member of SME Corporation Malaysia and is an Adjunct Professor in Universiti Putra Malaysia as well as Universiti Utara Malaysia. He is a Council Member of the Association of Banks in Malaysia and the Institut Bank-Bank Malaysia.

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



# Chairmen of the Key Operating Subsidiaries





from left to right:

**TUAN HAJI KHAIRUDDIN AHMAD**  
RHB Insurance Berhad

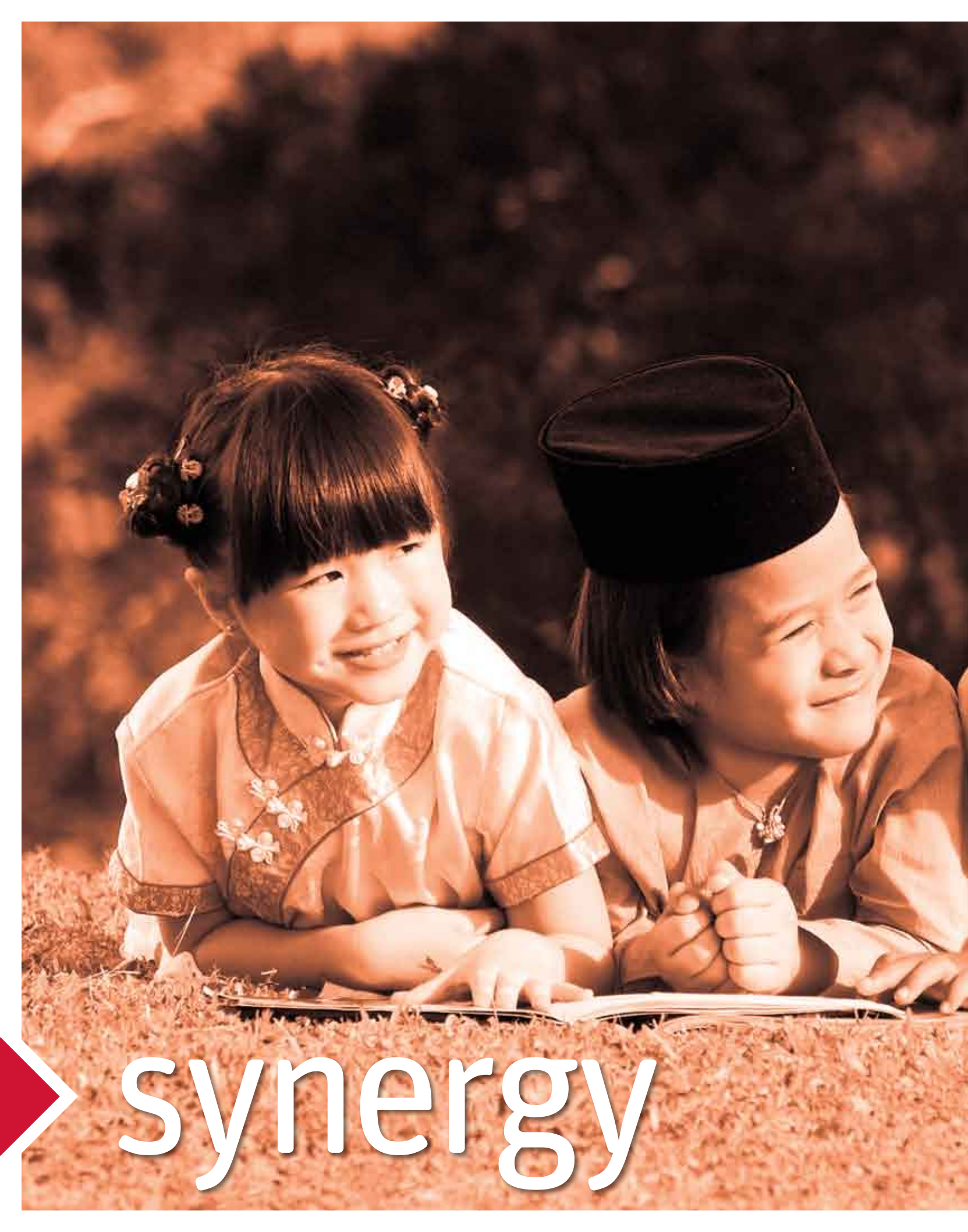
**DATUK HAJI FAISAL SIRAJ**  
RHB Islamic Bank Berhad

**DATO' MOHAMED KHADAR MERICAN**  
RHB Capital Berhad/  
RHB Investment Management Sdn Bhd

**TAN SRI AZLAN ZAINOL**  
RHB Bank Berhad

**DATO ABDULLAH MAT NOH**  
RHB Investment Bank Berhad





▶ synergy



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## ◆ Envisioning a Sustainable Future

At RHB, our goal is to ensure and pave the way to a better life for our customers. By bringing every entity together, thinking as one cohesive unit, and working together to develop our business holistically, we are ensuring that not only will our customers benefit in the here and now, but the generations to come will be able to look forward to a bigger and brighter future.

# Chairman's Statement

Dear Valued Shareholder,

In a year of continued global economic uncertainty, it is indeed heartening to report RHB Capital Berhad's improved performance. The Group continued to reap the benefits of its Transformation Programme, designed to make the Group one of the leading financial services provider in ASEAN. On behalf of the Board of Directors, I am pleased to present the Annual Report for RHB Capital Berhad for the year ended 31 December 2009.

## OUR TRANSFORMATION JOURNEY THUS FAR

The Transformation Programme, which began in 2007, involved three major areas, namely:

- ◆ To reorganise the Group to serve its customers better by migrating to a Universal Banking platform (from managing and serving customers via a legal entity centric model);
- ◆ To reorganise the Group's capital and corporate structure by ensuring sufficiency of capital, reducing the cost of capital, and eliminating earnings leakages through minority interests; and finally
- ◆ To rebrand the organisation to reflect our new aspirations and renewed vigour.

Since the initiation of the Transformation programme, RHB Capital has grown steadily in several areas and we are pleased with the overall progress of the Group. On the financial front, the Group has grown from strength to strength as reflected in our 2009 financial results that showed a marked improvement from the time the Transformation Programme kicked off. In 2009, we closed with a Return on Equity ("ROE") of 14.5% and a Return on Asset ("ROA") of 1.1%, a major improvement in comparison to an ROE and ROA of 9.3% and 0.5% respectively in 2006.

The Group's overall profitability, measured by its profit after tax, was also commendable, growing from RM438.3 million in 2006 to RM1.2 billion in 2009, representing a Compounded Annual Growth Rate ("CAGR") of over 40%. The Transformation Programme also improved the Group's cost structure, with cost to income ratio improving to 42.7% in 2009 as compared to 44.5% in 2006 and Net NPL ratio declined to 2.2% in 2009 from 4.6% in 2006. The Group's ability to grow loans also showed significant improvement – we registered growth of over 10% in 2009 and 11% in 2008 as compared to only 1.2% in 2007.



**Dato' Mohamed Khadar Merican**  
Independent Non-Executive Chairman

# Chairman's Statement

## HEALTHY FINANCIAL PERFORMANCE

For the financial year ended 31 December 2009, the Group posted a pre-tax profit of RM1.5 billion in comparison to RM1.4 billion in 2008, an increase of 8.2%. Net profit, on the other hand, rose by a healthy 14.6% over the previous year to touch RM1.2 billion. This was primarily attributable to the higher net interest income and income from the Islamic banking business, partially offset by higher loan loss allowances and other operating expenses.

RHB Capital Group's net interest income increased by RM196.9 million to RM2,413.2 million in 2009 on the back of a 10.3% loan growth to RM69.6 billion. Income from the Islamic banking business increased to RM326.2 million, up 16.1% as compared to RM281.0 million in 2008. This was attributable to a higher net profit income of RM42.9 million on the back of loan growth by RM543.8 million to RM6.1 billion and higher income from Islamic treasury assets.

Against 2008, cost-to-income ratio improved to 42.7%, from 43.9% as we continued to leverage on our scale and improving overall efficiency.



Group gross loans, advances and financing increased by RM6.5 billion or 10.3% during the year to RM69.6 billion as at 31 December 2009, compared to the industry's loans growth average of 8.1%. Domestic loans and advances grew by 10.5%, driven mainly by residential property and passenger car loans and financing to government and statutory bodies. The Group's net NPL ratio remained stable at 2.2%, marginally lower than in 2008, while our loan loss coverage remained at a healthy 83.4% as at 31 December 2009.

2009 saw our customers' deposit base growing by RM10.9 billion, or 14.7%, in comparison to the industry growth rate of 9.3%. This was largely due to increases in fixed and demand deposits.

Overall, the Group's total assets increased by RM10.4 billion, or 10.0%, to RM115.0 billion as compared to a year before. Shareholders' equity strengthened to RM8.7 billion and net assets per share rose to RM4.04 from RM3.63 in 2008.

## STRONG PERFORMANCE BY SUBSIDIARIES

RHB Bank Berhad ("RHB Bank") continued to be the Group's largest contributor, turning in a significant 88.2% of total contributions and a pre-tax profit of RM1,357.3 million. RHB Bank remains strongly capitalised with shareholders' equity of RM7.2 billion as at 31 December 2009. The Risk-Weighted Capital Adequacy Ratio and Core Capital Ratio of RHB Bank stood at 13.8% and 10.4% respectively as at 31 December 2009.

RHB Investment Bank Berhad ("RHB Investment Bank") registered a pre-tax profit of RM150.7 million, amidst an increasingly challenging equity and capital market environment. It attained top position in the Bloomberg Rights Issues League table and was ranked third on Bloomberg's league tables for M&A, the Ringgit Bond market and equity capital market. Following its astute performance, RHB Investment Bank also garnered a number of other awards and accolades from leading foreign financial magazines. These included Best Local Brokerage House in Malaysia 1990-2008 from *Asiamoney's* Brokers Poll of Polls, Best Equity House in Malaysia 2009 from *FinanceAsia*, and the Capital Markets Deal of the Year 2009 from IFR Asia for Maxis Berhad's re-listing exercise.

RHB Investment Management Sdn Bhd, the asset management arm of RHB Investment Bank, was also an award winner for the Group in 2009, winning one of the Most Astute Investors in Malaysian Ringgit Bond Awards from *The Asset Magazine* and the 2009 Best of the Best Awards for Most Innovative Product – Malaysia for the RHB China Averaging Capital Protected Fund from *Asia Asset Management*. The Company achieved a pre-tax profit of RMO.6 million for the financial year ended 31 December 2009.



The Islamic Banking Strategic Business Unit (“RHB Islamic”) continued to be one of the growth drivers for the Group, albeit contributing a lower share to overall profitability. For the financial year ended 31 December 2009, the Islamic banking business posted a profit before tax of RM86.6 million, a reduction of 24.3% as compared to the same period in the previous financial year. In 2009, the Islamic Consumer Banking segment registered an increase of 7.8 % in profit before tax and 10.7% in total financing assets. In the Islamic Commercial sector, gross financing increased by 33.8% while non-funding revenue increased by 42.9%.

In 2009, RHB Insurance Berhad (“RHB Insurance”) recorded a 16.9% increase in Gross Premium to RM271.4 million compared to that of the previous year of RM232.1 million. Strong growth was registered in Motor, Fire and Personal Accident segments which grew at 27.8%, 11.0% and 43.3% respectively. Improvement was shown at major contributors, i.e. the RHB Group, Agents, Brokers and Direct Corporate which stood at 13%, 17%, 23% and 20% respectively. Cross-selling within the RHB Group, a solidified relationship with Agents through effective training and management programs coupled with the offerings of new products with good value propositions are the main contributing factors to the higher gross premium. RHB Insurance recorded a pre-tax profit of RM46.2 million, significantly higher as compared to the previous financial year of RM8.0 million. This was mainly due to higher investment and other income of RM23.6 million compared to a loss of RM7.3 million in previous financial year as well as higher underwriting surplus by RM2.9 million.

### SHAREHOLDER VALUE ENHANCED

From a shareholder value perspective, I am pleased to report that RHB Capital's market capitalisation increased by more than 80% to RM11.4 billion in 2009, as compared to RM6.2 billion in 2006.

In view of the strong performance of the Group, and in staying true to our commitment of creating shareholder value, the Board is proposing a final dividend of 17.45 sen, less tax amounting to RM281.8 million, subject to shareholders' approval at the forthcoming AGM. Together with the interim dividend of 5.0 sen, less tax, paid in September 2009, the total gross dividend for the year ended 31 December 2009 will be 22.45 sen, thus meeting the Company's stated dividend policy of a 30% payout ratio of the Group's earnings. The 2009 dividends of 22.45 sen represent a growth of more than 180% as compared to only 8 sen in 2006.

The Group has consistently met the dividend policy since it was put in place in 2007 and our shareholders have seen dividend payouts rise steadily throughout the years. We envisage this trend will continue and shareholders can expect even greater total shareholders returns in the coming years.

### 2009'S KEY STRATEGIC DEVELOPMENTS

Strategically, 2009 saw the Group focusing on the key levers towards building competitive advantages and sustainability of its business.

As part of efforts to expand its international footprint, the Group signed a Conditional Sale and Purchase Agreement (“CSPA”) to acquire an 80% stake in PT Bank Mestika Dharma, thereby gaining access to one of the region's fastest growing financial markets in Indonesia. This acquisition, together with our operations in Singapore, Thailand, Brunei and Vietnam, will give us a stronger presence in the region.

Domestically, the Group also worked hard to expand its distribution reach to win market share. In line with this, the Group launched its community banking services, EASY by RHB, with the opening of 14 EASY outlets in 2009, bringing simple, convenient and value-added banking to its customers. We expect to increase significantly the presence of EASY by RHB in 2010, which is a key proposition for the Group going forward.

The Group also enhanced its alternate channels by making significant upgrades to our Internet Banking platform. This should provide more convenience and value to our customers.

Internally, we have strengthened our Human Resources management, with more focus to providing an environment conducive to employee development, instilling a performance-driven culture, providing strong leadership support and promoting the spirit of togetherness in uniting employees of the RHB Group as one.

During the year, we issued RM600 million Hybrid Tier 1 Capital Securities to further strengthen RHB Bank's capital base.



# Chairman's Statement

## CORPORATE RESPONSIBILITY

Businesses all over the world today recognise that their ability to prosper hinges substantially upon their response to an array of issues based on the sustainability agenda. RHB's Board of Directors too acknowledges that the agenda of sustainability and corporate responsibility is not only important from a strategic perspective but is fundamental to sustainable business growth.

Being a key player in the financial services sector and a responsible corporate citizen, the Group is committed towards ensuring our activities impact positively upon our shareholders, employees, customers and partners, as well as the many communities we serve and the environment we operate in. To this end, we focus our efforts on undertaking tangible corporate responsibility ("CR") initiatives that meet the diverse needs of our various stakeholders while rising above racial, religious and cultural boundaries.

In 2009, the Group continued to implement a host of impactful CR programmes and activities in the areas of the Community, Workplace, Marketplace and Environment, the details of which are highlighted in the Corporate Responsibility section of this Annual Report.

## THE YEAR AHEAD

2010 is expected to be a better year for the domestic and global economy.

The RHB Banking Group plans to expand its market share in the Retail and Wholesale segments through its Strategic Business Groups, while Islamic Banking and International businesses are expected to contribute significantly to the Group's overall financial performance.

The Group's Retail and Commercial businesses should grow through leveraging off its existing distribution network and extensive product suite supported by the continued development of the Group's branch network and alternate channels to ensure that our customers enjoy greater banking convenience. In addition, the wholesale and public sector businesses will expand through building on existing relationships and their growing network of customers.

Further strengthening of the Group's operational platform will ensure the growth of our businesses. As we work to implement an

efficient and effective delivery platform, we will focus our efforts on developing talents and leaders of the future. At the same time, we will not forget our ongoing commitment to observing good corporate governance as well as prudent risk and credit management practices.

As we come to the completion of the multi-year Transformation Programme, we believe that we have over the last three years, built a competitive operating platform that will provide scalability for future years.

Going forward, the Board is confident that the Group will be able to compete successfully in an increasingly competitive and liberalised environment. RHB Capital should do better in 2010.

## ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I wish to convey my utmost gratitude to our customers, business partners, regulators and loyal shareholders for their steadfast support and cooperation throughout the year. My sincere thanks to the management team and staff, whose total dedication and commitment have enabled the Group to enjoy a successful 2009. I certainly look forward to your continued support in the year ahead as we work together to face all challenges and capitalise on the many opportunities before us.

Last but not least, I wish to extend my deepest appreciation to the Board of Directors and the former Group Managing Director, Mr. Michael Barrett for seeing us through the Group Transformation Programme. Mr. Barrett is taking his leave of the Board and we wish to thank him for leading the Group to new heights of success these last four and a half years. We wish him farewell and every success in his new endeavours.

Please join me in welcoming aboard the very experienced Dato' Tajuddin Atan who succeeds Mr. Barrett. We look forward to Dato' Tajuddin's insights and contributions and are confident he will do a fine job of building upon the good momentum achieved to date. I trust all our stakeholders will continue to lend us their unwavering support as we work together to take RHB forward to the next level of growth. Thank you.

**DATO' MOHAMED KHADAR MERICAN**  
Independent Non-Executive Chairman

# Chairmen of Group Committees



## GROUP NOMINATING COMMITTEE<sup>#</sup>

Datuk Haji Faisal Siraj  
*Chairman*  
Tan Sri Azlan Zainol  
Datuk Tan Kim Leong  
Dato' Mohamed Khadar Merican  
Johari Abdul Muid



## GROUP CREDIT COMMITTEE<sup>\*</sup>

Dato Abdullah Mat Noh  
*Chairman*  
Johari Abdul Muid  
Dato' Mohamed Khadar Merican  
Haji Khairuddin Ahmad



## GROUP REMUNERATION AND HUMAN RESOURCE COMMITTEE<sup>#</sup>

Datuk Tan Kim Leong  
*Chairman*  
Tan Sri Azlan Zainol  
Datuk Haji Faisal Siraj  
Dato' Mohamed Khadar Merican  
Johari Abdul Muid

## AUDIT COMMITTEE

Datuk Tan Kim Leong  
*Chairman*  
Tan Sri Azlan Zainol  
Datuk Haji Faisal Siraj



## GROUP AUDIT COMMITTEE<sup>\*</sup>

Ong Seng Pheow  
*Chairman*  
Dato' Othman Jusoh  
Datuk Tan Kim Leong  
Patrick Chin Yoke Chung  
Haji Md Ja'far Abdul Carrim

## GROUP INFORMATION TECHNOLOGY STEERING COMMITTEE<sup>\*</sup>

Ong Seng Pheow  
*Chairman*  
Johari Abdul Muid  
Dato' Tajuddin Atan  
Kellee Kam Chee Khiong  
Ho Sin Kheong



## GROUP RISK MANAGEMENT COMMITTEE<sup>#</sup>

Haji Khairuddin Ahmad  
*Chairman*  
Datuk Tan Kim Leong  
Patrick Chin Yoke Chung  
Johari Abdul Muid  
Haji Md Ja'far Abdul Carrim

## GROUP RECOVERY COMMITTEE<sup>\*</sup>

Haji Khairuddin Ahmad  
*Chairman*  
Tan Sri Azlan Zainol  
Dato' Mohamed Khadar Merican  
Dato Abdullah Mat Noh

### Notes:

- <sup>#</sup> The committee is shared with relevant subsidiaries of the Group.
- <sup>\*</sup> The committee resides at RHB Bank Berhad and is shared with relevant entities of the Group excluding RHB Capital Berhad.
- <sup>\*</sup> The committee resides at RHB Bank Berhad and is shared with relevant entities of the Group.

# Corporate Governance Statement

In the face of evolving corporate governance practices and a stricter regulatory environment, the Board of Directors (“Board”) of RHB Capital Berhad (“RHB Capital” or “the Company”) is mindful that good corporate governance is fundamental to the success of any organisation and that there is a need to continuously improve upon practices already in place. To this end, the Board is committed to ensuring that RHB Capital adopts best market practices in establishing accountability and transparency within the Company as well as to preserve the 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”), the Guidelines on Corporate Governance for Licensed Institutions (“Revised BNM/GP1”) issued by Bank Negara Malaysia (“BNM”) and international best practices.

As a testament to the high standards of corporate governance we employ, the Company is proud to announce that we were a recipient of a Merit Award under the Malaysian Corporate Governance Index 2009 listing which rates Malaysia’s top 100 public listed companies in terms of best governance practices including international best practice codes.

In enhancing the Company’s system of governance, the Board not only pays attention to ethical conduct, value enrichment and the implementation of best practices, but also makes a significant effort to understand and manage stakeholders’ expectations. Such understanding is essential to ensuring the Company, being a bank holding company, is held in good stead, as it fulfils the evolving needs of stakeholders and supports the Group’s efforts to compete globally.

## BOARD OF DIRECTORS

### Duties and Responsibilities of the Board

The Board governs the administration of the Company and shall exercise all such powers pursuant to the Articles of Association of the Company. Generally, the responsibilities of the Board include:-

- ◆ to provide strategic leadership to the Company and the Group;
- ◆ to review, approve and monitor the implementation of the Group’s strategic business plans and policies;
- ◆ to ensure the Company maintains an effective system of internal controls as well as the identification and management of principal risks resulting in efficiency in operations and a stable financial environment;
- ◆ to act as a guardian of the Group’s corporate values and ethical principles in parallel with the goal to enhance shareholders’ value;
- ◆ to monitor as well as evaluate the performance of the Management to ensure that the performance criteria remains dynamic; and
- ◆ to ensure the formulation of a succession plan for the Group for the 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 for ensuring the successful implementation of policies and directions as may be formulated by the Board. The distinct and separate duties and responsibilities of the Group MD and Non-Executive Directors (“NEDs”) ensure the balance of power and authority in relation to the establishment of a fully effective Board.

The Group MD is also the MD of RHB Bank Berhad. As the Group MD, his key responsibility is to steer and lead the Group’s Strategic Business Groups (“SBGs”) and Strategic Functional Groups (“SFGs”) towards achieving the Group’s visions and goals. The Group’s internal organisational structure was further enhanced in 2010 to ensure market relevance and drive higher performance. In carrying out these tasks, the Group MD is supported by a Central Management Committee (“CMC”) which comprises key Management personnel of the Group. The CMC has several objectives, which include the following:-

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

The CMC is governed by its terms of reference.

## Board Composition and Balance

The structure and composition of the Board comply with the Main Market Listing Requirements (“LR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Code as well as and the Revised BNM/GP1. The Board currently comprises an Independent Non-Executive Chairman, two (2) Independent Non-Executive Directors, four (4) Non-Independent Non-Executive Directors and the Group MD. As a financial services group, the Board recognises that its Members must have the appropriate mix of skills as well as the necessary knowledge, experience and commitment to effectively contribute towards the growth and expansion of the Group as a whole. Furthermore, being on the Board of a bank/financial holding company, Board Members are required to be responsive to the constantly changing global financial landscape. The Board regularly reviews the composition of its own Board as well as the Boards of the major subsidiaries and the Group’s Board Committees to ensure the appropriate balance is maintained and that there is an adequate mix of skills and experience.

## Roles of the Chairman, Group Managing Director, Non-Executive Directors and Senior Independent Non-Executive Director

It is widely recognised that a Chairman should also be a NED and that the roles of the Chairman and the Group MD be clearly demarcated. The Chairman is responsible to lead the effective performance of the Board.

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

In addition to the above, the Chairman shall:-

- ◆ provide effective leadership in the strategic direction for the Company;
- ◆ work with the Company Secretary to schedule Board and Committee meetings and ensure that Directors receive accurate, timely and clear information, in particular about the Company’s performance and issues arising, to enable the Board to make sound decisions, monitor effectively and provide sensible advice in achieving the Company’s objectives;
- ◆ work with the Board to establish appropriate Board Committee structures and charters, including the assignment of Directors and the appointment of Chairmen of each of the Board Committees;
- ◆ ensure the independence of the Board in discharging its duties. This includes encouraging NEDs of the Board to meet regularly to deliberate on matters of concern and ensure that the Board engages independent advisors where required (subject to the proper approval process);
- ◆ ensure that the Board and individual Directors fully exercise their responsibilities and adhere to applicable laws, regulations, rules, directives, policies and guidelines;
- ◆ consider and address the development needs of individual Directors and the Board as a whole to maintain the necessary depth and breadth of knowledge and skills to enhance the effectiveness of the Board as a whole;
- ◆ promote effective relationships and open communication between the Board and Senior Management team in relation to corporate governance and corporate performance, and
- ◆ represent the Company and the collective views of the Board externally and oversee public relations, including relations with key clients, stakeholders, government officials, other public organisations and the general public.

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

- ◆ developing and translating the broad corporate strategies into goals and priorities;
- ◆ ensuring that the financial results are accurate and not misleading as well as ensuring that the financial management practices of the Group are at the highest level of integrity and transparency for the benefit of all stakeholders;
- ◆ ensuring that the business and affairs of the Company are carried out in an ethical manner and in full compliance with the relevant laws and regulations;
- ◆ overseeing the internal control systems and the risk management processes and ensuring these are appropriate and effective;

## Corporate Governance Statement

- ◆ providing leadership and representing the Company to major customers and industry organisations together with the involvement of the Chairman; and
- ◆ developing and maintaining strong communication programmes and dialogue with the stakeholders.

The roles of the NEDs are wide and varied. They provide considerable depth of knowledge collectively gained from experiences in a variety of public, private companies and other enterprises. The Independent Directors provide unbiased and independent views in ensuring that the strategies proposed by the Management are fully deliberated and examined as well as take into account the interests of minority shareholders, employees, customers, and the many communities in which the Group conducts its business. The independence of the Independent Directors is constantly reviewed and benchmarked against best practices and regulatory provisions.

The Senior Independent Non-Executive Director (“SINED”) has the following additional responsibilities:-

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

The Board periodically reviews its size and composition to maintain the right mix of skills, experience and expertise.

A brief profile of each Director is presented on pages O18 to O21 of this Annual Report.

### Board Charter

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

### Code of Ethics and Business Conduct

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

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

The Group had also implemented a Group Code of Ethics and Conduct that is applicable to all its employees to ensure a high standard of ethical and professional conduct is upheld by all its employees.

### Board Meetings and Access to Information

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

The Board is provided with meeting papers in advance of the meeting dates to allow the Members of the Board to digest the issues at hand, seek clarification from the Management, if required and, formulate opinions on matters to be deliberated at the meetings. In line with the best practices, Board materials/papers are circulated to Members of the Board at least seven (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 reviews regular management reports and information on corporate and business issues to assess performance against business targets and objectives.

Each Member of the Board is required to apply independent judgement to decision making in their capacity as a Director. Where 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 had adopted the Standard Procedures for Directors to Have Access to Independent Advice which lays down the procedures for Directors seeking internal and/or external professional independent advice. The objectives of these guidelines among others are as follows:-

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

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

The Board convened fifteen (15) meetings for the financial year ended 31 December 2009. The attendance of each Director in office at the end of the financial year at the aforesaid Board meetings is set out below:-

Name of Director	Total Meetings Attended	Percentage of Attendance (%)
Dato' Mohamed Khadar Merican	15/15	100
Tan Sri Azlan Zainol	15/15	100
Johari Abdul Muid	13/15	87
Mohamed Ali Ahmed Hamad Al Dhaheri <sup>1</sup>	9/10*	90
Arul Kanda Kandasamy <sup>2</sup>	8/8*	100
Datuk Haji Faisal Siraj	15/15	100
Datuk Tan Kim Leong	15/15	100
Dato' Tajuddin Atan <sup>3</sup>	9/9*	100

**Notes:**

- <sup>1</sup> Appointed as a Director on 19 June 2009.
- <sup>2</sup> Appointed as a Director on 20 July 2009.
- <sup>3</sup> Appointed as Group Managing Director on 1 July 2009.
- \* Based on the number of Board meetings attended 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 relation to the appointment of new Directors and the re-appointment of its existing Directors upon the expiry of their respective tenures of office as approved by BNM.

The Group Nominating Committee reviews and assesses the appointments/re-appointments of Directors. The results of the individual assessments conducted via the Board Effectiveness Evaluation 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 appointment/re-appointment of Directors 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. Independent Directors over seventy years of age will not be eligible for appointment or re-appointment on the Board of any of the companies within the RHB Capital Group and shall retire at the next Annual General Meeting of the company concerned.

Article 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 appointment.

## Directors' Training

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

## Corporate Governance Statement

Conferences, seminars and training programmes attended by the Directors of the Company and the Group in 2009 encompassed various topics, including the following:-

<b>Board &amp; Corporate Governance</b>	<ul style="list-style-type: none"> <li>• CEO and Board Succession Planning</li> <li>• Competitive Strategy vs Redundant Strategy Workshop</li> <li>• Financial Institutions Directors' Education Programme*</li> <li>• Getting Up to Speed with Governance</li> </ul>
<b>Islamic Banking and Finance</b>	<ul style="list-style-type: none"> <li>• 6th Islamic Financial Services Board Summit: The Future of Islamic Financial Services</li> <li>• Islamic Banking – Masterclass for Islamic Bank Board of Directors</li> </ul>
<b>Banking &amp; Finance</b>	<ul style="list-style-type: none"> <li>• Financial Industry Conference</li> <li>• Khazanah Mega Trend Forum</li> <li>• Khazanah Global Lectures</li> </ul>
<b>Investment Banking</b>	<ul style="list-style-type: none"> <li>• World Capital Markets Symposium</li> <li>• Workshop on Investment Banking Going Forward</li> </ul>
<b>Risk Management</b>	<ul style="list-style-type: none"> <li>• Is It Worth The Risk?</li> <li>• Anti-Money Laundering and Counter Financing of Terrorism Trends and Typologies</li> </ul>
<b>Others</b>	<ul style="list-style-type: none"> <li>• How I See The World Today</li> <li>• The Economic Crisis of 2008/2009: Precipitator, Impact and Response</li> </ul>

Note:

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

Under the BHPP, two (2) Directors had attended the following programmes at Harvard Business School, United States of America:-

- ◆ Making Corporate Board More Effective; and
- ◆ Leadership Best Practices.

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

- ◆ to ensure consistency throughout the RHB Banking Group in developing in-house orientation and continuing education programme for its Directors to familiarise themselves with the industry and the company/licensed institution; and
- ◆ to provide the Directors with a better understanding of the nature of business, corporate strategy, risks of the business, financial overview, risk management strategy, legal requirements, duties, responsibilities and rights from the legal viewpoint, moral and ethical obligations as well as good corporate governance in the ever-changing economic climate.

The first In-House Orientation was held for newly appointed Directors within the Group on 26 August 2009.

### Board Performance Evaluation

The Board has annually undertaken the Board Effectiveness Evaluation ("BEE") exercise on the Board and Board Committees with the objective of assessing the effectiveness of the Board and Board Committees as a whole, as well as the individual Directors. The BEE is based on a combination of self and peer assessment methodologies performed via a customised questionnaire. The results of the BEE are presented to the Group Nominating Committee as well as the Board of the Company for notation. The 2009 assessment produced very useful information to enhance the governance of the Board, among others.

### 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.

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

- ◆ **Group Audit Committee**
  - Majority of the members are Independent NEDs.
  - Its main objective is to provide independent oversight of the financial reporting and internal control system and ensuring checks and balances for entities within RHB Banking Group excluding RHB Capital.
- ◆ **Group Credit Committee**
  - Majority of the members are Independent NEDs.
  - Its main objective is to affirm, veto or impose additional conditions on credits/debts and equity underwriting (excluding applications from Loan Recovery) for amounts above the defined thresholds of the Central Credit Committee.
- ◆ **Group Recovery Committee**
  - Majority of the members are Independent NEDs.
  - Its main objective is to affirm, veto or include additional conditions on credit applications under Non-Performing Loan (NPL)/Non-Performing Account (NPA) as well as all credit/renewal applications from Loan/Asset Recovery (including the equivalent unit from each of the entity within the RHB Banking Group) for amounts above the defined thresholds of the Central Credit Committee.

The functions and terms of reference of the Group Board Committees 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 comprise 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 interests of the entities concerned.

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

Apart from the above Group Board Committees, the Company also utilises the functions of a centralised IT Steering Committee known as the Group IT Steering Committee (“GITSC”) residing at RHB Bank Berhad. The GITSC is overall responsible in ensuring the alignment of IT system initiatives with business strategy and Group IT strategy.

Below are the Group Board Committees that reside at RHB Capital level.

### **Audit Committee**

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

The Audit Committee meets regularly with the internal auditors. 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 six (6) Audit Committee meetings were held.

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

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 pages 045 to 048 of this Annual Report.

### **Group Nominating Committee**

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

Meetings of the Group Nominating Committee are held as and when required and at least once a year. The Group Nominating Committee met eight (8) times during the financial year 2009.

## Corporate Governance Statement

The composition of the Group Nominating Committee and the attendance of the members at meetings held in 2009 are as follows:-

	<b>Attendance at Meetings</b>
Datuk Haji Faisal Siraj (Independent Non-Executive Director/Chairman)	8/8 (100%)
Tan Sri Azlan Zainol (Non-Independent Non-Executive Director)	8/8 (100%)
Datuk Tan Kim Leong (Independent Non-Executive Director)	8/8 (100%)
Johari Abdul Muid (Non-Independent Non-Executive Director)	7/8 (88%)
Dato' Mohamed Khadar Merican (Independent Non-Executive Director)	N/A <sup>^</sup>
Ismael Fariz Ali (Independent Non-Executive Director)	2/6* (33%)

Notes:-

- <sup>^</sup> Appointed on 1 December 2009 after which no meeting was held.
- \* Based on number of meetings attended prior to his resignation on 30 September 2009.

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

- ◆ to provide a documented, formal and transparent procedure for the appointment of Directors, Board Committee Members, Group Shariah Committee Members, Chief Executive Officers and key Senior Management Officers, as well as the assessment of effectiveness of individual Directors, the Board as a whole and the various Committees of the Board, the Chief Executive Officers and key Senior Management Officers of the Group;
- ◆ to assist the Board in ensuring that appointments are made on merit against agreed upon criteria;
- ◆ to assist the Board in identifying and reviewing, on an annual basis, the required mix of skills, experience and other qualities, including core competencies which Directors should bring to the Board and which the Board requires for it to function completely and efficiently; and
- ◆ to examine the size of the Board with a view to determining the impact the number of Members has upon its effectiveness.

### Group Remuneration and Human Resource Committee

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

Meetings of the Group Remuneration and Human Resource Committee are held as and when required and at least once a year. The Committee met eight (8) times during the financial year 2009.

The composition of the Group Remuneration and Human Resource Committee and the attendance of the members at meetings held in 2009 are as follows:-

	<b>Attendance at Meetings</b>
Datuk Tan Kim Leong (Independent Non-Executive Director/Chairman)	8/8 (100%)
Tan Sri Azlan Zainol (Non-Independent Non-Executive Director)	8/8 (100%)
Datuk Haji Faisal Siraj (Independent Non-Executive Director)	8/8 (100%)
Johari Abdul Muid (Non-Independent Non-Executive Director)	7/8 (88%)
Dato' Mohamed Khadar Merican (Independent Non-Executive Director)	N/A <sup>^</sup>
Ismael Fariz Ali (Independent Non-Executive Director)	2/6* (33%)

Notes:-

- <sup>^</sup> Appointed on 1 December 2009 after which no meeting was held.
- \* Based on number of meetings attended prior to his resignation on 30 September 2009.

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

- ◆ to provide a formal and transparent procedure for developing the remuneration policy for Directors, Board Committee Members, Chief Executive Officers, Group Shariah Committee Members and key Senior Management Officers of the Group and ensuring that their compensation is competitive and consistent with the Group's culture, objectives and strategy;
- ◆ to recommend to the Board the best policies, strategies and framework to be implemented for the RHB Capital Group in relation to staff remuneration, rewards and benefits;

- ◆ to oversee and review the scope and quality of human resource projects/programmes of the Group; and
- ◆ to oversee the disciplinary procedures, regulations and preventive measures as well as to ensure implementation and adherence to the disciplinary procedures.

## Group Risk Management Committee

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

The Committee met thirteen (13) times during the financial year 2009.

The composition of the Committee and the attendance of the members at meetings held in 2009 are as follows:-

	Attendance at Meetings
Haji Khairuddin Ahmad <sup>^</sup> (Independent Non-Executive Director/Chairman)	13/13 (100%)
Patrick Chin Yoke Chung (Independent Non-Executive Director)	11/13 (85%)
Datuk Tan Kim Leong (Independent Non-Executive Director)	12/13 (92%)
Johari Abdul Muid <sup>*</sup> (Non-Independent Non-Executive Director)	7/8 <sup>#</sup> (88%)
Haji Md Ja'far Abdul Carrim <sup>**</sup> (Independent Non-Executive Director)	3/3 <sup>#</sup> (100%)
Datin Sri Khamarzan Ahmed Meah <sup>^^</sup> (Independent Non-Executive Director)	2/5 <sup>##</sup> (40%)
Dato' Mohd Salleh Hj Harun <sup>***</sup> (Independent Non-Executive Director/Chairman)	11/11 <sup>##</sup> (100%)

Notes:-

- <sup>^</sup> Appointed as Chairman of the Committee on 1 December 2009.
- <sup>\*</sup> Appointed as a Member on 1 June 2009.
- <sup>\*\*</sup> Appointed as a Member on 29 September 2009.
- <sup>^^</sup> Resigned on 1 June 2009.
- <sup>\*\*\*</sup> Resigned on 18 November 2009.
- <sup>#</sup> Based on number of meetings attended subsequent to his appointment as a member.
- <sup>##</sup> Based on number meetings attended prior to his/her resignation as a member.

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

- ◆ to provide oversight and governance of risks at the Group;
- ◆ to oversee Senior Management's activities in managing credit, market, liquidity, operational, legal and other risk and to ensure that the risk management process of each entity in the Group is in place and functioning;
- ◆ to promote the management of the Group's risk in accordance with a risk-return performance management framework; and
- ◆ to deliberate and make recommendations to the Board of Directors of each relevant entity within the Group in respect of risk management matters of the respective entities.

## 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 qualified local and foreign Shariah scholars who act as Shariah advisors to 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 ("NASAC"), where relevant, on any Shariah matters which have not been resolved or endorsed by NASAC.

## DIRECTORS' REMUNERATION

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



## Corporate Governance Statement

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

- i) Annual Fees  
The NEDs are entitled to an annual Directors' fees. The annual Directors' fees are subject to shareholders' approval at the Annual General Meeting of the Company.
- ii) Allowances  
NEDs are also entitled to meeting attendance allowances when they attend any Board/Board Committee meetings. In addition, NEDs who sit on Board Committees are entitled to receive Board Committee allowances which shall be paid on an annual basis at the end of each financial year.
- iii) Benefits-in-kind  
Benefits accorded to the Chairmen of the Group, consisting of the provision of a Company car, driver and petrol allowance.

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

In 2009, RHB Bank Berhad paid a total remuneration of RM3.94 million to the past and present MD of RHB Bank who was/is also the Group MD.

At the Company level, the total Directors' remuneration paid/payable to the NEDs for the financial year 2009 is as follows:-

	NEDs (RM)
Annual Directors' Fees <sup>^</sup>	382,027.40
Other Allowances <sup>*</sup>	271,557.07
<b>Total</b>	<b>653,584.47</b>

Notes:

- <sup>^</sup> Subject to shareholders' approval.
- <sup>\*</sup> Comprises meeting 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 2009), analysed into the following bands, is as follows:-

Aggregate Remuneration	Number of Directors
RM10,001 – RM50,000 <sup>*</sup>	1
RM50,001 – RM100,000	-
RM100,001 – RM150,000	2
RM150,001 – RM200,000	-
RM200,001 – RM250,000	-
RM250,001 – RM300,000	1
RM300,001 – RM350,000	1
RM350,001 – RM400,000	3

Note:

- <sup>\*</sup> The director has resigned 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

As part of good corporate governance, the RHB Banking Group is fully committed to maintaining transparency and being accountable to all stakeholders over and above regulatory reporting.

The RHB Banking Group maintains a transparent disclosure policy and has extensive timely communication with its stakeholders. Information on activities within the Group, as well as its many milestones and developments, is communicated to shareholders and the public on a regular basis through various channels.

The Group also maintains a corporate website at [www.rhb.com.my](http://www.rhb.com.my) which provides up-to-date information relating to the latest corporate and financial developments within the RHB Banking Group.

The Group continues to place an emphasis on Corporate Responsibility ("CR") by engaging itself in initiatives that cut across and provide sustainable benefits to the community at large. The details of the Group's CR activities are reported on pages 082 to 087 of this Annual report.

The Company's General Meetings remain the primary platform for dialogue between the shareholders, Board and Management of the Group. Shareholders are given the opportunity to participate actively in RHB Capital Berhad's Annual General Meetings ("AGM") and Extraordinary General Meetings where they can raise questions and communicate their views. They are allowed to vote in person or by proxy.

The Directors as well as the Group's external auditors are also present in these meetings to address any relevant queries raised by the shareholders.

At the 14th AGM held on 18 June 2009, the Director of Group Finance presented a comprehensive review of the RHB Banking Group's 2008 financial performance and the value creation for shareholders, as well as a summary of the status of the Group's Transformation Programme which started in 2007 and the key focus areas for 2009.

Attendance of shareholders at general meetings has always been encouraging as evidenced by the presence thereof in the past years.

## Investor Relations

The RHB Banking Group is committed to communicating its strategy and activities clearly to stakeholders through a planned programme of investor relations activities.

The Group continues to maintain a close rapport with analysts and fund managers, whose analyses and reports help investors make their investment decisions.

Formal briefings are held on quarterly basis to coincide with the release of the Group's quarterly results 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 conducts regular meetings with fund managers and analysts to provide information and updates on the development of the Group on an ongoing basis. In 2009, the investor relation team met with over 100 analysts, fund managers and investors via formal briefings, face-to-face meetings and tele-conferencing.

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

## 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. The Chairman's Statement on pages 026 to 030 of this Annual Report provides an overview of the Company and the Group's financial performance for the financial year 2009.

A Directors' Responsibility Statement for the Annual Audited Financial Statements of the Company and the Group is set out on page 100 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 042 to 044 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 045 to 048 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 2009.

This Statement of Corporate Governance was approved by the Board of Directors on 25 March 2010.

## 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 2009.

### 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 the 12 months financial period from 1 January 2009 to 31 December 2009.

# Statement on Internal Control

The Board of Directors (“Board”) is committed to maintaining a sound system of internal control in the Group and is pleased to provide the following statements, which outlines the Board’s responsibility in establishing an appropriate control environment to achieve these objectives.

## RESPONSIBILITY

The Board acknowledges its overall responsibilities in respect of the Group’s system of internal controls and for reviewing the adequacy and integrity thereof. Such system covers not only financial controls but also controls relating to governance, 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.

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

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

## KEY INTERNAL CONTROL PROCESSES

The key processes that the Board has established in reviewing the adequacy and integrity of the system of internal controls among others, are as follows:-

### ◆ Risk Management Framework

The risk management process seeks to identify, measure, monitor and control risk in ensuring that risk exposures are adequately managed and the expected returns compensate the risks taken particularly so in an industry where the risks it faces continually change and evolve. This process is regularly reviewed by the Board through its Group Risk Management Committee to ensure proper management of risks and appropriate measures are taken to mitigate any identified weaknesses in the control environment.

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

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

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

To support and promote the achievement of accountability and ownership of risk management, a Risk and Control Self-Assessment framework has been implemented at all key operating entities in the Group as part of the risk management process. These entities are required to identify as well as document the controls and processes for managing the risks arising from their business activities as well as assess the effectiveness thereof.

### ◆ Internal Audit

The Group Internal Audit performs regular reviews of the Group’s operational processes and system of internal controls. Group Internal Audit adopts a risk-based approach in determining the auditable units and frequency of audits. 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 Group Internal Audit 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 subsidiaries within 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

Compliance risk is defined as the risk of impairment to the Group's business model, reputation and financial condition from failure to meet laws and regulations, internal policies and expectations of stakeholders. Compliance works with business and operating units to effectively measure and manage the compliance risk of the Group to meet the expectations of all stakeholders. To this end, the Group Compliance Framework forms the foundation for managing the Group's compliance risk.

The Group's state of compliance with laws, regulations, and internal policies and procedures are reported to Group Risk Management Committee and Board on a monthly basis.

Compliance in collaboration with business and operating units continuously assess and recommend improvements to controls by carrying out root cause analysis on common incidences of non-compliance, negligence and fraud that are reported on a daily basis.

To mitigate compliance risk, various awareness and learning initiatives were conducted throughout the year to ensure continuous compliance to existing controls.

### ◆ Board Committees

Specific responsibilities have been delegated to the relevant Board committees, all of which have written terms of references. These committees have the authority to examine and/or consider all matters within their scope of responsibilities and make recommendations to the Board for approval, if such is required.

The Group Board Committees currently residing at RHB Capital Berhad are as follows:-

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

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

### ◆ Central Management Committee

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

### ◆ Authority Limits

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

### ◆ Internal Policies and Procedures

Policies 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 entities, as required for the type of business or geographical location as the case may be.

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

## Statement on Internal Control

### ◆ Budgeting Process

A detailed budgeting process is established requiring all key operating companies in the Group to prepare budgets and business plans annually which are discussed and approved by the respective Boards. A reporting system on actual performance against approved budgets is in place and significant variances are followed up by the Management and reported to the Boards.

### ◆ Performance Review

Regular and comprehensive information are shared by the Management for monitoring of their performance against the strategic business plan approved by the Board, covering all key financial and operational indicators.

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

### ◆ Human Resource Policies and Procedures

There are proper human resource guidelines for hiring and termination of staff, formal training programmes for staff, performance appraisal system and other human resource procedures to ensure that staff are adequately trained and competent in carrying out their duties and responsibilities.

### ◆ Code of Ethics and Conduct

The intention of the Code of Ethics and Conduct is to aid identification of areas and situations where public trust and confidence might be compromised or a law might be violated and to reiterate the high standards of conduct that are associated with ethical business practices as well as set forth policies and guidelines governing the same.

It is a requirement for all staff to understand the Code of Ethics and Conduct, and to acknowledge and sign the Employee Declaration of Compliance Form.

### ◆ Incident Management Framework

To complement the Group's system of internal controls, there is a comprehensive incident reporting and incident management framework implemented 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. This enables decision makers to be kept abreast of the situation, to enable effective management of risk and informed decision making when confronted with such situation.

### ◆ Suspicious Transaction Reporting & Whistle Blowing

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

## 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 that 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 2009

### Activities of the Audit Committee

During the financial year ended 31 December 2009 (“year”), a total of 6 Audit Committee (“Committee”) meetings were held. The Committee comprises the following members and details of attendance of each member at the Committee meetings held during the year are as follows:-

Composition of the Committee	No. of Meetings Attended Whilst in Office
1. Datuk Tan Kim Leong (Chairman / Independent Non-Executive Director)	6 out of 6 meetings
2. Tan Sri Azlan Zainol (Member / Non-Independent Non-Executive Director)	6 out of 6 meetings
3. Datuk Haji Faisal Siraj (Member / Senior Independent Non-Executive Director)	6 out of 6 meetings

The Committee’s activities are concentrated at RHB Capital Berhad and its direct subsidiaries. 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 the related party transactions entered into by the Company and its subsidiaries;
- ◆ Reviewed the audit plan of the external auditors, the audit strategy and scope of work for the year, as well as the results of their annual audit;
- ◆ Met twice with the external auditors without the presence of the Management to discuss issues of concern to the auditors arising from the annual statutory audit;
- ◆ Reviewed the non-audit services rendered by the external auditors and the related fees;
- ◆ Evaluated the performance of the external auditors and made the necessary recommendations to the Board for consideration in relation to 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 the Management’s response to such recommendations as well as actions taken to improve the system of internal controls and procedures;
- ◆ Reviewed the minutes of meetings of the Group Audit Committee of RHB Bank Berhad to the extent permitted by the relevant regulatory authorities to satisfy itself that all matters arising therefrom have been appropriately addressed by the 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.

## Audit Committee Report

During the year, the Members of the Committee have attended the relevant training programmes, conferences and seminars as highlighted below:-

- (a) Banking and Finance
  - Financial Institutions Directors Education programme
  - Financial Industry Conference
- (b) Board and Corporate Governance
  - Chief Executive Officer and Board Succession Planning
  - Competitive Strategy Vs Redundant Strategy Workshop for Board and Senior Management

### Internal Audit Function

The Group has an in-house group internal audit function which is guided by its Group Internal Audit Charter and reports to the 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 integrity of the Group's risk management, internal control and governance processes.

The Committee approves the annual audit plan of the Company 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 year was approximately RM16.8 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.

# Audit Committee Report

## 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 Statement

## INTRODUCTION

The risk management process seeks to identify, measure, monitor, and control risk; in order to ensure that risk exposures are adequately managed and that expected returns compensates for the risks taken. To this extent, the Group has implemented a Risk Management Framework which governs the management of risks in the banking group. The Framework operates on two interlocking layers:

- (i) 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.
- (ii) 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.

## OVERARCHING RISK MANAGEMENT PRINCIPLES

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

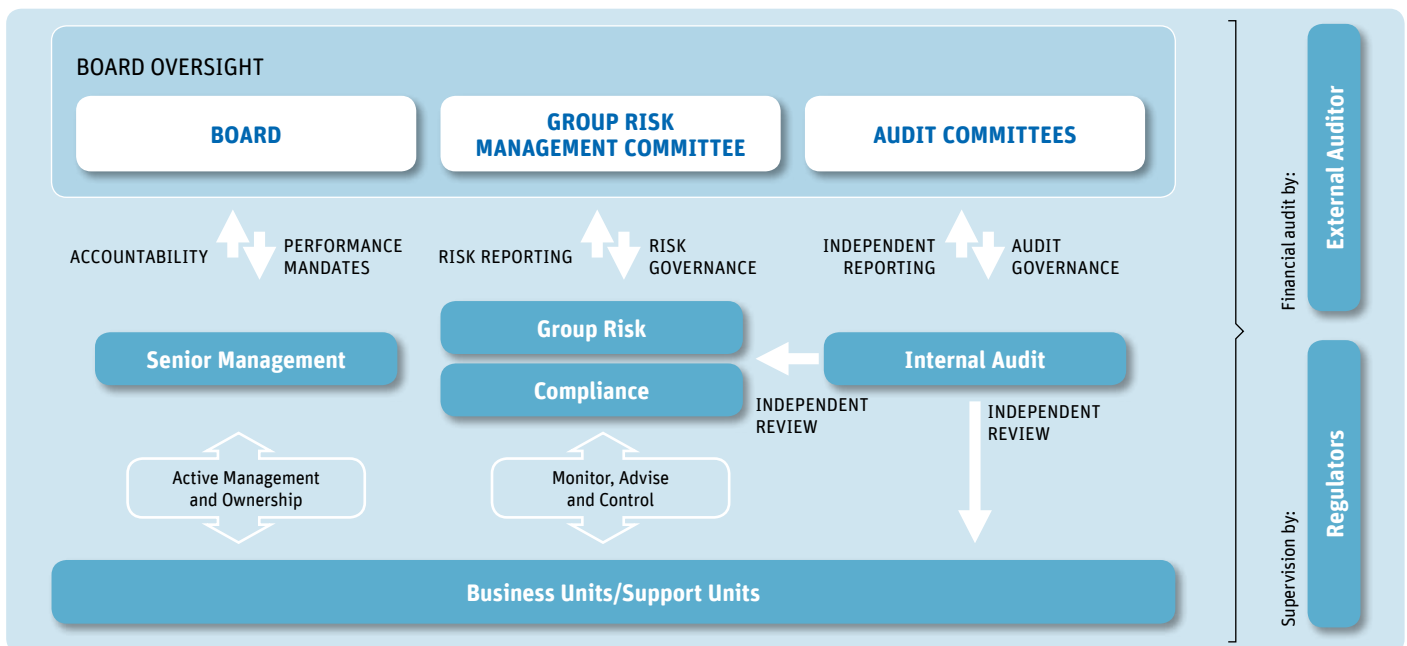
- (i) Risk governance from the Boards of Directors of companies in the Group;
- (ii) Clear understanding of risk management ownership;
- (iii) Institutionalisation of a risk focused organization;
- (iv) Alignment of risk management to business strategies; and
- (v) Optimisation of risk adjusted economic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

### 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 :

### Structured Framework to Support Board Oversight Role in Risk Management





# Risk Management Statement

## Group Risk Management Committee (GRMC)

The RHB Banking Group has established a GRMC to assist the Boards of the RHB Banking Group in its risk oversight functions and to serve as a consultative body to the Boards for areas pertaining to risk management. In 2009, the GRMC has met on a monthly basis and significant improvement has been gained in the enhancement of risk management in the Group.

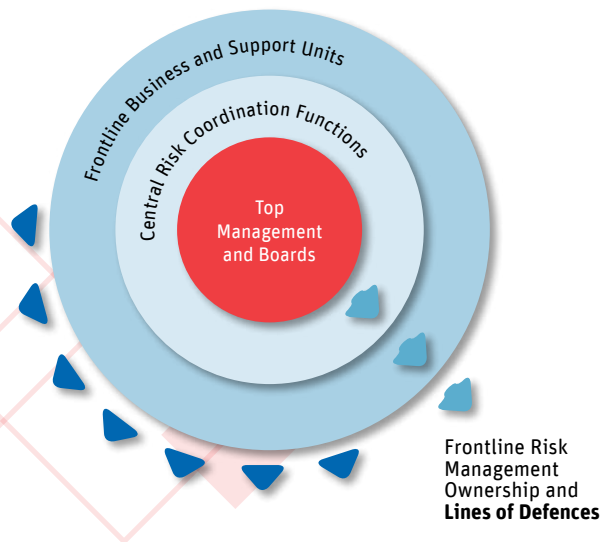
A Risk Management Committee is also established at RHB Islamic Bank to focus on the risk management issues of the Islamic Bank, particularly in relation to risk issues unique to Islamic finance. This has promoted the achievement of the intended objectives of enhancing the risk management of the Group's Islamic finance business.

## Principle 2

### Clear understanding of risk management ownership

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 defence



## Principle 3

### Institutionalisation of a risk focused organization

The RHB Banking Group has promoted a risk focused culture throughout the organisation 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.

### Central Risk Coordination Functions

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

The **Risk Management** function in the Group reports to the Head of Group Risk Management. Among the roles and responsibilities of the Head are:

- ◆ Facilitating the setting of the strategic direction and overall policy on management and control of risk of the Banking Group;
- ◆ Ensuring industry best practice risk management disciplines are adopted across the Group, including the setting of risk management parameters and risk underwriting models;
- ◆ Developing a pro-active; balanced and risk attuned culture within the Group;
- ◆ Advising senior management, the GRMC and the Boards on risk issues of, and impacts on, the Banking Group; 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.

### Principle 4

#### Alignment of risk management to business strategies

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.

### Principle 5

#### Optimisation of risk adjusted economic and financial returns

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. In 2009, the Group's management has approved for implementation in 2010, a risk-adjusted returns based framework for allocation of capital to business units and for performance measurement and management.

## CREDIT RISK

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

In model development efforts, the internal ratings based (IRB) standards of the Basel II capital accord are applied whereby internal obligor and facilities rating models are developed. The exceptions are sub-portfolios for which sufficient historical data is unavailable for use in modeling or for which statistical modeling is impractical given the nature of the business. In these cases, generic models or standard prudential underwriting policies and rules are applied. In addition, independent validations of the risk models is 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 framework incorporates risk elements to ensure that credit pricing is guided by risk-adjusted economic returns. The risk elements includes (i) a funds transfer pricing framework to better reflect term value of money and market interest rate/profit rate sensitivities, and (ii) methodologies to compute credit risk premiums in accordance with expected returns/loss that is derived based on the aforesaid credit risk models.

## Credit Concentration Risks

Analysis of large customer group exposures are regularly conducted and the lending and financing units undertake intensive account updates, monitoring and management of these exposures. Industry and sectoral analysis are also incorporated within the overall credit risk management regiment. This facilitates the better management of credit concentration risks.

# Risk Management Statement

## MARKET RISK

The Banking Group's Asset and Liabilities Committee (ALCO) also performs a critical role in the management of market risk.

### Risk Measurement and Limits

For effective control of operations, defined management action triggers and risk limits are established and actively monitored. 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/profit rates, key risk drivers or scenarios. Market risk measures include conventional risk quantification methodologies such as risk factor sensitivity analysis and value-at-risk (VaR) measures.

In addition, the Banking Group has established interest rate/profit rate risk management policy which provides for the governance of interest rate/rate of return. Interest rate/profit rate sensitivity triggers are applied on earnings for the respective profit centres within the Banking Group and the Banking Group regularly considers the economics and necessity of increasing or reducing its interest rate/profit rate risk hedges.

## LIQUIDITY RISKS

The Banking Group's ALCO performs a critical role in the management of liquidity risks. Triggers and limits are determined based on the Group's risk appetite and is measured by conventional risk quantification methodologies such as regulatory liquidity framework requirements. The RHB Banking Group's liquidity surplus is generally in line with industry averages, and is well above regulatory requirements. Liquidity preservation is also augmented by the Group's practice of maintaining appropriate amounts of liquefiable assets as additional buffers against times of extreme market systemic risks and stress; as well as the Group's implementation of policies and practices in relation to contingency funding plan and operations.

## OPERATIONAL 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 aided in this function by the central risk coordination units which include the operational risk management function, the compliance function and the internal audit function.

### Operational Risk Management Framework

The operational risk management framework of the Banking Group comprises of a broad range of activities and elements, broadly classified into :

- ◆ Analysis and Enhancement - The Banking Group has implemented a Basel II compliant operational risk management information technology system to support its workflow and analytical capabilities.
- ◆ Education and Awareness - 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 defense against operational losses.
- ◆ Monitoring and Intervention is where the principal head office risk control units actively manage operational non-compliances, incidents, and undertake recovery actions, including business continuity measures in cases of incidences causing disruption to business activities.

## Reputational Risk

The Banking Group has developed and implemented a Reputational Risk Management Framework. The key elements for management of reputational risk include:

- ◆ Prompt and effective communication with all stakeholder.
- ◆ 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.
- ◆ Establishing and continually updating crisis management plans.

## ISLAMIC FINANCE RELATED RISKS

The Board of RHB Islamic Bank is assisted by its Risk Management Committee to manage the risks that are unique to Islamic financing. 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.

## CAPITAL MANAGEMENT AND BASEL II

The infrastructural implementations that has been completed to date has already yielded significant benefits to the Group and puts the businesses on an advanced footing to :

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

RHB Group continues to develop sustainable capabilities for continuous improvements in the use and adoption of the advanced approaches of the Basel II capital accord and is migrating to the Basel II standards in the year 2010 (beginning in January 2010 with a 6 months parallel run) and thereafter.

# Ethics, Integrity and Trust

## CODE OF ETHICS AND CONDUCT

This Group of Code of Ethics and Conduct sets out standards of good banking practice and aims to protect the interest of customers and safeguard the integrity of the banking system. The establishment of our Group Code of Ethics and Conduct (“Code”) is in line with regulations, guidelines, rules and best practices issued by Bank Negara Malaysia (BNM), Securities Commission Malaysia, Bursa Malaysia Securities Berhad (Bursa) and other government bodies. The topics covered amongst others include relevant requirements of BNM/GP7, BNM/GP6, BNM UPW/GP1, Banking and Financial Institutions Act 1989, Computer Crimes Act 1997, Anti-Money Laundering and Anti-Terrorism Financing Act 2001, Capital Markets and Services Act 2007, Bursa Rules and the Group’s policies.

The “Code” governs the Group’s employees in their day to day undertakings. In summary the “Code” covers the following key topics:

- ◆ **Professional Standard**  
The minimum Professional Standards expected of the RHB Group employees.
- ◆ **Conflict of Interest**  
Principles and rules on Conflict of Interest covering Outside Financial Interest, Other Business Interest, Other Employment, Involvement in Political Parties, Receiving Entertainment & Gifts, Connected Party Exposure and Trusteeship.
- ◆ **Misuse of Position**  
Requirements for avoidance of Misuse of Position for personal gain and avoidance of transactions that are not in the interest of the Group.
- ◆ **Misuse of Information**  
Principles of Insider Trading, Chinese Wall Policy and Grey Market Trading.
- ◆ **Integrity of Records & Transactions**  
Compliance with laws and regulations relating to good record keeping.

- ◆ **Confidentiality**  
Meeting up regulatory and best practice requirements for Confidentiality of customers’ details.
- ◆ **Fair & Equitable Treatment**  
All dealings with customers, potential customers and vendors must be done in a Fair and Equitable manner. No unfair advantage measures are allowed.
- ◆ **Pecuniary Embarrassment**  
Sound personal financial management for avoidance of Pecuniary Embarrassment.
- ◆ **Computer Crime**  
Unauthorised modification of contents, disclosure of passwords etc that can harm the reputation of the Group and cause financial loss.
- ◆ **Money Laundering & Terrorism Financing**  
Responsibility in ensuring implementation of adequate Know Your Customer Policy and identification of suspicious transactions to be reported to regulatory authorities.
- ◆ **Impact of Criminal Prosecution**  
Liability for dismissal or termination when faced with criminal offence.
- ◆ **Managing Client Relationship**  
Expectation to be clear and concise with customers on terms and conditions relating to products, transactions, contracts etc and managing of client’s complaints.
- ◆ **Minimum Standards of Communication**  
Responsibility in using e-mail and other communication modes made available by the Group.

The “Code” is the foundation for values espoused by RHB in its dealing with all the stakeholders in its pursuit of achieving business goals.



# Compliance Statement

## OVERVIEW

The financial industry has seen an unprecedented surge in governance and regulatory requirements imposed over the last few years. With the increasing regulatory rigour, financial institutions are facing intense pressure to focus on good governance and compliance risk while pushing for business to improve their bottom-line.

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

RHB Group 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 compliance principles as recommended by Bank of International Settlement (BIS) remains an important guide for the Group as it continuously evolve to meet the growing demands of compliance best practices.

## COMPLIANCE RISK MANAGEMENT

The main aim of compliance risk management is to preserve the Group's reputation so that our competitive standing, reputation, brand and share value are not only maintained, but also enhanced. With a vision to be a banking group with industry leading compliance culture, the following are the Group's compliance objectives:

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

To achieve these objectives, the Group's underlying mission is to effectively measure and manage the compliance risk of the Group to meet the expectations of all stakeholders. Providing the foundation for this aspiration is the Group Compliance Framework, from which the building blocks of the compliance functions are shaped. In a snapshot, the key functions of Compliance and the value add to support the Compliance's mission and vision is shown below.

### VISION



- ◆ To be a banking group with industry leading compliance culture

### MISSION



- ◆ To effectively measure and manage the compliance risk of RHB Banking Group to meet the expectations of all stakeholders

### VALUE-ADD



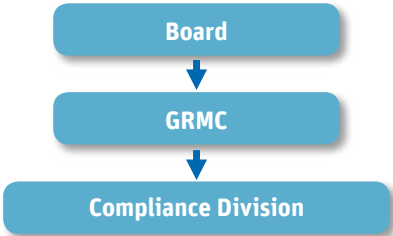
### KEY FUNCTIONS



- ◆ Enabling & ensuring compliance with the relevant laws & regulations
- ◆ Enabling & ensuring compliance to internal policies, procedures & controls
- ◆ Ensuring reputational risk is being managed effectively through adequate escalation and update process
- ◆ Working with SBGs/SFGs to identify, address and resolve regulatory & internal control failures
- ◆ Collaborating with SBGs/SFGs to enhance compliance culture awareness and competencies
- ◆ Working with SBGs/SFGs to embed a compliance culture within the Group
- ◆ Anticipating & planning for changes in regulations

# Compliance Statement

## COMPLIANCE GOVERNANCE



At the apex of compliance is the Board, which oversees and provides strategic direction for compliance in the Group. The Group Risk Management Committee (GRMC) is the Board's committee wherein the Group's state of compliance with laws, regulations and internal policies & procedures are reported prior to submission to the Board. This enables the effective oversight of the Group's compliance activities by GRMC whereby direction for appropriate risk management and mitigation actions are given.

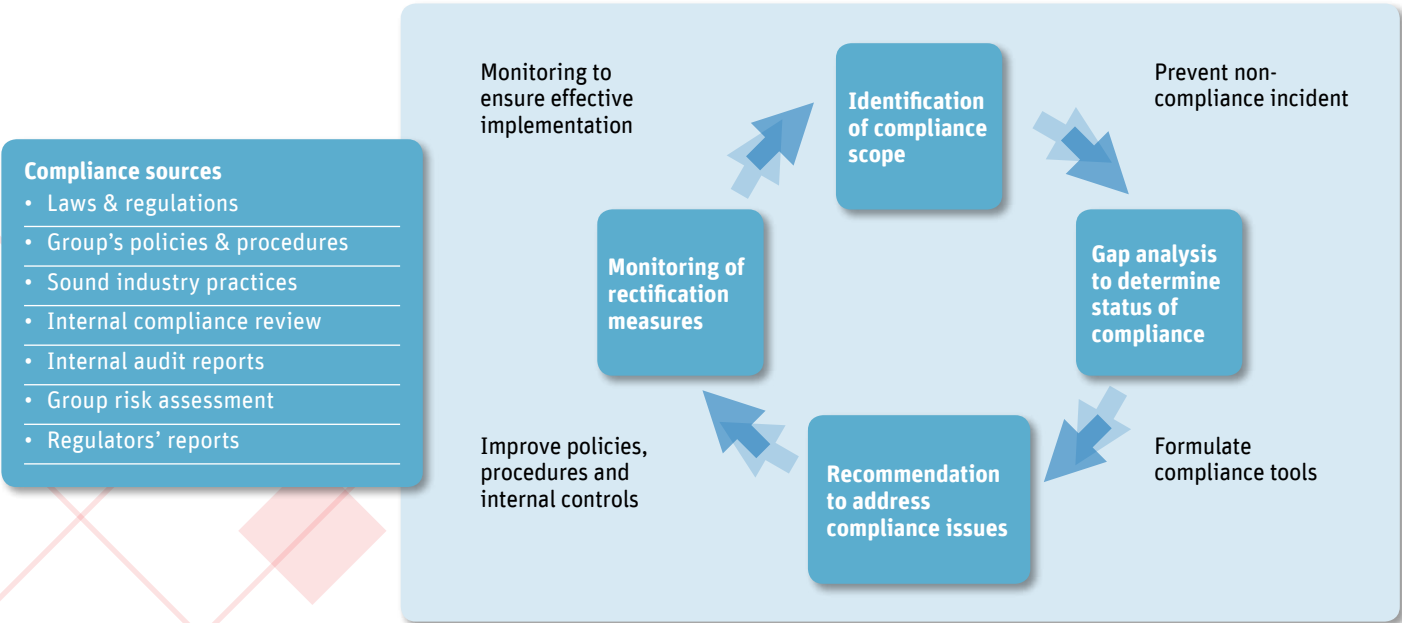
Compliance Division is responsible for developing and maintaining the Group Compliance Framework. This forms the foundation from which policies and procedures are designed to manage compliance risk.

## COMPLIANCE SCOPE

The compliance scope covers areas of credit, operations, anti-money laundering and counter financing of terrorism (AML/CFT), treasury, insurance, Islamic banking, investment banking and investment management including overseas branches and subsidiaries. With a vast network of branches and service outlets nation-wide, we have Branch Operations Managers as field partners to assist Compliance Division in the identification of issues at ground level that may affect compliance and the escalation of the same. This also creates expertise at regional level for compliance processes.

## COMPLIANCE LIFECYCLE

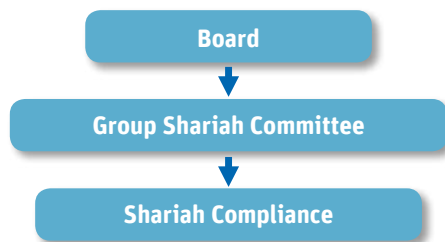
Compliance activities are closely intertwined with compliance developments on the global front, existing legal requirements as well as the Group's policies and procedures. The following diagram illustrates the compliance lifecycle and general approach taken by the Group in managing compliance risk. The approach is derived from various compliance sources such as new regulations, sound practices, reports from relevant stakeholders as well as internal reviews conducted by Compliance Division itself.



## SHARIAH COMPLIANCE

Compliance with Shariah principles is an integral feature of Islamic banking and finance. It provides unique characteristics that differentiate Islamic banking business from conventional banking through the prohibition of transactions involving riba (usury), gharar (ambiguity) and maysir (gambling).

The Group Shariah Committee plays a vital role in ensuring that the Group satisfies the Shariah governance requirements as it moves to provide innovative Islamic products and services. Success in this area inevitably promotes public confidence and enhances the Group's reputation as prominent player in the Islamic banking and finance industry.



Internal control mechanism pertinent to the Shariah advisory and compliance matters are emplaced to ensure the Group is in compliance with Shariah rules and principles at all the times. Support provided by all authorities and parties in the Group have contributed to the achievement of the Shariah compliance needs and for the Group to mitigate Shariah compliance risk.

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

The Group have established processes and infrastructure to comply with the Malaysian AMLATFA 2001, Financial Action Task Force (FATF) and international best practices. To meet the requirements the following core areas are embedded into the Group:

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

The AML/CFT measures continue to focus on ensuring effectiveness of reporting by all business and operating units to Compliance Division. AML/CFT self-compliance assessments continue to provide an avenue for Compliance Division to gauge the understanding of business and operating units on AML/CFT and act as a tool to enhance future measures. In addition, various learning initiatives were conducted to raise awareness among the employees and appreciate the importance of their roles in detecting abuses by criminals.

## COMPLIANCE CHALLENGES & INITIATIVES

Against the backdrop of increasing regulatory requirements, intense competition in business and pervasive threat of financial crime and fraud, traditional approaches to oversight are no longer adequate. Compliance initiatives are thus anchored upon providing value proposition to our stakeholders.



# Compliance Statement

2009 saw the Group introducing innovative products and new business models to meet the ever-growing demands of customers and pressure to grow business. The strategies adopted to provide value proposition to our stakeholders are as below:



## (i) Infusing Best Practices

A comprehensive set of policies and procedures that institutionalize the right and wrong is integral in promoting a sound compliance culture. It is imperative for the Group to develop overarching compliance policies along with procedures on how to comply with specific regulations. Among the key Compliance Policies emplaced are:

- Group Compliance Framework
- Group AML/CFT Program
- Group Incident Reporting, Management & Escalation Process
- Group Code of Ethics and Conduct
- Group Whistle-Blower Policy
- Group Chinese Wall and Insider Trading Policy

Continuous revisions were made to the Compliance Policies to keep abreast with the regulations, industry's best practices and the changes evolving within the Group.

## (ii) Compliance Assurance

The Group's state of compliance is provided through Compliance's off-site surveillance programs complemented with on-site reviews carried out not only at local branches but also at overseas branches.

The respective Boards and Senior Management are updated of the Group's state of compliance through the submission of the Compliance Report on a monthly basis. The Compliance Report encompasses compliance with statutory/regulatory requirements, compliance with internal policies and procedures, operational losses incurred, anti-money laundering and counter financing of terrorism measures as well as root cause and trend analyses.

## (iii) Compliance Risk Mitigation

Compliance risk mitigation is a key process in the entire Incident Reporting and Management Process. Incidences reported via an automated system (OpRisk Evo System) are duly reviewed on a daily basis to detect trends or commonalities so that losses and incidences of non-compliance, negligence or fraud can be managed pro-actively and minimised accordingly. Where applicable, preventive or corrective actions are taken and immediately disseminated via issuance of alerts and Awareness Bulletins. In addition, any incident affecting the reputation of the Group is escalated to the respective Board members on the same day via SMS followed by a status report within 24-hours of the incident occurring. This escalation process ensures adequate oversight and guidance by the Board with respect to managing reputational risk.

## (iv) Enabling Compliance

Apart from working with respective business and operating units to ensure compliance with relevant laws and regulations, enabling compliance is another key function of Compliance. This is done by carrying out Root Cause Analyses (RCA), Corrective Action and Preventive Action (CAPA) recommendations. The analyses and recommendations include process or procedural changes that will not only support compliance objectives but also enhance productivity and efficiency. In this regard, continuous enhancement of the Management Information System (MIS) is a key enabler as it is acknowledged that a reliable MIS will deliver business value while enabling compliance with rules and regulations.

## (v) Education and Awareness

Effective knowledge management is a key challenge in ensuring staff of the Group is aware of risk issues surrounding their activities and to manage them accordingly in the course of carrying out their business. To this end, in addition to the Group's continuous learning initiatives, a monthly Compliance Newsletter is issued to all staff of the Group to highlight compliance issues around the world as well as lessons learnt to ensure non-compliances and malpractices do not occur in the Group.

Numerous awareness programs, including the Compliance Risk Management Programs and computer-based self tests were carried out to promote a compliance culture and permeate continuous awareness on compliance matters amongst the staff. Being mindful that regulatory requirements and sound practices continue to increase and grow in complexity, education and awareness creation remain a primary focus in the Group.

## VALUE OF COMPLIANCE

The five-pronged strategy as detailed above ultimately aims to protect the RHB brand and value by achieving compliance excellence. Fundamental to achieving compliance excellence is making RHB 'compliance smart'.

As business models change, technologies emerge and regulatory requirements increase, amidst intense focus on operating efficiencies, regionalisation and consolidation of the banking industry, the Group has never been more exposed to such a myriad of risks not to mention larger sets of rules and regulations. Thus, making RHB 'compliance smart' becomes a critical determining factor in our journey towards compliance excellence.

In this regard, the respective entity Boards and senior management have extended their fullest support and cooperation in establishing the tone from the top which is quite simply, to comply with all laws and regulations and employ ethical behaviour. All staff are aware that the Board and Senior management takes an uncompromising stance if such trust is breached.

The Group is cognizant that the strengthening of compliance culture is the foundation for good compliance practices and it is imperative that this becomes an intrinsic trait of the Group as it moves towards achieving its vision and enhance RHB's public domain presence.



## Group Senior Management



seated from left to right:

**DATO' TAJUDDIN ATAN**

**KELLEE KAM CHEE KHIONG**

**RENZO CHRISTOPHER VIEGAS**

Group Managing Director

Director, Group Finance

Director, Retail Banking/Group Transaction Banking



standing from left to right:

**SHARIFATUL HANIZAH SAID ALI**

**NORAZZAH SULAIMAN**

**AZMAN SHAH MD YAMAN**

**CHAY WAI LEONG**

**AMY OOI SWEE LIAN**

**MICHAEL LIM KHENG BOON**

**DATIN ZAIMAH ZAKARIA**

**KOH HENG KONG**

Head, Investment Management

Director, Group Corporate Services/Group Human Resource

Group Company Secretary

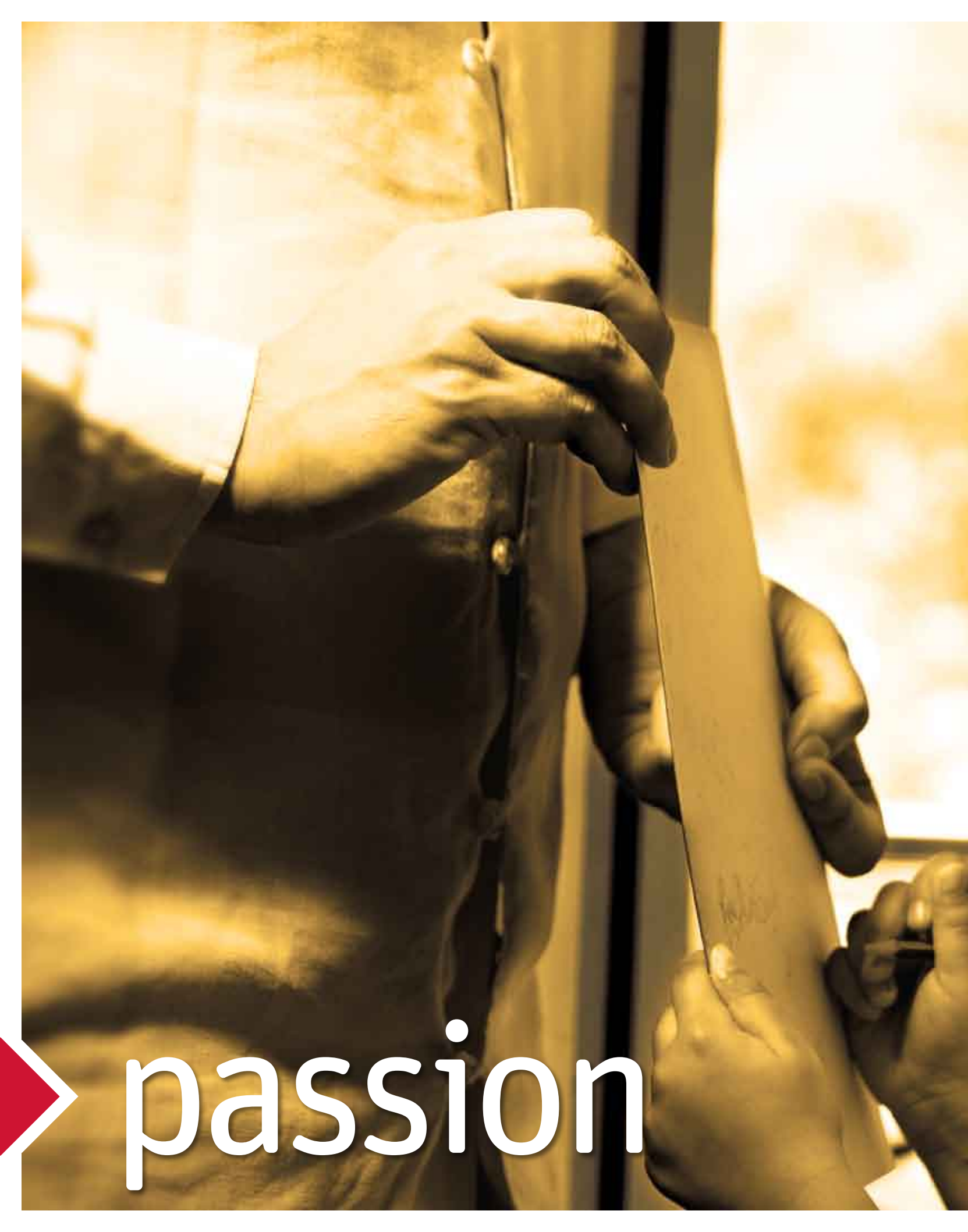
Director, Corporate Investment Banking

Director, Business Banking

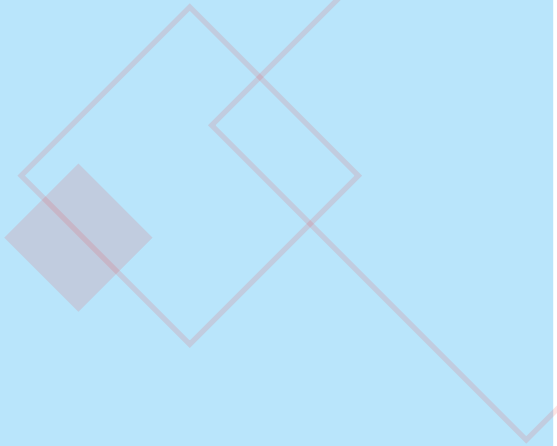
Director, Global Financial Banking

Director, Group Treasury

Head, Insurance




passion



## ◆ Taking the Initiative

In the race for service excellence, we wield the enthusiasm and commitment to ensure that we come out second to none and give our customers no less than they deserve. Taking ownership of what we do, being accountable for our actions and competing against our own standards are the driving forces behind our determination to exceed the expectations of our customers.



# Overview: Business and Operations

## Introduction

The 2007 Transformation Programme has redefined the way the RHB Banking Group operates today as a fully integrated Universal Bank. It has improved our performance and productivity and made us a more competitive market player.

In 2009, the Group's Strategic Business Units ("SBUs") leveraged on the strategic thrusts of the Transformation Programme to weather a tough operating environment and has successfully delivered solid performance, operationally and financially. Our SBUs continued to focus on elevating customer service, enhancing operational efficiencies and putting in place the building blocks for future growth amidst a highly competitive operating environment.

As a result, we achieved yet another year of strong profitability, gained market share, reinforced our reputation and extended our footprints domestically as well as gaining traction in pursuing our international agenda via the proposed acquisition of PT Bank Mestika, Indonesia.

With the domestic and global economies showing strong signs of recovery in early 2010, we are confident of maintaining the good momentum achieved in 2009 to deliver another set of good performances in the coming year.





**Dato' Tajuddin Atan**  
Group Managing Director

# Corporate & Investment Banking

RHB's Corporate and Investment Banking Strategic Business Unit ("SBU") turned in a strong performance, registering pre-tax profit before unallocated expenses of RM319.6 million compared to RM305.2 million in the preceding year.

This strong performance, which contributed 16.1% of the Group's overall profit, was attributable to an increase in net interest income, improvement from other operating income arising from higher trading gain as well as lower other operating expenses.

Corporate Lending's gross loans and advances experienced encouraging growth of 17.2%, spurred by cross-selling activities amongst the Investment Banking, Corporate Banking and the Labuan Offshore units. These activities also contributed positively to fee income growth for Corporate and Investment Banking as a whole. 2009 also saw the Group's market position as the preferred Corporate Lender being reinforced as evidenced by the top 3 ranking in the Bloomberg League Table 2009 for syndication lending. Meanwhile, corporate deposits grew by 10.3%, driven by competitive pricing and successful deposit drives.

## MARKET POSITION STRENGTHENED

RHB Investment Bank continued to maintain its market position as one of the leading investment banks in the country in 2009. In the equity capital markets, RHB Investment Bank held the unique position of being the only investment bank to be involved in all the multi-billion equity deals announced in 2009 in Malaysia, which included Axiata Group Berhad's RM5.25 billion Rights Issue, Malayan Banking Berhad's RM6.02 billion Rights Issue,

Maxis Berhad's RM11.2 billion IPO, MISC Berhad's RM5.2 billion Rights Issue and Malaysian Airlines Berhad's RM2.7 billion Rights Issue. Our participation in these deals further reinforced RHB's position as a leading player in the country's equity capital markets.

In the debt capital markets, RHB Investment Bank maintained its market-leading position in attracting foreign and local issuers to the Ringgit bond market after a successful track record in 2008. Among the major fundraising exercises undertaken in 2009 are that of Hana Bank of Korea (Sole Arranger for the RM1 billion raised), Public Bank Berhad (RM1.2 billion raised) and GB Services Berhad of the Genting Group (RM1.45 billion raised). RHB Investment Bank was also involved in structuring the first IPO of 2009 via its underwriting of the listing of Samchem Holdings Berhad together with co-underwriter MIDF Amanah Investment Bank.

In May 2009, RHB Bank Berhad and Japan Bank for International Cooperation ("JBIC") signed a long-term two-step Untied Loan Agreement of USD100 million. The loan is a synchronised and coordinated fiscal and monetary response from the Japanese Government through JBIC to help promote and encourage commercial activities in Malaysia particularly via the SMEs.

RHB Investment Bank also played a key role in several cross-border mergers and acquisitions (“M&A”) transactions in 2009, the most notable being the acquisition of Indonesia’s PT Bank Mestika Dharma by RHB Capital Berhad for RM1.1 billion. This deal also marked a strategic milestone in the RHB Banking Group’s regional expansion strategy. Other notable cross-border deals in 2009 included Carlsberg Brewery Malaysia’s acquisition of the entire equity interest in Carlsberg Singapore Pte Ltd which won accolades from *The Edge* for being the Best M&A Deal of the Year 2009; as well as Rubberex Corporation (M) Berhad’s acquisition of the remaining 40% equity interest in Pioneer Vantage Ltd and Lifestyle Investment (Hong Kong) Ltd and a 20% equity interest in Rubberex (Hong Kong) Ltd.

In 2009, RHB Investment Bank’s market position strengthened further as it secured first place on the Bloomberg rights issues league table (2008: ninth place) and was ranked third in other Bloomberg league tables (2008: seventh in the M&A, fourth in the Ringgit bond market, and third in the equity capital markets).

RHB Investment Bank also garnered a number of awards and accolades from leading foreign financial magazines. The Bank was accorded the titles Best Local Brokerage House in Malaysia 1990-2008 by *Asiamoney’s* Brokers Poll of Polls, Best Equity House in Malaysia 2009 by *FinanceAsia*, and the Capital Markets Deal of the Year 2009 by IFR Asia for Maxis Berhad’s relisting exercise.

The market continues to place a high value on the research views and recommendations by our subsidiary, RHB Research Institute Sdn Bhd. In 2009, our research team won four major awards from *The Edge* including first placing for the distinguished Best Strategist and Best Technical Analyst awards as well as Best Sector calls for Banking & Finance and Oil & Gas.

Outside Malaysia, RHB Investment Bank continues to play an active role in Vietnam via its joint venture in a stockbroking company. In line with the regional expansion plan of the Group, our investment banking arm continues to explore new and emerging markets as well as look into regional opportunities in which the Group has a related franchise.

### PROSPECTS AND CHALLENGES

Going forward, the Corporate and Investment Banking Strategic Business Unit expects an upturn in capital markets activities in 2010 as the domestic economy strengthens in line with the global economic recovery. This will lead to better prospects but will also intensify the competition in the market. We are, however, optimistic that our strong pipeline of deals and execution capabilities, as well as our niche strategy of focusing on big-ticket mandates, will enable us to maintain our position as a leading player in the capital markets.

## Retail Banking



The Transformation Programme has gone a long way in driving change and we are slowly seeing positive changes in many areas of our retail banking operations.

Today, RHB's branches are organised under seven regions, each under a Regional Director for more effective delivery of products nationwide. Service levels and performance at these branches are monitored and managed closely for growth. As a consequence of the Transformation Programme, our branches are now more customer-centric. This resulted in sales productivity improvement of 60% at the branch level. The wait time for counter services has also been reduced significantly, with more than 90% of our customers served within our internal standards.

Our branches now act as one-stop centres offering a range of financial products ranging from basic deposit accounts to more sophisticated wealth management instruments, hire-purchase and insurance coverage products; while cross selling activities are more effective and structured with marked improvements in product-holding ratios. To ensure our services are delivered in the most efficient and effective way, our in-house sales team works closely with our customer service officers and service ambassadors. With straightforward manual operations centralised under the Shared Services unit, our staff are able to focus their efforts on more customer-centric tasks.

In 2009, we rolled out an additional 241 self-service terminals at our branches and other off-branch locations, including at all EASY by RHB outlets. This is expected to increase the efficiency of over-the-counter transactions and branch productivity. We have also expanded our alternate channels mobile sales team which contributed 25% of total mortgage sales and widened our customer reach.

### CONSUMER BANKING

In the year under review, RHB Bank's consumer assets grew by 15.3% with the housing loan portfolio increasing by 14.9% compared to the 7.9% growth achieved in 2008. This helped increase our market share. On top of this, innovative product packaging and active cross-selling activities across our large customer base, as well as active participation in end-financing activities for primary property launches, all contributed to our strengthened market share. Today, the housing loans segment is contributing approximately 72% of RHB Bank's overall consumer loan portfolio and remains a key component as housing loans throughout the country grow by a healthy 9.3%. In an effort to improve the portfolio yield amidst reducing margins as a result of intense competition, RHB Bank undertook an upward rate revision in November 2009 which remained stable for the rest of the year. This is expected to stabilise further in 2010.

## Our Retail Banking Strategic Business Unit recorded an encouraging 20.4% growth in sales performance for 2009 and a 12.5% improvement in pre-tax profit before unallocated expenses over the preceding year.

The year saw our Consumer Current and Savings Account deposits growing by 4.2% as at 31 December 2009. MaxFD3 an eight-month step-rate Fixed Deposit which was introduced in May 2009 and offering an interest rate up to 3.00% p.a., recorded a total of RM445.7 million in deposits. Other initiatives included the roll-out of deposit campaigns such as the four-month RHB Save Big Spend Smart Campaign launched in June 2009 with attractive prizes including three Mercedes-Benz C200Ks as Grand Prizes.

The ASB unit trust investment offered comparatively higher returns than most investment instruments in the market, surpassing the preceding year's returns through a 26.9% growth in ASB financing products whilst the fee income from ASB transactions grew by 44%. With our investment assets under management having grown by 45%, significant efforts are being channeled into Infinity Banking as we continue to build and expand our fast-growing affluent customer segment. We have increased the number of relationship managers to manage our growing clientele and we will maintain our competitive edge by focusing on expanding our wealth management products to suit investors' specific needs.

RHB Cards & Unsecured Business's net income before tax improved by a robust 168%, from RM37 million in 2008 to RM99 million in 2009 driven by a 37% improvement in total income and a 13% reduction in overheads. The loan loss provisions also increased in 2009 arising from the effects of the external stressed environment, but the net Non Performing Loan ratio came within a sustainable level of 1.5%.

RHB Cards' spending grew 13% year-on-year - double that of the industry's growth of about 6%, whilst receivables grew by about 6.8% against the industry's 5.8%. Being among the top five card issuers in Malaysia with approximately one million cards in circulation and more than RM1.6 billion in receivables, our cardholders' card usage volume exceeded RM3 billion in 2009. We are pleased to note that RHB established market leadership in new credit cards growth in 2009 with approximately 300,000 new cards issued.

The year saw RHB Cards rolling out very successful co-branded credit card partnership programmes with a leading global hypermarket and the nation's largest electrical and electronics chain. RHB Cards also led the market with innovative loyalty and rewards programmes including on-the-spot redemptions, the highest cash rebates for petrol transactions applicable at all petrol stations and covering oil companies nationwide, the highest travel insurance coverage for the Travel Money lifestyle card, and the highest cash-back for debit cards.

The Tesco-RHB Card was awarded two Visa International Awards for achieving the highest sales volume growth for a new co-brand and for rolling out the most innovative co-brand card launch, while our Travel Money Credit Card was the first runner up for Most Innovative Card and Marketing Programme in the MasterCard Hall of Fame Award. RHB Cards' Travel Money MasterCard was also the Official Credit Card of the inaugural Malaysia Domestic Travel Fair in 2009.



## Retail Banking

In line with the country's strategic focus on developing Malaysia as a major Islamic financial centre, RHB Cards will be actively promoting its Islamic credit card. The Islamic credit card product will appeal to the majority of the Malaysian population who are Muslims where the fee charge is based on a principal sum and is not compounded. Furthermore, the credit card funds are not used for illegal or immoral purposes according to Shariah laws and will appeal to non-Muslims who are expressing a greater concern for social responsibility.

Following the imposition of the credit card service tax effective 1 January 2010, we expect to see a reduction in cards-in-circulation both within RHB and the industry in general as the country's general cardholding level is between two to three cards per customer. With hypermarkets and large departmental chain stores capturing a higher share of card spend, using credit cards as a payment instrument has become more prevalent as consumers become more aware of the convenience, security and rewards in using cards for payment. The key to overcoming the adverse impact of the credit card service tax will rest on the innovativeness of credit card issuers.

### EASY BY RHB

In July 2009, we introduced EASY by RHB, an innovative and revolutionary banking concept with superior customer service that offers simple and fast banking services via biometric MyKad processing, paperless account opening and on-the-spot approval and instant disbursement. EASY's product suite consists of five innovative products tailored for the mass market segment:

- ◆ EASY - Pinjaman Ekspres : An instant-approval Personal Loan
- ◆ EASY - ASB : An on-the-spot loan for ASB financing
- ◆ EASY - Kad Debit : An instant Debit Card that allows for immediate use for retail purchases
- ◆ EASY - Simpanan Mesra: A customised Savings package that encourages monthly savings
- ◆ EASY - Insurans Kasih: A special Personal Accident Insurance as well as a Life Insurance

EASY's cutting-edge technology and superior delivery was recognised when RHB received the SGAM Best Process Innovation Award, an award given to the most innovative companies in the areas of energy, transportation, utilities, financial services, manufacturing and other sectors. The encouraging performance from the two pilot EASY outlets led to an additional 12 new outlets being introduced in December 2009.

Through technological innovation, the Consumer Banking division rolled out a first-of-its-kind programme in Malaysia, featuring on-the-spot approval and disbursement of unsecured personal loans. Customers who qualify will have the approved personal loans disbursed to their RHB bank account within one hour of the loan application at selected branches nationwide. This programme is scheduled to be rolled out to all branches nationwide next year. The one-hour approval and disbursement of personal loans was made easier with the launch of EASY's paperless and instant product application and disbursement process.

### RHB AT TESCO

In January 2009, the RHB Banking Group embarked on a strategic joint partnership with Tesco, an internationally recognised retail brand from the United Kingdom. The retail giant currently holds the largest market share in the Hypermarket/Supermarket category in Malaysia, and is the No. 3 retail brand in the world. Arising from this partnership, RHB has created an additional customer touchpoint and expanded its physical presence by establishing RHB sales outlets or RHB kiosks in all viable Tesco stores to promote co-branded products and other RHB products that are relevant to target audiences.

### AUTO FINANCE & ASSET BASED FINANCING

The hire-purchase financing portfolio, comprising Auto Finance and Asset Based Financing ("ABF"), grew marginally in 2009, pressured by considerably lower capital expenditure investments in the manufacturing, construction and timber/logging sectors amidst challenging economic conditions. The Auto Finance business, however, reported a higher growth in disbursement by 7% and loans receivables by 9% as compared with the industry's growth of -1.6% and 4.8% respectively. The Group intends to strive for sustained growth of its Auto Finance and ABF business, via attractive financing packages, enhanced distribution channels in strategic locations as well as effective risk management.

### INSURANCE

In 2009, the Insurance business recorded very impressive results - more than 100% growth in profit before tax and 16.9% increase in gross premium to RM271.4 million, which almost tripled the general insurance industry's growth of 5.8%. The classes of insurance that registered strong growth were Motor (27.8%), Fire (11.0%) and Personal Accident (43.3%). RHB Bank also distributes Life Insurance, which grew by 8%, driven by



Mortgage Reducing Term Assurance products. The continuous positive impact of the RHB Banking Group's Transformation Programme has been effective in enabling our Insurance segment to be successful in growing the profitable classes of insurance. The insurance segment is expected to grow further as we leverage on the Group database and the opening of new distribution channels like EASY by RHB.

Moving forward, the cross-selling initiatives within all the Group's SBUs will be further enhanced to accelerate growth, particularly in the profitable classes of insurance like Fire and Marine Cargo. We will continue to solidify our relationships with agents via effective training and management programmes. Going forward, new products with enhanced value propositions are expected to be introduced and sold through all channels including alternative channels.

### COMMERCIAL BANKING

Despite a difficult 2009, total loans and advances in this sector grew by 2.5% due largely to the increase in lending to SMEs which increased 10.6% against a 4.3% drop in overall lending by the industry. Various government initiatives and guarantee schemes supporting SMEs also helped grow our market share to 7.0% thereby consolidating our position as the fourth largest SME lender in Malaysia.

As a testimony to our position as a strong SME market player, our Commercial Banking was again conferred the Top SMI Supporter Award for a record ninth time by the Credit Guarantee Corporation as well as the Sahabat SMI Award for the fifth year by the SMI Association of Malaysia. Our strategic alliance with the SME Corporation since 2001 has led to 74 of our SME customers winning the Enterprise 50 awards to date.

Commercial deposits recorded a growth of 5.8% in 2009 mainly from Fixed Deposits and Multi Currency Account and we aim to increase this further through improved product offerings and campaigns. To improve our efficiency and risk management, we implemented the empirical scorecard for our programme lending loans, while product delivery was further improved via the successful completion of the trade centralisation. We maintained our trade financing market share at 4.9% with supply chain financing being aggressively promoted to offset the decline in demand from the export market. We envisage greater growth through value product offerings, improved distribution network and the gradual improvement in customers' and businesses' confidence amidst a recovering economy.

### CUSTOMER CARE

Our Call Centre's ISO 9001:2000 Service Quality Management System re-certification reflects our commitment towards providing the best possible experiences for our customers and to continuously upgrading our infrastructure and staff know-how and skills.

### CORPORATE DEVELOPMENTS

The new sales and service model launched under the Transformation Programme has begun to show results. Service levels have improved and customer needs are being met more effectively at all touchpoints. Our External Customer Satisfaction Survey shows that RHB's customer satisfaction level has increased by 20% in 2009 as a result of continuous improvement in service quality in ensuring our customers are well informed of our products and services and are served appropriately and expediently.

Our branches have also undergone upgrades for greater customer comfort with 80 more branches now displaying the present look and feel. Three new branches were opened in Bangsar South, Kota Damansara and Mount Austin, Johor, while a new sales kiosk was set up in Kota Kinabalu's Warisan Square in the city centre to cater to the needs of the customers who work and shop in the city area.

We are also developing "super branches" in major commercial locations to serve as one-stop centres offering the Group's comprehensive range of products and services while providing greater convenience to our customers. On a similar note, 14 finance business centres and 4 insurance centres which were previously located separately have now been integrated into our existing branches.

### MOVING AHEAD

RHB Retail Banking believes that the momentum of the changes arising from the Transformation Programme will continue to yield results. Going forward, whilst taking cognisance that competition in retail banking will continue to intensify, we are confident that we will be able to further strengthen our retail business through innovation, customer focus and service quality.

# Islamic Banking

The Islamic Banking Strategic Business Unit (“RHB Islamic Bank”) continues to be one of the key growth drivers for the Group. In 2009, RHB Islamic continued to record good performance amidst a challenging economic environment. RHB Islamic Bank recorded a profit before tax of RM86.6 million, lower as compared to RM114.4 million recorded in 2008, attributable to a higher loan loss and provision by RM48.5 million. Gross financing and advances grew by 9.8% to reach RM6.1 billion as at 31 December 2009, whilst its total assets expanded by RM1.8 billion to RM11.2 billion. RHB Islamic’s Risk Weighted Capital Adequacy Ratio further improved to 13.78% from 13.54% as at the previous financial year.

RHB Islamic Bank has made good progress under its Senior Management Team and the newly-created strategic portfolio management of its Chief Operating Officer, Khairuddin Bin Jaflus. The Bank has realigned operations, improved processes and built a high performance talent pool that will serve as the foundation for future sustainable growth of RHB Islamic Bank.

## ISLAMIC INVESTMENT BANKING

Despite a challenging operating environment in the Malaysia Sukuk and Capital Market, our Islamic Investment Banking division has successfully completed several noteworthy deals.

In May 2009, the Islamic Investment Banking Division has successfully converted a USD10 million Istisna Bridging Facility to the Lotus Group International Limited, a wholly-owned subsidiary of Proton Holdings Berhad, into a two-year Commodity Murabahah Term Financing facility of up to USD10 million to part finance the preliminary expenses for the development of the Lotus Evora, the flagship model in Lotus’s current product line-up.

In September 2009, RHB Islamic acted as a Joint-Lead Arranger together with four other financial institutions, and successfully arranged and concluded a Syndicated Islamic Term Financing Facility Agreement of up to RM1.9 billion for Sarawak Energy Berhad for the development of the 944MW Murum Hydroelectric Dam Project in Sarawak.

The Islamic Investment Bank Division has also offered a Commodity Murabahah Term Financing of RM230 million to Felda IFFCO Sdn Bhd, a company related to the Felda Group for the acquisition of five companies in Australia, Indonesia, China and South Africa, in support of the globalisation plan of Felda Group, an idea mooted by our Prime Minister, YAB Dato’ Sri Mohd Najib Tun Hj Abdul Razak.

The year also saw the Islamic Investment Bank Division organising a training seminar to promote Islamic Finance facilities and products for selected government-linked corporations (“GLCs”) in line with the Government’s aim to turn Malaysia into an Islamic financial hub.

## ISLAMIC INTERNATIONAL BUSINESS

The Islamic International Business Division was actively involved in the setting up of an Islamic Banking Unit within RHB Bank Singapore and is currently in the process of obtaining approvals from Bank Negara Malaysia and the Monetary Authority of Singapore.

## ISLAMIC CONSUMER BANKING

The Islamic Consumer Banking Division turned in strong results in 2009. Total submissions, total approvals and total acceptances of Equity Home Financing-i increased by 288%, 279% and 310% respectively against that of the previous year. The outstanding performance was achieved by leveraging RHB Bank’s nationwide branch network as well as through aggressive sales efforts and an attractive pricing mechanism. In 2009, the Consumer Banking Division achieved a 10.7% increase in total financing assets and 7.8% increase in profit before tax.

## ISLAMIC INSTITUTIONAL BANKING (INCORPORATING CORPORATE AND COMMERCIAL BANKING)

The Corporate Banking Division segment experienced a decrease in its overall financing assets as a result of a weaker corporate demand for financing and lower utilisation of trade facilities by existing customers and lower financing approvals to new customers in light of a weaker economic condition. Despite this setback, Corporate Banking made strong inroads into several GLCs for potential Islamic financing while pursuing a strategy of growing its existing business via meeting the needs of GLCs, monopolistic and oligopolistic businesses, as well as companies with at least a Double A (AA) rating.

In adapting to the new economic challenges and the highly competitive playing field, this Division is working on elevating its customer service standards while targeting to speed up its financing approval process in line with the Group’s transformation’s tagline “Banking Simplified”.

The Islamic Commercial Division saw its gross financing increased by 33.8% while non-funding revenue increased by 42.9%. These results were achieved with the creation of additional departments which focused on specific target markets including the regional market segment, government financing and guarantee schemes

and a new portfolio under contract financing as well as capitalisation on the opening of new dedicated branches which provide greater market reach to potential customers.

Through its Transaction Banking Services (“TBS”) Department, an arm of the Institutional Banking, RHB Islamic is able to focus on bringing in new businesses by introducing electronic solutions to existing and potential customers, particularly from Federal and State Government, GLCs and the Commercial/ Corporate Sectors. In 2009, TBS has successfully implemented several payment and collection projects including those for the Employees Provident Fund, Accountant General of Malaysia and the Royal Malaysian Customs.

#### PRODUCT INNOVATION AND CUSTOMER CARE

In 2009, RHB Islamic Bank launched five new products, namely Equity Home Financing-i, Equity Property Financing-i, Personal Financing-i, Mudharabah Savings-i and the My Cash-i Visa Debit Card. In August 2009, RHB Islamic launched Malaysia and Asia’s first online Islamic Bank Commodity Tawarruq Trading System via airtime in collaboration with the Sedania Media Group Corporation, it aimed to reduce trading and operational costs by as much as 50%.

#### CORPORATE DEVELOPMENTS

In November 2009, RHB Islamic Bank successfully launched a new brand identity with the aim to differentiate the Bank from others in the marketplace. The year also saw RHB Islamic opening five new branches in Klang, Prai, Kuala Terengganu, Johor Bharu and Bandar Baru Bangi, while the Kota Kinabalu branch was upgraded to a full-fledged branch.

#### CHALLENGES AND FUTURE PROSPECTS

The emergence of new Islamic banks is expected to provide greater competition for RHB Islamic. On top of this, current market conditions are expected to inhibit new business opportunities due to constraints in the way of USD funding, a slowdown in foreign exchange requirements and Sukuk issuance, as well as the lack of counterparties. A reduction in the Government’s operating expenditure will also limit the number of contracts given out to the Commercial Banking unit.

Going forward, RHB Islamic will focus its efforts on identifying talent and developing a workforce that is skilled in Islamic financing matters, whilst introducing innovative new Shariah-compliant products based on market demand to enhance competitiveness. The Consumer Banking segment will focus on improving customer service to achieve greater sales in the coming year as well as continue to leverage on sales channels from RHB Bank branches, RHB Islamic Sales Management and RHB Islamic Bank branches for business growth. In addition, the bank’s delivery system will be enhanced to provide a faster turnaround time by de-centralising application processing and approval processes at all sales channels.

The Commercial Banking Division will leverage on the Group’s network of delivery channels for greater market reach, especially in new areas where RHB Islamic Bank is not present. RHB Islamic will also form strategic partnerships with agencies to promote SMEs such as CGC and SMIDEC, as well as to increase training for staff while increasing its market share in contract financing. All these initiatives will augur well for RHB Islamic Bank.

# International Banking



## SINGAPORE

RHB Bank Singapore achieved a marked improvement in profitability, recorded a 233% increase in profit before tax to S\$20 million from S\$6.0 million a year ago. This was attributed to a higher gain in fixed income securities, widening interest margins in bonds and corporate loans booked in 2008 and 2009, as well as higher foreign exchange income. Our Singapore arm's efforts to improve its service to customers saw it enhancing its treasury system and IT platform with a view to offering an integrated IT platform that will help accelerate business growth and provide faster service delivery to customers.

In 2009, RHB Singapore was among the 18 organisations in Singapore to be conferred the POSB Everyday Champions Award 2009. This award seeks to recognise individuals and organisations who have consistently contributed time and effort beyond their call of duty to making a difference for sporting Singapore.

With Singapore's economy expected to grow between 4.5% to 6.5% in 2010, RHB Singapore is poised to capitalise on this and grow in key sectors such as property and construction, manufacturing, general commerce sectors, shipping and non-residential property – even as net margins are expected to continue to be under pressure.

In 2010, our Singapore arm is expected to tap the synergies between its Corporate/Commercial Banking, Investment Banking and Islamic Banking (to be introduced in July 2010) units to enable it to offer a wider range of services. With the growing presence of RHB Bank in the ASEAN region, coupled with the recent investment made in Indonesia's PT Bank Mestika Dharma, RHB Singapore will leverage on these opportunities to play a more important role as a facilitator in meeting the capital needs of businesses and individuals. RHB Singapore will also continue to leverage on the RHB Group's strategic shareholders, as well as tap onto the strong distribution capabilities in Malaysia, to distinguish itself amidst Singapore's highly competitive market environment.

## VIETNAM

In Vietnam, we are intensifying efforts to further develop our banking network and franchise following the opening of our first representative office in Ho Chi Minh City. Vietnam offers us the opportunity to tap into one of the most dynamic, high-growth countries in the world and we will continue to focus our efforts on gaining a firm foothold in this market.

In 2009, the Group continued to undertake various initiatives in line with our vision to become one of the top 3 banking groups in ASEAN. We continued to reinforce our market position in countries where we already have presence, whilst taking the opportunity to expand our international footprint by venturing into high potential countries like Indonesia.

### THAILAND

In Thailand, we continue to focus on the commercial and high net worth wealth management sectors, whilst building up our distribution capabilities in anticipation of a more liberal financial regulatory environment.

### BRUNEI DARUSSALAM

Brunei remains one of our identified growth markets and we will continue to invest in this nation and build up our capabilities. Currently, the Group has a single operating branch in Brunei.

### INDONESIA

RHB is making inroads into Indonesia with the signing of a conditional sale and purchase agreement to acquire an 80% equity stake in PT Bank Mestika Dharma (“Bank Mestika”) of Indonesia, one of the country’s leading banks. The proposed exercise will involve RHB Capital acquiring 80% of Bank Mestika’s issued and paid-up share capital from PT Mestika Benua Mas for a total cash consideration of Rp3,118 billion (equivalent to approximately RM1,163 million), subject to regulatory approvals. Concurrently, the Group has also entered into a put and call option agreement to acquire an additional 9% interest in Bank Mestika after its proposed initial public offering.

Bank Mestika will provide the RHB Banking Group the required platform to develop our base of operations in Sumatra and expand further within Indonesia.

### PROSPECTS AND CHALLENGES

The proposed acquisition of Bank Mestika will allow the RHB Banking Group to add Indonesia, one of Southeast Asia’s key economies, into its international operations. The RHB Banking Group is excited about the prospects of further developing its regional presence and making significant steps towards realising the Group’s aspirations.

With regional economic recovery, the Group intends to explore new markets through expansion or acquisition. We will also continue to keep abreast of developments in neighbouring countries and to tap into the opportunities that are available while effectively tailoring our products and services to meet the needs of our target market segments.

### DATO’ TAJUDDIN ATAN

Group Managing Director



# Review of the Malaysian Economy

## Recession To Recovery

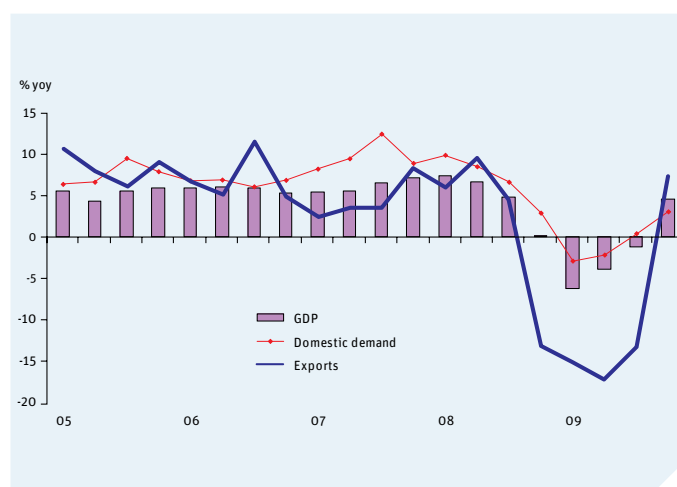
The Malaysian economy slipped into a sharp contraction of 6.2% yoy in 1Q 2009, the first contraction in more than seven years, due to a severe global recession as a result of the credit crisis in developed countries. The economy, however, began to show signs of improvement from the 2Q, aided by the Government's stimulus spending. At the same time, the massive stimulus spending undertaken by governments around the globe helped to revive their economies and demand for Malaysia's exports. As a result, Malaysia's real exports bounced back to increase by 7.3% yoy in the 4Q, the first increase after four consecutive quarters of contraction and from -13.4% in the 3Q, bringing the full-year contraction to -10.1% in 2009, compared with +1.3% in 2008 (see Chart 1). As global financial markets improved, confidence picked up and businesses stopped cutting back investment and began to recruit workers. This, coupled with the improvement in economic activities, led to the turnaround in consumer confidence and spending, which gained momentum and grew at a faster pace of 1.7% yoy in the 4Q, after rising by 1.5% in the previous quarter. Nevertheless, for the full year consumer spending slowed down sharply to 0.8% in 2009, from +8.5% in 2008. The fixed capital formation contracted by 5.5% in 2009, after slowing down to +0.8% in 2008, as private investment fell sharply during the year. If not because of the Government's stimulus spending, the contraction would have been even more severe. The Government undertook two economic stimulus packages totalling RM67bn, one in November 2008 and another one in March 2009, to cushion the economy from the severe global economic downturn. Nevertheless, private investment has shown signs of stabilisation towards end-2009. As a whole, the contraction in the country's economy was not as bad as initially thought. It fell by 1.7% in 2009 compared with the Government's projection of -3.0% (+4.6% in 2008) (see Table 1).

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

	2008	2009	2010f
		% yoy	
<b>Consumption</b>			
Public sector	10.9	3.7	-2.5
Private sector	8.5	0.8	4.8
<b>Gross Fixed Capital Formation</b>	0.8	-5.5	3.0
Public sector	0.7	12.9	-1.5
Private sector	0.8	-21.8	10.0
<b>Aggregate Domestic Demand</b>	6.8	-0.4	3.2
Exports of Goods & Services	1.3	-10.1	6.5
Imports of Goods & Services	1.9	-12.5	9.9
<b>GDP</b>	<b>4.6</b>	<b>-1.7</b>	<b>4.5</b>

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

**Chart 1: Malaysia Exited From Recession In The 4Q**





## Construction Sector Stood Out But Other Sectors Suffered

In line with the Government's stimulus spending, construction activities bounced back to increase by 5.7% in 2009, the strongest in 12 years and from +2.1% in 2008 (see Table 2). The manufacturing output, however, slipped into a contraction of 9.3% during the year (+1.3% in 2008), as a result of a sharp drop in global and domestic demand. Similarly, the growth of the services sector weakened sharply to 2.6% in 2009, from +7.2% in 2008, on the back of a decline in trade activities and a slowdown in consumer spending. These were made worse by a sharper drop in mining output, as a result of a decline in the production of both crude oil and liquefied natural gas (LNG). In the same vein, agriculture production slowed down in 2009, due mainly to a decline in palm oil production.

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

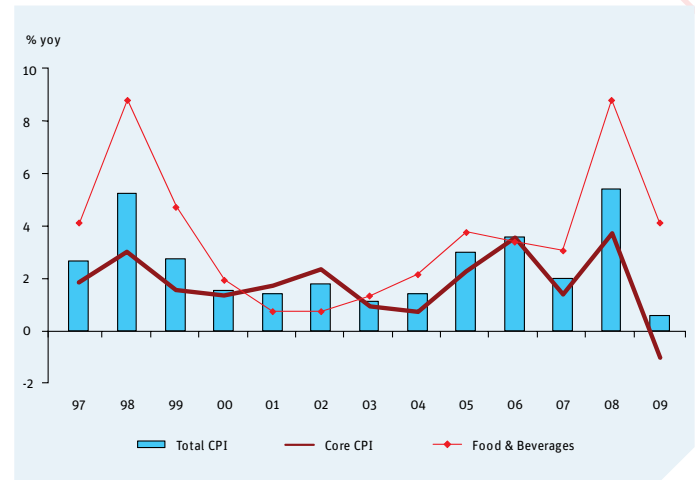
	2008	2009 % yoy	2010f
<b>Real Gross Domestic Product</b>	<b>4.6</b>	<b>-1.7</b>	<b>4.5</b>
Agriculture, forestry & fishing	4.0	0.4	2.3
Mining & quarrying	-0.8	-3.8	1.2
Manufacturing	1.3	-9.3	7.5
Construction	2.1	5.7	3.1
Services	7.2	2.6	4.5

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

## Inflation Eased Sharply

The headline inflation eased sharply to 0.6% in 2009, from +5.4% in 2008 (see Chart 2), due mainly to a higher base effect as a result of an increase in commodity prices in the early part of 2008 and the absence of fuel price hike, after increasing it significantly in June 2008. As a result, food & non-alcoholic beverage prices slowed down by more than half to 4.1% in 2009 (+8.8% in 2008), while the costs of transport contracted by 9.4% during the year, a reversal from an increase of 8.9% in 2008. Overall, the core inflation rate contracted by 1.4% in 2009, compared with +3.8% in 2008.

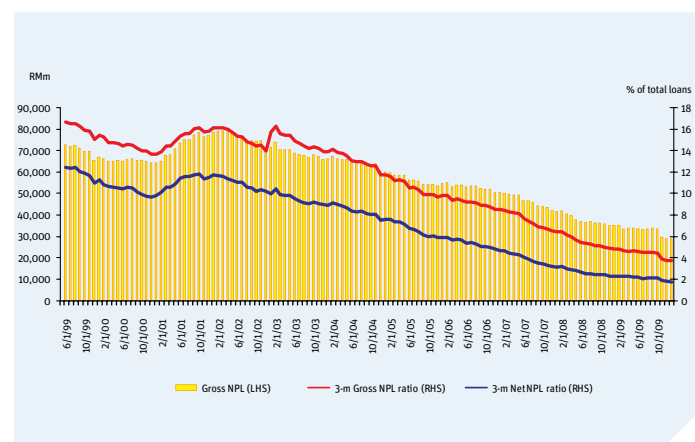
**Chart 2: Inflation Eased Sharply In 2009**



## Extremely Loose Monetary Policy To Counter The Downturn

In a move to counter a severe global economic downturn, Bank Negara cut the overnight policy rate (OPR) sharply by a total 150 basis points in three steps to 2.0% by February 2009. This move complemented the Government's stimulus spending in reviving the economy. The banking system's loan growth eased to a low of +7.0% yoy in November 2009, from +12.8% at end-2008, before climbing to +7.8% in December and further to +10% in February 2010. The broader monetary aggregate, M3, on the other hand, slowed down to +4.9% yoy in May 2009, from +11.9% at end-2008, before rising to +8.2% in February 2010. Despite an economic recession, the 3-month net non-performing loan ratio of the banking system improved to 1.9% of total loans by end February 2010 (see Chart 3).

**Chart 3: Banking System's Asset Quality Improving**



# Review of the Malaysian Economy

## Current Account Surplus Of The BOP Narrowed, But Remained Supportive Of The Ringgit

With exports falling sharply because of the severe global recession, the surplus of the current account in the balance of payments (BOP) narrowed to RM112.7bn or 17.3% of gross national income (GNI) in 2009, from a surplus of RM129.5bn or 18.1% of GNI in 2008 (see Table 3). This was reflected in a smaller surplus in the merchandise trade, which was mitigated by a larger surplus in the services account, while deficit in the income account and remittances by foreign labour narrowed during the year. The financial account, however, recorded a smaller outflow in 2009, mainly on account of a smaller outflow of net direct investment and portfolio funds. As a whole, the country's balance of payments rebounded to increase by RM13.9bn in 2009, from -RM18.3bn in 2008. This resulted in an increase of US\$5.2bn in the country's foreign exchange reserves to US\$96.7bn at end-2009. Overall, the foreign exchange reserves, which were sufficient to finance about 9.8 months of retained imports, remained at a comfortable level and continued to provide an underlying support to the ringgit. The ringgit depreciated by 5.3% against the US dollar in 1Q 2009 (see Chart 4) due to outflow of foreign portfolio funds, but had regained its loss ground in the latter part of the year.

**Table 3. Balance Of Payments**

	2008	2009	2010f
		RMbn	
<b>Current Account</b>	<b>129.5</b>	<b>112.7</b>	<b>97.1</b>
(% of GNI)	(18.1)	(17.3)	(13.8)
Goods	170.6	141.5	133.2
Services	0.2	3.2	1.1
Income	-23.7	-12.6	-22.2
Current transfers	-17.5	-19.4	-15.0
Financial account	-118.5	-82.9	-35.5
Basic balance	11.6	29.8	61.6
Errors & omissions <sup>^</sup>	-29.9	-15.7	-25.0
Overall balance	-18.3	13.9	36.6
Outstanding reserves*	317.4	331.3	367.9
(US\$)*	91.5	96.7	111.5

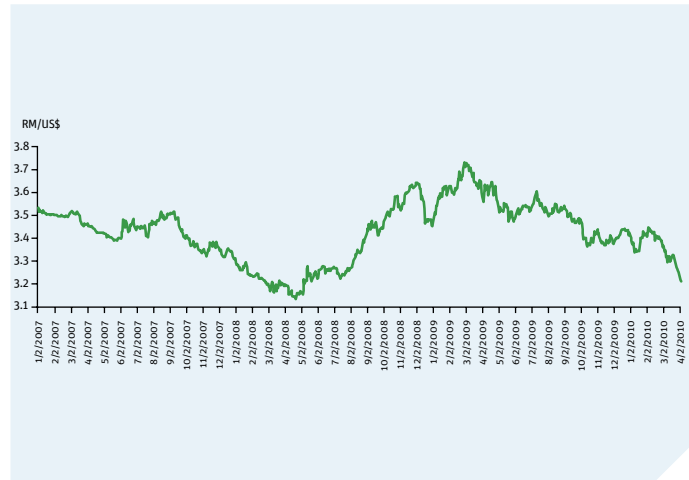
<sup>^</sup> Reflect mainly revaluation gains/losses from Ringgit depreciation/appreciation and statistical discrepancies.

\* As at end-period

Source: Department of Statistics, RHBRI

f: RHBRI's forecasts

**Chart 4 : Ringgit Depreciated In Early 2009 But Regained Some Ground Towards End Of The Year**

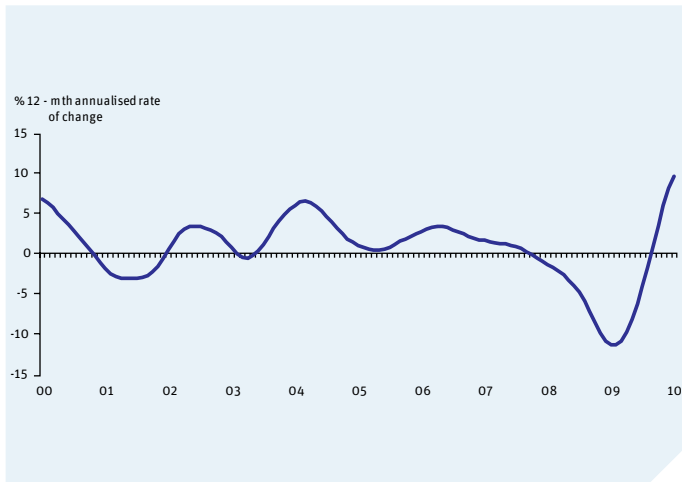


## Outlook for 2010

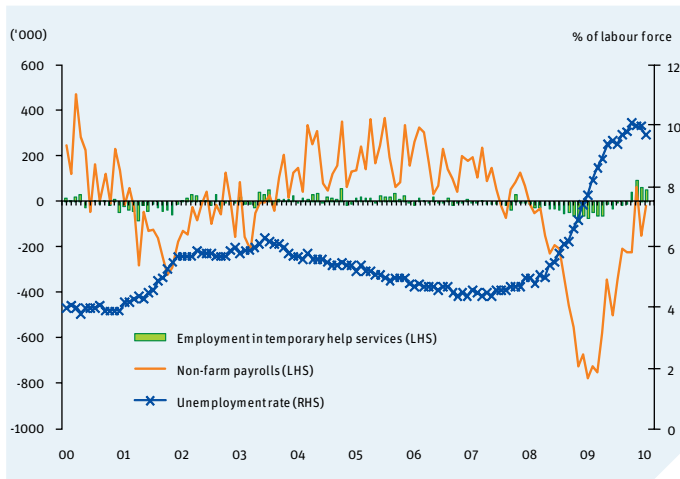
### Gradual And Uneven Global Economic Recovery In Prospects

The globaleconomic recovery is gaining momentum and we believe it will likely be sustainable in 2010 despite various challenges that threaten to derail it. As it stands, the OECD composite leading indicator's 12-month rate of change strengthened to 9.6% in January, the fifth consecutive month of picking up and from +8.1% in December, pointing to an improvement in OECD economic outlook (see Chart 5). Similarly, global manufacturing and services activities have recovered to positive growth for the last six to seven consecutive months. Also, the US economy has turned around since 3Q 2009 and strengthened in the 4Q. The economy will likely continue to expand in 2010, as consumer spending is gradually improving (see Chart 6). Similarly, consumer and business confidence in the Euroland are improving, while a recovery in exports will likely provide some support to the Japanese economy. Also, China and India's economic growth will likely be sustained as measures have been instituted to address inflationary pressures. As a whole, we expect Malaysia's real exports to bounce back to +6.5% in 2010, from -10.1% in 2009.

**Chart 5: OECD Composite Leading Indicator Points To Improving Economic Outlook**



**Table 6: Improving US Job Market Translated Into A Sustained Increase In Consumer Spending**



## Malaysian Economic Recovery Gaining Pace

A recovery in exports will likely boost consumer and business confidence, which in turn will likely translate into higher domestic demand, in our view. As a result, we envisage domestic demand to pick up its momentum and expand by 3.2% in 2010, a rebound from -0.4% in 2009. This is due mainly to a pick-up in consumer spending, in tandem with an improvement in job market outlook and a pick-up in tourist arrivals. In addition, consumer spending will likely be supported by high savings, rising consumerism and pent-up demand. Similarly, the private investment is projected to recover in 2010, albeit from a low base, as investors resume their investment along with a recovery in exports. Nevertheless, the public sector will likely contract during the year, in line with a fiscal consolidation. As a whole, we expect real GDP to bounce back and expand by 4.5% in 2010, from -1.7% in 2009.

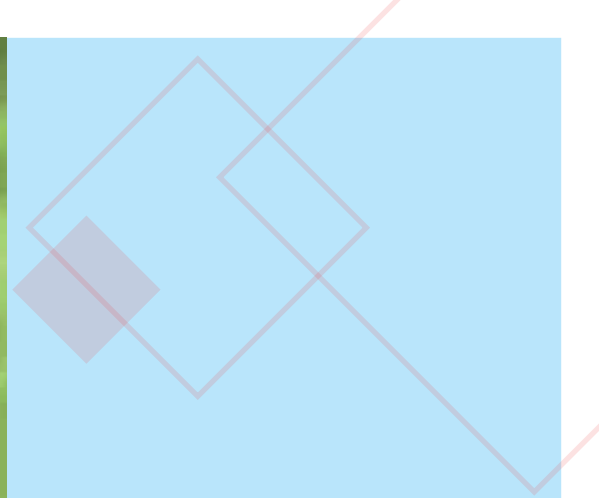
## Inflation Will Likely Pick Up, Bank Negara Has Begun Normalising Interest Rate

Inflation will likely pick up to 2.0% in 2010 (+0.6% in 2009) on the back of a recovery in demand, but is likely to be manageable. Meanwhile, the Central Bank has begun to normalise monetary conditions by raising its overnight policy rate by 25 basis points to 2.25% on 4 March to prevent financial imbalances from building up. The policy rate is likely to be raised by a further 25 basis points to 2.5% in the course of the year as economic recovery builds up momentum.



▶ innovative





## ◆ Driving Change

At RHB, we believe in changing with the times. What sets us apart in the industry is our willingness to think outside the box, whilst keeping in mind the wants and needs of our customers to bring them the best of both worlds. Through this open and holistic approach, we are able to maintain a broad and diverse range of opportunities that will bring the rewards and benefits that our customers desire.



# Corporate Responsibility

We acknowledge that our ability to prosper hinges substantially upon our ability to make business decisions that give credibility to our sense of economic, social and environmental responsibility, and by which our stakeholders and society can hold us accountable.





The Board of Directors of the RHB Banking Group is committed towards balancing the Group's economic ambitions with a clear focus on corporate responsibility. We acknowledge that our ability to prosper hinges substantially upon our ability to make business decisions that give credibility to our sense of economic, social and environmental responsibility, and by which our stakeholders and society can hold us accountable. As a responsible leading financial services provider and a responsible corporate citizen, the Board is committed towards ensuring the sustainability of our business through corporate responsibility ("CR") practices that impact positively upon our shareholders, customers, employees, business partners and the communities we serve.

The Group has to date initiated various CR programmes and activities that benefits the Community, Workplace, Marketplace and Environment. These CR initiatives cut across and impact a cross-section of our stakeholders whilst transcending cultural and religious boundaries.

## ENRICHING COMMUNITIES

### Continuing to Give Hope

#### Missing Children - Reuniting Families

As a responsible corporate citizen and in response to public outcry for a solution to address the issue of missing children, 2009 saw us following through with the Missing Children - Reuniting Families programme. The programme was initially launched in partnership with Polis DiRaja Malaysia in late 2007 to offer the authorities and concerned families an alternative channel of communication for members of the public to help locate missing children. In realising our efforts to reunite affected families, we used our extensive delivery channel (in the form of our branch network as well as after-sales terminals i.e. ATMs) as a mode of communication to publicise the details of missing children. This was in addition to the publicity carried out through print media as well as posters and flyers distributed by the Group's employees.

Recognising the gravity of the problem, the Group further extended the scope of its Missing Children - Reuniting Families initiative by educating children on ways to avoid and prevent crime. To this end, the Group produced a booklet which contained 12 crime prevention tips for children. To date, some 150,000 booklets have been distributed to 180 primary schools nationwide. The Group is currently at the final stages of producing the second phase of the crime prevention booklet. In order to reach out to as many children as possible the Group will be airing television commercials on children's safety.



## Corporate Responsibility



### Nurturing Young Lives

#### Let's Learn with RHB

As part of our endeavours to enrich communities, we continue to focus our efforts particularly in the areas of children and education. By nurturing the young in a holistic manner we are helping shape their minds and hearts as well as setting new standards of excellence among them. Moreover, we are helping groom a talent pool of young Malaysians that will one day drive this nation's future.

In collaboration with the nation's leading English newspaper, *The Star*, the year saw us organising the RHB-The Star Mighty Minds Challenge for the first time with the aim of promoting educational excellence in a fun-filled manner both in and out of the classroom. The competition also aimed to foster greater interaction and inculcate team spirit amongst students, whilst enhancing their academic and general knowledge. A host of public and private secondary school students from all 14 states, including the rural areas, participated in this demanding competition which certainly helped elevate their mental prowess and team-building skills.

2009 also saw us holding the RHB-New Straits Times National Spell-It-Right ("SIR") Challenge for the second consecutive year. Jointly organised with the New Straits Times Press Group, the SIR Challenge aims to encourage the use of the English language in a fun way, strengthen building skills and promote the use of newspapers as an alternative educational tool. The SIR Challenge was run at state and national levels, attracting more than 2,472 contestants from 370 secondary schools and 248 primary schools in all 14 states, including the Federal Territories.



RHB also continued to roll out *Let's Learn with RHB* in collaboration with the Ministry of Education. This initiative aims to upgrade resource centres at rural schools, inculcate reading habits among students, and increase the standard of general knowledge. To date, some 43 rural schools in Peninsular and East Malaysia have benefitted from the programme involving close to RM1 million worth of reading materials comprising books, educational magazines and encyclopaedias.





### In Support of the Performing Arts

As part of our efforts to support the local performing arts scene, the RHB Banking Group brought back to the stage the phenomenal musical *Puteri Gunung Ledang: The Musical, Season III*. In conjunction with this, we hosted a special Corporate Night for valued customers, regulatory authorities, government representatives and corporate clients on 5 February 2009 at Istana Budaya as a gesture of appreciation for their continued support.

The popular musical, a recipient of the 5th Annual BOH Cameronian Arts Awards in 2006, portrays a familiar storyline with a rich cultural heritage brought to life by the superb, flawless performances of highly talented entertainers from the local theatre scene. The musical made innovative use of music, choreography, breathtaking set designs, art direction and staging to bring out emotionally-charged high points.



### Other Humanitarian Initiatives

In 2009, we undertook various other initiatives to elevate the wellbeing of communities. Our efforts include contributions amounting to RM100,000 to orphanages and old folks' homes as well as organising blood donation drives. The RHB Banking Group also made Qurban-related contributions at a value of RM100,000 to various communities all over Malaysia in conjunction with the Hari Raya Qurban or Aidiladha celebrations. We also made a contribution of RM100,000 to the Tabung Bencana NSTP-Media Prima to provide humanitarian relief assistance for the victims of the Padang earthquake.

On the overseas front, RHB Singapore launched the inaugural RHB-NTU Goal for Fund 2009 initiative to raise funds for needy students of the Nanyang Technological University. More than 100 teams from schools and communities all over Singapore took part in this fundraising tournament which used sports as a way to transmit positive values such as volunteerism, teamwork and strength among the young. On top of this, RHB Thailand made donations to the Wah Tung Hieng Temple for the purchase of uniforms for 70 underprivileged students.



### NURTURING OUR WORKFORCE

#### Grooming RHB's Future Leaders

As a forward-thinking employer, the Group is committed to ensuring that high-performing employees are given every opportunity to move up and grow within our organisational hierarchy. The Board is also committed towards undertaking impactful talent management programmes aimed at developing talent within the organisation as well as young external talent. To groom talented internal candidates for future managerial positions, we have put in place a talent management programme which caters to the growth and development of the Group's internal talents as well as giving opportunities to young talents from different educational backgrounds to be developed and groomed to be the Group's future leaders. To date, 39 trainee Management Associates ("MAs") are undergoing classroom training, group presentations, project assignments and on-the-job attachments within the Group's various business and functional divisions.

## Corporate Responsibility

The Group has also put in place the Credit Associate Programme (“CAP”) as part of our efforts to provide a continuous supply of trained credit professionals. Our Credit Associates (“CAs”) were selected from a pool of highly qualified and motivated local and international graduates looking to pursue a career in the financial services industry. The CAP involves six months of specialised training in credit-related areas as well as on-the-job attachments in various credit functions.

### Caring for Our Employees

The Board is committed towards ensuring the employees’ welfare and wellbeing. As a caring employer, the Group provides competitive remuneration and benefits as well as training and development opportunities that address each employee’s skill gaps. The Group also establishes a robust performance management system that ties in performance with reward, whereby each employee is given the opportunity to attend at least two training programmes annually. In addition, the Group creates a workplace that encourages creativity and high productivity, as well as rolls out activities aimed at providing employees with a good work-life balance and a sense of fulfilment.

The Group shows it cares for its employees through our Staff Welfare Fund, a scheme that provides assistance to employees above and beyond the benefits already provided by the Group. The Fund helps alleviate the financial distress of employees and their immediate families arising from serious accidents, illnesses, injuries or loss of property and/or life due to natural disasters, among other instances. In addition, the Group strictly adheres to the Occupational Safety & Health Administration to assure safe and healthful working conditions.



RHB continues to run the internal Excellence Awards programme which rewards employees excelling in sports, children of staff who have excelled in national exams, and high-performing personal bankers. All these efforts aim to show our employees that we consider them our most valuable asset and that we value their contributions to the organisation. The Group also continues to strengthen employee and intra-regional bonds through our annual Unity Games which sees employees across the country coming together to compete in sports events as well as the highly popular RHB Idol singing contest. On top of this, employee engagement is fostered via our quarterly newsletter, *Talk & Bond*, among other platforms.

### MEETING MARKETPLACE NEEDS

#### Catering to Customers’ Needs

The Group continues to implement various initiatives to bring RHB closer to our customers and to meet the needs of the community at various income levels. EASY by RHB, a community banking concept, was launched with the aim to provide simple, accessible and convenient banking to income earners in the RM1,000 to RM5,000 bracket. Involving a paperless application process, instant approval and on-the-spot loan disbursement, EASY by RHB opens up banking opportunities to a much overlooked market segment while bringing our products closer to the community. EASY by RHB also brings our outlets closer to the community via our offer of extended operations during non-traditional banking hours. To date, a total of 48 EASY outlets have been opened nationwide, 26 of which are standalone outlets and 22 are EASY kiosks at Tesco, with more being developed with our strategic partners, Tesco and Pos Malaysia.



## Ensuring Responsible Marketplace Behaviour

To ensure responsible marketplace behaviour, the Group has in place the Group Code of Ethics and Conduct for Employees (“the Code”) and Group Chinese Wall and Insider Trading Policy (“Chinese Wall Policy”). These aim to ensure that there is no conflict of interest or potential conflict between the personal interests of our employees and those of the Group, its shareholders or clients. The Code and Chinese Wall Policy also aim to prevent employees from misusing their positions; ensure that non-public and price sensitive information (especially that relating to securities or other financial instruments) is kept confidential and secure as well as not misused; that the relevant records are complete and accurate; that the Group’s property and assets are properly cared for and protected; and that any knowledge or information about unethical business conduct and suspected commission of crimes is promptly reported.

The Group’s Whistle Blowing Policy (“the Policy”) complements the Code by enabling a whistle blower to report misconduct or an activity that he or she would consider to be dishonest, unlawful, and unethical or in violation of laws, internal policies and the code of ethics, without fear of retaliation or discrimination. The Policy spells out the mechanism and the minimum standard to be adhered to by the Group’s companies in dealing with disclosure on questionable actions or wrongdoings by our personnel. It guides RHB personnel when facing concerns over unlawful conduct and encourages them to raise concerns regarding such malpractices or corporate misdeeds. The Policy also provides a platform for Management to be informed about any unlawful conduct at an early stage and helps nurture the culture of accountability, integrity and transparency. The Whistle Blower Policy provides protection of the whistle blower’s identity.

To further promote transparency and integrity, the Group has implemented the e-Bidding system which is an alternative to the conventional method of negotiation on commercial pricing, whereby vendors bid against one another. It offers a visible and fair means for suppliers to participate in online bids.

## ENHANCING ENVIRONMENTAL CONSERVATION EFFORTS

### Financing Green Companies

As part of our efforts to protect the environment, the Group is lending financial assistance to companies undertaking clean development mechanism (“CDM”) projects to produce renewable energy, reduce greenhouse gas emissions in Malaysia or trade their carbon emission rights (for carbon credit). The Group has embedded in its credit policy the cautious approach towards conservation by setting lending targets based on a sectoral outlook. In line with this, RHB Bank Berhad, in collaboration with the Japan Bank for International Cooperation (“JBIC”), the international arm of the Japan Finance Corporation, entered into a long-term two-step Untied Loan Agreement of US\$100 million. The initiative will see RHB Bank providing finance to help promote and encourage commercial activities in Malaysia, particularly to small and medium-sized enterprises (“SMEs”) involved in greenfield projects and the energy, automotive and electrical and electronics sectors. The loan package offers benefits to both Japanese companies and Malaysian companies that have collaborated with Japanese companies.

### Internal Environmental Initiatives

The Group’s environmental efforts also extend to recycling water from the sewerage treatment plant and channelling the treated water to the RHB Complex at Bangi with the aim of reducing water consumption. On top of this, we have begun to promote energy conservation through our involvement in the annual Earth Hour initiatives and promoting energy saving during holidays and festive seasons. Paper recycling activities are also carried out with our daily janitors taking the lead in these activities. To ensure we create a pollution-free working environment, the RHB Centre has been designated a non-smoking zone with only one smoking room made available to smokers.

Going forward, the RHB Banking Group will continue to balance out its business undertakings with responsible corporate practices in the areas of the workplace and marketplace, whilst elevating the wellbeing of our stakeholders and the communities and environment we operate in.

# Awards & Recognition



## RHB INVESTMENT BANK BERHAD

### Finance Asia

- ◆ **2009 - Country Awards for Achievement**
  - Best Equity House in Malaysia

### IFR Asia

- ◆ **2009 - Malaysia Capital Markets Deal of the Year**
  - Maxis' RM11.2 billion IPO - Joint Managing Underwriter for the Retail Offering and Adviser to the Selling Shareholder

### Asiamoney

- ◆ **2009 - Brokers Poll of Polls**
  - Best Local Brokerage House in Malaysia, 1990 - 2008
- ◆ **2009 - Brokers Poll**
  - Best Local Brokerage House - 2<sup>nd</sup> place

### The Edge Malaysia

- ◆ **2009 - Deals of the Year**
  - Best Mergers & Acquisitions - Carlsberg Brewery (M) Bhd's acquisition of Carlsberg Singapore Pte Ltd for RM370 million - Independent Adviser

### Islamic Finance News

- ◆ **2009 - IPO Deal of the Year**
  - Maxis' RM11.2 billion IPO - Joint Managing Underwriter for the Retail Offering and Adviser to the Selling Shareholder

## The Asset

- ◆ **2009 - Triple A Islamic Finance Awards**
  - Most Innovative Islamic Finance Deal - Projek Lintasan Shah Alam (PLSA) RM745 million Project Finance Sukuk Programme - Arranger

## Alpha Southeast Asia

- ◆ **3<sup>rd</sup> Annual Best Financial Institution Awards in Southeast Asia**
  - Best Equity House
- ◆ **3<sup>rd</sup> Annual Deal & Solution Awards in Southeast Asia**
  - Best Local Currency Bond Deal of the Year - Hana Bank's RM1 billion MTN Programme - Sole Lead Manager
  - Best Secondary Deal of the Year in Southeast Asia - Axiata Group's RM5.2 billion Rights Offering - International Joint Leads and Joint Global Coordinators

## RHB RESEARCH INSTITUTE SDN BHD

### The Edge Malaysia-StarMine Awards

- ◆ **2010 - Broker Ranking Awards**
  - FTSE Bursa Malaysia 30 Index - Recommendations : Rank (1)
  - Malaysia Mid- and Small-Cap Stock - Recommendations : Rank (3)

## ◆ 2010 - Analyst Awards - Industry Award Winners

- Energy - 1<sup>st</sup> place - Joseph Wong Chi Mai
- Real Estate - 2<sup>nd</sup> place - Low Yee Huap
- Financials - 3<sup>rd</sup> place - Low Yee Huap

## ◆ 2009 - Broker Ranking Awards

- Mid- and Small-Cap Recommendations - 1<sup>st</sup> place
- Top Industry Stock Pickers for Consumer Products - 2<sup>nd</sup> place - Hoe Lee Leng
- Top Industry Stock Pickers for Transport - 2<sup>nd</sup> place - Joshua Ng Chin Yuing

## The Edge Malaysia

### ◆ 2009 - Best Call Awards

- Best Strategist - 1<sup>st</sup> place - Lim Chee Sing
- Best Technical Analyst - 1<sup>st</sup> place - Khoo Ban Yu
- Best Banking & Finance sector call - Low Yee Huap
- Best Oil & Gas sector call - Joseph Wong

## The Asset

### ◆ 2009 - Asian Currency Bond Benchmark Survey

- Top Sellside Individual in Local Currency Bonds (Malaysia) - 1<sup>st</sup> place - Ray Choy





### Asiamoney

- ◆ **2009 - Brokers Poll**
  - Best Overall Macroeconomics - 2<sup>nd</sup> place
  - Best Overall Banks - 3<sup>rd</sup> place
  - Best Overall Small Caps - 3<sup>rd</sup> place

### RHB INVESTMENT MANAGEMENT SDN BHD

#### The Asset

- ◆ **2009 - Benchmark Survey**
  - One of the Most Astute Investors in Malaysian Ringgit Bond

#### Asia Asset Management

- ◆ **2009 - Best of the Best Awards**
  - Most Innovative Product - Malaysia RHB China Averaging Capital Protected Fund

### RHB ISLAMIC BANK BERHAD

#### The Asset Magazine-The Triple A Islamic Finance Awards

- ◆ **2009 - Most Innovative Islamic Finance Deal**
  - Project Lintasan Shah Alam (PLSA) - RM745 million Project Finance Sukuk Programme - Co-Lead Arranger

- ◆ **2009 - Most Innovative Islamic Finance Deal**

- Tadamon Services
  - RM300 million Islamic Trust Certificates - Lead Manager

- ◆ **2009 - Best Islamic Loan Deal**

- AirAsia
  - US\$336 million French Single Investor Ijara - Lead Arranger

#### Kuala Lumpur Islamic Finance Awards (KLIFF)

- ◆ **2009 - The Most Outstanding Islamic Project Financing Products**

### RHB BANK BERHAD

- ◆ **2009 - SMI Malaysia**
  - Sahabat SME Award 2009
- ◆ **2009 - Credit Guarantee Corporation (CGC)**
  - Top SMI Supporter Award 2008

#### Visa International Awards

- ◆ **2009 - RHB Tesco Credit Card**
  - Highest Sales Volume Growth for New Co-Brand Card
- ◆ **2009 - RHB Tesco Credit Card**
  - Most Innovative Co-Brand Card

### MasterCard Hall of Fame Award

- ◆ **2009 - Travel Money Credit Card**
  - Most Innovative Card & Marketing Programme - 1<sup>st</sup> Place

### The Asset

- ◆ **2009 - Benchmark Survey**
  - Best Banks in Malaysian Ringgit Government Bonds

### The Finance Asia Magazine (The Asset Magazine)

- ◆ **2009 - Best Trader in Malaysian Ringgit Bonds Markets**
  - En Jamil Baharuddin

### Share/Guide Association (Malaysia) (SGAM)

- ◆ **2009 - Best Process Innovation (Private Sector)**

### RHB CAPITAL BERHAD

#### Minority Shareholder Watchdog Group (MSGW):

- ◆ **2009 - Malaysian Corporate Governance Index**
  - Merit Award

# Calendar of Significant Events 2009

## Corporate Events



### JANUARY 2009

- 1 RHB Banking Group launched the TESCO-RHB credit and debit cards which provide added benefits to our customers.
- 2 A fully engrossed audience at the Thriving in Challenging Times - Feng Shui and Astrology Seminar 2009 conducted by Joey Yap and presented by the Business Banking Division.

### FEBRUARY 2009

- 3 Opening of RHB Islamic Bank's new branch at Kubang Kerian, Kelantan.

- 4 RHB, the title sponsor for *Puteri Gunung Ledang The Musical Season III*, hosted a special Corporate Night for its corporate clients and partners at Istana Budaya, KL.

### MARCH 2009

- 5 Senior Parliamentary Secretary, Ministry of Community, Development, Youth and Sports, Member of Parliament and Ministry of Transport Singapore, Mr. Teo Ser Luck together with Lim Hun Joo, the Country Head of RHB Bank Singapore officially launched the RHB-NTU Goal for Fund 2009.
- 6 RHB Investment Management launched the nation's first Capital Protected Fund based on dollar cost averaging.

### APRIL 2009

- 7 RHB Investment Bank and Samchem Holdings Berhad signed an underwriting agreement in conjunction with Samchem Holding's listing on the Main Board.
- 8 RHB signed an agreement with Syarikat Jaminan Pinjaman Perniagaan (SJPP) to manage a new stimulus package, witnessed by the Prime Minister YAB Dato Sri Mohd Najib Tun Haji Abdul Razak.

### MAY 2009

- 9 The third USD100 million loan signing ceremony between RHB Bank and the Japan Bank for International Cooperation (JBIC) to support local SMEs, witnessed by YB Dato' Seri Ahmad Husni Mohamad Hanadzlah, Minister of Finance II.



# Calendar of Significant Events 2009

## Corporate Events



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### JUNE 2009

- 10 The RHB Banking Group participated in the SMIDEX 2009 event held at KLCC.
- 11 Signing ceremony for the RM1.0 billion Medium Term Notes guaranteed by the Republic of Korea, between Hana Bank and RHB Investment Bank as the Principal Adviser and Lead Arranger.

### JULY 2009

- 12 The Group launched “Easy by RHB” which provides simple, accessible and convenient banking.

- 13 Dato’ Tajuddin Atan, Group Managing Director of the RHB Banking Group and Dato’ Syed Faizal Albar, Group Managing Director and Chief Executive Officer of Pos Malaysia during the signing ceremony of the POS Maid Protector Insurance.

### AUGUST 2009

- 14 RHB Islamic entered an agreement with Sedania Media Group and E-Pay to introduce telecommunications airtime, witnessed by YB Dato’ Mukhriz Tun Dr. Mahathir, Deputy Minister of International Trade and Industry.

### OCTOBER 2009

- 15 RHB Capital Berhad makes an inroad into Indonesia with the acquisition of PT Bank Mestika Dharma.
- 16 RHB Investment Bank was the Platinum Sponsor of the Malaysian Capital Markets Conference. Deputy Minister of Finance II, YB Senator Datuk Dr. Awang Adek bin Hussin delivered the keynote address.
- 17 Group Managing Director, Dato’ Tajuddin Atan officiated the new RHB Bank branch in Kota Damansara.

# Calendar of Significant Events 2009

## Corporate Events



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### OCTOBER 2009

**18** A special Hari Raya Open House dinner was held in appreciation of the bank's corporate clients and partners.

### NOVEMBER 2009

**19** Twin launch of RHB Islamic Bank's new corporate identity and its 11th branch opening in Kota Kinabalu, Sabah by YAB Datuk Seri Musa Haji Aman, Chief Minister of Sabah.

### DECEMBER 2009

**20** Simultaneous launch of 12 "Easy by RHB" outlets launched across Malaysia by Y.B. Datin Paduka Chew Mei Fun, Deputy Minister of Women, Family and Community Development.

**21** RHB Islamic Bank and Emkay Group signed a project Financing Agreement witnessed by former Prime Minister Tun Dr. Mahathir Mohamad.

**22** The Save Big, Spend Smart campaign grand prize winners proudly display their "keys" at the opening of RHB Bank's Bangsar South branch opening, graced by YB Senator Dato' Raja Nong Chik Raja Zainal Abidin, Minister of Federal Territories and Urban Wellbeing.

**23** RHB Banking Group launched the Cash Connect Visa Debit Card and introduced My Cash-i to the public.



## Social Events



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### FEBRUARY 2009

- 1 The RHB contingent at the National Procession held in conjunction with Prophet Muhammad's birthday.

### MARCH 2009

- 2 RHB participated in the Kubang Pasu Rugby 10s Tournament.

### APRIL 2009

- 3 RHB team members at the Inter-Financial Institutions Dart Tournament.

### MAY 2009

- 4 "You're Simply the Best!" RHB Recognition Night for Sportsmen and Sportswomen.

### JUNE 2009

- 5 Children of RHB staff from Peninsular Malaysia excel at the Children's Academic Excellence Awards.

### JULY 2009

- 6 Futsal with the press... team members pose after their friendly match with the New Straits Times Press Group.

### AUGUST 2009

- 7 RHB staff helping themselves during the Iftar/Buka Puasa event.
- 8 RHB Staff cheering Dato' Tajuddin Atan during The Edge Bursa Malaysia Rat Race 2009!
- 9 Staff at the Mortgage Sales: Million Ringgit Achievement Club Awards Presentation night.



# Calendar of Significant Events 2009

## Social Events



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### OCTOBER 2009

- 10 Work hard! Play hard! RHB staff in action at the RHB Unity Games in Penang.
- 11 The RHB Unity Games in the East Coast.
- 12 Team shot... The RHB Unity Games in Johor.

### NOVEMBER 2009

- 13 Nervous wait... Majlis Berkatan 2009 organised by the RHB Banking Group.
- 14 RHB Managers Workshop on Simplified Internet Banking & Operations Compliance.

### DECEMBER 2009

- 15 A fun time for children of RHB staff at the Bakkis summer camp held in Kuala Lumpur during the year-end holidays.

- 16 Teamwork! The RHB Unity Games in the Central Region.

- 17 Group Managing Director, Dato' Tajuddin Atan during the first ever Teh Tarik session at RHB Centre.

- 18 Developing future football stars... The RHB Banking Group Children's Football Camp.

### JANUARY 2010

- 19 So you think you can sing! The RHB Idols 2009 Grand Finale.

## Our Contribution to the Society



### FEBRUARY 2009

- 1 RHB went into partnership with The Star in organising the 'RHB-The Star Mighty Minds Challenge'.
- 2 Supporting performing arts... RHB Banking Group was the title sponsor for *Puteri Gunung Ledang The Musical Season III*.

### APRIL 2009

- 3 The RHB New Straits Times National Spell-It-Right Challenge kicked off to a brilliant second season!
- 4 RHB staff were promoting reading culture among school children.

### MAY 2009

- 5 Helping others in need... blood donation by RHB staff.

### JUNE 2009

- 6 RHB Bank's Bangkok branch and AIB donated 20,000 Baht to the Wat Tung Hieng Temple to purchase uniforms for 70 school students.



# Calendar of Significant Events 2009

## Our Contribution to the Society



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### AUGUST 2009

- 7 National winners of the 2009 RHB-New Straits Times National Spell-it-Right Challenge.

### SEPTEMBER 2009

- 8 Orphans across the country benefited from the RM100,040 contribution by RHB Banking Group.

### OCTOBER 2009

- 9 Deputy Prime Minister YAB Tan Sri Muhyiddin Yassin graced the 'RHB-The Star Mighty Minds Challenge' National Finals.
- 10 Group Managing Director, Dato' Tajuddin Atan presented a cheque for RM100,000 to Tabung Bencana NSTP-Media Prima in aid of the Padang earthquake victims.

### NOVEMBER 2009

- 11 RHB contributed RM100,000 in kind nationwide in conjunction with the Hari Raya Qurban celebrations.
- 12 RHB Banking Group contributed RM1 million in 2008/2009 to upgrade resource centres in rural schools.

# Analysis of the Financial Performance

The following management discussion should be read in conjunction with the audited consolidated financial statements for the financial year 2009 of RHB Capital Berhad and its subsidiary companies.

## ANALYSIS OF THE BALANCE SHEET

### Total Assets

The Group's total assets stood at RM115.0 billion as at 31 December 2009, an increase of 10.0% over the previous financial year. The increase was mainly due to higher net loans, advances and financing coupled with higher short term funds and liquid assets. Net loans, advances and financing remained the largest component of the 31 December 2009's total assets at 58.2% (2008: 58.0%). Gross loans, advances and financing registered a growth of 10.3% in the financial year 2009 compared to 11.2% 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 increased by 16.2% to RM16.7 billion in 2009, while deposits and placements with banks and other financial institutions increased by RM1.7 billion to RM2.2 billion recorded in 2009.

### Securities purchased under resale agreements

The securities purchased under resale agreements were higher by RM1.5 billion growing to RM1.6 billion as at 31 December 2009 due mainly to higher Malaysian Government Securities purchased under resale agreement with Bank Negara Malaysia.

### Securities portfolio

The Group's securities portfolio comprise of securities held-for-trading, securities available-for-sale and securities held-to-maturity. The largest component of the Group's securities portfolio are the securities held-to-maturity which made up 52.5% of the portfolio as at end 2009, followed by securities available-for-sale (43.4%) and securities held-for-trading (4.2%) respectively.

Compared to 31 December 2008, the Group's securities held-to-maturity and securities available-for-sale expanded by 14.2% and 46.4% respectively mainly due to higher holding of Malaysian government securities and private debt securities.

However, the Group's securities held-for-trading decreased by RM4.5 billion or 83.9% to RM0.9 billion as at 31 December 2009 due mainly to a decrease in holding of Malaysian government securities, Bank Negara Malaysia monetary notes, bankers' acceptances and Islamic accepted bills and private debt securities.

### Loans, advances and financing

The Group's gross loans, advances and financing increased by 10.3% to RM69.6 billion as at 31 December 2009, primarily originated from the retail and corporate and investment banking businesses, covering both residential and non-residential mortgages, loans for purchase of transport vehicles and other purposes.

Lending to the consumer sector recorded a growth of 13.6% to RM29.5 billion, in particular to cater for purchase of motor vehicles, residential mortgages and credit cards, and accounted for 42.4% of the Group's total gross loans, advances and financing. Lending to the government and statutory bodies sector recorded an increase by RM3.8 billion and represented 5.4% of the Group's total gross loans, advances and financing as at the end of December 2009.

In line with our commitment to grow our Islamic banking business to form a larger part of the Group's portfolio, the Group's gross financing and advances from Islamic business recorded a growth of 9.8% to RM6.1 billion, focusing on residential mortgages, working capital and purchase of transport vehicles.

## Analysis of the Financial Performance

Non-performing loans ('NPL') volume increased by RM413.4 million or 14.6% to RM3.3 billion during the financial year. Net NPL ratio remained stable at 2.2% as at 31 December 2009 whilst loan loss coverage stayed healthy at 83.4%.

### Total Liabilities and Shareholders' Equity

Total liabilities increased by RM9.5 billion or 9.8% to RM106.2 billion in 2009, mainly due to the increase in deposits from customers.

Shareholders' equity increased by 11.4% to RM8.7 billion as at 31 December 2009. The increase was largely due to the higher current year net profit of RM1.2 billion, partly offset by dividend payments of RM252.0 million made during the financial year.

### Deposits from customers

Approximately 92% of the Group's funding as at 31 December 2009 was from deposits from customers. Deposits from customers grew by RM10.9 billion or 14.7% to RM84.8 billion in 2009, due mainly to the increase in money market time deposits ('MMTD') of RM6.9 billion. Excluding the MMTDs, total deposits from customers comprising fixed deposits, current and savings deposits recorded an increase of 18.2%, 7.9% and 5.0% respectively.

Deposits from individuals, viewed as a stable source of funds, accounted for 29.9% of the Group's total deposits from customers, recorded an increase of 3.0% to RM25.4 billion as at 31 December 2009.

With a 14.7% increase in customer deposits and the 10.3% increase in gross loans, advances and financing, the gross loans to customer deposits ratio decreased to 82.1% as at 31 December 2009 from 85.4% in the previous year. Domestic deposits market share improved to 7.5% as at 31 December 2009 as compared to 7.2% in the previous year.

### Deposits and placements of banks and other financial institutions

Deposits and placements of banks and other financial institutions decreased by 14.6% to RM7.4 billion as at 31 December 2009, in line with the Group's funding and liquidity management activities.

### Borrowings

Borrowings increased by RM0.4 billion (11.6%) to RM3.8 billion as at 31 December 2009, mainly for the purposes of funding the deposits for the proposed acquisition of Bank Mestika and for general working capital purposes.

### Hybrid Tier-1 Capital Securities

As at 31 December 2009, RHB Bank Berhad ('RHB Bank') had, during the financial year issued RM600.0 million nominal value hybrid tier-1 capital securities under Hybrid Tier-1 Capital Securities Programme.

### Capital Adequacy

As at 31 December 2009, RHB Bank remained strongly capitalised with a risk weighted capital ratio of 13.8% and Tier-1 capital ratio of 10.4%. RHB Islamic Bank Berhad's risk-weighted capital ratio and Tier-1 capital ratio as at end 2009 were at 13.8% and 12.5% respectively while RHB Investment Bank Berhad's risk-weighted capital ratio and Tier-1 capital ratio stood at 32.0% and 24.6% respectively.



## ANALYSIS OF THE INCOME STATEMENT

### Net interest income

Net interest income of the Group increased by 8.9% to RM2,413.2 million in 2009 from RM2,216.3 million in 2008 on the back of a 10.3% growth on the Group's loans, advances and financing.

Net interest income represented the main contributor of the Group's total income, amounting to 65.8% (2008: 64.3%) of the Group's total operating income.

### Other operating income

Other operating income was lower by 2.3% from RM947.7 million in 2008 to RM925.6 million in 2009, primarily as a result of a lower gains from foreign exchange and lower net gains arising from sale of securities, partly offset by higher unrealised gains on revaluation of securities.

Other operating income comprised 25.3% (2008: 27.5%) of the Group's total operating income.

### Income from Islamic Banking business

Income from the Islamic Banking business increased by 16.1% to RM326.2 million in 2009 on the back of a 9.8% increase in gross financing and advances and higher income from Islamic treasury assets.

Income from Islamic Banking business comprised 8.9% (2008: 8.2%) of the Group's total operating income.

### Other operating expenses

The Group's other operating expenses increased by 3.5% to RM1,565.8 million in 2009 and the Group's cost to income ratio improved to 42.7% from 43.9% in 2008, as it continued to leverage on its scale and increase its overall efficiency.

Personnel costs, which accounted for 54.6% (2008: 58.6%) of the Group's total other operating expenses, decreased by 3.6% to RM854.2 million in 2009. The number of employees of the Group stood at 10,329 as at the end of 2009 (2008: 9,876).

In line with Group business growth and new investments, establishment costs, marketing expenses and administration expenses increased by 13.5% in 2009.

### 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 increased by 15.9% to RM578.8 million in 2009 primarily due to lower bad debts recovered and higher net specific allowance made, partly offset by a write back in general allowance.

### Impairment loss

The Group's impairment loss decreased by RM27.9 million due to lower impairment charged and higher impairment write back on securities during the financial year 2009.

### Taxation

The effective tax rate for the financial year ended 31 December 2009 of 21.4% was lower than the statutory tax rate mainly due to the overprovision of taxation in respect of prior years.

# 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 2009.

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 **218** of the Audited Statutory Financial Statements.

## **STATUTORY FINANCIAL STATEMENTS**

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# Directors' Report

The directors submit herewith their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2009.

## 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	1,538,420	147,209
Taxation	(329,814)	(41,765)
Net profit for the financial year	1,208,606	105,444

## DIVIDENDS

The dividends paid by the Company since 31 December 2008 were as follows:

	RM'000
In respect of the financial year ended 31 December 2008: Final dividend of 10.60% less 25% tax paid on 30 June 2009	171,201
In respect of the financial year ended 31 December 2009: Interim dividend of 5.00% less 25% tax paid on 30 September 2009	80,755

At the forthcoming Annual General Meeting, a final gross dividend in respect of the current financial year of 17.45% less 25% tax amounting to RM281.8 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 2010 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.

### ISSUE OF DEBENTURES

On 31 March 2009, RHB Bank Berhad ('RHB Bank') issued RM370.0 million nominal value of Hybrid Tier-1 Capital Securities ('HT1 Capital Securities') out of its RM600.0 million Hybrid Tier-1 Capital Securities Programme ('HT1 Programme') with a fixed coupon rate of 8.0% per annum payable semi-annually in arrears. On 17 December 2009, RHB Bank issued the remaining of RM230.0 million of HT1 Capital Securities with a fixed coupon rate of 6.75% per annum payable semi-annually in arrears.

The HT1 Capital Securities will mature in 2039 and is callable in 2019. The net proceeds arising from the issuance of the HT1 Capital Securities have been utilised for general working capital purposes.

### 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 non-performing 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.



# Directors' Report

## 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 46 to the financial statements.

## SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Significant events subsequent to the balance sheet date are disclosed in Note 47 to the financial statements.

## DIRECTORS

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

Dato' Mohamed Khadar Merican

Tan Sri Azlan Zainol

Johari Abdul Muid

Datuk Haji Faisal Siraj

Datuk Tan Kim Leong

Mohamed Ali Ahmed Hamad Al Dhaheri

(appointed on 19 June 2009)

Arul Kanda Kandasamy

(appointed on 20 July 2009)

Dato' Tajuddin Atan

(appointed on 1 July 2009)

Michael Joseph Barrett

(ceased to be a director on 1 July 2009)

Pursuant to Article 80 of the Company's Articles of Association, Dato' Mohamed Kadar Merican and Datuk Haji Faisal Siraj retire at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-election.

Pursuant to Article 84 of the Company's Articles of Association, Mohamed Ali Ahmed Hamad Al Dhaheri, Arul Kanda Kandasamy and Dato' Tajuddin Atan retire at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-election.

Pursuant to Section 129 of the Companies Act, 1965, Datuk Tan Kim Leong will retire at the forthcoming Annual General Meeting of the Company and does not wish to offer himself 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 were as follows:

	As at 1.1.2009/ date of appointment	Number of ordinary shares of RM1.00 each		As at 31.12.2009
		Bought	Sold	
<b>The Company</b>				
Dato' Mohamed Khadar Merican				
- Direct	59,770	-	-	59,770
Arul Kanda Kandasamy				
- Direct	12,000	-	-	12,000

Other than the above, none of the other directors holding office at the end of the financial year had any interest in the securities of the 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 REVIEW 2009

2009 began with concerns over the growth prospect of the domestic economy and potential asset quality issues given the global economic slowdown that had started in 2008. A combination of proactive measures taken by Bank Negara Malaysia and the Government through an accommodative monetary policy and economic stimulus packages helped build growth momentum in the domestic economy towards the second half of the year and cushioned the concerns of significant slowdown in the economy and deterioration in asset quality.

The Group continued to build strength and further enhanced the competitiveness of its franchise in 2009. Staying true to its stated strategy, the Group in the year launched its community banking services, "Easy by RHB", with an initial 14 "Easy" outlets bringing simple, convenient and value banking to its customers. In addition, the Group further strengthened its alternate channels with the significant upgrading of its Internet Banking Platform and working with key partners to provide convenience and value to our customers.

# Directors' Report

## BUSINESS REVIEW 2009 (CONTINUED)

In line with the Group's aspirations to expand its operation regionally, a conditional sale and purchase agreement was signed to acquire control of an Indonesian based bank. Accordingly, the Group will add Indonesia into its international operations alongside Brunei, Thailand, Singapore and Vietnam.

The Group in the year had also seen a change in the leadership of the Group with Mr. Michael Barrett handing over the reigns of the Group to Dato' Tajuddin Atan as the Group's new Managing Director.

Notwithstanding the challenging operating environment in 2009, the Group continued its growth in profitability and improvement in its financial performance in comparison to the previous year.

## BUSINESS STRATEGY AND PROSPECTS 2010

The proposed acquisition of PT Bank Mestika Dharma ('Bank Mestika') will allow the Group to add Indonesia, one of South East Asia's key economies, into its international operations alongside Brunei, Thailand, Singapore and Vietnam. The Group is excited about the prospects of further developing its regional presence and making significant steps towards realizing the Group's Aspirations.

The Group expects an improved operating environment in the coming year and will aim to drive market share expansion in both the Retail and Wholesale segments. Islamic Banking and International businesses will continue to grow in size and in 2010 it will form an even larger part of the Group's financial performance.

Notwithstanding the expected increase in competitive intensity and new market entrants brought about by the liberalization, the Group's Transformation Program and progress on building a strong franchise and competitive operating platform will allow it to compete successfully and maintain a satisfactory performance in 2010.

## RATINGS BY RATING AGENCIES

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

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

## RATINGS BY RATING AGENCIES (CONTINUED)

### Description of the ratings accorded

#### (a) RAM

##### (i) Long term financial institution rating

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

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

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 financial institution rating

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

#### (b) Standard & Poor's

##### (i) Long term counterparty credit rating

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

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

##### (iii) ASEAN-scale long term rating

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

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

##### (iv) ASEAN-scale short term rating

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

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

# Directors' Report

## RATINGS BY RATING AGENCIES (CONTINUED)

### Description of the ratings accorded (Continued)

#### (b) Standard & Poor's (Continued)

##### (v) 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.

#### (c) Moody's Investors Service

##### (i) Long term bank deposits rating

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

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

##### (ii) Short term bank deposits rating

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

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

## AUDITORS

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

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

**DATO' MOHAMED KHADAR MERICAN**  
CHAIRMAN

**DATO' TAJUDDIN ATAN**  
MANAGING DIRECTOR

Kuala Lumpur  
1 March 2010



# Balance Sheets

As at 31 December 2009

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>ASSETS</b>					
Cash and short term funds	2	16,675,261	14,346,451	100,919	20,619
Securities purchased under resale agreements		1,594,210	106,565	-	-
Deposits and placements with banks and other financial institutions	3	2,219,270	555,126	860	1,253
Securities held-for-trading	4	860,216	5,325,966	-	-
Securities available-for-sale	5	9,092,421	6,212,714	-	-
Securities held-to-maturity	6	10,980,145	9,616,812	-	-
Loans, advances and financing	7	66,923,091	60,596,120	-	-
Clients' and brokers' balances	8	249,667	175,303	-	-
Other assets	9	706,414	549,448	153,049	33,806
Derivative assets	10	221,429	380,161	-	-
Amounts due from subsidiaries	11	-	-	10,603	10,319
Statutory deposits	12	310,156	1,579,678	-	-
Tax recoverable		92,316	94,929	73,717	54,804
Deferred tax assets	13	272,261	275,016	19	-
Investments in subsidiaries	14	-	-	8,785,389	8,782,439
Investments in associates	15	11,180	11,137	-	-
Investments in a joint venture	16	25,976	26,349	-	-
Prepaid land lease	17	103,569	102,779	-	-
Property, plant and equipment	18	827,582	792,046	330	373
Goodwill	19	3,786,218	3,786,169	-	-
<b>TOTAL ASSETS</b>		<b>114,951,382</b>	<b>104,532,769</b>	<b>9,124,886</b>	<b>8,903,613</b>

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

## Balance Sheets

As at 31 December 2009

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	20	84,841,065	73,962,224	-	-
Deposits and placements of banks and other financial institutions	21	7,416,025	8,682,147	-	-
Bills and acceptances payable		3,802,522	4,935,512	-	-
Clients' and brokers' balances	22	401,857	289,053	-	-
Other liabilities	23	1,646,243	1,498,770	61,833	53,420
Derivative liabilities	10	232,354	384,879	-	-
Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')		1,168,826	1,173,754	-	-
Amounts due to subsidiaries	11	-	-	155,288	153,093
Taxation		40,463	91,196	-	-
Deferred tax liabilities	13	177	1,760	-	16
Borrowings	24	3,829,672	3,432,534	3,133,752	2,776,559
Subordinated obligations	25	2,240,000	2,240,000	-	-
Hybrid Tier-1 Capital Securities	26	591,996	-	-	-
<b>TOTAL LIABILITIES</b>		<b>106,211,200</b>	<b>96,691,829</b>	<b>3,350,873</b>	<b>2,983,088</b>
Share capital	27	2,153,475	2,153,475	2,153,475	2,153,475
Reserves	28	6,554,266	5,660,952	3,620,538	3,767,050
		8,707,741	7,814,427	5,774,013	5,920,525
Minority interests		32,441	26,513	-	-
<b>TOTAL EQUITY</b>		<b>8,740,182</b>	<b>7,840,940</b>	<b>5,774,013</b>	<b>5,920,525</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>114,951,382</b>	<b>104,532,769</b>	<b>9,124,886</b>	<b>8,903,613</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	40	67,234,183	60,734,924	-	-

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

# Income Statements

For the Financial Year Ended 31 December 2009

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Interest income	29	4,173,684	4,772,060	483	1,465
Interest expense	30	(1,760,450)	(2,555,717)	(137,104)	(149,424)
Net interest income/(expense)		2,413,234	2,216,343	(136,621)	(147,959)
Other operating income	31	925,598	947,704	308,591	297,050
Income from Islamic Banking business	32	3,338,832 326,164	3,164,047 281,007	171,970 -	149,091 -
Other operating expenses	33	3,664,996 (1,565,789)	3,445,054 (1,513,005)	171,970 (24,761)	149,091 (30,552)
Operating profit before allowances		2,099,207	1,932,049	147,209	118,539
Allowance for losses on loans, financing and other losses	35	(578,808)	(499,596)	-	-
Impairment loss	36	17,558	(10,364)	-	-
Share of results of associates		1,537,957 43	1,422,089 424	147,209 -	118,539 -
Share of results of a joint venture		420	(64)	-	-
Profit before taxation		1,538,420	1,422,449	147,209	118,539
Taxation	37	(329,814)	(372,694)	(41,765)	(29,622)
Net profit for the financial year		1,208,606	1,049,755	105,444	88,917
Attributable to:					
- Equity holders of the Company		1,201,363	1,048,734	105,444	88,917
- Minority interests		7,243	1,021	-	-
		1,208,606	1,049,755	105,444	88,917
Earnings per share (sen)					
- basic	38	55.8	48.7		

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 2009

Group	Note	Attributable to equity holders of the Company										Total equity RM'000
		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		
Balance as at 1 January 2009		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	
Currency translation differences		-	-	-	-	-	2,685	-	2,685	-	2,685	
Unrealised net loss on revaluation of securities available for sale		-	-	-	-	(48,743)	-	-	(48,743)	(412)	(49,155)	
Net transfer to income statement on disposal or impairment of securities AFS		-	-	-	-	(29,728)	-	-	(29,728)	708	(29,020)	
Deferred tax		-	-	-	-	19,693	-	-	19,693	(73)	19,620	
Income and expenses recognised directly in equity		-	-	-	-	(58,778)	2,685	-	(56,093)	223	(55,870)	
Net profit for the financial year		-	-	-	-	-	-	1,201,363	1,201,363	7,243	1,208,606	
Total income and expenses recognised for the financial year		-	-	-	-	(58,778)	2,685	1,201,363	1,145,270	7,466	1,152,736	
Transfer in respect of statutory requirements		-	-	301,957	-	-	-	(301,957)	-	-	-	
Ordinary dividends	39	-	-	-	-	-	-	(251,956)	(251,956)	(1,538)	(253,494)	
Balance as at 31 December 2009		2,153,475	2,352,093	2,246,611	8,563	(35,993)	(8,190)	1,991,182	8,707,741	32,441	8,740,182	

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 2009

Group	Note	----- Attributable to equity holders of the Company ----- >									
		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
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 available for sale		-	-	-	-	(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	39	-	-	-	-	-	-	(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 2009

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 2009		2,153,475	2,352,093	1,414,957	5,920,525
Net profit for the financial year		-	-	105,444	105,444
Ordinary dividends	39	-	-	(251,956)	(251,956)
Balance as at 31 December 2009		2,153,475	2,352,093	1,268,445	5,774,013
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	39	-	-	(280,469)	(280,469)
Balance as at 31 December 2008		2,153,475	2,352,093	1,414,957	5,920,525

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

# Cash Flow Statements

For the Financial Year Ended 31 December 2009

Group	Note	2009 RM'000	2008 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		1,538,420	1,422,449
Adjustments for:			
Allowance for losses on loans, financing and other losses		740,938	830,055
Interest suspended		112,388	96,228
Property, plant and equipment			
- depreciation		84,417	78,704
- impairment loss		-	188
- gain on disposal		(3,085)	(98)
- written off		-	78
Amortisation of prepaid land lease		513	510
Impairment loss (reversal)/charge on securities		(17,817)	10,083
Accretion of discounts for borrowings and subordinated obligations		2,706	3,979
Share of results of associates		(43)	(424)
Share of results of a joint venture		(420)	64
Gain on liquidation of a subsidiary		(163)	-
Interest income from securities		(765,601)	(715,421)
Investment income from securities		(87,383)	(55,554)
Net gain arising from sale/redemption of securities		(73,656)	(78,200)
Unrealised (gain)/loss on revaluation of securities and derivatives		(20,495)	30,339
Unrealised foreign exchange loss/(gain)		14,936	(14,491)
Accretion of discount less amortisation of premium		21,641	(34,625)
Gross dividend income from securities		(9,360)	(12,115)
Gain on disposal of investment in an associate		-	(2,249)
Operating profit before working capital changes		1,537,936	1,559,500
(Increase)/Decrease in operating assets:			
Securities purchased under resale agreements		(1,487,645)	461,271
Deposits and placements with banks and other financial institutions		(1,664,144)	2,810,614
Securities held-for-trading		2,759,355	465,676
Loans, advances and financing		(7,178,570)	(6,969,373)
Clients' and brokers' balances		(74,364)	71,567
Other assets		51,812	374,355
Statutory deposits		1,269,522	94,187
		(6,324,034)	(2,691,703)

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

# Cash Flow Statements

For the Financial Year Ended 31 December 2009

Group	Note	2009 RM'000	2008 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)</b>			
Increase/(Decrease) in operating liabilities:			
Deposits from customers		10,878,841	(1,831,007)
Deposits and placements of banks and other financial institutions		(1,266,122)	11,816
Bills and acceptances payable		(1,132,990)	975,569
Clients' and brokers' balances		112,804	(79,383)
Other liabilities		145,360	(108,119)
Recourse obligation on loans sold to Cagamas		(4,928)	(681,119)
		8,732,965	(1,712,243)
Cash generated from/(used in) operations			
Taxation paid		(414,329)	(460,338)
Taxation recovered		58,586	15,083
Net cash generated from/(used in) operating activities		3,591,124	(3,289,701)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net purchase of securities		(2,518,286)	(1,091,169)
Increase in investments in subsidiaries		-	(1,506,647)
Purchase of property, plant and equipment		(122,764)	(108,742)
Interest received from securities		667,502	479,028
Investment income received from securities		74,146	24,205
Proceeds from disposal of property, plant and equipment		6,578	141
Dividend income received from securities		8,334	10,936
Capital repayment upon liquidation of a subsidiary		163	-
Acquisition of a subsidiary		(1,658)	-
Deposit for proposed acquisition of Bank Mestika		(112,515)	-
Proceed from disposal of an associate		-	7,069
Investments in a joint venture		-	(27,400)
Net cash used in investing activities		(1,998,500)	(2,212,579)

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

## Cash Flow Statements

For the Financial Year Ended 31 December 2009

Group	Note	2009 RM'000	2008 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of Hybrid Tier-1 Capital Securities		591,834	-
Drawdown of borrowings		1,152,330	2,338,050
Repayment of borrowings		(754,825)	(848,178)
Net proceeds from issuance of subordinated notes		-	70,000
Redemption of subordinated notes		-	(479,100)
Dividends paid to minority interests in a subsidiary company		(1,538)	-
Dividends paid to equity holders of the Company		(251,956)	(280,469)
Payment to hire-purchase creditors		(146)	(560)
Net cash generated from financing activities		735,699	799,743
Net increase/(decrease) in cash and cash equivalents		2,328,323	(4,702,537)
Cash and cash equivalents at the beginning of the financial year		14,345,581	19,048,118
Cash and cash equivalents at the end of the financial year		16,673,904	14,345,581
Cash and cash equivalents comprise the following:			
Cash and short term funds	2	16,675,261	14,346,451
Overdrafts	24(d)	(1,357)	(870)
		16,673,904	14,345,581
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		16,501,853	14,206,488
Accounts held in trust for clients and remisiers		170,095	137,024
		16,671,948	14,343,512

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

# Cash Flow Statements

For the Financial Year Ended 31 December 2009

Company	Note	2009 RM'000	2008 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		147,209	118,539
Adjustments for:			
Interest expense		137,104	149,424
Unrealised foreign exchange loss/(gain)		395	(1,737)
Property, plant and equipment			
- depreciation		285	465
- (gain)/loss on disposal		(149)	4
(Gain)/Loss on liquidation of subsidiaries		(163)	118
Dividend income		(308,674)	(294,944)
Interest income		(483)	(1,465)
Operating loss before working capital changes		(24,476)	(29,596)
Decrease/(Increase) in deposits and placements with banks and other financial institutions		393	(42)
Decrease/(Increase) in inter-company balances		339	(1,141)
Increase in other assets		(7,987)	(889)
Increase/(Decrease) in other liabilities		1,821	(2,383)
Cash used in operations		(29,910)	(34,051)
Taxation recovered		16,455	9,177
Net cash used in operating activities		(13,455)	(24,874)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividend income received from subsidiaries		231,506	229,638
Interest income received		358	1,451
Purchase of property, plant and equipment		(243)	(169)
Acquisition of a subsidiary		(1,773)	-
Deposit for proposed acquisition of Bank Mestika		(112,515)	-
Increase in investment in subsidiaries		-	(1,506,647)
Capital repayment from a subsidiary		-	75,000
Proceeds from disposal of property, plant and equipment		150	-
Capital repayment upon liquidation of a subsidiary		163	-
Net cash generated from/(used in) investing activities		117,646	(1,200,727)

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



## Cash Flow Statements

For the Financial Year Ended 31 December 2009

Company	Note	2009 RM'000	2008 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Drawdown of borrowings		1,159,930	1,992,800
Repayment of borrowings		(805,930)	(815,000)
Interest expense paid		(126,276)	(127,846)
Dividends paid to equity holders of the Company		(251,956)	(280,469)
Payment to hire-purchase creditors		(146)	(560)
Net cash (used in)/generated from financing activities		(24,378)	768,925
Net increase/(decrease) in cash and cash equivalents		79,813	(456,676)
Cash and cash equivalents at the beginning of the financial year		19,749	476,425
Cash and cash equivalents at the end of the financial year		99,562	19,749
Cash and cash equivalents comprise the following:			
Cash and short term funds	2	100,919	20,619
Overdrafts	24(d)	(1,357)	(870)
		99,562	19,749

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 2009

## 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.

There are no new accounting standards, amendments to published standards and interpretations to existing standards that are effective for the Group and the Company for the financial year ended 31 December 2009.

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

The Group will apply the following new standards, amendments to standards and interpretations to existing standards for the financial periods beginning 1 January 2010 or later periods:

- FRS 8 Operating Segments (effective for accounting periods beginning on or after 1 July 2009) replaces FRS 114<sub>2004</sub> 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 provided to the chief operating decision-maker. The improvement to FRS 8 (effective from 1 January 2010) clarifies that entities that do not provide information about segment assets to the chief operating decision-maker will no longer need to report this information. Prior year comparatives must be restated. The adoption of FRS 8 will require additional disclosure requirements in the Group's financial statements.
- IC Interpretation 10 Interim Financial Reporting and Impairment (effective for accounting periods beginning on or after 1 January 2010) 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 Interpretation 10 does not have any significant financial impact on the results of the Group and the Company.

# Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

## A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (1) Basis of preparation of the financial statements (Continued)

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

- Amendments to FRS 101 Presentation of Financial Statement (effective for accounting periods beginning on or after 1 January 2010) separates owner and non-owner changes in equity and introduces the statement of comprehensive income. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The adoption of FRS 101 will require additional disclosure requirements for the Group's and the Company's financial statements.
- Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for accounting periods beginning on or after 1 January 2010) allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method and requires investors to present dividends as income in the separate financial statements. The amendments do not have any significant financial impact on the results of the Group and the Company.
- IC Interpretation 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 January 2010) clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the revenue in respect of the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The adoption of IC Interpretation 13 does not have any significant financial impact on the results of the Group and the Company.
- FRS 139 Financial Instruments: Recognition and Measurement (effective for accounting periods beginning on or after 1 January 2010) 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 improvement to FRS 139 clarifies that the scope exemption in FRS 139 only applies to forward contracts but not options for business combination that are firmly committed to being completed within a reasonable timeframe. For banking subsidiaries, BNM has on 8 January 2010 issued the revised BNM Garis Panduan ("GP3") – "Classification and Impairment Provisions for Loans/Financing", which sets out the minimum requirements on the classifications of impaired loans/financing and allowances for loan/financing impairment effective for annual accounting period beginning on or after 1 January 2010. The guideline also prescribes the use of an alternative basis for collective assessment of impairment for a transitional period for purpose of complying with the collective assessment of impairment requirement in FRS 139. The Group will apply this standard and BNM GP3 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.
- IC Interpretation 9 Reassessment of Embedded Derivatives (effective for accounting periods beginning on or after 1 January 2010) 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 improvement to IC Interpretation 9 (effective from 1 July 2010) clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture.

# Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

## A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (1) Basis of preparation of the financial statements (Continued)

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

- FRS 4 Insurance Contracts (effective for accounting periods beginning on or after 1 January 2010) allows entities to continue with their existing accounting policies for insurance contracts if those policies meet certain minimum criteria. One of the minimum criteria is that the amount of the insurance liability is subject to a liability adequacy test.
- FRS 7 Financial Instruments: Disclosure (effective for accounting periods beginning on or after 1 January 2010) 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. The improvement to FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the income statement.

In respect of FRS 139, Improvement to FRS 139, IC Interpretation 9, FRS 4, FRS 7 and Improvement to 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 and interpretation on the Group's and the Company's financial statements.

- Revised FRS 3 Business Combination (effective prospectively from 1 July 2010) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The adoption of the revised FRS 3 does not have any significant financial impact on the results of the Group and the Company.
- FRS 127 Consolidated and Separate Financial Statements (effective prospectively from 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of FRS 127 does not have any significant financial impact on the results of the Group and the Company.

# Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

## A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (1) Basis of preparation of the financial statements (Continued)

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

- Improvement to existing MASB's standards (effective for accounting periods beginning on or after 1 January 2010) are as follows:
  - FRS 5 Non-current Assets Held for Sale and Discontinued Operations. Improvement (effective from 1 January 2010) clarifies that FRS 5 disclosures apply to non-current assets or and discontinued operations. Improvement effective from 1 July 2010 clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met.
  - FRS 107 Statement of Cash Flows (effective from 1 January 2010) clarifies that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities.
  - FRS 110 Events after the Balance Sheet Date (effective from 1 January 2010) reinforces existing guidance that a dividend declared after the reporting date is not a liability of an entity at that date given that there is no obligation at that time.
  - FRS 116 Property, Plant and Equipment (effective from 1 January 2010) requires entities whose ordinary activities comprise of renting and subsequently selling assets to present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to FRS 107 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.
  - FRS 117 Leases (effective from 1 January 2010) clarifies that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117.
  - FRS 118 Revenue (effective from 1 January 2010) provides more guidance when determining whether an entity is acting as a 'principal' or as an 'agent'.
  - FRS 127 Consolidated and Separate Financial Statements (effective from 1 January 2010) clarifies that where an investment in a subsidiary that is accounted for under FRS 139 is classified as held for sale under FRS 5, FRS 139 would continue to be applied.
  - FRS 134 Interim Financial Reporting (effective from 1 January 2010) clarifies that basic and diluted earnings per share ("EPS") must be presented in an interim report only in the case when the entity is required to disclose EPS in its annual report.
  - FRS 136 Impairment of Assets (effective from 1 January 2010) clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment before the aggregation of segments with similar economic characteristics. The improvement also clarifies that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value in use should be made.

The adoption of the above revised MASB accounting standards is not expected to have any significant financial impact on the results of the Group and the Company.



# Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

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

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and 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.

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.

# Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

## A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (2) Basis of consolidation (Continued)

#### (a) Subsidiaries (Continued)

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 resulting 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.

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.

# Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

## A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (4) Investments in associates and joint venture (Continued)

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.

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

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.

# Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

## A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (6) Securities (Continued)

#### (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.

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.

# Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

## A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

### (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 and software	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.



# Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

## A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (12) Derivative financial instruments and hedge accounting (Continued)

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) 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.

# Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

## A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

### (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.

# Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

## A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

### (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.

### (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.

### (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.

# Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

## A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (23) Income recognition (Continued)

- (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 unit holder'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.

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.

# Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

## A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

### (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.



# Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

## A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (28) Impairment of securities (Continued)

#### (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.

### (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.

# Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

## A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (30) Currency conversion and translation (Continued)

#### (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.

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.

# Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

## **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, advances and financing**

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 recoverability 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 2009

## 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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash and balances with banks and other financial institutions	1,012,106	961,113	319	619
Money at call and deposit placements maturing within one month	15,663,155	13,385,338	100,600	20,000
	16,675,261	14,346,451	100,919	20,619

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

	Group	
	2009 RM'000	2008 RM'000
Cash and balances with banks and other financial institutions	7,593	6,629
Money at call and deposit placements maturing within one month	162,502	130,395
	170,095	137,024

## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Licensed banks	1,722,590	245,003	860	1,253
Licensed investment banks	61,680	7,123	-	-
Licensed Islamic banks	107,000	-	-	-
BNM	325,000	300,000	-	-
Other financial institutions	3,000	3,000	-	-
	2,219,270	555,126	860	1,253

Included in deposits and placements with licensed banks are:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deposits pledged to licensed banks	120	2,040	-	420

### 4 SECURITIES HELD-FOR-TRADING

	Group	
	2009 RM'000	2008 RM'000
<b>At fair value</b>		
Money market instruments:		
Malaysian government securities	49,775	1,039,468
Malaysian government treasury bills	-	156,842
Malaysian government investment issues	-	143,706
BNM monetary notes	-	856,920
Khazanah bonds	-	11,367
Bankers' acceptances and Islamic accepted bills	-	307,712
Negotiable instrument of deposits	452,193	829,367
Singapore government treasury bills	92,749	-
	594,717	3,345,382



## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 4 SECURITIES HELD-FOR-TRADING (CONTINUED)

	2009 RM'000	Group 2008 RM'000
Quoted securities:		
<b>In Malaysia</b>		
Shares	54,684	32,615
Unit trust	863	3,929
<b>Outside Malaysia</b>		
Shares	5,496	3,189
Unquoted securities:		
<b>In Malaysia</b>		
Private debt securities	204,456	1,862,000
<b>Outside Malaysia</b>		
Structured notes	-	78,851
	860,216	5,325,966

During the financial year, the Group has reclassified certain securities held-for-trading to securities available-for-sale and securities held-to-maturity category. The reclassification has been accounted for based on the amendment to revised BNM/GP8 Guidelines dated 17 October 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:

	2009 RM'000	Group 2008 RM'000
<b>At fair value:</b>		
Amount reclassified from securities:		
held-for-trading to securities available-for-sale	3,289,122	-
held-for-trading to securities held-to-maturity	8,663	129,322

The net gains/(losses) arising from changes in fair value recognised to income statement in respect of the transferred securities held-for-trading are as follows:

	2009 RM'000	Group 2008 RM'000
Amount recognised to income statements:		
held-for-trading to securities available-for-sale	-	50,935
held-for-trading to securities held-to-maturity	468	(2,257)

As at the date of reclassification, the effective interest rates on the reclassified securities held-for-trading, based on the new cost, ranged from 2.63% to 10.16% per annum (2008: 3.71% to 5.44%) with the expected recoverable cash flows of approximately RM3,759,035,000 (2008: RM136,500,000).

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 5 SECURITIES AVAILABLE-FOR-SALE

	2009 RM'000	Group 2008 RM'000
<b>At fair value</b>		
Money market instruments:		
Malaysian government securities	2,512,175	687,425
Malaysian government investment issues	1,000,660	428,666
BNM monetary notes	-	7,968
Cagamas bonds and Cagamas Mudharabah bonds	444,542	119,451
Khazanah bonds	11,179	-
Negotiable instrument of deposits	109,672	112,912
Singapore government securities	83,610	263,895
Singapore government treasury bills	134,262	143,996
Thailand government bonds	20,755	20,402
Quoted securities:		
<b>In Malaysia</b>		
Corporate loan stocks	15,612	23,869
Shares	5,689	5,338
Warrants	-	695
<b>Outside Malaysia</b>		
Shares	11	5
Unquoted securities:		
<b>In Malaysia</b>		
Private debt securities	4,374,356	3,912,302
Shares	168,472	168,499
Corporate loan stocks	133,267	90,654
<b>Outside Malaysia</b>		
Private debt securities	54,209	61,674
Corporate loan stocks	1,221	2,432
Structured notes	22,729	162,531
	9,092,421	6,212,714

During the financial year, the Group has reclassified certain securities available-for-sale to securities held-to-maturity category. The fair value of the reclassified securities available-for-sale as of the date of reclassification for the Group was RM148,733,000 (2008: Nil).

The carrying value of securities available-for-sale, which was transferred from securities held-for-trading, as at 31 December 2009 is RM2,558,708,000 (2008: Nil).

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 6 SECURITIES HELD-TO-MATURITY

	Group	
	2009 RM'000	2008 RM'000
<b>At amortised cost</b>		
Money market instruments:		
Malaysian government securities	2,387,667	1,912,922
Malaysian government investment issues	1,327,616	592,585
Cagamas bonds and Cagamas Mudharabah bonds	779,550	848,571
Khazanah bonds	34,935	281,839
Negotiable instrument of deposits	1,800,000	2,116,307
Singapore government securities	121,748	119,660
Thailand government securities	237,187	225,603
Sukuk (Brunei) Incorporation	41,538	-
Unquoted securities:		
<b>In Malaysia</b>		
Private debt securities	2,436,342	1,660,224
Corporate loan stocks	60,507	70,589
Bonds	25,036	27,201
Shares	2,700	2,700
Prasarana bonds	1,852,771	1,855,582
<b>Outside Malaysia</b>		
Floating rate notes	28,419	39,194
Private debt securities	20,364	20,601
Structured notes	33,060	74,964
Accumulated impairment loss	11,189,440 (209,295)	9,848,542 (231,730)
	10,980,145	9,616,812

The carrying value of securities held-to-maturity, which was transferred from securities held-for-trading as at 31 December 2009 is RM28,806,000 (2008: RM126,767,000). The fair value for these securities as at 31 December 2009 is RM29,011,000 (2008: RM127,162,000).

Included in unquoted shares is a third party redeemable preference shares amounting to RM1,500,000 (2008: RM1,500,000) with a nominal value of RM1.00 each charged to a third party as part of financing transactions facilitated by the subsidiaries.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 7 LOANS, ADVANCES AND FINANCING

	Group	
	2009 RM'000	2008 RM'000
Overdrafts	5,989,096	6,463,296
Term loans/financing		
- housing loans/financing	15,510,118	13,578,913
- syndicated term loans/financing	2,899,403	2,851,708
- hire-purchase receivables	11,360,314	10,853,474
- lease receivables	191,548	240,857
- other term loans/financing	21,246,324	14,467,930
Bills receivable	1,238,462	1,576,790
Trust receipts	381,389	504,202
Claims on customers under acceptance credits	4,909,188	6,074,089
Staff loans/financing	370,422	377,252
Credit/charge cards receivables	2,247,498	2,104,609
Revolving credits	4,968,972	5,668,471
	71,312,734	64,761,591
Unearned interest and income	(1,677,729)	(1,600,817)
Gross loans, advances and financing	69,635,005	63,160,774
Allowance for bad and doubtful debts and financing		
- general	(954,772)	(1,106,697)
- specific	(1,757,142)	(1,457,957)
Net loans, advances and financing	66,923,091	60,596,120

Included in term loans are housing loans and hire-purchase receivables sold to Cagamas with recourse amounting to RM1,168,826,000 (2008: RM1,173,754,000).

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

	Group	
	2009 RM'000	2008 RM'000
Maturing within one year	20,552,606	18,743,437
One to three years	4,832,451	6,443,021
Three to five years	8,217,320	5,709,324
Over five years	36,032,628	32,264,992
	69,635,005	63,160,774

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	2009 RM'000	Group 2008 RM'000
(a) Loans, advances and financing analysed by type of customers are as follows:		
Domestic non-bank financial institutions		
- others	377,356	623,891
Domestic business enterprises		
- small medium enterprises	11,342,280	10,559,463
- others	19,754,848	21,249,115
Government and statutory bodies	3,764,664	109,406
Individuals	29,547,312	26,020,910
Other domestic entities	12,609	29,320
Foreign entities	4,835,936	4,568,669
	69,635,005	63,160,774
(b) Loans, advances and financing analysed by interest/profit rate sensitivity are as follows:		
Fixed rate		
- housing loans/financing	1,501,691	1,737,043
- hire-purchase receivables	9,703,885	9,419,595
- other fixed rate loans/financing	8,129,335	4,362,495
Variable rate		
- base lending rate plus	27,386,890	22,895,096
- cost-plus	18,203,737	19,167,016
- other variable rates	4,709,467	5,579,529
	69,635,005	63,160,774
(c) Loans, advances and financing analysed by purpose are as follows:		
Purchase of securities	2,408,854	2,062,553
Purchase of transport vehicles	8,225,802	7,505,560
Purchase of landed property:		
- residential	16,002,278	14,089,035
- non-residential	3,943,025	3,003,469
Purchase of property, plant and equipment other than land and building	3,757,180	4,043,123
Personal use	2,081,904	1,998,894
Credit card	2,247,498	2,104,609
Purchase of consumer durables	61,414	74,569
Construction	2,218,554	2,077,193
Working capital	22,217,787	24,468,116
Other purpose	6,470,709	1,733,653
	69,635,005	63,160,774



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	2009 RM'000	Group 2008 RM'000
(d) Non-performing loans, advances and financing analysed by purpose are as follows:		
Purchase of securities	4,705	50,494
Purchase of transport vehicles	180,867	225,720
Purchase of landed property:		
- residential	1,088,996	1,048,642
- non-residential	167,974	140,924
Purchase of property, plant and equipment other than land and building	114,830	81,098
Personal use	92,830	105,419
Credit card	69,677	56,368
Purchase of consumer durables	3,745	4,403
Construction	105,533	114,410
Working capital	1,376,343	1,004,891
Other purpose	47,999	7,749
	3,253,499	2,840,118
(e) Movements in non-performing loans, advances and financing are as follows:		
Balance as at the beginning of the financial year	2,840,118	3,165,293
Classified as non-performing during the financial year	3,871,236	3,206,526
Amount recovered	(396,318)	(504,970)
Reclassified as performing	(2,502,944)	(2,564,643)
Amount written off	(559,943)	(465,166)
Exchange difference	1,350	3,078
Balance as at the end of the financial year	3,253,499	2,840,118
Specific allowance	(1,757,142)	(1,457,957)
Net non-performing loans, advances and financing	1,496,357	1,382,161
Ratio of net non-performing loans, advances and financing as % of gross loans, advances and financing less specific allowance	2.2%	2.2%

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group	
	2009 RM'000	2008 RM'000
(f) Movements in allowance for bad and doubtful debts and financing accounts are as follows:		
<b>Specific allowance</b>		
Balance as at the beginning of the financial year	1,457,957	1,260,265
Allowance made during the financial year	1,161,812	937,219
Transferred to accumulated impairment loss	(28,298)	-
Amount recovered	(270,092)	(214,613)
Amount written off	(563,488)	(526,468)
Exchange difference	(749)	1,554
Balance as at the end of the financial year	1,757,142	1,457,957
<b>General allowance</b>		
Balance as at the beginning of the financial year	1,106,697	999,186
Net allowance (written back)/made during the financial year	(152,103)	104,997
Exchange difference	178	2,514
Balance as at the end of the financial year	954,772	1,106,697
As % of gross loans, advances and financing less loans exempted from general allowance by BNM and specific allowance	1.5%	1.8%

## 8 CLIENTS' AND BROKERS' BALANCES

Clients' and brokers' balances are stated net of specific and general allowance for doubtful debts of RM8,061,000 (2008: RM8,888,000) and RM221,000 (2008: RM146,000) respectively.

## 9 OTHER ASSETS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Other debtors, deposits and prepayments	386,134	343,351	40,343	33,740
Deposit for proposed acquisition of Bank Mestika (Note 46(f))	112,515	-	112,515	-
Accrued interest receivable	207,765	206,097	191	66
	706,414	549,448	153,049	33,806

Other debtors, deposits and prepayments of the Group are stated net of allowance for doubtful debts of RM9,019,000 (2008: RM7,088,000).

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 9 OTHER ASSETS (CONTINUED)

Included in other debtors, deposits and prepayments of the Group and the Company is a deposit of RM32,800,000 (2008: 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 48(a).

On 22 October 2009, the Company paid a deposit of RM112,515,000, which is equivalent to 10% of the total purchase consideration, to the vendor in relation to the proposed acquisition of Bank Mestika as disclosed in Note 46(f).

## 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.

	2009 RM'000	Group 2008 RM'000
Derivative assets	221,429	380,161
Derivative liabilities	(232,354)	(384,879)
	(10,925)	(4,718)

	Contract or underlying principal amount RM'000	Group Year-end positive fair value RM'000	Year-end negative fair value RM'000
<b>2009</b>			
Foreign exchange related contracts:			
- forwards/swaps	9,967,871	54,824	(64,269)
- options	167,251	701	(660)
- cross-currency interest rate swaps	1,378,209	22,534	(20,695)
Interest rate related contracts:			
- futures	990,000	-	(6,499)
- swaps	10,642,976	143,370	(140,231)
		221,429	(232,354)

## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

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

	Contract or underlying principal amount RM'000	Group	
		Year-end positive fair value RM'000	Year-end negative fair value RM'000
<b>2008</b>			
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)

### 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 RM310,056,000 (2008: RM1,579,578,000) 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 (2008: RM100,000) relating to a trust subsidiary which is maintained with the Labuan Offshore Financial Services Authority in accordance with Section 4(2)(d)(ii) of the Labuan Trust Companies (Amendment) Act 2002.

## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deferred tax assets	272,261	275,016	19	-
Deferred tax liabilities	(177)	(1,760)	-	(16)
	272,084	273,256	19	(16)
Balance as at the beginning of the financial year	273,256	248,526	(16)	(16)
Acquisition of a subsidiary	12	-	-	-
Transfer (to)/from income statement (Note 37)	(20,882)	21,936	35	-
Transfer from equity	19,620	2,584	-	-
Exchange difference	78	210	-	-
Balance as at the end of the financial year	272,084	273,256	19	(16)

## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 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
<b>2009</b>								
Balance as at the beginning of the financial year	13,584	(19,965)	(7,661)	266,918	4,746	442	15,192	273,256
Acquisition of a subsidiary	-	12	-	-	-	-	-	12
Transfer (to)/from income statement	(2,414)	(4,382)	-	(41,134)	-	30,944	(3,896)	(20,882)
Transfer from equity	-	-	19,620	-	-	-	-	19,620
Exchange difference	-	-	-	-	78	-	-	78
Balance as at the end of the financial year	11,170	(24,335)	11,959	225,784	4,824	31,386	11,296	272,084
<b>2008</b>								
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



## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 13 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	Property, plant and equipment	
	2009 RM'000	2008 RM'000
<b>Company</b>		
Balance as at the beginning of the financial year	(16)	(16)
Transfer from income statement	35	-
Balance as at the end of the financial year	19	(16)

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	
	2009 RM'000	2008 RM'000
Unabsorbed tax losses carried forward	3,143,218	3,199,211
Unabsorbed capital allowances carried forward	63,693	63,309
	3,206,911	3,262,520

### 14 INVESTMENTS IN SUBSIDIARIES

	Company	
	2009 RM'000	2008 RM'000
Unquoted shares in Malaysia companies, at cost		
- ordinary shares	8,975,924	8,972,974
Unquoted shares in companies outside Malaysia, at cost	7,167	7,167
	8,983,091	8,980,141
Accumulated impairment loss on subsidiaries	(197,702)	(197,702)
	8,785,389	8,782,439

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest		Principal activities
			2009 %	2008 %	
RHB Bank Berhad	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
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 <sup>1</sup>	Singapore	S\$19,000,000	100	100	Property investment and rental
Banfora Pte Ltd <sup>1</sup>	Singapore	S\$25,000,000	100	100	Property investment and rental
RHB Bank Nominees Pte Ltd <sup>1</sup>	Singapore	S\$100,000	100	100	Nominee services
RHB Leasing Sdn Bhd	Malaysia	10,000,000	100	100	Leasing
RHB Trade Services Limited <sup>2</sup>	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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest		Principal activities
			2009 %	2008 %	
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
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 <sup>3</sup>	Malaysia	20,000,000	100	100	Equity related services
RHB Capital (Jersey) Limited	Jersey, Channel Islands	GBP4,012	100	100	Investment holding
RHB Kawal Sdn Bhd <sup>4</sup>	Malaysia	1,500,000	100	-	Security Services
<b>RHB Capital Berhad's dormant subsidiaries</b>					
RHBF Sdn Bhd	Malaysia	148,145,176	100	100	Dormant
KYF Sdn Bhd	Malaysia	50,000,000	100	100	Dormant
SFSB Services (Melaka) Sdn Bhd	Malaysia	5,000,000	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		Principal activities
			2009 %	2008 %	
<b>RHB Capital Berhad's dormant subsidiaries (Continued)</b>					
SSSB Services (Melaka) Sdn Bhd	Malaysia	40,000,000	100	100	Dormant
KYB Sdn Bhd	Malaysia	1,735,137,489	100	100	Dormant
RHB Venture Capital Sdn Bhd <sup>5</sup>	Malaysia	2	100	100	Dormant
Rashid Hussain Securities (Philippines) Inc <sup>1,6</sup>	Philippines	PHP180,000,000	100	100	Dormant
PT Rashid Hussain Securities <sup>7</sup>	Indonesia	IDR35,000,000,000	-	100	Dormant
<b>RHB Bank's dormant subsidiaries</b>					
UMBC Sdn Bhd	Malaysia	499,999,818	100	100	Dormant
RHB Delta Sdn Bhd	Malaysia	175,000,000	100	100	Dormant
Utama Gilang Sdn Bhd	Malaysia	800,000,000	100	100	Dormant
RHB Delta Nominees (Tempatan) Sdn Bhd <sup>8</sup>	Malaysia	10,000	100	100	Dormant
USB Nominees Sdn Bhd <sup>9</sup>	Malaysia	10,000	-	100	Dormant
USB Nominees (Tempatan) Sdn Bhd <sup>9</sup>	Malaysia	10,000	-	100	Dormant
USB Nominees (Asing) Sdn Bhd <sup>9</sup>	Malaysia	10,000	-	100	Dormant
INFB Jaya Sdn Bhd <sup>9</sup>	Malaysia	50,000,000	-	100	Dormant
U.B. Nominees (Tempatan) Sdn Bhd <sup>9</sup>	Malaysia	10,000	-	100	Dormant

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest		Principal activities
			2009 %	2008 %	
<b>RHB Investment Bank's dormant subsidiaries</b>					
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 Subsidiaries audited by overseas firms associated with PricewaterhouseCoopers, Malaysia.
- 2 Subsidiary not audited by PricewaterhouseCoopers.
- 3 With effect from 1 July 2001, the company's activities relate primarily to recovery of outstanding debts.
- 4 The company became a wholly-owned subsidiary of RHB Capital Berhad on 2 November 2009. Refer to Note 46(e) for details of the acquisition.
- 5 The company became a wholly-owned subsidiary of RHB Capital Berhad on 16 October 2009.
- 6 The company has ceased operations effective from the close of business on 10 December 2001.
- 7 The company has been formally dissolved on 15 May 2009.
- 8 The company has commenced members' voluntary winding up on 13 July 2009.
- 9 The company has commenced members' voluntary winding up on 25 March 2008 and has accordingly been dissolved on 22 January 2009.

## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 15 INVESTMENTS IN ASSOCIATES

	2009 RM'000	Group 2008 RM'000
Balance as at the beginning of the financial year	11,137	15,533
Share of post acquisition results	43	424
Disposal of an associate	-	(4,820)
Balance as at the end of the financial year	11,180	11,137

The details of the associates are as follows:

Name of company	Country of incorporation	Paid-up share capital	Effective equity interest		Principal activities
			2009 %	2008 %	
Positive Properties Sdn Bhd	Malaysia	RM23,192,000	50	50	Property investment

Based on effective equity interest as of year end, the financial position of the associate is as follows:

Group	Assets RM'000	Liabilities RM'000	Revenue RM'000	Profit after taxation RM'000
2009	22,353	11,173	78	43
2008	22,340	11,203	543	424

### 16 INVESTMENTS IN A JOINT VENTURE

	2009 RM'000	Group 2008 RM'000
Share of net assets of the joint venture	12,565	12,145
Translation differences	(793)	-
Goodwill arising from acquisition	11,772 14,204	12,145 14,204
	25,976	26,349



## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 16 INVESTMENTS IN A JOINT VENTURE (CONTINUED)

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

	2009 RM'000	Group 2008 RM'000
Income	1,116	25
Expenses	(696)	(89)
Net profit/(loss) for the year	420	(64)
Non-current assets	279	319
Current assets	11,748	12,640
Current liabilities	(255)	(814)
Net assets	11,772	12,145

There are no capital commitments or contingent liabilities relating to the Group's interest in joint venture as at 31 December 2009.

The details of the investment in a joint venture are as follows:

Name of company	Country of incorporation	Paid-up share capital	Effective equity interest		Principal activities
			2009 %	2008 %	
Vietnam Securities Corporation	Vietnam	VND 135 billion	49	49	Stockbroking business and corporate finance advisory

The recoverable amount of the investment in joint venture ('JV') is assessed based on value-in-use ('VIU') and compared to the carrying value of the investment in JV to determine whether any impairment exists. Impairment is recognised in the income statements when the carrying amount of the investment in JV exceeds its recoverable amount.

The VIU calculations apply discounted cash flows projections based on financial budgets/forecasts approved by Directors covering a three-year period. Cash flows beyond the three-year period are assumed to grow at 5% per annum to infinity.

The discount rate used in determining the recoverable amount of the investments in JV is 12.73%. The discount rate used is pre-tax and is computed based on industry information reflecting the risk of the joint venture.

Based on the above, impairment was not required for goodwill arising from investment in JV. Management believes that any reasonable possible change to the assumptions applied is not likely to cause the recoverable amount to be lower than its carrying amount.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 17 PREPAID LAND LEASE

Group	Leasehold land		Total RM'000
	Less than 50 years RM'000	50 years or more RM'000	
<b>2009</b>			
<b>Cost</b>			
Balance as at the beginning of the financial year	1,426	129,916	131,342
Exchange difference	-	1,655	1,655
Balance as at the end of the financial year	1,426	131,571	132,997
<b>Accumulated amortisation</b>			
Balance as at the beginning of the financial year	609	5,126	5,735
Charge for the financial year	35	478	513
Exchange difference	-	5	5
Balance as at the end of the financial year	644	5,609	6,253
<b>Accumulated impairment loss</b>			
Balance as at the beginning of the financial year	-	22,828	22,828
Exchange difference	-	347	347
Balance as at the end of the financial year	-	23,175	23,175
Carrying amount as at the end of the financial year	782	102,787	103,569

	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	35	478
- Later than one year and not later than five years	141	1,911
- More than five years	606	100,398
	782	102,787

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 17 PREPAID LAND LEASE (CONTINUED)

Group	Leasehold land		Total RM'000
	Less than 50 years RM'000	50 years or more RM'000	
<b>2008</b>			
<b>Cost</b>			
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
<b>Accumulated amortisation</b>			
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
<b>Accumulated impairment loss</b>			
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
<b>Future amortisation of prepaid land lease are as follows:</b>			
- 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	99,590
		817	101,962

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 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
<b>2009</b>							
<b>Cost</b>							
Balance as at the beginning of the financial year	145,400	497,552	204,822	840,804	223,539	18,941	1,931,058
Acquisition of a subsidiary	-	-	155	97	547	74	873
Additions	-	2,238	29,581	85,381	5,322	242	122,764
Disposals	(3,343)	(3,671)	(28)	(730)	(348)	(2,002)	(10,122)
Written off	-	-	(11)	(729)	(532)	(166)	(1,438)
Exchange difference	26	846	165	278	227	40	1,582
Reclassifications	-	-	(6,459)	-	6,459	-	-
Balance as at the end of the financial year	142,083	496,965	228,225	925,101	235,214	17,129	2,044,717
<b>Accumulated depreciation</b>							
Balance as at the beginning of the financial year	-	106,586	135,195	661,293	210,227	15,439	1,128,740
Acquisition of a subsidiary	-	-	139	96	543	57	835
Charge for the financial year	-	9,909	12,160	53,535	7,363	1,450	84,417
Disposals	-	(912)	(25)	(722)	(346)	(1,996)	(4,001)
Written off	-	-	(11)	(729)	(532)	(166)	(1,438)
Exchange difference	-	223	121	347	220	24	935
Balance as at the end of the financial year	-	115,806	147,579	713,820	217,475	14,808	1,209,488

## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 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
<b>2009</b>							
<b>Accumulated impairment loss</b>							
Balance as at the beginning of the financial year	1,324	4,347	-	4,601	-	-	10,272
Disposals	(1,324)	(1,304)	-	-	-	-	(2,628)
Exchange difference	-	3	-	-	-	-	3
Balance as at the end of the financial year	-	3,046	-	4,601	-	-	7,647
Net book value as at the end of the financial year	142,083	378,113	80,646	206,680	17,739	2,321	827,582

As at 31 December 2008, the carrying value and fair value of assets held for sale, included in the property, plant and equipment of the Group, amounted to RM1,356,626 and RM2,578,002 respectively. There are no assets held for sale included in the property, plant and equipment of the Group as at 31 December 2009.

## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 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
<b>2008</b>							
<b>Cost</b>							
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
<b>Accumulated depreciation</b>							
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



## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 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
<b>2008</b>							
<b>Accumulated impairment loss</b>							
Balance as at the beginning of the financial year	1,136	4,313	-	4,601	-	-	10,050
Additions	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 previous financial year's freehold land and buildings of the Group is a property at net book value of RM247,628,852, which belongs to a wholly-owned subsidiary, that has been charged as collateral for the Company's borrowings as at 31 December 2008. Due to the settlement of the Company's borrowings during the financial year, such property has been discharged as collateral.

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

	Group	
	2009 RM'000	2008 RM'000
<b>At cost</b>		
Renovations	17,258	34,773
Computer equipment and software	46,059	55,869
	63,317	90,642

## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 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
<b>2009</b>					
<b>Cost</b>					
Balance as at the beginning of the financial year	419	577	2,156	344	3,496
Additions	51	7	154	31	243
Disposals	-	(1)	(1,084)	-	(1,085)
Balance as at the end of the financial year	470	583	1,226	375	2,654
<b>Accumulated depreciation</b>					
Balance as at the beginning of the financial year	316	444	2,156	207	3,123
Charge for the financial year	68	111	31	75	285
Disposals	-	-	(1,084)	-	(1,084)
Balance as at the end of the financial year	384	555	1,103	282	2,324
Net book value as at the end of the financial year	86	28	123	93	330
<b>2008</b>					
<b>Cost</b>					
Balance as at the beginning of the financial year	366	572	2,156	242	3,336
Additions	53	14	-	102	169
Disposals	-	(9)	-	-	(9)
Balance as at the end of the financial year	419	577	2,156	344	3,496
<b>Accumulated depreciation</b>					
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
Disposals	-	(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

## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Accumulated depreciation and impairment loss</b>				
Balance as at the beginning of the financial year	1,139,012	1,065,383	3,123	2,663
Balance as at the end of the financial year	1,217,136	1,139,012	2,324	3,123

### 19 GOODWILL

	Group	
	2009 RM'000	2008 RM'000
Balance as at the beginning of the financial year	3,786,169	3,283,953
Arising from conversion of irredeemable non-cumulative convertible preference shares into subsidiary's ordinary shares	-	502,216
Acquisition of a subsidiary	49	-
Balance as at the end of the financial year	3,786,218	3,786,169

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

	Group	
	2009 RM'000	2008 RM'000
<b>CGU</b>		
Corporate and Investment Banking	778,339	778,339
Retail Banking	1,379,242	1,379,242
Treasury and money market	1,366,164	1,366,164
Islamic Banking	258,570	258,570
Others	3,903	3,854
	3,786,218	3,786,169

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 (2008: four-year) period. Cash flows beyond the four-year period are assumed to grow at 3.0% (2008: 3.0%) to perpetuity.

## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 19 GOODWILL (CONTINUED)

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:

	Discount rate	
	2009 %	2008 %
<b>CGU</b>		
Corporate and Investment Banking	8.9	9.4
Retail Banking	8.7	8.1
Treasury and money market	8.8	9.5
Islamic Banking	8.5	8.1
Others	8.5	8.1

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	
	2009 RM'000	2008 RM'000
Demand deposits	18,597,038	17,241,377
Savings deposits	5,663,371	5,393,709
Fixed deposits	60,264,247	50,963,753
Negotiable instrument of deposits	316,409	363,385
	84,841,065	73,962,224
(a) The maturity structure of fixed deposits and negotiable instrument of deposits is as follows:		
Due within six months	51,127,186	42,907,683
Six months to one year	8,801,962	7,731,280
One year to three years	645,883	680,983
Three years to five years	5,382	7,192
Over five years	243	-
	60,580,656	51,327,138
(b) The deposits are sourced from the following classes of customers:		
Government and statutory bodies	6,566,945	5,419,837
Business enterprises	50,519,461	41,155,294
Individuals	25,372,763	24,644,304
Others	2,381,896	2,742,789
	84,841,065	73,962,224

## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 21 DEPOSITS AND PLACEMENTS OF BANKS AND OTHERS FINANCIAL INSTITUTIONS

	2009 RM'000	Group 2008 RM'000
Licensed banks	4,412,113	5,216,205
Licensed investment banks	100,000	262,650
Licensed Islamic banks	802,720	-
BNM	690,006	888,472
Other financial institutions	1,411,186	2,314,820
	7,416,025	8,682,147

### 22 CLIENTS' AND BROKERS' BALANCES

Included in clients' and brokers' balances are clients' trust balances held by a subsidiary in trust of RM211,357,000 (2008: RM211,995,000).

### 23 OTHER LIABILITIES

	2009 RM'000	Group 2008 RM'000	2009 RM'000	Company 2008 RM'000
Accrued interest payable	357,376	446,528	55,790	49,052
Other creditors and accruals	758,212	511,854	6,043	4,222
General insurance fund (a)	201,169	184,196	-	-
Short term employee benefits	167,572	182,654	-	-
Lessee deposits	74,864	79,704	-	-
Prepaid instalment	76,602	82,327	-	-
Remisiers' trust deposits	8,624	9,579	-	-
Amount due to Danaharta (b)	1,824	1,782	-	-
Hire-purchase creditors (c)	-	146	-	146
	1,646,243	1,498,770	61,833	53,420

	2009 RM'000	Group 2008 RM'000
(a) General insurance fund		
Provision for outstanding claims	126,535	119,236
Unearned premium reserve	74,634	64,960
	201,169	184,196

#### (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.

## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 23 OTHER LIABILITIES (CONTINUED)

#### (c) Hire-purchase creditors

	Group and Company	
	2009 RM'000	2008 RM'000
Minimum lease payment		
- not later than one year	-	149
- later than one year and not later than two years	-	-
Future finance charges on hire-purchase	-	149 (3)
Present value of hire-purchase creditors	-	146

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 Nil (2008: 5.40%) per annum.

### 24 BORROWINGS

		Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Secured:					
Revolving credits	(a)	-	20,000	-	20,000
Term loans	(a)	-	240,000	-	240,000
Unsecured:					
Revolving credits	(b)	646,000	743,800	648,800	743,800
Term loans:					
RM Term loans	(c(i))	800,000	750,000	1,060,000	750,000
USD Term loans	(c(ii))	958,720	655,975	-	-
Overdrafts	(d)	1,357	870	1,357	870
RM600 million 6 years Serial Fixed Rate Bonds	(e)	449,147	597,927	449,147	597,927
RM350 million Fixed Rate Bonds	(f)	345,448	343,962	345,448	343,962
RM150 million 7 years Commercial Papers/Medium Term Notes	(g)	74,000	80,000	74,000	80,000
RM1.1 billion 7 years Commercial Papers/Medium Term Notes	(h)	555,000	-	555,000	-
		3,829,672	3,432,534	3,133,752	2,776,559
Schedule repayment of borrowings:					
Within one year		1,842,717	230,195	1,794,157	195,670
One year to three years		845,755	2,277,764	904,595	2,156,927
Three years to five years		768,840	562,062	435,000	423,962
Over five years		372,360	362,513	-	-
		3,829,672	3,432,534	3,133,752	2,776,559



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 24 BORROWINGS (CONTINUED)

The borrowings of the Group and the Company are as follows:

### (a) Revolving credits and term loans (secured)

Revolving credits and term loan facilities of Nil (2008: RM20,000,000) and Nil (2008: RM240,000,000) respectively are secured against:

- (i) a property of a wholly-owned subsidiary ('said property') in 2008;
- (ii) fixed deposits of a subsidiary and the Company of Nil (2008: RM1,500,000) and Nil (2008: RM420,000) respectively;
- (iii) assignment of rental proceeds from the said property in 2008; and
- (iv) corporate guarantee by a subsidiary of Nil (2008: RM240,000,000).

The secured revolving credits facilities and term loans bear interest at rates ranging from Nil (2008: 4.19% to 4.84%) and Nil (2008: 4.30% to 4.45%) per annum respectively.

### (b) Revolving credits (unsecured)

The Group and the Company unsecured revolving credit facilities of RM646,000,000 (2008: RM743,800,000) and RM648,800,000 (2008: RM743,800,000) bear interest at rates ranging from 2.51% to 5.40% (2008: 4.20% to 5.40%) per annum.

### (c) Term loans (unsecured)

#### (i) RM Term loans

The Group and the Company unsecured term loans bear interest at rates ranging from 2.72% to 4.75% and 2.70% to 4.75% (2008: 4.41%) 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 range from 1.11% to 3.51% (2008: 3.29% 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 range from 1.03% to 3.43% (2008: 3.17% to 3.43%) per annum.

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

### (d) Overdrafts (unsecured)

The unsecured overdrafts bear interest at rates ranging from 6.00% to 7.05% (2008: 7.05% to 8.05%) per annum.

**24 BORROWINGS (CONTINUED)****(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 remaining Serial Bonds are as follows:

Series	Nominal value RM'million	Maturity date	Coupon rate (per annum)
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 October 2009, the Company issued RM74 million nominal value Commercial Papers, with a tenure of 12 months, at a discount rate of 4.25% per annum.

**(h) RM1.1 billion 7 years Commercial Papers/Medium Term Notes**

On 30 September 2009, the Company issued RM120 million nominal value Commercial Papers, with a tenure of 9 months, at a discount rate of 2.85% per annum.

The Company issued the following Medium Term Notes under the Commercial Paper/Medium Term Note Programme ('CP/MTN Programme'):

Issuance date	Nominal value RM'million	Maturity date	Coupon rate (per annum)
23 November 2009	175.0	22 November 2013	5.0%
22 December 2009	260.0	20 December 2013	5.0%

Interest for the above Medium Term Notes is payable semi-annually in arrears.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 25 SUBORDINATED OBLIGATIONS

		2009 RM'000	Group 2008 RM'000
5.0% RM1,300 million Tier II Subordinated Notes 2007/2017	(a)	1,300,000	1,300,000
5.5% RM700 million Tier II Subordinated Notes 2007/2022	(a)	700,000	700,000
5.3% RM200 million Tier II Subordinated Notes 2007/2017	(b)	195,000	195,000
5.5% RM45 million Tier II Subordinated Notes 2008/2018	(c)	45,000	45,000
		2,240,000	2,240,000

### (a) 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
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.

**25 SUBORDINATED OBLIGATIONS (CONTINUED)****(b) 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-Note 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.

**(c) 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 HYBRID TIER-1 CAPITAL SECURITIES**

		2009 RM'000	Group	2008 RM'000
RM370 million Hybrid Tier-1 Capital Securities due in 2039, callable with step-up in 2019	(a)	366,996		-
RM230 million Hybrid Tier-1 Capital Securities due in 2039, callable with step-up in 2019	(b)	225,000		-
		591,996		-

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 26 HYBRID TIER-1 CAPITAL SECURITIES (CONTINUED)

- (a) On 31 March 2009, RHB Bank had completed the first issuance of RM370 million nominal value of Hybrid Tier-1 Capital Securities ('HT1 Capital Securities') out of its RM600 million Hybrid Tier-1 Capital Securities Programme. The RM370 million HT1 Capital Securities will mature in 2039 and is callable in 2019. The HT1 Capital Securities bears interest at the rate of 8.0% per annum commencing from the first issue date and thereafter at a stepped up rate of 9.0% per annum from 2019 if not called. The interest is payable semi-annually in arrears.
- (b) On 17 December 2009, RHB Bank issued the remaining RM230 million nominal value of HT1 Capital Securities which will mature in 2039 and is callable in 2019. The second issuance of HT1 Capital Securities bears interest at the rate of 6.75% per annum commencing from the first issue date and thereafter at a stepped up rate of 7.75% per annum from 2019 if not called. The interest is payable semi-annually in arrears.

## 27 SHARE CAPITAL

	Company	
	2009 RM'000	2008 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/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 comprise 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.

## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 28 RESERVES (CONTINUED)

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 RM1,035,000,000 (2008: RM1,287,000,000) and RM183,000,000 (2008: RM183,000,000) respectively out of its retained profits as at 31 December 2009.

### 29 INTEREST INCOME

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Loans, advances and financing				
- interest income other than recoveries				
from non-performing loans	3,080,134	3,179,874	-	-
- recoveries from non-performing loans	151,422	183,907	-	-
Money at call, deposits and placements				
with financial institutions	288,882	748,386	483	1,465
Securities purchased under resale agreements	6,040	37,932	-	-
Securities held-for-trading	53,728	170,359	-	-
Securities AFS	352,141	227,644	-	-
Securities held-to-maturity	353,692	279,486	-	-
Others	23,317	16,629	-	-
	4,309,356	4,844,217	483	1,465
Accretion of discount less amortisation of premium	(30,903)	14,484	-	-
Interest suspended	(104,769)	(86,641)	-	-
	4,173,684	4,772,060	483	1,465

### 30 INTEREST EXPENSE

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deposits and placements of banks				
and other financial institutions	96,460	249,680	-	-
Deposits from customers	1,281,283	1,914,593	-	-
Obligations on securities sold				
under repurchase agreements	-	9	-	-
Borrowings	144,003	168,016	137,068	148,515
Subordinated obligations	116,310	119,081	-	-
Hybrid Tier-1 Capital Securities	23,169	-	-	-
Recourse obligation on loans sold to Cagamas	43,572	72,982	-	-
Others	55,653	31,356	36	909
	1,760,450	2,555,717	137,104	149,424



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 31 OTHER OPERATING INCOME

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Fee income</b>				
Service charges and fees	149,396	163,762	-	-
Commission	116,007	116,977	-	-
Brokerage	66,925	63,221	-	-
Commitment fees	48,930	46,487	-	-
Guarantee fees	38,821	50,858	-	-
Unit trust fee income	1,946	2,895	-	-
Corporate advisory fees	13,644	12,483	-	-
Underwriting and arrangement fees	40,835	22,888	-	-
Fund management fees	17,079	19,711	-	-
Other fee income	22,371	20,691	-	-
	515,954	519,973	-	-
<b>Net gain/(loss) arising from sale/redemption of securities and derivatives</b>				
Net gain/(loss) from sale of				
- securities held-for-trading	39,712	73,229	-	-
- securities AFS	13,861	(3,490)	-	-
Net gain from redemption of				
- securities held-to-maturity	7,101	2,305	-	-
Derivatives	(7,147)	1,976	-	-
	53,527	74,020	-	-
<b>Unrealised gain/(loss) on revaluation of securities and derivatives</b>				
Securities held-for-trading	32,536	(44,481)	-	-
Derivatives	8,790	(1,355)	-	-
	41,326	(45,836)	-	-
<b>Gross dividend income from</b>				
Securities held-for-trading	1,939	2,604	-	-
Securities AFS	7,286	9,378	-	-
Securities held-to-maturity	135	133	-	-
Subsidiaries	-	-	308,674	294,944
	9,360	12,115	308,674	294,944
<b>Other income</b>				
Foreign exchange gain/(loss)				
- realised	202,910	261,866	-	-
- unrealised	(14,936)	14,491	(395)	1,737
Underwriting surplus before management expenses	48,144	40,501	-	-
Net gain/(loss) on disposal of property, plant and equipment	3,085	98	149	(4)
Rental income	3,792	3,700	-	-
Gain/(Loss) on liquidation of subsidiaries	163	-	163	(118)
Gain on disposal of an associate	-	2,249	-	-
Other operating income	50,186	52,027	-	491
Other non-operating income	12,087	12,500	-	-
	305,431	387,432	(83)	2,106
	925,598	947,704	308,591	297,050

## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 32 INCOME FROM ISLAMIC BANKING BUSINESS

	Group	
	2009 RM'000	2008 RM'000
Income derived from investment of depositors' fund	431,007	401,587
Income derived from investment of shareholders' fund	47,809	51,336
	478,816	452,923
Transfer from Profit Equalisation Reserve	1,410	2,163
	480,226	455,086
Income attributable to depositors	(154,062)	(174,079)
	326,164	281,007

### 33 OTHER OPERATING EXPENSES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Personnel costs</b>				
Salaries, bonus, wages and allowances	688,263	717,375	10,019	8,692
Defined contribution plan	105,022	106,414	1,587	1,210
Other staff related costs	60,893	62,350	1,309	1,231
	854,178	886,139	12,915	11,133
<b>Establishment costs</b>				
Property, plant and equipment				
- depreciation	84,417	78,704	285	465
- written off	-	78	-	-
Amortisation of prepaid land lease	513	510	-	-
Information technology expenses	86,314	87,383	11	12
Repair and maintenance	44,127	47,325	232	340
Rental of premises	40,600	35,442	1,163	1,219
Water and electricity	19,034	17,728	61	57
Rental of equipment	11,919	12,681	64	54
Insurance	28,762	10,462	3	3
Others	5,479	7,870	-	-
	321,165	298,183	1,819	2,150
<b>Marketing expenses</b>				
Dealers' handling fee	11,316	5,359	-	-
Advertisements and publicity	40,340	38,200	730	1,359
Sales commission	31,807	41,342	-	-
Others	82,349	67,417	6,597	12,351
	165,812	152,318	7,327	13,710

## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 33 OTHER OPERATING EXPENSES (CONTINUED)

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Administration and general expenses</b>				
Auditors' remuneration				
- statutory audit				
- Malaysia	1,431	1,383	155	155
- overseas	599	517	-	-
- non-audit	1,140	1,121	275	100
Communication expenses	86,160	76,285	259	269
Legal and professional fee	18,689	11,778	1,887	2,709
Others	116,615	85,281	124	326
	224,634	176,365	2,700	3,559
	1,565,789	1,513,005	24,761	30,552

Included in the personnel costs of the Group and the Company are directors' remuneration (excluding estimated monetary value of benefits-in-kind) totalling RM5,751,000 (2008: RM5,509,000) and RM654,000 (2008: RM572,000) respectively as disclosed in Note 34.

### 34 DIRECTORS' REMUNERATION

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Group Managing Director</b>				
Salaries, bonus and other remuneration	3,804	3,870	-	-
Estimated monetary value of benefits-in-kind	132	296	-	-
	3,936	4,166	-	-
<b>Non-executive directors</b>				
Fees	1,159	1,054	382	336
Other remuneration	788	585	272	236
Estimated monetary value of benefits-in-kind	28	-	-	-
	1,975	1,639	654	572
	5,911	5,805	654	572

The Group Managing Director's remuneration is in relation to his capacity as the Managing Director of a subsidiary.

The Group Managing Director's remuneration, including benefits-in-kind, attributable to the former Group Managing Director amounted to RM3,123,000 (2008: RM4,166,000).

The list of directors is disclosed in the Directors' Report.

## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 35 ALLOWANCE FOR LOSSES ON LOANS, FINANCING AND OTHER LOSSES

	2009 RM'000	Group 2008 RM'000
Specific allowance		
- made during the financial year	1,161,812	937,219
- written back	(270,092)	(214,613)
	891,720	722,606
General allowance		
- made during the financial year	(152,103)	104,997
Bad debts		
- written off	165	5
- recovered	(162,130)	(330,459)
Specific allowance for other debtors	1,156	2,447
	578,808	499,596

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 RM50,372,000 (2008: RM130,064,000).

### 36 IMPAIRMENT LOSS

	2009 RM'000	Group 2008 RM'000
Charge for the financial year		
- securities AFS	11,999	27,313
- property, plant and equipment	-	188
- foreclosed properties	572	93
	12,571	27,594
Reversal for the financial year		
- securities AFS	(9,768)	(4,201)
- securities held-to-maturity	(20,048)	(13,029)
- foreclosed properties	(313)	-
	(30,129)	(17,230)
	(17,558)	10,364

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 37 TAXATION

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Income tax based on profit for the financial year				
- Malaysian income tax	368,921	389,799	39,295	29,463
- overseas tax	4,363	4,116	-	-
Deferred tax (Note 13)	20,882	(21,936)	(35)	-
	394,166	371,979	39,260	29,463
(Over)/Under provision in respect of prior years	(64,352)	715	2,505	159
	329,814	372,694	41,765	29,622
<b>Current tax</b>				
Current year	373,284	393,915	39,295	29,463
(Over)/Under provision in respect of prior years	(64,352)	715	2,505	159
	308,932	394,630	41,800	29,622
<b>Deferred tax</b>				
Origination and reversal of temporary differences	20,851	(21,936)	(35)	-
Reversal of previously recognised deferred tax assets	31	-	-	-
	20,882	(21,936)	(35)	-
<b>Tax expense</b>	<b>329,814</b>	<b>372,694</b>	<b>41,765</b>	<b>29,622</b>

The numerical reconciliation between the applicable statutory income tax rate and the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2009 %	2008 %	2009 %	2008 %
Tax at Malaysian statutory tax rate	25.0	26.0	25.0	26.0
Tax effects in respect of:				
Effect of different tax rate in Labuan/other countries	(0.9)	(0.7)	-	-
Non taxable income	(0.2)	(1.1)	(0.1)	(10.0)
Non allowable expenses	1.9	1.6	1.8	8.9
(Over)/Under provision in respect of prior years	(4.2)	-	1.7	0.1
Other temporary differences not recognised in prior years	(0.2)	0.4	-	-
	21.4	26.2	28.4	25.0

	Group	
	2009 RM'000	2008 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	9,903	2,750

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 38 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.

	2009 RM'000	Group 2008 RM'000
Profit attributable to equity holders of the Company	1,201,363	1,048,734
Number of ordinary shares in issue ('000)	2,153,475	2,153,475
Basic earnings per share (sen)	55.8	48.7

### (b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding as at 31 December 2009 and 31 December 2008.

## 39 ORDINARY DIVIDENDS

Dividends declared or proposed for the financial year ended 31 December 2009 are as follows:

	Group and Company			
	2009	2008		
	Gross dividend per share %	Amount of dividends, net of tax RM'000	Gross dividend per share %	Amount of dividends, net of tax RM'000
<b>Ordinary shares</b>				
Interim dividend	5.00%	80,755	9.00%	143,421
Proposed final dividend	17.45%	281,826	10.60%	171,201
	22.45%	362,581	19.60%	314,622

At the forthcoming Annual General Meeting, a final gross dividend in respect of the current financial year of 17.45% less 25% tax amounting to RM281,826,000 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 2010 when approved by the shareholders.

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

	Group and Company			
	2009	2008		
	Gross dividend per share %	Amount of dividends, net of tax RM'000	Gross dividend per share %	Amount of dividends, net of tax RM'000
<b>Ordinary shares</b>				
Interim dividend	5.00%	80,755	9.00%	143,421
Final dividend for 2008/2007	10.60%	171,201	8.60%	137,048
	15.60%	251,956	17.60%	280,469



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 40 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	2009			2008		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes	2,251,758	2,251,758	2,014,053	2,389,294	2,389,294	2,024,897
Transaction-related contingent items	2,197,336	1,098,669	842,297	2,119,930	1,059,966	766,891
Short term self-liquidating trade-related contingencies	1,671,688	334,338	222,581	1,694,141	338,829	221,320
Obligations under underwriting agreements	430,900	215,450	163,615	399,900	199,950	164,815
Other asset sold with recourse and commitment with certain drawdown	-	-	-	41,544	41,544	8,309
Irrevocable commitments to extend credit						
- maturity not exceeding one year	29,508,470	310,873	310,873	25,933,455	282,115	281,034
- maturity exceeding one year	5,496,841	2,654,057	2,039,733	4,958,351	2,479,176	2,250,946
Foreign exchange-related contracts						
- less than one year	10,094,034	143,085	46,885	9,344,283	229,785	82,948
- one year to less than five years	1,419,297	185,127	63,620	9,364	1,063	396
- more than five years	-	-	-	1,381,000	204,225	71,014
Interest rate-related contracts						
- less than one year	2,638,766	10,583	2,116	2,009,714	4,342	1,014
- one year to less than five years	8,108,858	375,480	85,236	8,625,522	438,681	90,956
- more than five years	885,352	89,164	21,674	449,215	48,583	10,463
Others	2,530,883	-	-	1,379,211	3,718	3,718
	67,234,183	7,668,584	5,812,683	60,734,924	7,721,271	5,978,721

\* 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.

The credit equivalent amount ('CE') and risk weighted amount ('RWA') of the Group are an aggregate of CE and RWA of its commercial banking subsidiary, which is computed in accordance with BNM's Guidelines on Risk Weighted Capital Adequacy Framework for Credit and Market ('Basel I'), and the CE and RWA of its Islamic bank subsidiary 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.

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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 41 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:

	2009 RM'000	Group 2008 RM'000
<b>Rental of premises</b>		
Within one year	33,504	31,127
Between one to five years	27,558	22,458
More than five years	2,798	4,367
	63,860	57,952

## 42 CAPITAL COMMITMENTS

	2009 RM'000	Group 2008 RM'000
Capital expenditure for property, plant and equipment:		
- authorised and contracted for	59,757	57,092
- authorised but not contracted for	103,259	68,660
	163,016	125,752
Proposed acquisition of Bank Mestika (refer to Note 46(f))	1,050,611	-
	1,213,627	125,752

## 43 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: <ul style="list-style-type: none"> <li>- All Directors of the Company and its key subsidiaries</li> <li>- RHB Capital Group Central Management Committee members</li> <li>- Key management personnel of EPF who are in charge of the RHB Capital Group</li> </ul>
Related parties of key management personnel (deemed as related to the 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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 43 RELATED PARTY TRANSACTIONS (CONTINUED)

### (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.

RHB Kawal Sdn Bhd became a wholly-owned subsidiary of the Company on 2 November 2009. As such, significant related party transactions with RHB Capital Group of companies were disclosed until the effective date of the commencement of the relationship.

Other related companies comprise the other companies in the EPF Group.

Group	Immediate and ultimate holding body RM'000	Key management personnel RM'000	Other related parties RM'000
<b>2009</b>			
<b>Income</b>			
Interest on money at call, deposits and placements with financial institutions	-	-	108
Interest on loans, advances and financing	-	219	-
Insurance premium	-	54	879
Management fees	-	3	-
Brokerage fee	9,429	-	-
Fund management fees	3,665	-	3
Service charges and fees	-	-	114
Rental income	-	-	1,364
	13,094	276	2,468
<b>Expenses</b>			
Interest on deposits from customers	57,252	1,129	250
Security service fees	-	-	807
Property management fees	-	-	7,290
Other expenses	-	4	648
	57,252	1,133	8,995
<b>Amount due from</b>			
Loans, advances and financing	-	5,780	658
Deposits and placements with banks and other financial institutions	-	-	3,000
Clients' and brokers' balances	23,336	-	-
Fund management fees	785	-	3
Other assets	-	-	26
	24,121	5,780	3,687
<b>Amount due to</b>			
Deposits from customers	3,003,687	16,905	28,519
Clients' and brokers' balances	-	-	166
Other liabilities	-	-	34
	3,003,687	16,905	28,719

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 43 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
<b>2008</b>			
<b>Income</b>			
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
<b>Expenses</b>			
Interest on deposits from customers	100,827	305	5
Security service fees	-	-	193
Property management fees	-	-	615
Other expenses	-	-	67
	100,827	305	880
<b>Amount due from</b>			
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
<b>Amount due to</b>			
Deposits from customers	2,563,342	18,118	16,761
Other liabilities	-	-	436
	2,563,342	18,118	17,197

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 43 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
<b>2009</b>			
<b>Income</b>			
Interest on deposits and placements with other financial institutions	-	452	-
	-	452	-
<b>Expenses</b>			
Interest on borrowings	-	9,724	-
Rental of premises	-	1,163	-
Legal and professional fee	-	730	-
Property management fees	-	-	80
Security service fees	-	6	27
Other expenses	-	13	-
	-	11,636	107
<b>Amount due from</b>			
Cash and short term funds	-	100,904	-
Inter-company balances	-	10,603	-
	-	111,507	-
<b>Amount due to</b>			
Inter-company balances	-	155,288	-
Borrowings	-	262,800	-
Other liabilities	-	-	29
	-	418,088	29

## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 43 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
<b>2008</b>			
<b>Income</b>			
Interest on deposits and placements with other financial institutions	-	1,423	-
Management fees	-	-	490
	-	1,423	490
<b>Expenses</b>			
Rental of premises	-	1,219	-
Property management fees	-	-	77
Security service fees	-	-	33
Other expenses	-	16	-
	-	1,235	110
<b>Amount due from</b>			
Cash and short term funds	-	20,604	-
Inter-company balances	-	10,319	-
Other assets	-	-	29
	-	30,923	29
<b>Amount due to</b>			
Inter-company balances	-	153,093	-
Other liabilities	-	-	36
	-	153,093	36



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 43 RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Key management personnel

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Short-term employee benefits				
- fees	1,159	1,054	382	336
- salary and other remuneration	15,731	13,187	2,664	2,700
- benefits-in-kind	295	420	42	53
	17,185	14,661	3,088	3,089

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

	Group	
	2009 RM'000	2008 RM'000
Approved limit on loans, advances and financing for key management personnel	9,071	9,154

## 44 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 ('CIB')

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.

## 44 SEGMENT INFORMATION (CONTINUED)

### (a) Primary reporting format - by business segments (Continued)

#### Corporate and Investment Banking ('CIB') (Continued)

CIB also provides 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 as well as small and medium sized enterprises.

#### International Banking

International Banking focuses on providing banking related products & 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.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 44 SEGMENT INFORMATION (CONTINUED)

### (a) Primary reporting format - by business segments (Continued)

2009	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	989,063	2,718,207	1,041,186	326,164	304,815	46,011	-	5,425,446
Intersegment revenue	27,853	18,413	20,955	3,889	3,235	23,440	(97,785)	-
Segment revenue	1,016,916	2,736,620	1,062,141	330,053	308,050	69,451	(97,785)	5,425,446
Profit before unallocated expenses	319,582	909,337	547,036	135,580	61,814	14,639	-	1,987,988
Unallocated expenses								(450,031)
Profit after unallocated expenses								1,537,957
Share of results of associates								43
Share of results of a joint venture								420
Profit before taxation								1,538,420
Taxation								(329,814)
Net profit for the financial year								1,208,606

2009	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	22,310,080	40,460,257	32,151,511	11,067,675	7,471,724	416,909	113,878,156
Investments in associates							11,180
Investments in a joint venture							25,976
Tax recoverable							92,316
Deferred tax assets							272,261
Unallocated assets							671,493
Total assets							114,951,382

## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 44 SEGMENT INFORMATION (CONTINUED)

#### (a) Primary reporting format - by business segments (Continued)

2009	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	19,940,665	34,440,785	28,269,615	9,441,628	6,289,150	60,682	98,442,525
Taxation							40,463
Deferred tax liabilities							177
Borrowings							3,829,672
Subordinated obligations							2,240,000
Hybrid Tier-1 Capital Securities							591,996
Unallocated liabilities							1,066,367
<b>Total liabilities</b>							<b>106,211,200</b>
<b>Other segment items</b>							
Capital expenditure	12,046	90,196	4,659	7,851	6,649	1,363	122,764
Depreciation of property, plant and equipment	8,561	54,332	5,350	6,111	3,962	6,101	84,417
Amortisation of prepaid land lease	31	291	9	-	116	66	513
Other non-cash expenses other than depreciation and amortisation <sup>1</sup>	173,499	363,387	29,578	83,028	47,430	-	696,922

Notes:

<sup>1</sup> Included in other non-cash expenses other than depreciation and amortisation are allowance for losses on loans, financing and other losses, impairment loss, interest suspended and accretion of discount less amortisation of premium.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 44 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 a joint venture								(64)
Profit before taxation								1,422,449
Taxation								(372,694)
Net profit for the financial year								1,049,755

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 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 a joint venture							26,349
Tax recoverable							94,929
Deferred tax assets							275,016
Unallocated assets							385,074
Total assets							104,532,769

## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 44 SEGMENT INFORMATION (CONTINUED)

#### (a) Primary reporting format - by business segments (Continued)

2008	Corporate and Investment Banking RM'000	Retail Banking RM'000	Financial 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
<b>Total liabilities</b>							<b>96,691,829</b>
<b>Other segment items</b>							
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 and amortisation <sup>1</sup>	128,580	408,969	15,571	34,470	6,238	194	594,022

Notes:

<sup>1</sup> Included in other non-cash expenses other than depreciation and amortisation are allowance for losses on loans, financing and other losses, impairment loss, interest suspended and accretion of discount less amortisation of premium.

#### (b) Secondary reporting format - by geographical segments

The geographical information is prepared based on the location of the assets. The Group's activities are principally conducted in Malaysia.

2009	Revenue RM'000	Total assets RM'000	Capital expenditure RM'000
Malaysia	5,119,934	107,281,074	116,115
Outside Malaysia	305,512	7,670,308	6,649
	<b>5,425,446</b>	<b>114,951,382</b>	<b>122,764</b>



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 44 SEGMENT INFORMATION (CONTINUED)

### (b) Secondary reporting format - by geographical segments (Continued)

	Revenue RM'000	Total assets RM'000	Capital expenditure RM'00
<b>2008</b>			
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

## 45 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'). The capital ratios of RHB Investment Bank and RHB Islamic Bank are computed in accordance with the Standardised Approach of BNM's Revised Risk-Weighted Capital Adequacy Framework for Credit and Market Risk, and the Basic Indicator Approach for Operational Risk ('Basel II').

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

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

	RHB Bank	
	2009 RM'000	2008 RM'000
<b>Tier I capital</b>		
Paid-up ordinary share capital	3,318,085	3,318,085
Hybrid Tier-1 Capital Securities	596,996	-
Share premium	8,563	8,563
Retained profits	1,696,589	1,008,581
Other reserves	2,397,969	2,121,478
	8,018,202	6,456,707
Less:		
Deferred tax assets	(234,070)	(233,116)
Goodwill	(905,519)	(905,519)
<b>Total Tier I capital</b>	<b>6,878,613</b>	<b>5,318,072</b>

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 45 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	RHB Bank	
	2009 RM'000	2008 RM'000
<b>Tier II capital</b>		
Subordinated obligations	2,000,000	2,000,000
General allowance for bad and doubtful debts	862,725	995,859
<b>Total Tier II capital</b>	<b>2,862,725</b>	<b>2,995,859</b>
Less:		
Investment in subsidiaries	(622,666)	(628,640)
Other deduction*	(3,230)	-
<b>Total capital base</b>	<b>9,115,442</b>	<b>7,685,291</b>
<b>Capital ratios</b>		
Before deducting proposed dividends:		
Core capital ratio	10.55%	8.77%
Risk-weighted capital adequacy ratio	13.99%	12.67%
After deducting proposed dividends:		
Core capital ratio	10.41%	8.51%
Risk-weighted capital adequacy ratio	13.84%	12.42%

\* Pursuant to the Basel I Market Risk para 5.19 & 5.20 – Valuation Adjustments/Reserves, the RWCR computation shall account for the ageing, liquidity and holding back adjustments/reserves on its trading portfolio.

	RHB Islamic Bank	
	2009 RM'000	2008 RM'000
<b>Tier I capital</b>		
Paid-up ordinary share capital	523,424	523,424
Statutory reserve	197,739	166,005
Retained profits	167,172	135,437
	<b>888,335</b>	<b>824,866</b>
Less:		
Deferred tax assets	(17,046)	(19,960)
<b>Total Tier I capital</b>	<b>871,289</b>	<b>804,906</b>

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 45 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	RHB Islamic Bank	
	2009 RM'000	2008 RM'000
<b>Tier II capital</b>		
General allowance for bad and doubtful debts	88,984	97,984
Total Tier II capital	88,984	97,984
Less:		
Other deduction*	(12)	-
Total capital base	960,261	902,890
<b>Capital ratios</b>		
Before deducting proposed dividends:		
Core capital ratio	12.50%	12.07%
Risk-weighted capital adequacy ratio	13.78%	13.54%
After deducting proposed dividends:		
Core capital ratio	12.50%	12.07%
Risk-weighted capital adequacy ratio	13.78%	13.54%

\* Pursuant to the Basel II Market Risk para 5.19 & 5.20 – Valuation Adjustments/Reserves, the RWCR computation shall account for the ageing, liquidity and holding back adjustments/reserves on its trading portfolio.

	RHB Investment Bank	
	2009 RM'000	2008 RM'000
<b>Tier I capital</b>		
Paid-up ordinary share capital	263,646	263,646
Statutory reserve	278,549	278,549
Retained profits	220,169	169,098
	762,364	711,293
Less:		
Deferred tax liabilities/(assets)	1,095	(1,210)
Goodwill	(159,280)	(159,280)
Total Tier I capital	604,179	550,803

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 45 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	<b>RHB Investment Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Tier II capital</b>		
Subordinated obligations	245,000	245,000
General allowance for bad and doubtful debts	1,137	8,442
<b>Total Tier II capital</b>	<b>246,137</b>	<b>253,442</b>
Less:		
Investment in subsidiaries	(58,270)	(58,270)
Investment in joint venture	(27,399)	(27,399)
Other deduction*	(422)	-
<b>Total capital base</b>	<b>764,225</b>	<b>718,576</b>
<b>Capital ratios</b>		
Before deducting proposed dividends:		
Core capital ratio	35.58%	19.25%
Risk-weighted capital adequacy ratio	45.01%	25.12%
After deducting proposed dividends:		
Core capital ratio	24.64%	17.14%
Risk-weighted capital adequacy ratio	31.95%	23.00%

\* Pursuant to the Basel II Market Risk para 5.19 & 5.20 – Valuation Adjustments/Reserves, the RWCR computation shall account for the ageing, liquidity and holding back adjustments/reserves on its trading portfolio.

## 46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

### (a) Proposed issuance of up to RM75.0 million nominal value of Hybrid Tier-1 Capital Securities ('HT1 Securities') by RHB Investment Bank

The Company announced on 16 October 2007 that RHB Investment Bank, has proposed among others to undertake the issuance of up to RM75.0 million nominal value of HT1 Securities as part of its capital management initiatives, with the objective of increasing the return to its shareholders and optimising the capital structure of RHB Investment Bank.

The Securities Commission ('SC') had, on 30 September 2008, granted an extension of time of up to 10 October 2009 for RHB Investment Bank to implement or issue such capital securities subject to the conditions as contained therein.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

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

### (a) Proposed issuance of up to RM75.0 million nominal value of Hybrid Tier-1 Capital Securities ('HT1 Securities') by RHB Investment Bank (Continued)

On 20 October 2009, the Company announced that the SC had further granted an extension of time of up to 10 October 2010 for RHB Investment Bank to implement the proposed issuance of up to RM75.0 million nominal value of HT1 Securities ('Proposed Extension of Time'), subject to the following conditions:

- (i) RHB Investment Bank to inform all relevant parties in relation to the HT1 Securities including, but not limited to, the trustee and rating agency, about the Proposed Extension of Time, and ensure that their consents, where required, are obtained;
- (ii) RHB Investment Bank has undertaken all necessary due diligence in relation to the Proposed Extension of Time;
- (iii) RHB Investment Bank to obtain all other regulatory approvals, if required, for the Proposed Extension of Time;
- (iv) All other approved terms and conditions imposed for the proposed HT1 Securities shall remain applicable; and
- (v) RHB Investment Bank to submit a written confirmation on compliance with all the above conditions.

### (b) Proposed issuance of up to RM600 million nominal value of Hybrid Tier-1 Capital Securities under Hybrid Tier-1 Capital Securities Programme by RHB Bank

The Company announced on 14 July 2008 that the SC had on 10 July 2008, approved RHB Bank's proposed issuance of up to RM600 million nominal value of Hybrid Tier-1 Capital Securities ('HT1 Capital Securities') under a Hybrid Tier-1 Capital Securities Programme by RHB Bank, a wholly-owned subsidiary of the Company.

On 31 March 2009, RHB Bank made the first issuance of RM370.0 million nominal value of HT1 Capital Securities. The remaining of the HT1 Capital Securities of RM230.0 million was issued on 17 December 2009.

### (c) 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 the Company to issue up to RM1.1 billion of the Notes under the CP/MTN Programme.

The CP/MTN Programme will not have any material effect on the earnings and net tangible assets of the Company for the financial year ended 31 December 2009.

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.

As at 31 December 2009, the Company had issued RM120 million nominal value of Commercial Papers and RM435 million nominal value of Medium Term Notes under the CP/MTN Programme.

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

### (d) Proposed Establishment Of An Exclusive Bancassurance Alliance Between RHB Bank and American International Assurance Berhad ('AIA')

On behalf of the Company, RHB Investment Bank had, on 2 March 2009 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 the 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 persons connected to them has any interest, direct or indirect, in the bancassurance alliance.

### (e) Proposed acquisition by the Company of 1,500,000 ordinary shares of RM1.00 each in RHB Kawal Sdn Bhd ('RHB Kawal'), representing the entire issued and fully paid-up share capital in RHB Kawal from Rashid Hussain Berhad (In Members' Voluntary Liquidation) ('RHB')

On 16 April 2009, RHB Investment Bank had on behalf of the Company, announced that the Company had entered into a conditional share sale agreement with RHB to acquire the entire issued and paid-up share capital of RHB Kawal from RHB ('Proposed Acquisition') for a purchase consideration which shall be a sum equivalent to the net difference between:

- (a) the cash consideration of RM2,900,000; and
- (b) the total net amount owing between RHB Capital group of companies and RHB group of companies as at the cut off date, 30 September 2009.

RHB Kawal is in the business of providing security services to the RHB Capital group of companies.

The Proposed Acquisition was completed on 2 November 2009, whereby on even date RHB Kawal became a wholly-owned subsidiary of the Company.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

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

- (e) **Proposed acquisition by the Company of 1,500,000 ordinary shares of RM1.00 each in RHB Kawal Sdn Bhd ('RHB Kawal'), representing the entire issued and fully paid-up share capital in RHB Kawal from Rashid Hussain Berhad (In Members' Voluntary Liquidation) ('RHB') (Continued)**

Details of net assets acquired, goodwill arising on consolidation and cash flow arising from the acquisition are as follows:

	<b>Group 2009 RM'000</b>
<b>At date of acquisition:</b>	
Property, plant and equipment	38
Cash and bank balances	115
Other debtors and deposits	5,565
Tax recoverable	64
Deferred tax assets	12
Other creditors	(2,893)
Net assets acquired at the date of acquisition	2,901
Goodwill arising on consolidation	49
Total purchase consideration (inclusive of incidental costs)	2,950
Inter-company settlement	(1,177)
Net cash outflow of the Company on acquisition of subsidiary	1,773
Less: Cash and cash equivalents in subsidiary acquired	(115)
Net cash outflow of the Group on acquisition of subsidiary	1,658

The financial result of RHB Kawal in the period between the date of acquisition and the balance sheet date was not significant to the Group.

- (f) **Proposed acquisition of 80% of the issued and paid-up share capital in Bank Mestika**

On 19 October 2009, RHB Investment Bank had on behalf of the Company, announced that the Company will undertake the following proposals:

- (i) proposed acquisition of 80% of the issued and paid up share capital in Bank Mestika for a total cash consideration of Indonesian Rupiah ('RP') 3,118,300 million (or equivalent to approximately RM1,163 million) ('Proposed Acquisition');
- (ii) proposed put and call option for 9% of the issued and paid-up share capital in Bank Mestika ('Proposed Options');
- (iii) proposed renounceable rights issue of new ordinary shares of RM1.00 each in RHB Capital ('Shares') to raise gross proceeds of approximately RM1.3 billion ('Proposed Rights Issue'); and



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

### (f) Proposed acquisition of 80% of the issued and paid-up share capital in Bank Mestika (Continued)

- (iv) proposed increase in the authorised share capital of the Company from RM2,500,000,000 comprising 2,500,000,000 RHB Capital shares to RM5,000,000,000 comprising 5,000,000,000 RHB Capital shares ('Proposed Increase In Authorised Share Capital').

(The above are collectively referred to as "Proposals")

The Proposals are subject to the following being obtained:

- (i) approval of BNM for the Proposed Acquisition and Proposed Options;
- (ii) approval of Bank Indonesia ('BI') for the Proposed Acquisition and the Fit and Proper Test mechanism by the Company as governed under BI Regulation No. 5/25/PBI/2003 on Fit and Proper Test;
- (iii) approval of Indonesian Capital Market and Financial Institution Supervisory Board for the proposed IPO of Bank Mestika;
- (iv) approval in-principle from Bursa Malaysia Securities Berhad ('Bursa Securities') for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities;
- (v) approval of the shareholders of the Company at the Extraordinary General Meeting to be convened for the Proposed Rights Issue and the Proposed Increase In Authorised Share Capital; and
- (vi) approvals, waivers and/or consents of any other relevant authorities and/or parties, if required.

BNM had on 4 January 2010 granted its approval for the Company to acquire up to 89% of the issued and paid-up capital of Bank Mestika, subject to the following conditions:

- (i) the Company is to obtain written confirmation from its auditors on the compliance with Financial Reporting Standards in arriving at the impairment methodology adopted and in respect of any change in equity interest in Bank Mestika; and
- (ii) the sources of funding and funding cost for the additional capital required by Bank Mestika post-acquisition should not exert pressure on the Company and its subsidiaries' capital and financial soundness.

None of the Directors, major shareholders and/or persons connected with them have any interest, direct or indirect, in the Proposals save for their respective entitlements as shareholders under the Proposed Rights Issue and their rights to apply for excess Rights Shares which are also available to all other shareholders of the Company.

The Proposed Acquisition, Proposed Rights Issue and Proposed Options are not expected to have any effect on the earnings and earnings per share of the Group for the financial year ended 31 December 2009. Barring unforeseen circumstances, the Proposed Acquisition and the Proposed Rights Issue are expected to be completed in the second quarter of 2010.

The Proposed Acquisition is expected to contribute positively to the future revenue and earnings of the Group.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 47 SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On 4 February 2010, RHB Investment Bank had, on behalf of the Company, announced that BNM has vide its letter dated 3 February 2010 stated that it has no objection in principle for the Company to commence negotiations with the remaining shareholders of RHB Insurance Berhad ('RHB Insurance') in relation to the proposed acquisition of the remaining equity interest in RHB Insurance not already owned by the Company ('Proposed Acquisition').

Pursuant to the Insurance Act 1996, the Company and the remaining shareholders of RHB Insurance will be required to obtain the prior approval of the Minister of Finance, with the recommendation of BNM, before entering into any definitive agreement to effect the Proposed Acquisition. Accordingly, a detailed announcement on the Proposed Acquisition will be made upon execution of the definitive agreement(s) for the Proposed Acquisition.

## 48 CONTINGENT LIABILITIES

### Guarantees issued

As at balance sheet date, the Company has extended unsecured guarantees of RM100,000,000 (2008: RM100,000,000) for performance guarantees of one of its subsidiary company.

### Other contingent liabilities

#### (a) The Company

On 19 October 2001, the Company filed a suit against CBSB, the vendor of SJ Securities, for the recovery of the deposit of RM32,800,000 ('Deposit') paid by the Company pursuant to the sale and purchase agreement dated 7 November 2000 between CBSB and the Company for the sale and purchase of 60 million shares in SJ Securities. CBSB subsequently filed a counterclaim of RM258,688,153.42 together with interest thereon and costs.

The suit is still ongoing and the solicitors for the Company are of the opinion that the chances of successfully recovering the Deposit are good. In addition, the solicitors for the Company are also of the opinion that the prospects of successfully defending the counterclaim filed by CBSB against the Company are good and that the said counterclaim is unlikely to succeed.

In view of the above, the Company has not made any provision in relation to the said counterclaim, in the financial statements for the financial year ended 31 December 2009.

#### (b) RHB Investment Bank and RHB Equities Sdn Bhd ('RHB Equities')

- Claim by Dato' Haji Iqbal Kuppai Pitchai Rawther ('Plaintiff')

This suit was initially filed against RHB Securities Sdn Bhd ('RHB Securities'). With effect from 30 December 2006, the assets and liabilities of RHB Securities including this suit have been vested into RHB Investment Bank, a wholly-owned subsidiary of the Company, pursuant to a vesting order of the High Court. Subsequently, RHB Securities was renamed as RHB Excel Sdn Bhd ('RHB Excel') on 9 January 2007.

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.

#### 48 CONTINGENT LIABILITIES (CONTINUED)

##### (b) RHB Investment Bank and RHB Equities Sdn Bhd ('RHB Equities') (Continued)

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.

On 12 January 2010, the appeal was officially withdrawn by the Court of Appeal.

#### 49 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.

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, the Islamic Bank, RHB Islamic Bank and the investment bank, RHB Investment Bank are set out as follows:

##### RHB CAPITAL BERHAD

###### Liquidity risk

The Company manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all repayment and funding requirements are met. The Company's cash flows is reviewed regularly to ensure that it has sufficient level of cash and cash equivalents to meet its working capital requirements and is able to settle its commitments when they fall due.

###### Interest rate risk

The Company's primary interest rate risk relates to interest-bearing borrowings. The Company manages its interest rate exposure through the use of fixed and floating rate debt. The objectives for the mix between fixed and floating rate borrowings are set to manage the fluctuations in interest rates and their impact on the Company.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 49 FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Financial risk management objectives and policies (Continued)

#### **BANKING SUBSIDIARIES:**

#### **RHB BANK, RHB ISLAMIC 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.

Risk measurement techniques and stress testing regimes are applied to the banking subsidiaries' portfolio on a regular basis.

For Currency Risk:

- Approved overall position limits are applied for foreign exchange spot trading portfolio. Trading loss limits are imposed on each trading desk. The levels of these exposures (including off-balance sheet items), by overall total for both intra-day and overnight positions, are monitored daily for compliance with the approved limits. These limits are reviewed regularly and are in line with strategies set by the 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.

##### **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.

## 49 FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Financial risk management objectives and policies (Continued)

#### **BANKING SUBSIDIARIES:**

#### **RHB BANK, RHB ISLAMIC BANK AND RHB INVESTMENT BANK (Continued)**

#### **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, RHB Bank, RHB Islamic 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, that is fully satisfied for credit risk, and which gives no concern for unexpected losses, and which ensures a reliable and satisfactory risk weighted return. Market best practices are incorporated into this policy.
- (ii) The banking subsidiaries ensure stringent measures and processes are in place before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being independently evaluated by an independent credit evaluation and management function. The Central Credit Committee and the Group Credit Committee sanction credits beyond well established prudential threshold. The strict adherence to the discretionary powers sanctioned by the Board is monitored by the Central Compliance function.
- (iii) A risk rating system is used to categorise the risk of individual credits and determine whether 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.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 49 FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Financial risk management objectives and policies (Continued)

#### **BANKING SUBSIDIARIES:**

#### **RHB BANK, RHB ISLAMIC BANK AND RHB INVESTMENT BANK (Continued)**

##### **Operational risk**

The GRM function is responsible for the development of bank-wide operational risk policies, frameworks and methodologies, and providing inputs to the business units on operational risk areas. The respective business units are primarily responsible for managing operational risk on a day-to-day basis.

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; and continually conduct internal reviews, compliance monitoring, and comprehensive audits to prevent or minimise unexpected losses.

#### **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 to manage the concentration risk.
- Requirement of collateral or upfront payment for purchase of volatile 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 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.

## 49 FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Financial risk management objectives and policies (Continued)

#### RHB INVESTMENT BANK STOCKBROKING DIVISION ('the Division') (Continued)

##### 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.

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 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 regularly and recovery action initiated when appropriate.



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 49 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Interest/Profit rate risk

The tables below summarise the Group's and the Company's exposure to interest/profit rate risks. The assets and liabilities at carrying amount are categorised by the earlier of contractual repricing or maturity dates:

Group	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<b>2009</b>									
<b>ASSETS</b>									
Cash and short term funds	15,663,272	-	-	-	-	1,011,989	-	16,675,261	2.06
Securities purchased under resale agreements	739,922	854,288	-	-	-	-	-	1,594,210	1.97
Deposits and placements with banks and other financial institutions	46,376	2,074,268	90,280	8,346	-	-	-	2,219,270	2.15
Securities held-for-trading	-	-	-	-	-	-	860,216	860,216	2.79
Securities AFS	156,167	134,835	477,638	5,084,010	2,979,491	260,280	-	9,092,421	4.49
Securities held-to-maturity	764,362	1,316,542	287,930	6,679,896	2,137,986	(206,571) <sup>#</sup>	-	10,980,145	3.59
Loans, advances and financing									
- performing	39,359,619	7,552,005	5,018,585	7,719,737	6,731,558	(915)	-	66,380,589	5.80
- non-performing	-	-	-	-	-	542,502 <sup>*</sup>	-	542,502	
Clients' and brokers' balances	72,737	-	-	-	-	176,930	-	249,667	3.99
Other assets	2,010	-	108	179	360	703,757	-	706,414	1.83
Derivative assets	-	-	-	-	-	-	221,429	221,429	
Statutory deposits	-	-	-	-	-	310,156	-	310,156	
Tax recoverable	-	-	-	-	-	92,316	-	92,316	
Deferred tax assets	-	-	-	-	-	272,261	-	272,261	
Investments in associates	-	-	-	-	-	11,180	-	11,180	
Investments in a joint venture	-	-	-	-	-	25,976	-	25,976	
Prepaid land lease	-	-	-	-	-	103,569	-	103,569	
Property, plant and equipment	-	-	-	-	-	827,582	-	827,582	
Goodwill	-	-	-	-	-	3,786,218	-	3,786,218	
<b>TOTAL ASSETS</b>	<b>56,804,465</b>	<b>11,931,938</b>	<b>5,874,541</b>	<b>19,492,168</b>	<b>11,849,395</b>	<b>7,917,230</b>	<b>1,081,645</b>	<b>114,951,382</b>	

<sup>#</sup> Consist of equity instruments less impairment loss.

<sup>\*</sup> This is arrived at after deducting the general allowance and specific allowance from the outstanding non-performing loans.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 49 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Interest/Profit rate risk (Continued)

Group	----- Non-trading book -----						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000					
<b>2009</b>										
<b>LIABILITIES AND EQUITY</b>										
Deposits from customers	43,938,444	8,735,726	14,042,308	639,357	-	17,485,230	-	84,841,065	1.92	
Deposits and placements of banks and other financial institutions	3,753,654	2,953,539	43,482	661,232	3,450	668	-	7,416,025	2.24	
Bills and acceptances payable	1,245,497	1,620,189	742,833	-	-	194,003	-	3,802,522	2.38	
Clients' and brokers' balances	-	-	-	-	-	401,857	-	401,857		
Other liabilities	7,965	-	-	-	-	1,638,278	-	1,646,243	1.90	
Derivative liabilities	-	-	-	-	-	-	232,354	232,354		
Recourse obligation on loans sold to Cagamas	-	-	333,544	835,282	-	-	-	1,168,826	4.88	
Taxation	-	-	-	-	-	40,463	-	40,463		
Deferred tax liabilities	-	-	-	-	-	177	-	177		
Borrowings	1,597,357	616,320	536,400	1,079,595	-	-	-	3,829,672	4.04	
Subordinated obligations Hybrid Tier-1 Capital Securities	-	-	-	1,540,000	700,000	-	-	2,240,000	5.19	
	-	-	-	-	591,996	-	-	591,996	7.52	
<b>Total liabilities</b>	<b>50,542,917</b>	<b>13,925,774</b>	<b>15,698,567</b>	<b>4,755,466</b>	<b>1,295,446</b>	<b>19,760,676</b>	<b>232,354</b>	<b>106,211,200</b>		
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,740,182</b>	<b>-</b>	<b>8,740,182</b>		
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>50,542,917</b>	<b>13,925,774</b>	<b>15,698,567</b>	<b>4,755,466</b>	<b>1,295,446</b>	<b>28,500,858</b>	<b>232,354</b>	<b>114,951,382</b>		
On balance sheet interest sensitivity gap	6,261,548	(1,993,836)	(9,824,026)	14,736,702	10,553,949					
Off balance sheet interest sensitivity gap	35,000	500,000	(280,000)	(180,000)	(75,000)					
<b>TOTAL INTEREST- SENSITIVITY GAP</b>	<b>6,296,548</b>	<b>(1,493,836)</b>	<b>(10,104,026)</b>	<b>14,556,702</b>	<b>10,478,949</b>					

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 49 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						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<b>2008</b>									
<b>ASSETS</b>									
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	-	-	-	-	-	-	5,325,966	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) <sup>#</sup>	-	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 <sup>*</sup>	-	275,464	
Clients' and brokers' balances	107,037	-	-	-	-	68,266	-	175,303	3.78
Other assets	1,895	-	38	217	419	546,879	-	549,448	3.84
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 a 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	
<b>TOTAL ASSETS</b>	<b>51,859,316</b>	<b>9,177,306</b>	<b>7,618,404</b>	<b>12,667,479</b>	<b>9,017,417</b>	<b>8,486,720</b>	<b>5,706,127</b>	<b>104,532,769</b>	

<sup>#</sup> Consist of equity instruments less impairment loss.

<sup>\*</sup> This is arrived at after deducting the general allowance and specific allowance from the outstanding non-performing loans.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 49 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Interest/Profit rate risk (Continued)

Group	----- Non-trading book -----						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000					
<b>2008</b>										
<b>LIABILITIES AND EQUITY</b>										
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	8,902	32	98	-	-	1,489,738	-	1,498,770	3.09	
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	
<b>Total liabilities</b>	<b>44,489,558</b>	<b>12,124,266</b>	<b>16,414,624</b>	<b>4,305,574</b>	<b>722,037</b>	<b>18,250,891</b>	<b>384,879</b>	<b>96,691,829</b>		
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,840,940</b>	<b>-</b>	<b>7,840,940</b>		
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>44,489,558</b>	<b>12,124,266</b>	<b>16,414,624</b>	<b>4,305,574</b>	<b>722,037</b>	<b>26,091,831</b>	<b>384,879</b>	<b>104,532,769</b>		
On balance sheet interest sensitivity gap	7,369,758	(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					
<b>TOTAL INTEREST- SENSITIVITY GAP</b>	<b>7,298,886</b>	<b>(3,023,944)</b>	<b>(9,273,718)</b>	<b>7,624,459</b>	<b>8,422,972</b>					

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 49 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Interest/Profit rate risk (Continued)

Company	----- Non-trading book ----- >						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<b>2009</b>									
<b>ASSETS</b>									
Cash and short term funds	100,600	-	-	-	-	319	-	100,919	2.02
Deposits and placements with banks and other financial institutions	-	338	522	-	-	-	-	860	2.55
Other assets	-	-	-	-	-	153,049	-	153,049	
Amounts due from subsidiaries	-	-	-	-	-	10,603	-	10,603	
Tax recoverable	-	-	-	-	-	73,717	-	73,717	
Deferred tax assets	-	-	-	-	-	19	-	19	
Investments in subsidiaries	-	-	-	-	-	8,785,389	-	8,785,389	
Property, plant and equipment	-	-	-	-	-	330	-	330	
<b>TOTAL ASSETS</b>	<b>100,600</b>	<b>338</b>	<b>522</b>	<b>-</b>	<b>-</b>	<b>9,023,426</b>	<b>-</b>	<b>9,124,886</b>	
<b>LIABILITIES AND EQUITY</b>									
Other liabilities	-	-	-	-	-	61,833	-	61,833	
Amounts due to subsidiaries	-	-	-	-	-	155,288	-	155,288	
Borrowings	1,860,157	-	194,000	1,079,595	-	-	-	3,133,752	4.81
Total liabilities	1,860,157	-	194,000	1,079,595	-	217,121	-	3,350,873	
Total equity	-	-	-	-	-	5,774,013	-	5,774,013	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,860,157</b>	<b>-</b>	<b>194,000</b>	<b>1,079,595</b>	<b>-</b>	<b>5,991,134</b>	<b>-</b>	<b>9,124,886</b>	
<b>TOTAL INTEREST- SENSITIVITY GAP</b>	<b>(1,759,557)</b>	<b>338</b>	<b>(193,478)</b>	<b>(1,079,595)</b>	<b>-</b>				

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 49 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Interest/Profit rate risk (Continued)

Company	<----- Non-trading book ----->						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<b>2008</b>									
<b>ASSETS</b>									
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	
<b>TOTAL ASSETS</b>	<b>20,000</b>	<b>750</b>	<b>503</b>	<b>-</b>	<b>-</b>	<b>8,882,360</b>	<b>-</b>	<b>8,903,613</b>	
<b>LIABILITIES AND EQUITY</b>									
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	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,904,686</b>	<b>80,032</b>	<b>98</b>	<b>791,889</b>	<b>-</b>	<b>6,126,908</b>	<b>-</b>	<b>8,903,613</b>	
<b>TOTAL INTEREST- SENSITIVITY GAP</b>	<b>(1,884,686)</b>	<b>(79,282)</b>	<b>405</b>	<b>(791,889)</b>	<b>-</b>				

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 49 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
<b>2009</b>									
Agriculture, hunting, forestry and fishing	-	-	-	29,252	-	2,651,272	-	2,680,524	1,035,900
Mining and quarrying	-	-	-	-	-	128,428	-	128,428	120,072
Manufacturing	-	-	113,772	375,411	121,940	9,452,140	2,873	10,066,136	11,798,368
Electricity, gas and water	-	-	-	389,922	135,681	526,979	482	1,053,064	377,801
Construction	-	-	-	179,491	-	3,166,875	68	3,346,434	5,660,740
Real estate	-	-	-	99,778	15,986	956,834	113	1,072,711	1,346,676
Purchase of landed property	-	-	-	-	-	19,895,427	-	19,895,427	3,213,299
Wholesale & retail trade and restaurants & hotels	-	-	-	5,101	-	-	85	5,186	-
General commerce	-	-	90,684	95,233	48,880	5,983,808	1,322	6,219,927	5,900,941
Transport, storage and communication	-	-	-	864,758	591,653	3,972,601	1,147	5,430,159	3,450,993
Finance, insurance and business services	6,021,707	381	452,193	2,701,822	5,742,638	3,881,144	39,214	18,839,099	20,819,673
Government and government agencies	12,266,680	1,593,829	142,525	4,172,278	4,322,143	21,187	10,916	22,529,558	-
Purchase of securities	-	-	-	-	-	2,045,800	249,888	2,295,688	593,036
Purchase of transport vehicles	-	-	-	-	-	5,905,977	-	5,905,977	660,281
Consumption credit	-	-	-	-	-	4,490,545	-	4,490,545	6,756,475
Hospital	-	-	-	3,047	-	-	39	3,086	-
Others	-	-	-	-	-	4,798,845	767,531	5,566,376	5,499,928
	18,288,387	1,594,210	799,174	8,916,093	10,978,921	67,877,862	1,073,678	109,528,325	67,234,183

\* Excludes general allowances amounting to RM954,772,000.



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 49 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
<b>2008</b>									
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.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 49 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
<b>2009</b>				
Finance, insurance and business services	101,779	-	9	101,788
Others	-	10,603	145,498	156,101
	101,779	10,603	145,507	257,889
<b>2008</b>				
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

## 50 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, associates and joint venture and intangibles.

## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 50 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. The fair value information presented herein should also in no way be construed as representative of the Group's underlying value as a going concern.

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.

A 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
<b>2009</b>				
<b>Financial assets</b>				
Loans, advances and financing	66,923,091	66,645,389 <sup>®</sup>	-	-
Securities held-to-maturity	10,980,145	11,095,926	-	-
<b>Financial liabilities</b>				
Deposits from customers	84,841,065	82,479,644	-	-
Recourse obligation on loans sold to Cagamas	1,168,826	1,139,854	-	-
Borrowings	3,829,672	3,826,150	3,133,752	3,130,230
Subordinated obligations	2,240,000	2,254,113	-	-
Hybrid Tier-1 Capital Securities	591,996	630,313	-	-
<b>2008</b>				
<b>Financial asset</b>				
Loans, advances and financing	60,596,120	60,395,066 <sup>®</sup>	-	-
<b>Financial liabilities</b>				
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	-	-

<sup>®</sup> 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.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 50 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.

## 50 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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

The estimated fair values of deposits and placements of banks and other financial institutions, repos 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 period to maturity.

### (k) Borrowings

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

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) Hybrid Tier-1 Capital Securities

The estimated fair value of Hybrid Tier-1 Capital Securities is generally based on quoted and observable market prices at the balance sheet date.

### (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.

## 51 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 24 February 2010.

# Statement By Directors

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

We, Dato' Mohamed Khadar Merican and Dato' Tajuddin Atan, 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 109 to 217 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 2009 and of the financial results and cash flows of the Group and the Company for the financial year ended 31 December 2009 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.

**DATO' MOHAMED KHADAR MERICAN**  
CHAIRMAN

**DATO' TAJUDDIN ATAN**  
MANAGING DIRECTOR

Kuala Lumpur  
1 March 2010

# 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 109 to 217 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 1 March 2010 before me.

**ZULKIFLA MOHD DAHLIM**  
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 2009 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 109 to 217.

### 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 2009 and of their financial performance and cash flows for the year then ended.



# Independent Auditors' Report

To the Members of RHB Capital Berhad

## 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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have 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. 2682/10/11 (J))

Chartered Accountant

Kuala Lumpur

1 March 2010

# Analysis of Shareholdings

As at 31 March 2010

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	:	14,991

	No. of shareholders	% of shareholders	No. of shares held	% of shareholdings
Less than 100	573	3.82	21,917	0.00
100 – 1,000	4,749	31.68	4,241,106	0.21
1,001 – 10,000	7,937	52.95	30,005,003	1.39
10,001 – 100,000	1,354	9.03	40,774,291	1.89
100,001 – 107,673,734 (less than 5% of the issued shares)	376	2.51	345,875,315	16.06
107,673,735 (5% and above of the issued shares)	2	0.01	1,732,557,063	80.45
<b>Total</b>	<b>14,991</b>	<b>100.00</b>	<b>2,153,474,695</b>	<b>100.00</b>

## Substantial Shareholders

As at 31 March 2010

No.	Name of Substantial Shareholders	No. of Shares			
		Direct	%	Indirect	%
1.	Employees Provident Fund Board	1,208,929,689	56.14	-	-
2.	ADCB Holdings (Malaysia) Sdn Bhd	538,368,674	25.0	-	-
3.	ADCB Holdings (Labuan) Limited	-	-	538,368,674	25.0
4.	ADCB Holdings (Cayman) Limited	-	-	538,368,674	25.0
5.	Abu Dhabi Commercial Bank P.J.S.C.	-	-	538,368,674	25.0

# List of Thirty (30) Largest Shareholders

As at 31 March 2010

Rank	Name	Units	%
1	EMPLOYEES PROVIDENT FUND BOARD	1,194,188,389	55.45
2	RHB NOMINEES (TEMPATAN) SDN BHD ADCB HOLDINGS (MALAYSIA) SDN BHD	538,368,674	25.00
3	AMANAHRAYA TRUSTEES BERHAD SKIM AMANAH SAHAM BUMIPUTERA	42,046,900	1.95
4	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	15,824,800	0.73
5	HSBC NOMINEES (TEMPATAN) SDN BHD NOMURA ASSET MGMT SG FOR EMPLOYEES PROVIDENT FUND	13,432,800	0.62
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AMERICAN INTERNATIONAL ASSURANCE BERHAD	10,991,100	0.51
7	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	10,088,900	0.49
8	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	10,075,100	0.47
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PRUDENTIAL FUND MANAGEMENT BERHAD	8,311,600	0.39
10	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR THE BANK OF NEW YORK MELLON ( MELLON ACCT)	7,937,915	0.37
11	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	7,517,800	0.35
12	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	6,256,700	0.29
13	HSBC NOMINEES (ASING) SDN BHD TNTC FOR SAUDI ARABIAN MONETARY AGENCY	5,635,800	0.26
14	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	5,561,200	0.26
15	PERMODALAN NASIONAL BERHAD	5,190,700	0.24

## List of Thirty (30) Largest Shareholders

As at 31 March 2010

Rank	Name	Units	%
16	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	5,162,935	0.24
17	AMANAHRAYA TRUSTEES BERHAD PNB STRUCTURED INVESTMENT FUND	5,158,600	0.24
18	SBB NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	4,270,500	0.20
19	GEO-MOBILE ASIA SDN BHD	4,000,000	0.18
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD ING INSURANCE BERHAD (INV-IL PAR)	3,637,600	0.17
21	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK NATIONAL ASSOCIATION (U.A.E)	3,613,043	0.17
22	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR GMO EMERGING MARKETS FUND	3,010,880	0.14
23	CARTABAN NOMINEES (ASING) SDN BHD STATE STREET FOR ISHARES INC	2,828,000	0.13
24	ECML NOMINEES (ASING) SDN BHD DMG & PARTNERS SECURITIES PTE LTD FOR KEEN CAPITAL INVESTMENTS LTD (N2-60391) (009)	2,775,000	0.13
25	CITIGROUP NOMINEES (TEMPATAN) SDN BHD MANULIFE INSURANCE BERHAD (OL PAR)	2,661,000	0.12
26	AMANAHRAYA TRUSTEES BERHAD PUBLIC GROWTH FUND	2,390,800	0.11
27	PERTUBUHAN KESELAMATAN SOSIAL	2,327,900	0.11
28	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR J.P. MORGAN BANK LUXEMBOURG S.A.	2,194,217	0.10
29	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND SW8N FOR CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM	1,881,000	0.09
30	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	1,880,600	0.09

# Directors' Interest in Securities of the Company and its Related Corporation

As at 31 March 2010

The Company	Ordinary Shares of RM1.00 each	
	No.	%
Dato' Mohamed Khadar Merican - direct	59,770	*
Arul Kanda Kandasamy - direct	12,000	*

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 31.12.2009 (RM' 000)	Year of Acquisition or Revaluation
<b>MALAYSIA</b>									
<b>Kuala Lumpur</b>									
1. 424 Jalan Tun Razak	RHB Hartanah Sdn Bhd	12 storey office building	20,440	Office Space	19	Freehold	-	123,912	1989
2. 426 Jalan Tun Razak	RHB Hartanah Sdn Bhd	16 storey office building	22,516	Office Space	13	Freehold	-	118,861	1989
3. 19 & 21 Jalan Tun Perak Kuala Lumpur	RHB Bank Berhad	1 unit of 4½ storey corner commercial building	589	Office Space	11	Freehold	-	9,099	1999
<b>Selangor</b>									
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	8	Leasehold	2090	88,961	1999
<b>Perak</b>									
5. No. 2,4,6 & 8 Jalan Tun Sambathan Ipoh	RHB Bank Berhad	4 storey office building	630	Bank Branch	11	Freehold	-	5,742	1999
<b>SINGAPORE</b>									
6. 90 Cecil Street	Banfora Pte Ltd	2 commercial buildings	796	Commercial Building	29	Leasehold	2980	101,456	1997
7. 10, Jalan Besar 01-03 Sim Lim Tower	RHB Bank Berhad	Ground Floor of office buildings	543	Bank Branch	30	Freehold	-	26,748	1999
8. 14A/B, 16A/B & 18A/B East Coast Road	RHB Bank Berhad	3 units of 3 storey shophouses	442	Bank Branch	50	Freehold	-	14,118	1999
9. 1/1A / 1B Yio Chu Kang Road	RHB Bank Berhad	First Floor of office buildings	101	Bank Branch	28	Freehold	-	10,592	1999
10. No. 537/539 Geylang Road	RHB Bank Berhad	3 storey shophouses	374	Bank Branch	85	Freehold	-	8,598	1999

# Group Branch Network

## NORTHERN REGION

- 1) Lebu Pantai, Penang**  
44, Lebu Pantai  
Georgetown, 10300 Pulau Pinang  
Tel : (04) 262 1144, 1109  
Fax : (04) 261 8019, 762 5393
- 2) Jelutong**  
112 & 114, Jalan Tan Sri Teh Ewe Lim  
11600, Pulau Pinang  
Tel : (04) 282 6922, 6921  
Fax : (04) 282 6930
- 3) Bayan Baru**  
42 A, B, C, Jalan Tengah  
11950 Bayan Baru, Pulau Pinang  
Tel : (04) 642 1880, 1882  
Fax : (04) 642 1884
- 4) Ayer Itam**  
15, Jalan Pasar  
11500 Ayer Itam, Pulau Pinang  
Tel : (04) 828 3522, 5168  
Fax : (04) 828 8554
- 5) Burmah House, Penang**  
Ground & Mezzanine Floor  
Suite G-02, Burmah House  
405, Jalan Burmah, Pulau Tikus  
10350 Pulau Pinang  
Tel : (04) 227 4367, 4364  
Fax : (04) 227 4361
- 6) Sungai Dua**  
4H & 4J, Desa Universiti Comm Complex  
Jalan Sungai Dua  
11700 Gelugor, Pulau Pinang  
Tel : (04) 658 5617, 5620, 5621  
Fax : (04) 658 5609
- 7) 2784 & 2785, Jalan Chain Ferry, Prai**  
Ground Floor, 2784 & 2785,  
Jalan Chain Ferry  
Taman Inderawasih  
13600 Prai, Pulau Pinang  
Tel : (04) 390 9255, 9257, 9258  
Fax : (04) 390 3976
- 8) Kulim**  
No. 8 & 9, Jalan KLC 1  
09000 Kulim, Kedah  
Tel : (04) 491 5912, 5913  
Fax : (04) 491 5916
- 9) Butterworth**  
6774, 6775 & 6776, Jalan Kg Gajah  
12200 Butterworth, Pulau Pinang  
Tel : (04) 331 5871, 5872  
Fax : (04) 332 3328
- 10) Jalan Raja Uda, Penang**  
Ground & Mezzanine Floor  
6957 & 6958, Jalan Raja Uda  
Raja Uda Light Industrial Park  
12300 Butterworth, Pulau Pinang  
Tel : (04) 332 4937, 4860, 4837  
Fax : (04) 332 4946
- 11) Sungai Bakap**  
1433-1434, Jalan Besar  
Sungai Bakap, Seberang Prai Selatan  
14200 Sungai Jawi, Pulau Pinang  
Tel : (04) 582 3629, 3630  
Fax : (04) 582 3580
- 12) Bukit Mertajam**  
1244 & 1246, Jalan Padang Lallang  
Taman Desa Damai  
14000 Bukit Mertajam, Pulau Pinang  
Tel : (04) 539 1171, 1176  
Fax : (04) 539 4148
- 13) Kangar**  
41 & 43, Persiaran Jubli Emas  
Taman Suriani  
01000 Kangar, Perlis  
Tel : (04) 977 6864, 6867  
Fax : (04) 977 6863
- 14) Jalan Tunku Ibrahim, Alor Setar**  
1519, Jalan Tunku Ibrahim  
P.O. Box No. 3  
05700 Alor Setar, Kedah  
Tel : (04) 731 6066, 6144  
Fax : (04) 733 3843
- 15) Mergong, Alor Setar**  
97J, Seberang Jalan Putra  
05150 Alor Setar, Kedah  
Tel : (04) 733 9279, 9304  
Fax : (04) 731 6059
- 16) Taman Pekan Baru, Sg Petani**  
104, 105 & 106, Jalan Pengkalan  
Tmn Pekan Baru, Sg Petani Baru  
08000 Sungai Petani, Kedah  
Tel : (04) 421 0786, 9090, 422 1600  
Fax : (04) 421 3401, 423 0485
- 17) Padang Serai**  
11 & 12, Lorong Berkat Satu  
Taman Berkat  
09400 Padang Serai, Kedah  
Tel : (04) 485 5951, 5952  
Fax : (04) 485 0982
- 18) Pulau Langkawi**  
13 & 15, Jalan Pandak Mayah Satu  
07000 Langkawi, Kedah  
Tel : (04) 966 7511, 7512  
Fax : (04) 966 7513
- 19) Kuala Kedah**  
Ground & First Floor  
262 & 263, Block C, Bangunan Peruda  
06600 Kuala Kedah, Kedah  
Tel : (04) 762 5367, 5366  
Fax : (04) 762 5393
- 20) Jalan Bakar Arang, Sungai Petani**  
27 & 28, Jalan Bakar Arang  
08000 Sungai Petani, Kedah  
Tel : (04) 422 2151, 2152  
Fax : (04) 421 6632
- 21) Air Tawar**  
33A & B, Jalan Besar  
32400 Air Tawar, Perak  
Tel : (05) 672 2385, 4148  
Fax : (05) 672 2168
- 22) Bagan Serai**  
243, Jalan Besar  
34300 Bagan Serai, Perak  
Tel : (05) 721 5715, 5716  
Fax : (05) 721 2486



### NORTHERN REGION (CONTINUED)

#### 23) Kuala Kurau

Ground & First Floor  
19, Jalan Besar  
34350 Kuala Kurau, Perak  
Tel : (05) 727 7953, 0939, 7952  
Fax : (05) 727 7155

#### 24) Teluk Intan

31 & 33, Jalan Intan 2  
Bandar Baru Teluk Intan  
36000 Teluk Intan, Perak  
Tel : (05) 622 1654, 1655  
Fax : (05) 621 1228

#### 25) Kuala Kangsar

6 & 7, Jalan Daeng Selili  
33000 Kuala Kangsar, Perak  
Tel : (05) 776 3772, 1762  
Fax : (05) 776 6836

#### 26) Parit Buntar

44, Jalan Teh Peh Kong  
34200 Parit Buntar, Perak  
Tel : (05) 716 1626, 1627  
Fax : (05) 716 2019

#### 27) 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

#### 28) Sitiawan

25C, Jalan Datuk Ahmad Yunus  
32000 Sitiawan, Perak  
Tel : (05) 691 1411, 1412, 4669  
Fax : (05) 691 9012

#### 29) Taiping

68 & 70, Jalan Kota  
34000 Taiping, Perak  
Tel : (05) 807 3257, 3276, 4749  
Fax : (05) 806 3275

#### 30) Sungkai

18 & 19, Jalan Besar  
35600 Sungkai, Perak  
Tel : (05) 438 6708, 6710  
Fax : (05) 438 6720

#### 31) Jalan Tun Sambanthan, Ipoh

Lot 2, 4, 6 & 8, Jalan Tun Sambanthan  
30000 Ipoh, Perak  
Tel : (05) 254 2135, 2136  
Fax : (05) 255 0050

#### 32) Kampar

81, 83 & 85, Jalan Gopeng  
31900 Kampar, Perak  
Tel : (05) 466 6202, 6203  
465 1592, 1599  
Fax : (05) 465 2216

#### 33) Sungai Siput

139 & 140, Jalan Besar  
31100 Sungai Siput, Perak  
Tel : (05) 598 2233, 2234, 8922  
Fax : (05) 598 4094

#### 34) Menglembu

Ground & First Floor  
50 & 52, Jalan Besar  
31450 Menglembu, Perak  
Tel : (05) 281 6011, 6017  
Fax : (05) 281 6010

#### 35) Ipoh Garden South

12 & 14 Taman Ipoh 6  
Ipoh Garden South  
31400 Ipoh, Perak  
Tel : (05) 548 2532, 7888  
Fax : (05) 547 8899

#### 36) Tasek

699 & 701, Jalan Tasek  
Taman Musim Bunga  
31400 Ipoh, Perak  
Tel : (05) 546 7363, 7386, 7370  
Fax : (05) 548 7566

#### 37) Gunung Rapat

57 & 59, Medan Gopeng 1  
Jalan Gopeng, Gunung Rapat  
31350 Ipoh, Perak  
Tel : (05) 312 3599, 3851  
Fax : (05) 312 6570

#### 38) Gopeng

Ground Floor  
67 & 69, High Street  
31600 Gopeng, Perak  
Tel : (05) 359 1169, 4524, 1291  
Fax : (05) 359 3291

#### 39) Jelapang

433 & 435, Jalan Silibin  
Taman Silibin, P. O Box No. 585  
30760 Ipoh, Perak  
Tel : (05) 526 6515, 8518  
Fax : (05) 526 2418

#### 40) Persiaran Greenhill, Ipoh

62, Persiaran Greenhill  
30450 Ipoh, Perak  
Tel : (05) 253 3355, 255 4195  
Fax : (05) 253 5053

### CENTRAL REGION

#### 1) Kuala Lumpur Main

Level 1, Tower Two  
RHB Centre  
426, Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : (03) 9281 3030  
Fax : (03) 9287 4173  
Including:  
**Menara Yayasan Tun Razak  
Kuala Lumpur Service Centre**  
Ground Floor  
Menara Yayasan Tun Razak  
200, Jalan Bukit Bintang  
55100 Kuala Lumpur  
Tel : (03) 2162 5068  
Fax : (03) 2162 1609

## Group Branch Network

### CENTRAL REGION (CONTINUED)

- 2) 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
- 3) 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
- 4) Jalan Ipoh, KL**  
14 - 16, Jalan Ipoh  
51200 Kuala Lumpur  
Tel : (03) 4042 8068, 8601, 2573  
Fax : (03) 4041 1411, 4043 0653
- 5) 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
- 6) 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
- 7) SS2, PJ**  
157 & 159, Jalan SS2/24  
Sg Way / Subang  
47300 Petaling Jaya, Selangor  
Tel : (03) 7875 3724  
Fax : (03) 7875 6600  
Including:-  
**Giant Kelana Jaya (Service Centre)**  
Lot F1, F2 and F3  
Tingkat 1, Giant Hypermarket  
No. 33 Jalan SS 6/12  
SS 6 Kelana Jaya  
47301 Petaling Jaya, Selangor  
Tel : (03) 7804 3658  
Fax : (03) 7804 4048
- 8) Damansara Jaya**  
22 & 24, Jalan SS 22/25  
Damansara Jaya  
47400 Petaling Jaya, Selangor  
Tel : (03) 7729 5132, 5137, 3853  
Fax : (03) 7729 9169
- 9) Section 14, Petaling Jaya**  
1, Jalan 14/20  
46100 Petaling Jaya, Selangor  
Tel : (03) 7957 4742, 4460  
Fax : (03) 7955 6219
- 10) 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
- 11) 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
- 12) Jalan Maharajalela, KL**  
Unit 1, Ground Floor  
Bangunan Cheong Wing Chan  
41 - 51, Jalan Maharajalela  
50150 Kuala Lumpur  
Tel : (03) 2274 9820, 0475  
2273 0993  
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
- 13) Jalan Bukit Bintang, KL**  
58 - 60, Jalan Bukit Bintang  
55100 Kuala Lumpur  
Tel : (03) 2148 0901, 2144 0875  
2142 3604, 3396, 2143 1857  
Fax : (03) 2143 0645
- 14) Taman Tun Dr. Ismail, KL**  
15 & 17, Jalan Tun Mohd Fuad 3  
Taman Tun Dr. Ismail  
60000 Kuala Lumpur  
Tel : (03) 7722 1284  
7726 8995, 4303  
Fax : (03) 7729 4077
- 15) `1' Utama, Petaling Jaya**  
Lot F38 & F39 (1st Floor)  
`1' Utama Shopping Centre  
Lebuhr Bandar Utama  
47800 Petaling Jaya, Selangor  
Tel : (03) 7728 3454, 3470  
Fax : (03) 7728 3496
- 16) Desa Sri Hartamas, KL**  
6, Jalan 24/ 70A  
Desa Sri Hartamas  
50480 Kuala Lumpur  
Tel : (03) 2300 2360, 1754  
Fax : (03) 2300 2358

### CENTRAL REGION (CONTINUED)

- 17) Kota Damansara**  
 No. 27-G-& 27-I  
 Jalan PJU 5/3, Dataran Sunway  
 Kota Damansara, 47810 Petaling Jaya  
 Tel : (03) 6140 9037, 9044  
 6141 8383  
 Fax : (03) 6141 8838
- 18) 75 Jalan Tun H.S. Lee, KL**  
 75, Jalan Tun H.S. Lee  
 50000 Kuala Lumpur  
 Tel : (03) 2070 0233, 6869  
 2072 9072, 2053 1485  
 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
- 19) 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
- 20) 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
- 21) 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
- 22) Overseas Union Garden, KL**  
 140 & 142 Jalan Mega Mendung  
 Bandar Complex, Batu 41/2  
 Jalan Kelang Lama  
 58200 Kuala Lumpur  
 Tel : (03) 7983 9861, 9863, 9864  
 Fax : (03) 7980 8081
- 23) 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
- 24) The Sphere, Bangsar South**  
 Unit G 10, Ground Floor and Unit 3A  
 First Floor, The Sphere  
 No. 1, Avenue 1, Bangsar South  
 No. 8, Jalan Kerinchi,  
 59200 Kuala Lumpur  
 Tel : (03) 2240 0102, 104, 107  
 Fax : (03) 2240 0092
- 25) 53 & 55, Pasar Borong, Selayang, KL**  
 53 & 55, Jalan 2/3A  
 Off KM 12, Jalan Ipoh  
 68100 Batu Caves, Kuala Lumpur  
 Tel : (03) 6136 3284, 3169, 8975  
 Fax : (03) 6136 3243
- 26) Rawang**  
 Ground, First & Second Floor  
 10 & 11, Jalan Maxwell  
 48000 Rawang, Selangor  
 Tel : (03) 6092 5035, 5036  
 Fax : (03) 6092 4788
- 27) 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
- 28) 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
- 29) 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
- 30) Jinjang Utara, KL**  
 Ground Floor, No. 3471-A, Jalan Besar  
 Jinjang Utara  
 52000 Kuala Lumpur  
 Tel : (03) 6257 7053, 7808  
 Fax : (03) 6252 7158
- 31) Kepong, KL**  
 321, Batu 7, Jalan Kepong  
 Kepong Baru  
 52100 Kuala Lumpur  
 Tel : (03) 6274 0022, 0593, 0463  
 Fax : (03) 6272 6521

## Group Branch Network

### CENTRAL REGION (CONTINUED)

#### 32) Kajang

25, Jalan Raja Harun  
Taman Hijau  
43000 Kajang, Selangor  
Tel : (03) 8736 0599, 0177, 2050  
Fax : (03) 8733 8570

#### 33) Seri Kembangan, Selangor

Lot 1484A & B, Jalan Besar  
43300 Seri Kembangan, Selangor  
Tel : (03) 8943 1455, 1357, 0276  
Fax : (03) 8943 0441

#### 34) Taman Sungai Besi, KL

30, Ground & First Floor  
Jalan 7/ 108C, Taman Sungai Besi  
57100 Kuala Lumpur  
Tel : (03) 7983 2105, 7984 3014, 3016  
Fax : (03) 7981 8875

#### 35) Salak South, KL

178-180, Main Street  
Salak South  
57100 Kuala Lumpur  
Tel : (03) 7983 9177, 9458, 9306  
Fax : (03) 7981 3357

#### 36) Taman Suntex, Selangor

5 & 6, Jalan Kijang 1  
Taman Suntex, Batu 9  
43200 Cheras, Selangor  
Tel : (03) 9074 7888, 7804  
Fax : (03) 9074 7879

#### 37) 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

#### 38) 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

#### 39) 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

#### 40) Taman Midah, KL

18 & 20, Jalan Midah Satu  
Taman Midah  
56000 Kuala Lumpur  
Tel : (03) 9131 2826, 2898  
9130 0991  
Fax : (03) 9130 0588

#### 41) 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

#### 42) 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

#### 43) 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

#### 44) Taman Permata, Selangor

Lot 6 & 7, Ground Floor  
Giant Hypermarket Complex  
Jalan Changkat Permata, Tmn Permata  
53300 Selangor  
Tel : (03) 4106 9726, 9308, 9832  
Fax : (03) 4106 9810

#### 45) Setapak, KL

257 & 259, Jalan Genting Kelang  
53300 Setapak, Kuala Lumpur  
Tel : (03) 4023 7444, 7476  
4025 4905  
Fax : (03) 4024 1353

#### 46) Jalan Pasar, KL

50 - 52, Jalan Pasar  
55100 Kuala Lumpur  
Tel : (03) 2141 4167, 2148 7301  
Fax : (03) 2142 8390, 2148 8967

#### 47) Segambut, KL

42 & 42A, Jalan Segambut Tengah  
Segambut, 51200 Kuala Lumpur  
Tel : (03) 6257 8777, 8999, 6888  
Fax : (03) 6252 2801

#### 48) Meru

1, Lorong Pepauh 1A  
Taman Pekan Meru  
41050 Kelang, Selangor  
Tel : (03) 3392 4501, 4502, 4503  
Fax : (03) 3392 4504

#### 49) Jalan Stesen, Kelang

24 & 26, Jalan Stesen  
41000 Kelang, Selangor  
Tel : (03) 3371 9669, 9652  
3372 7242  
Fax : (03) 3372 9613

#### 50) Persiaran Sultan Ibrahim, Kelang

33, Persiaran Sultan Ibrahim  
41300 Kelang, Selangor  
Tel : (03) 3342 0433, 0434, 0435  
Fax : (03) 3344 6405

### CENTRAL REGION (CONTINUED)

- 51) Port Klang**  
 Persiaran Raja Muda Musa  
 42000 Pelabuhan Kelang, Selangor  
 Tel : (03) 3168 7142, 7143, 0337  
 Fax : (03) 3166 1351  
 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
- 52) Bandar Baru Klang**  
 Unit A6, No. 22A, Jalan Tiara 2A/KU1,  
 Pusat Perniagaan BBK  
 41150 Kelang, Selangor  
 Tel : (03) 3344 2751, 2750, 52  
 Fax : (03) 3344 2755
- 53) Tanjung Karang**  
 Lot 1 & 3, Jalan Satu  
 Taman Tanjung Karang Baru  
 45500 Tanjung Karang, Selangor  
 Tel : (03) 3269 5039, 8171, 1812  
 Fax : (03) 3269 8078
- 54) Jenjarom**  
 M38 & M40, Jalan Besar  
 42600 Jenjarom, Selangor  
 Tel : (03) 3191 3422, 3433, 3477  
 Fax : (03) 3191 4328
- 55) Tanjung Sepat**  
 1 & 3, Jalan Senangin Satu  
 Taman Tanjung  
 42809 Tanjung Sepat, Selangor  
 Tel : (03) 3197 4035, 4235, 4788  
 Fax : (03) 3197 4568
- 56) 11,13 & 15, Jalan Niaga, Shah Alam**  
 11, 13 & 15, Jalan Niaga 16/3A  
 Section 16  
 40000 Shah Alam, Selangor  
 Tel : (03) 5510 3131, 3135, 6289  
 Fax : (03) 5519 6166
- 57) Jalan T. Amp Zabedah, Shah Alam**  
 16 & 18, Ground & First Floor  
 Jalan T. Amp Zabedah D9/D, Section 9  
 40100 Shah Alam, Selangor  
 Tel : (03) 5510 0559, 5511 4127, 4128  
 5512 9829  
 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  
 Fax : (03) 5512 8899
- 58) 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) 56344848
- 59) 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
- 60) IOI Boulevard, Puchong**  
 No. B-G-5 & B-1-5  
 Ground Floor & 1st Floor  
 IOI Boulevard, Jalan Kenari 5  
 Bandar Puchong Jaya  
 47100 Puchong, Selangor  
 Tel : (03) 8070 8603, 8604, 8571  
 Fax : (03) 8070 8563
- 61) 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
- 62) Bandar Baru Nilai**  
 PT 7460 & 7461  
 Jalan Bandar Baru Nilai 1/1A  
 Putra Point, Bandar Baru Nilai  
 71800 Nilai, Negeri Sembilan  
 Tel : (06) 794 1006, 1007, 1008, 1009  
 Fax : (06) 799 6095
- 63) Sungai Pelek**  
 76 & 77, Jalan Besar  
 43950 Sungai Pelek, Selangor  
 Tel : (03) 3141 1176, 1394  
 Fax : (03) 3141 1100
- 64) Kuala Pilah**  
 Lots P.T. 9 & 10, Jalan Melewar  
 72000 Kuala Pilah, Negeri Sembilan  
 Tel : (06) 481 1442, 1513, 481 3995  
 Fax : (06) 481 6478
- 65) 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
- 66) Seremban**  
 10 & 11, Jalan Dato' Abdul Rahman  
 70000 Seremban, Negeri Sembilan  
 Tel : (06) 763 8623, 8555, 762 5249  
 Fax : (06) 762 0192
- 67) Rantau**  
 158 & 159, Jalan Besar  
 71200 Rantau  
 Negeri Sembilan  
 Tel : (06) 694 1969, 1589, 634 3371  
 Fax : (06) 694 2690
- 68) Simpang Pertang**  
 15, Jalan Helang  
 Taman Sri Pertang  
 72300 Simpang Pertang  
 Tel : (06) 492 9520, 9550, 9540  
 Fax : (06) 492 9190

## Group Branch Network

### CENTRAL REGION (CONTINUED)

#### 69) 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

### EAST COAST REGION

#### 1) Bentong

Lot 13 & 14, Jalan Loke Yew  
28700 Bentong, Pahang  
Tel : (09) 222 1648, 1649  
Fax : (09) 222 5944

#### 2) Jerantut

Lot 4360 & 4361, Jalan Kuantan  
27000 Jerantut, Pahang  
Tel : (09) 266 5900, 5901  
Fax : (09) 266 5899

#### 3) Raub

Lot PT 16477 & 16478  
Pusat Perniagaan Indrapura, Jalan Tras  
27600 Raub, Pahang  
Tel : (09) 355 5077, 5155  
Fax : (09) 355 2929

#### 4) Kuantan, Putra Square

No. 2, 4, & 6 (Malay Town)  
Jalan Putra Square 1  
Putra Square, 25000 Kuantan  
Tel : (09) 517 3500, 3503  
Fax : (09) 517 3501

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

#### 5) Mentakab

Lot 94 & 95, Jalan Temerloh  
28400 Mentakab, Pahang  
Tel : (09) 278 1976, 1971  
Fax : (09) 278 2034

#### 6) Jalan Kebun Sultan, Kota Bharu

Lot 1182-1183, Jalan Kebun Sultan  
15350 Kota Bharu, Kelantan  
Tel : (09) 744 1776, 1654  
Fax : (09) 748 1788

#### 7) Kuala Dungun

K231, Jalan Besar, Kuala Dungun  
23000 Dungun, Terengganu  
Tel : (09) 848 1416, 1575  
Fax : (09) 848 2996

#### 8) Kuala Terengganu

59, Jalan Sultan Ismail  
20200 Kuala Terengganu  
Terengganu  
Tel : (09) 622 1478, 6478  
Fax : (09) 622 9379

#### 9) Kerteh

10B, Bandar Baru Kerteh  
24300 Kerteh, Terengganu  
Tel : (09) 826 1644, 1645  
Fax : (09) 826 2171

#### 10) Kemaman

No 11289 & 11290  
Bandar Cukai Utama, Phase 3  
Jalan Kubang Kurus  
24000 Kemaman  
Terengganu  
Tel : (09) 859 2825, 2824  
Fax : (09) 859 3771

#### 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) Jalan Dedap, Taman Johor Jaya

7 & 9, Jalan Dedap 18  
Taman Johor Jaya  
81100 Johor Bahru, Johor  
Tel : (07) 355 5226, 5327, 0844, 3277  
Fax : (07) 355 5004

#### 2) Jalan Bandar, Pasir Gudang

10A, Pusat Perdagangan  
Jalan Bandar  
81700 Pasir Gudang, Johor  
Tel : (07) 251 1578, 573, 6292  
252 7717  
Fax : (07) 251 1584, 252 7719

#### 3) Taman Pelangi, Johor

Suite 1-2, Level 1  
Menara Pelangi  
2, Jalan Kuning  
Taman Pelangi  
80400 Johor Bahru, Johor  
Tel : (07) 334 3476, 3481  
Fax : (07) 334 3482

#### 4) Permas Jaya, Johor

Ground Floor  
35 & 37, Jalan Permas 10/2  
Bandar Baru Permas Jaya  
81750 Johor Bahru, Johor  
Tel : (07) 388 6741, 6744, 6746  
Fax : (07) 388 6749

#### 5) Johor Bahru City Square

Lot J1-22 & J2-31  
Level 1 & 2, Johor Bahru City Square  
106 & 108, Jalan Wong Ah Fook  
80000 Johor Bahru, Johor  
Tel : (07) 224 5333, 0333  
223 0573  
Fax : (07) 224 1264

### SOUTHERN REGION (CONTINUED)

- 6) Ulu Tiram**  
1 & 2, Jalan Raya  
81800 Ulu Tiram, Johor  
Tel : (07) 861 3002, 7609, 3003  
Fax : (07) 861 4088
- 7) Taman Molek, Johor**  
56 & 58, Jalan Molek 2/2  
Taman Molek  
81100 Johor Bahru, Johor  
Tel : (07) 351 4641, 4642  
Fax : (07) 351 4649
- 8) Taman Sentosa, Johor**  
9 & 11, Jalan Sutera  
Taman Sentosa  
80150 Johor Bahru, Johor  
Tel : (07) 332 2243, 2244, 2246  
Fax : (07) 334 9441, 332 7251
- 9) Taman Mount Austin**  
No. 87 & 89 Jalan Austin Heights 3  
Austin Heights, Taman Mount Austin  
81100 Johor Bahru  
Tel : (07) 353 9648, 649, 659, 9579  
Fax : (07) 353 9566
- 10) Jalan Bendahara 12**  
Taman Ungku Tun Aminah  
62, 64 & 66, Jalan Bendahara 12  
Taman Ungku Tun Aminah  
81300 Sekudai, Johor  
Tel : (07) 557 1477, 1097, 9926, 1790  
Fax : (07) 557 1553
- 11) Senai**  
180 & 181, Jalan Belimbing 1  
81400 Senai, Johor  
Tel : (07) 599 6960, 6546, 7154  
Fax : (07) 599 6913
- 12) 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
- 13) Kulai**  
4 & 5, Taman Seraya  
Kulai Besar  
81000 Kulai, Johor  
Tel : (07) 663 1911, 1912  
Fax : (07) 663 2159
- 14) Pontian Kechil**  
192, Jalan Bakek  
Pontian Kechil  
82000 Pontian, Johor  
Tel : (07) 687 8368, 8369, 8123  
Fax : (07) 687 9107
- 15) Masai, Johor**  
Lot G-03, G-05 & 01-05  
Jalan Masai Jaya 1  
81750 Masai, Johor Bahru, Johor  
Tel : (07) 352 7684, 358 2715, 2716  
Fax : (07) 352 7689
- 16) Jalan Dato' Rauf, Kluang**  
18 & 20, Jalan Dato' Rauf  
86000 Kluang, Johor  
Tel : (07) 772 4111, 4112  
Fax : (07) 772 4094
- 17) Segamat**  
110 & 111, Jalan Genuang  
85000 Segamat, Johor  
Tel : (07) 931 1366, 1367, 5442, 5379  
Fax : (07) 932 3901
- 18) Batu Pahat**  
89, Jalan Rahmat  
83000 Batu Pahat, Johor  
Tel : (07) 431 7011, 7022  
Fax : (07) 431 1077
- 19) Jementah**  
Ground Floor, MCA Building  
Jalan Muar  
85200 Jementah, Johor  
Tel : (07) 947 1578, 1353  
Fax : (07) 947 2404
- 20) Simpang Renggam**  
8 & 9, Jalan Kijang  
86200 Simpang Renggam, Johor  
Tel : (07) 755 8531, 8532, 7366  
Fax : (07) 755 8262
- 21) Bekok**  
G34 & G36, Jalan Wijaya  
86500 Bekok, Johor  
Tel : (07) 922 1639, 1643  
Fax : (07) 922 1525
- 22) Yong Peng**  
106, Jalan Besar  
83700 Yong Peng, Johor  
Tel : (07) 467 1006, 1146  
Fax : (07) 467 5137
- 23) 9, Jalan Abdullah, Muar**  
9, Jalan Abdullah  
84000 Muar, Johor  
Tel : (06) 952 2234, 951 9080  
Fax : (06) 952 9503
- 24) Bukit Baru, Melaka**  
Ground Floor, 5 & 6  
Jalan DR 1, Taman Delima Raya  
Bukit Baru  
75150 Melaka  
Tel : (06) 232 1302, 1298  
Fax : (06) 232 1319
- 25) Tangkak**  
351 & 352, Jalan Muar  
84900 Tangkak, Johor  
Tel : (06) 978 6588, 6591  
Fax : (06) 978 6592



## Group Branch Network

### SOUTHERN REGION (CONTINUED)

#### 26) 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

#### 27) Kota Melaka

No. 57&59, Prime Square  
Taman Melaka Raya  
75000 Melaka  
Tel : (06) 282 5030, 5029  
Fax : (06) 282 5076

### SABAH REGION

#### 1) Jalan Gaya, Kota Kinabalu

81 / 83, Jalan Gaya  
88000 Kota Kinabalu, Sabah  
Tel : (088 ) 216 188, 213 982  
Fax : (088) 235 871

Including:-

#### Warisan Square (Sales Kiosk)

Lot No: C-G-09 Block C  
Ground Floor, Warisan Square  
Jalan Tun Fuad Stephen  
88000 Kota Kinabalu, Sabah  
Tel : (088) 447 224, 225  
Fax : (088) 447 221

#### 2) Inanam, Sabah

Ground & First Floor  
Lot 20 & 22, Block E  
Inanam New Township, Phase II  
89350 Inanam, Sabah  
Tel : (088) 422 883  
Fax : (088) 423 011

#### 3) 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

#### 4) 1-Borneo Hypermall, Kota Kinabalu

Lot No: G-203, Ground Floor  
1-Borneo Hypermall, Jalan Sulaman  
88450 Kota Kinabalu, Sabah  
Tel : (088) 488 677, 982, 986  
Fax : (088) 488 678

#### 5) Lintas Station Complex, Kota Kinabalu

Lot No. 6-19, Ground Floor  
Lintas Station Complex  
Jalan Lintas, Luyang  
88300 Kota Kinabalu, Sabah  
Tel : (088) 244 698, 230 693  
Fax : (088) 233 690

#### 6) Prima Square, Sandakan

Block 7, Lot 64, 65 & 66, Phase 1  
Prima Square, Mile 4, Jalan Utara  
90000 Sandakan, Sabah  
Tel : (089) 208 101, 102, 104, 100  
Fax : (089) 228 101

#### 7) Wisma Khoo, Sandakan

Sub Lot 1 - 7, Ground Floor  
Wisma Khoo Siak Chiew  
Lebuh Tiga, Jalan Sim Sim  
90009 Sandakan, Sabah  
Tel : (089) 218 777  
Fax : (089) 271 246

#### 8) Tawau, Sabah

Ground & First Floor  
Lot 5 Block 27, Fajar Complex  
Jalan Mahkamah, Town Extension II  
91000 Tawau, Sabah  
Tel : (089) 777 355, 777 233  
Fax : (089) 764 684, 765 254

#### 9) Lahad Datu, Sabah

Lot 1 & 2, Block A  
Metro Commercial Complex  
91100 Lahad Datu, Sabah  
Tel : (089) 886 159, 418  
Fax : (089) 886 163

### SARAWAK REGION

#### 1) Kanowit, Sarawak

Lots 127 & 128  
No 65-66 Jalan Kubu  
Kanowit Town District  
96700 Kanowit, Sarawak  
Tel : (084) 752 700  
Fax : (084) 752 711

#### 2) Dalat, Sarawak

Ground Floor  
Pejabat Daerah Dalat  
96300 Dalat, Sarawak  
Tel : (084) 864 841, 842  
Fax : (084) 864 824

#### 3) 31, Jalan Tunku Osman, Sibul

No 31, Jalan Tunku Osman  
96007 Sibul, Sarawak  
Tel : (084) 314 455  
Fax : (084) 310 546

#### 4) Kapit, Sarawak

Lot 504, Jalan Temenggong Jugah  
96800, Kapit, Sarawak  
Tel : (084) 797 771  
Fax : (084) 797 775

#### 5) Sarikei, Sarawak

Lot 1468, Repok Road  
96108 Sarikei, Sarawak  
Tel : (084) 657 030  
Fax : (084) 657 036

### SARAWAK REGION (CONTINUED)

- 6) Batu Kawah, Kuching**  
 Bd 104/204 & 105/205  
 Batu Kawah New Township  
 Jalan Batu Kawah  
 93250 Kuching, Sarawak  
 Tel : (082) 455 650, 450 487  
 Fax : (082) 459 790
- 7) UNIMAS**  
 Bangunan Hal Ehwal Pelajar  
 Campus Tetap Unimas, KM 17, Kuching  
 Kota Samarahan Expressway  
 94300 Kota Samarahan, Sarawak  
 Tel : (082) 665 622, 288  
 Fax : (082) 665 261
- 8) Wisma Mahmud, Kuching**  
 Level 1, Wisma Mahmud  
 Jalan Sungei Sarawak  
 93100 Kuching, Sarawak  
 Tel : (082) 345 345, 610  
 Fax : (082) 338 358, 342 327
- 9) Lundu, Sarawak**  
 Lot 249-250, Jalan Blacksmith  
 Pekan Lundu  
 94500 Lundu, Sarawak  
 Tel : (082) 735 611  
 Fax : (082) 735 220
- 10) Sri Aman, Sarawak**  
 Lot 839, Jalan Sabu  
 95000 Sri Aman, Sarawak  
 Tel : (083) 320 979, 980  
 Fax : (083) 320 975
- 11) Medan Raya, Kuching**  
 Lot 4, Tingkat Bawah  
 Bangunan MASJA  
 Medan Raya, Petrajaya  
 93050 Kuching, Sarawak  
 Tel : (082) 442 741, 449 135, 445 611  
 Fax : (082) 443 926
- 12) 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
- 13) Jalan Padungan, Kuching**  
 256, Jalan Padungan  
 93100 Kuching, Sarawak  
 Tel : (082) 423 216, 252 088  
 Fax : (082) 415 453, 428 717
- 14) Jalan Kulas, Kuching**  
 Ground Floor  
 Lot 363, Jalan Kulas  
 93740 Kuching, Sarawak  
 Tel : (082) 419 050, 426 586  
 Fax : (082) 426 160
- 15) Simpang Tiga, Kuching**  
 No 11, Jalan Simpang Tiga  
 93758 Kuching, Sarawak  
 Tel : (082) 417 817, 411 817  
 Fax : (082) 420 975  
 Including:  
**Kuching International Airport  
 Arrival Hall**  
 Peti Surat 1070  
 93722 Kuching, Sarawak  
 Tel : (082) 463 768  
 Fax : (082) 464 355
- 16) Siburan, Sarawak**  
 No 2, Siburan Bazaar  
 17th Mile, Kuching Serian Road  
 94200 Siburan, Sarawak  
 Tel : (082) 862 808  
 Fax : (082) 862 880
- 17) 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
- 18) Jalan Nakhoda Gampar, Miri**  
 Lot 362, Block 9  
 Jalan Nakhoda Gampar  
 98008 Miri, Sarawak  
 Tel : (085) 411 882  
 Fax : (085) 415 682
- 19) Lawas, Sarawak**  
 Lot No 355, Jalan Punang  
 98850 Lawas, Sarawak  
 Tel : (085) 285 657, 659  
 Fax : (085) 285 529
- 20) Jalan Masjid, Bintulu**  
 Ground Floor & 1st Floor  
 258 Taman Sri Dagang, Jalan Masjid  
 97000 Bintulu, Sarawak  
 Tel : (086) 331 133  
 Fax : (086) 331 692
- 21) Marudi, Sarawak**  
 Lot 29, Jalan Kapitan Lim Ching Kiat  
 Marudi  
 98050, Baram, Sarawak  
 Tel : (085) 756 721, 722  
 Fax : (085) 756 724
- 22) Limbang, Sarawak**  
 Lot 1563 Jalan Buangsiol  
 98700 Limbang, Sarawak  
 Tel : (085) 212 398, 399  
 Fax : (085) 211 022

## Group Branch Network

### 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

#### 2) Jalan Satok, Kuching

192-E & 192F, Jalan Satok  
93400 Kuching, Sarawak  
Tel : (082) 258 800  
Fax : (082) 243 900

#### 3) Jalan Karamunsing, Kota Kinabalu

Lot BG-01, Ground Floor  
Block B, Bangunan KWSP  
No 49, Jalan Karamunsing  
88100 Kota Kinabalu  
Sabah  
Tel : (082) 258 800  
Fax : (082) 243 900

#### 4) Kubang Kerian

Lot 1679, Jalan Raja Perempuan  
Zainab 2, Bandar Baru Kubang Kerian  
16150 Kota Bharu  
Kelantan Darul Naim  
Tel : (09) 764 0222  
Fax : (09) 764 0700

#### 5) Kuala Terengganu

No. 20, Pusat Niaga Paya Keladi  
20200 Kuala Terengganu, Terengganu  
Tel : (09) 630 5577  
Fax : (09) 630 5533

#### 6) Dataran Glomac, Pusat Bandar Kelana Jaya

No. A-G-03, Jalan SS 6/5 A  
Dataran Glomac, Pusat Bandar  
Kelana Jaya, Kelana Jaya  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Tel : (03) 7803 4614  
Fax : (03) 7880 6716

#### 7) Taman Flora Utama, Batu Pahat

Ground Floor, No. 1 & 2  
Jalan Flora Utama 1  
Taman Flora Utama  
83000 Batu Pahat  
Johor Darul Ta'zim  
Tel : (07) 433 6777  
Fax : (07) 433 4848

#### 8) Bandar Baru Bangi

No 39-G-1, Jalan Medan Pusat Bandar 4  
43650 Bandar Baru Bangi  
Selangor Darul Ehsan  
Tel : (03) 8926 5433  
Fax : (03) 8926 3343

#### 9) Taman Setia Tropika, Johor Bahru

No. 1, Jalan Setia Tropika 1/30  
Taman Setia Tropika  
81200 Johor Bahru  
Johor Darul Ta'zim  
Tel : (07) 238 0078  
Fax : (07) 238 0012

#### 10) Klang, Selangor

No. 1, Jalan Bayu Tinggi 6  
Taman Bayu Tinggi  
41200 Klang, Selangor  
Tel : (03) 3326 2255  
Fax : (03) 3325 9522

#### 11) Prai, Pulau Pinang

1808-1809 B, Jalan Perusahaan  
Auto-City (Phase 3) Prai  
North-South Highway Juru Interchange  
13600 Pulau Pinang  
Tel : (04) 508 0500  
Fax : (04) 501 6700

#### 12) Jalan Raja Laut, Kuala Lumpur

Lot G-04, Ground Floor  
Bangunan KWSP  
No. 5, Jalan Raja Laut  
50350 Kuala Lumpur  
Tel : (03) 2693 6300  
Fax : (03) 2693 7300

#### 13) Automobile Business Centre - Taman Indah, Cheras

Automobile Business Centre  
Taman Indah, 2nd Floor  
No 7 & 9, Jalan SS2/1, Off Jalan Balakong  
Taman Indah, Batu 11  
43200 Cheras, Selangor Darul Ehsan  
Tel : (03) 9075 5959  
Fax : (03) 9075 3872

### RHB INVESTMENT BANK BERHAD

#### 1) HEAD OFFICE

Level 13, Tower Three  
RHB Centre, Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : (03) 9287 3888  
Fax : (03) 9281 5000

#### 2) Melaka Branch

Lot 9 & 10, 1st Floor  
Bangunan Tabung Haji  
Jalan Bandar 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, 342 898  
Fax : (082) 335 989

#### 4) Associate Company

Vietnam Securities Corporation  
8th Floor, 59 Quang Trung  
Hai Ba Trung District  
Hanoi, Vietnam  
Tel : (84) 4 944 6066, 67, 68, 69  
Fax : (84) 4 944 6070

### RHB RESEARCH INSTITUTE SDN BHD

#### 1) Level 11, Tower One

RHB Centre, Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : (03) 9285 2233  
Fax : (03) 9284 8693

## RHB PRIVATE EQUITY HOLDINGS SDN BHD

- Level 12, Tower Three  
RHB Centre, Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : (03) 9280 5586  
Fax : (03) 9287 5392

## RHB INVESTMENT MANAGEMENT SDN BHD

- HEAD OFFICE**  
Level 7, Tower One  
RHB Centre, Jalan Tun Razak  
50400 Kuala Lumpur  
Hotline : 1800 88 3656  
Tel : (03) 9286 2666  
Fax : (03) 9286 2407
- Northern Regional Office**  
Level 3A, 44 Lebuah Pantai  
Georgetown, 10300 Penang  
Tel : (04) 263 4848, 1333  
Fax : (04) 262 8844
- Sabah Regional Office**  
Lot No. C-02-04, 2nd Floor, Block C  
Warisan Square, Jalan Tun Fuad Stephens  
88000, Kota Kinabalu, Sabah  
Tel : (088) 528 777  
Fax : (088) 528 685
- Sarawak Regional Office**  
Lot 7420, First Floor, Jalan Simpang Tiga  
93300 Kuching, Sarawak  
Tel : (082) 231 326  
Fax : (082) 230 326
- Kuala Lumpur Branch Office**  
1st and 2nd Floor, Lot 10, Block J  
Kuala Cityview, No. 10, Jalan 4/93A  
Warisan Cityview, Off Batu 2½  
Jalan Cheras  
56100, Kuala Lumpur  
Tel : (03) 9282 8669  
Fax : (03) 9282 2669

## RHB INSURANCE BERHAD

- HEAD OFFICE**  
Level 8, Tower One  
RHB Centre, Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : (03) 9281 2731  
Fax : (03) 9281 2729
- PENANG**  
Unit No 10.04  
10th Floor Menara PSCI  
39, Jalan Sultan Ahmad Shah  
10050 Penang  
Tel : (04) 261 0115, 261 5639  
262 5649, 1206  
Fax : (04) 2616310
- IPOH**  
37, Jalan Medan Ipoh 5  
Bandar Baru Medan Ipoh  
31400 Ipoh  
Tel : (05) 546 3123, 2021  
Fax : (05) 546 1303
- KAJANG**  
7 Jalan Raja Haroun  
43000 Kajang  
Selangor Darul Ehsan  
Tel : (03) 8737 6067, 8733 6479  
Fax : (03) 8737 9348
- KLANG**  
No. 2A - Ground & 1st Floor  
Jalan Tira 2D/KU1  
Bandar Baru Klang  
41150 Klang  
Selangor Darul Ehsan  
Tel : (03) 3342 0026  
Fax : (03) 3342 1026
- MELAKA**  
Lot 250, No 339-A  
Jalan Melaka Raya 3  
Taman Melaka Raya  
75000 Melaka  
Tel : (06) 282 9978, 283 9460, 9118  
Fax : (06) 282 0516

- JOHOR BAHRU**  
Suite 18.06  
Level 18 JB City Square  
JB City Square (Office Tower)  
106-108, Jalan Wong Ah Fook  
80000 Johor Bahru, Johor  
Tel : (07) 223 4982, 7068  
Fax : (07) 223 0824
- KOTA BAHRU**  
Lot 344, Jalan Sultan Yahya Petra  
15200 Kota Bharu, Kelantan  
Tel : (09) 746 1611  
Fax : (09) 746 1612
- KUANTAN**  
1st Floor, Lot 2,4 & 6  
Jalan Putra Square 1  
25000 Kuantan  
Tel : (09) 505 7048  
Fax : (09) 505 7046
- KOTA KINABALU**  
Lot No. C-02-06  
2nd Floor, Block C, Warisan Square  
Jalan Tun Fuaad Stephen  
88000 Kota Kinabalu  
Tel : (088) 528 769, 768, 766, 765  
Fax : (088) 528 770
- KUCHING**  
1st Floor, Lot 7051  
Section 64 KTLD, Jalan Sekama  
93300 Kuching, Sarawak  
Tel : (082) 482 642, 643  
Fax : (082) 482 641
- SIBU**  
91, Ground Floor  
Jalan Kampong Nyabor  
96000 Sibu, Sarawak  
Tel : (084) 331 660, 876  
Fax : (084) 331 873
- SANDAKAN**  
Ground Floor, Block 11, Lot 8  
Bandar Indah, 4 Mile, North Road  
90000 Sandakan, Sabah  
Tel : (089) 235 893, 898  
Fax : (089) 275 882

## Group Branch Network

### BUREAU DE CHANGE

- 1) 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) 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
- 3) 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
- 4) KUCHING INTERNATIONAL AIRPORT**  
Arrival Hall  
93722 Kuching, Sarawak  
Tel : (082) 463 768  
Fax : (082) 464 355
- 5) LOW COST CARRIER TERMINAL (LCCT)-KLIA**  
Lot LCIA 01  
New International Arrival Hall  
Low Cost Carrier Terminal, KLIA  
Tel : (03) 8787 4351  
Fax : (03) 8787 4352
- 6) KLCC**  
Lot G 34, Ground Level  
Petronas Twin Towers  
Kuala Lumpur City Centre  
50000 Kuala Lumpur  
Tel : (03) 2164 4423, 4125, 4128  
Fax : (03) 2164 6213

- 7) 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

### LIST OF OVERSEAS BRANCHES

- BRUNEI BRANCH**  
Unit G.02, Ground Floor, Block D  
Kompleks Yayasan Sultan Haji  
Hassanal Bolkhiah, Jalan Pretty  
Bandar Seri Begawan BS 8711  
Negara Brunei Darussalam  
Tel : +673 222 2515, 2516, 3687  
Fax : +673 223 7487

- BANGKOK BRANCH**  
RHB Bank Berhad  
G Fl., 18 Fl., M. Thai Tower  
All Seasons Place  
87 Wireless Road  
Lumpini, Pathumwan  
Bangkok 10330  
Thailand  
Tel : +66 (02) 126 8600  
Fax : +66 (02) 126 8601-2  
Country Head : Mr.Lim Hun Joo

### SINGAPORE BRANCH

- 1) Cecil Street Branch**  
RHB Bank Berhad  
Cecil Street Branch  
90 Cecil Street, #01-00  
Singapore 069531  
Tel : 00 65 6222 1059  
Fax : 00 65 6225 5296
- 2) Bukit Timah Branch**  
RHB Bank Berhad  
Bukit Timah Branch  
440/442 Upper Bukit Timah Road  
The Rail Mall, Singapore 678064  
Tel : 00 65 6765 1678  
Fax : 00 65 6762 4032

- 3) Geylang Branch**  
RHB Bank Berhad  
537 Geylang Road  
Singapore 389492  
Tel : 00 65 6747 8969  
Fax : 00 65 6747 1015
- 4) Jalan Besar Branch**  
RHB Bank Berhad  
Jalan Besar Branch  
10 Jalan Besar, #01-03  
Sim Lim Tower, Singapore 208787  
Tel : 00 65 6296 5842  
Fax : 00 65 6296 5846
- 5) Katong Branch**  
RHB Bank Berhad  
14-18 East Coast Road  
Katong, Singapore 428741  
Tel : 00 65 6344 5353  
Fax : 00 65 6345 7131
- 6) Bukit Merah Branch**  
RHB Bank Berhad  
Blk 131, Jalan Bukit Merah  
#01-1577 / 1579  
Singapore 160131  
Tel : 00 65 6273 9168  
Fax : 00 65 6273 7765
- 7) Upper Serangoon**  
RHB Bank Berhad  
1 Yio Chu Kang Road  
Singapore 545506  
Tel : 00 65 6282 6778  
Fax : 00 65 6285 4685

# Notice of Fifteenth Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Fifteenth (15th) Annual General Meeting of the Company will be held at the Grand Ballroom, Level 2, Hotel Nikko Kuala Lumpur, 165, Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 19 May 2010 at 9.30 a.m. to transact the following Ordinary Businesses:-

## AGENDA

### As Ordinary Business:-

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2009 and the Directors' and Auditors' Reports thereon. **Ordinary Resolution 1**
2. To declare a final dividend of 17.45% less 25% income tax in respect of the financial year ended 31 December 2009 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) YBhg Datuk Haji Faisal Siraj; and **Ordinary Resolution 3**
  - (ii) YBhg Dato' Mohamed Khadar Merican. **Ordinary Resolution 4**
4. To re-elect the following Directors retiring under Article 84 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:-
  - (i) Mr Mohamed Ali Ahmed Hamad Al Dhaheri; **Ordinary Resolution 5**
  - (ii) Mr Arul Kanda Kandasamy; and **Ordinary Resolution 6**
  - (iii) YBhg Dato' Tajuddin Atan. **Ordinary Resolution 7**
5. To approve the payment of Directors' fees totalling RM382,027.40 for the financial year ended 31 December 2009; **Ordinary Resolution 8**
6. 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 9**
7. To transact any other business for which notice has been duly received.

# Notice of Fifteenth Annual General Meeting

## NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of Members at the Fifteenth (15th) Annual General Meeting of the Company to be held on Wednesday, 19 May 2010, a final dividend of 17.45% less 25% income tax for the financial year ended 31 December 2009, will be paid on 18 June 2010 to Depositors whose names appear in the Record of Depositors as at 24 May 2010.

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 24 May 2010 in respect of transfers;
- b. Securities deposited into the Depositor's securities account before 12.30 p.m. on 20 May 2010 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 April 2010

NOTES:

### Appointment of Proxy

1. A member of the Company 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 of the Company 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 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.



# Proxy Form



**RHB CAPITAL BERHAD**  
(Company No. 312952-H)  
(Incorporated in Malaysia under the Companies Act, 1965)

No. of Ordinary Shares held

I/We \_\_\_\_\_ NRIC/Passport/Company No. \_\_\_\_\_  
(Name in block letters)

of \_\_\_\_\_  
(Full address)

being a member of RHB CAPITAL BERHAD hereby appoint :-

(Name & NRIC No.) \_\_\_\_\_ of \_\_\_\_\_  
and/or\*

(Name & NRIC No.) \_\_\_\_\_ of \_\_\_\_\_

or failing him/her, the CHAIRMAN OF THE MEETING, as my/our\* proxy to vote for me/us\* and on my/our\* behalf at the Fifteenth (15th) Annual General Meeting of the Company to be held at Grand Ballroom, Level 2, Hotel Nikko Kuala Lumpur, 165, Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 19 May 2010 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)  Second 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 17.45% less 25% income tax for the financial year ended 31 December 2009.		
Ordinary Resolution 3	To re-elect YBhg Datuk Haji Faisal Siraj as Director.		
Ordinary Resolution 4	To re-elect YBhg Dato' Mohamed Khadar Merican as Director.		
Ordinary Resolution 5	To re-elect Mr Mohamed Ali Ahmed Hamad Al Dhaheri as Director.		
Ordinary Resolution 6	To re-elect Mr Arul Kanda Kandasamy as Director.		
Ordinary Resolution 7	To re-elect YBhg Dato' Tajuddin Atan as Director.		
Ordinary Resolution 8	To approve the payment of Directors' Fee totaling RM382,027.40 for the financial year ended 31 December 2009.		
Ordinary Resolution 9	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 \_\_\_\_\_, 2010

Signature

*(If shareholder is a corporation,  
this part should be executed under seal)*

\* Delete if not applicable

## Note

- A member of the Company entitled to attend and vote at the general meeting is entitled to appoint up to two (2) proxies to attend and vote in his place. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- The Form of Proxy must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, be executed under its common seal or under the hand of its attorney duly authorised in writing.
- If the Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
- Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account which is credited with ordinary shares of the Company.
- The Form of Proxy or other instruments of appointment must be deposited at the office of the Share Registrar of the Company, Symphony Share Registrars Sdn Bhd, at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
- Registration counter will open from 8.30 a.m. to 9.30 a.m. on the meeting day to facilitate shareholders/proxy registration

Please fold here

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Postage  
Stamp

The Share Registrar of **RHB CAPITAL BERHAD**  
SYMPHONY SHARE REGISTRARS SDN BHD  
Level 6, Symphony House  
Block D13, Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor

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**RHB CAPITAL BERHAD** (312952-H)

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

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

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