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

RHB Capital Berhad

Converging Towards Excellence

ANNUAL REPORT 2010

Vision

To be among the top three financial institutions in ASEAN by the year 2020

Contents

2 Our Core Values
4 Group Financial Highlights
5 Simplified Group Statements of Financial Position
6 Five-Year Group Financial Summary
7 Summary of Five-Year Group Growth
8 Segmental Analysis
9 Group Quarterly Performance

12 Corporate Information
14 RHB Banking Group Corporate Structure
16 Board of Directors
18 Profile of the Board of Directors
27 Chairmen of the Key Operating Subsidiaries

30 Chairman's Statement
37 Chairmen of Group Committees
38 Corporate Governance Statement
52 Statement on Internal Control
58 Audit Committee Report
62 Risk Management Statement
70 Business Ethics and Integrity
71 Compliance Statement
76 Group Senior Management

80 Overview: Business and Operations
- Retail Banking
- Corporate & Investment Banking
- Business Banking
- Global Finance Banking
- Group Treasury
- Transaction Banking
- Islamic Banking

90 Review of the Malaysian Economy

96 Our Commitment to Human Capital
98 Awards and Recognition
100 Calendar of Significant Corporate Events 2010
104 Analysis of the Financial Performance
106 Responsibility Statement by the Board of Directors

107 Statutory Financial Statements

274 Analysis of Shareholdings
274 Substantial Shareholders
275 List of Thirty (30) Largest Shareholders
277 Directors' Interest in Securities of the Company and its Related Corporation
278 List of Top Ten (10) Properties
279 Group Branch Network
295 Notice of Sixteenth Annual General Meeting

- Proxy Form

Cover Rationale

Having undergone a period of strategic transformation, the RHB Banking Group has today emerged as a stronger, fully-integrated universal banking group. As we focus our efforts on attaining greater heights, our ensemble of strategic business units are working together in a synergistic manner to deliver world-class performances amidst a highly competitive operating environment. These elements have been instrumental to our success:

- the elevation of customer service efforts;
- strong enhancements to operational efficiencies;
- the implementation of good corporate governance and stringent risk management practices;
- the creation of strong shareholder value; and
- the development of a talented workforce.

By converging all these elements, we are ensuring that we attain new heights of excellence to secure the Group's sustainable future. As we focus on the next phase of strategic growth, we will expand the Group's international footprint to achieve our ambition of becoming one of the top three financial institutions in ASEAN by 2020.

Our Core Values

Customer Focus

- Keep our customers No. 1, understand their needs, build a strong and lasting relationship with them, and make an effort to exceed their expectations
- Provide the best "Customer Service Experience"
- Practise customer-friendly processes
- Walk that extra mile

Teamwork

- Serve one another to achieve a common objective
- Lend a helping hand
- One RHB team with one RHB face
- Working with each other

Converging Towards Excellence

Driven to Perform

Respect

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

Innovation

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

Quality Service

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

◆ Marching to a New Beat

◆ Delivering an Outstanding Performance

◆ Playing to a New Tune

Group Financial Highlights

	2010	2009
PROFITABILITY (RM million)		
Operating revenue	**6,149**	5,425
Operating profit before allowances	**2,411**	2,099
Profit before taxation	**1,899**	1,538
Net profit attributable to equity holders of the Company	**1,420**	1,201
KEY BALANCE SHEET DATA (RM million)		
Total assets	**129,325**	115,085
Portfolio of financial assets/investments	**25,017**	20,933
Loans, advances and financing	**81,228**	66,923
Total liabilities	**119,353**	106,345
Deposits from customers	**94,434**	84,841
Shareholders' equity	**9,962**	8,708
Commitments and contingencies	**69,418**	67,234
FINANCIAL RATIOS (%)		
Profitability Ratios		
Net return on average equity	**15.2**	14.5
Net return on average assets	**1.2**	1.1
Asset Quality/Loan Ratios		
Gross impaired loans ratio	**4.4***	6.7*
Loan loss coverage	**67.6**	83.4
Gross loans to deposits ratio	**88.6**	82.1

* Adjusted for effect of adoption of FRS 139.

Simplified Group Statements of Financial Position

Assets–2010

- 62.8% Loans, advances and financing
- 19.3% Portfolio of financial assets/investments
- 11.4% Cash and short-term funds
- 0.8% Deposits and placements with banks and other financial institutions
- 0.4% Statutory deposits
- 0.2% Securities purchased under resale agreements
- 5.1% Other assets (including goodwill)

Liabilities & Equity–2010

- 73.0% Deposits from customers
- 7.8% Deposits and placements of banks and other financial institutions
- 6.1% Reserves
- 3.1% Borrowings
- 3.0% Subordinated obligations and Hybrid Tier-1 Capital Securities
- 2.7% Bills and acceptances payable
- 1.7% Share Capital
- 2.6% Other liabilities

Assets–2009

- 58.1% Loans, advances and financing
- 18.2% Portfolio of financial assets/investments
- 14.5% Cash and short-term funds
- 1.9% Deposits and placements with banks and other financial institutions
- 0.3% Statutory deposits
- 1.4% Securities purchased under resale agreements
- 5.6% Other assets (including goodwill)

Liabilities & Equity–2009

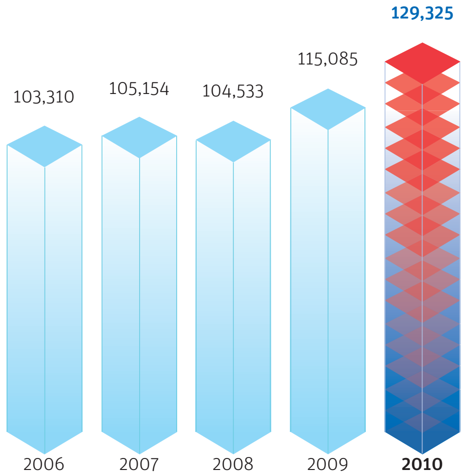
- 73.7% Deposits from customers
- 6.4% Deposits and placements of banks and other financial institutions
- 5.7% Reserves
- 3.3% Borrowings
- 2.5% Subordinated obligations and Hybrid Tier-1 Capital Securities
- 3.3% Bills and acceptances payable
- 1.9% Share Capital
- 3.2% Other liabilities

Five-Year Group Financial Summary

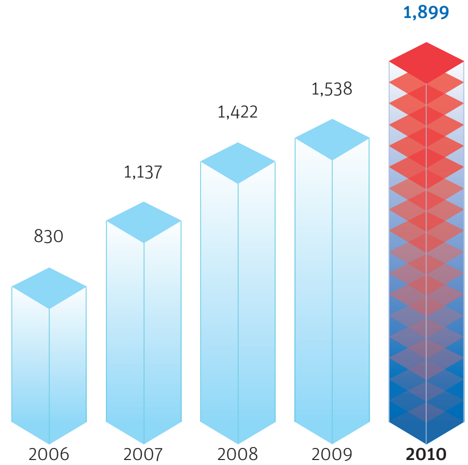
	2010	2009	2008	2007	2006
OPERATING RESULTS (RM million)					
Profit before taxation	**1,899**	1,538	1,422	1,137	830
Net profit attributable to equity holders of the Company	**1,420**	1,201	1,049	713	438
KEY BALANCE SHEET DATA (RM million)					
Total assets	**129,325**	115,085	104,533	105,154	103,310
Loans, advances and financing	**81,228**	66,923	60,596	54,555	53,393
Total liabilities	**119,353**	106,345	96,692	98,080	97,258
Deposits from customers	**94,434**	84,841	73,962	75,793	57,526
Paid-up capital	**2,153**	2,153	2,153	2,153	1,823
Shareholders' equity	**9,962**	8,708	7,814	7,048	4,928
Commitments and contingencies	**69,418**	67,234	60,735	56,609	56,940
SHARE INFORMATION					
Gross dividend per share - (sen)	**26.4**	22.5	19.6	13.6	8.0
Net assets per share - (RM)	**4.6**	4.0	3.6	3.3	2.7
Net tangible assets per share - (RM)	**2.9**	2.3	1.9	1.8	2.1
Basic earnings per share - (sen)	**66.0**	55.8	48.7	35.8	24.0
Share price - (RM)	**8.72**	5.30	3.90	5.85	3.42
Market capitalisation (RM million)	**18,778**	11,413	8,399	12,598	6,236
FINANCIAL RATIOS (%)					
Profitability Ratios					
Net return on average equity	**15.2**	14.5	14.1	11.9	9.3
Net return on average assets	**1.2**	1.1	1.0	0.7	0.5
Cost/income ratio	**40.5**	42.7	43.9	44.4	44.5
Asset Quality/Loan Ratios					
Gross loans to deposits ratio	**88.6**	82.1	85.4	75.0	97.6
Gross impaired loans ratio	**4.4***	6.7*	4.5	5.6	7.6
Loan loss coverage	**67.6**	83.4	90.3	71.4	63.9
Ordinary Shares					
Gross dividend yield	**3.0**	4.2	5.0	2.3	2.3
Dividend payout ratio	**30.0**	30.2	30.0	30.2	24.2

* Adjusted for effect of adoption of FRS 139

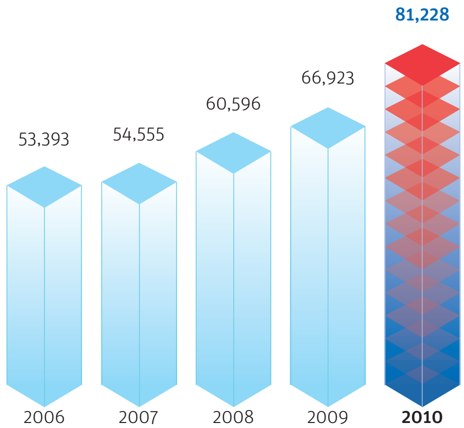
Summary of Five-Year Group Growth



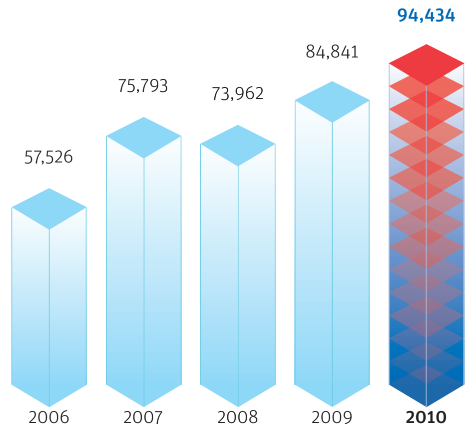
Total Assets
(RM million)



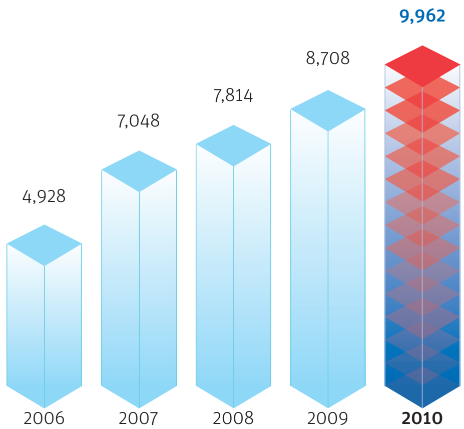
Profit Before Taxation
(RM million)



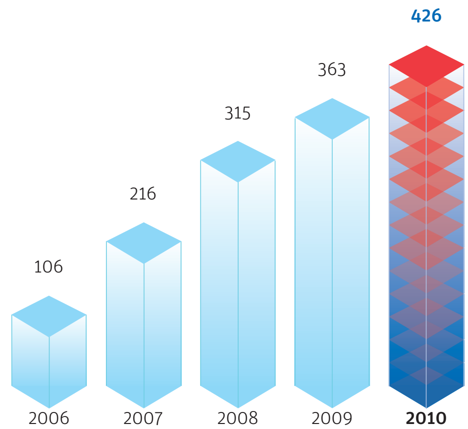
Loans, Advances and Financing
(RM million)



Deposits from Customers
(RM million)



Shareholders' Equity
(RM million)



Net Dividends
(RM million)

Segmental Analysis

For the Year Ended 31 December 2010

OPERATING REVENUE
By Business Segment

- 37.6% Retail Banking
- 18.3% Corporate and Investment Banking
- 18.0% Treasury and money market
- 15.1% Business Banking
- 6.1% Islamic Banking business
- 4.3% Global Financial Banking
- 0.6% Others

ASSETS EMPLOYED
By Business Segment

- 28.4% Retail Banking
- 27.8% Treasury and money market
- 21.4% Corporate and investment banking
- 8.2% Business Banking
- 7.0% Islamic Banking business
- 5.9% Global Financial Banking
- 1.3% Others

OPERATING REVENUE
By Geographical Location

- 95.8% Malaysia
- 4.2% Overseas

ASSETS EMPLOYED
By Geographical Location

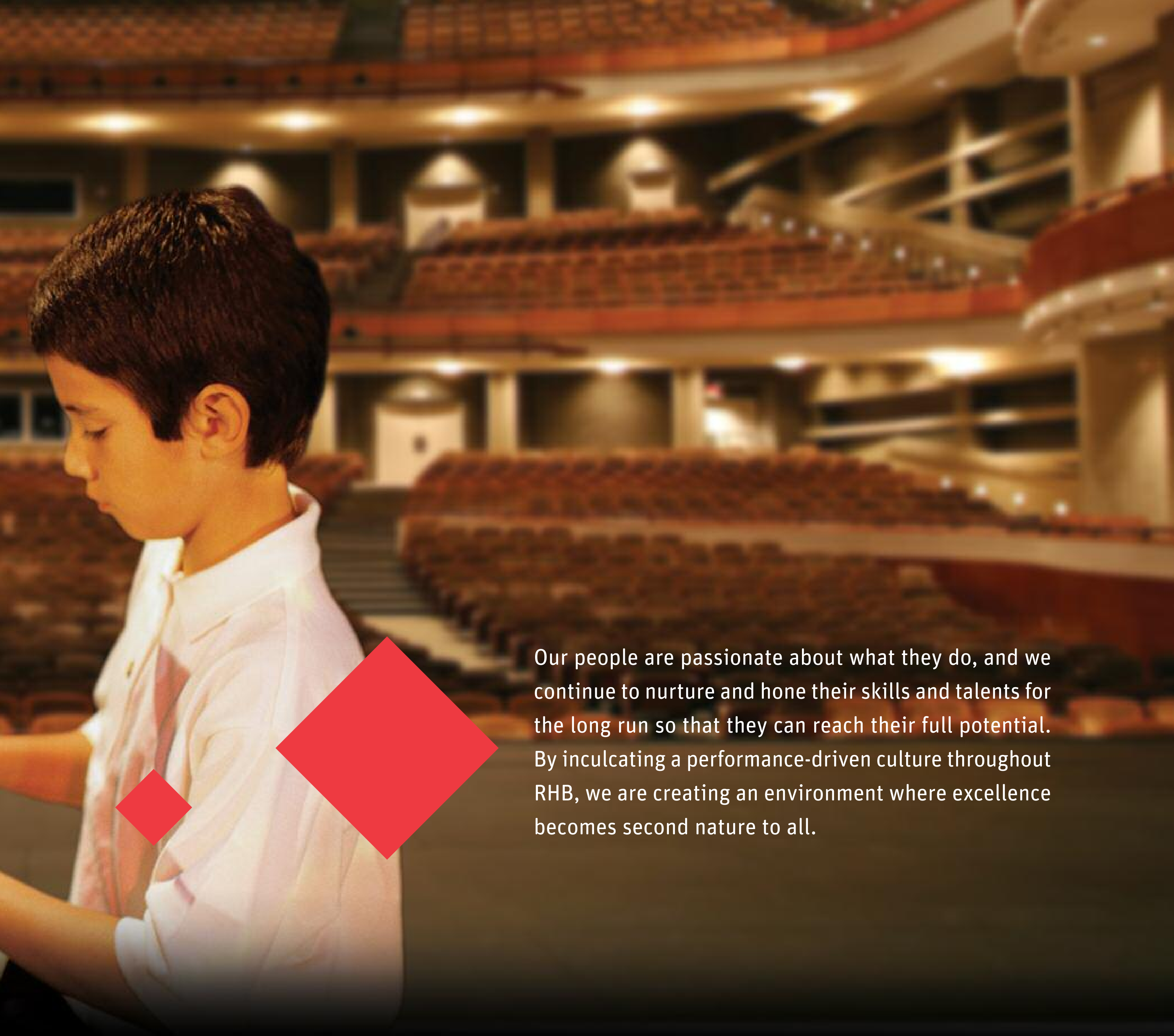
- 93.9% Malaysia
- 6.1% Overseas

Group Quarterly Performance

	2010 First Quarter	2010 Second Quarter	2010 Third Quarter	2010 Fourth Quarter	Year 2010
FINANCIAL PERFORMANCE (RM million)					
Operating revenue	**1,408.0**	**1,446.1**	**1,616.6**	**1,678.4**	**6,149.1**
Net interest income	**637.0**	**607.0**	**714.1**	**715.1**	**2,673.2**
Operating profit before allowances	**558.5**	**564.1**	**628.6**	**659.4**	**2,410.6**
Profit before taxation	**474.2**	**448.0**	**453.2**	**523.9**	**1,899.3**
Net profit attributable to equity holders of the Company	**349.7**	**339.0**	**351.4**	**380.2**	**1,420.3**
Earnings per share (sen)	**16.2**	**15.8**	**16.3**	**17.7**	**66.0**
Dividend per share (sen)					
◆ Interim	**–**	**5.0**	**–**	**–**	**5.0**
◆ Final	**–**	**–**	**–**	**21.4**	**21.4**

	2009 First Quarter	2009 Second Quarter	2009 Third Quarter	2009 Fourth Quarter	Year 2009
FINANCIAL PERFORMANCE (RM million)					
Operating revenue	1,356.7	1,338.9	1,339.0	1,390.8	5,425.4
Net interest income	573.5	594.3	611.5	633.9	2,413.2
Operating profit before allowances	469.8	590.2	541.7	497.5	2,099.2
Profit before taxation	315.0	400.1	446.2	377.1	1,538.4
Net 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

Driven to Perform



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

Corporate Information

As at 10 February 2011

BOARD OF DIRECTORS

Dato' Mohamed Khadar Merican	–	*Independent Non-Executive Chairman*
Tan Sri Azlan Zainol	–	*Non-Independent Non-Executive Director*
Datuk Haji Faisal Siraj	–	*Senior 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*
Dato' Teo Chiang Liang	–	*Independent Non-Executive Director*
Dato' Saw Choo Boon	–	*Independent Non-Executive Director*
Dato' Tajuddin Atan	–	*Group Managing Director*

Audit Committee

Dato' Saw Choo Boon
Chairman
Datuk Haji Faisal Siraj
Dato' Teo Chiang Liang

Group Risk Management Committee

Haji Khairuddin Ahmad
Chairman
Patrick Chin Yoke Chung
Johari Abdul Muid
Haji Md Ja'far Abdul Carrim
Choong Tuck Oon

Group Nominating Committee

Datuk Haji Faisal Siraj
Chairman
Dato' Mohamed Khadar Merican
Dato' Teo Chiang Liang
Dato' Saw Choo Boon
Johari Abdul Muid

Group Remuneration and Human Resource Committee

Datuk Haji Faisal Siraj
Chairman
Dato' Mohamed Khadar Merican
Dato' Teo Chiang Liang
Dato' Saw Choo Boon
Johari Abdul Muid

Company Secretary

Azman Shah Md Yaman

Senior Management

Dato' Tajuddin Atan
Group Managing Director

Renzo Christopher Viegas
Director, Retail Banking

Chay Wai Leong
Director, Corporate & Investment Banking

Kellee Kam Chee Khiong
Director, Group Finance

Norazzah Sulaiman
Director, Group Corporate Services

Michael Lim Kheng Boon
Director, Group Transaction Banking

Amy Ooi Swee Lian
Director, Business Banking

Wan Mohd Fadzmi Wan Othman
Director, Global Financial Banking

Haji Abd Rani Lebai Jaafar*
Director, Islamic Banking

Koh Heng Kong
Head, Insurance

Sharifatul Hanizah Said Ali
Head, Investment Management

Datin Zaimah Zakaria
Director, Group Treasury (Acting)

Azaharin Abd Latiff
Director, Group Human Resource (Acting)

Registered Office

Level 10, Tower One
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel : 603 - 9285 2233
Fax : 603 - 9281 9314

Company No.

312952-H

Auditors

PricewaterhouseCoopers
Chartered Accountants
Level 8-15, 1 Sentral
Jalan Travers, Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur
Malaysia
Tel : 603 - 2173 1188
Fax : 603 - 2173 1288

Share Registrar

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
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.

* Appointed on 14 February 2011.

RHB Banking Group Corporate Structure

As at 10 February 2011

RHB CAPITAL BERHAD

COMMERCIAL BANKING GROUP

RHB BANK BERHAD

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

INVESTMENT BANKING GROUP

RHB INVESTMENT BANK BERHAD

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

OTHERS

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

Notes:

The subsidiary companies are wholly-owned unless otherwise stated.

Dormant Company

Jointly Controlled Entity

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

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

Country of incorporation is in Malaysia unless otherwise indicated in italics

Board of Directors

from left to right:

Dato' Mohamed Khadar Merican
Independent Non-Executive Chairman

Tan Sri Azlan Zainol
Non-Independent Non-Executive Director

Datuk Haji Faisal Siraj
Senior Independent Non-Executive Director

Dato' Saw Choo Boon
Independent Non-Executive Director

Dato' Teo Chiang Liang
Independent Non-Executive Director

Johari Abdul Muid
Non-Independent Non-Executive Director

Arul Kanda Kandasamy
Non-Independent Non-Executive Director

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

Dato' Tajuddin Atan
Group Managing Director

Profile of the Board of Directors

DATO' MOHAMED KHADAR MERICAN

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

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

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 twelve out of thirteen 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.

Tan Sri Azlan is a Fellow of the Institute of Chartered Accountants in England and 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), Vice Chairman of the Technical Committee of International Social Security Association (ISSA) and Board Member of the ASEAN Social Security Association (ASSA).

Tan Sri Azlan attended all the thirteen 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 HAJI FAISAL SIRAJ

(65 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 and Group Remuneration and Human Resource Committee. He is also a Member of the Audit Committee of RHB Capital.

Datuk Faisal is a Fellow of the Institute of Chartered Accountants in England and 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 all the thirteen Board of Directors' Meetings held during the financial year. He has no family relationship with any Director and/or major shareholder of RHB Capital. He has no conflict of interest with RHB Capital and has never been charged of any offence.

JOHARI ABDUL MUID

(53 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 of RHB Capital.

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

Encik Johari has more than 30 years of experience in the financial sector. He started his career as a Money Market Dealer with Asian International Merchant Bankers Berhad in 1981. From 1983 to 1994, he was with Commerce International Merchant Bankers Berhad, working in the Treasury Division and was made the Head of Treasury in 1988. He became the Senior Vice President of Institutional Sales in 1995, within a year of joining CIMB Securities Sdn Bhd ("CIMB Securities"), where he was responsible in setting up the Institutional Sales Team of CIMB Securities. Prior to joining Employees Provident Fund Board ("EPF") in August 2004, he was the Chief Investment Officer of ValueCap Sdn Bhd which he joined in February 2003. Encik Johari joined EPF as the Chief Investment Officer heading the Equity Investment and Equity Research Departments. In 2007, he was promoted to Deputy Chief Executive Officer in charge of the Investment Division. He is currently the Deputy Chief Executive Officer of EPF in charge of Policy & Corporate Planning and Training. In addition, Encik Johari is overseeing Human Resource on behalf of the Chief Executive Officer.

Encik Johari'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 twelve out of thirteen 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

MOHAMED ALI AHMED HAMAD AL DHAHERI

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

Mohamed Ali Ahmed Hamad Al Dhaheri ("Mr Al Dhaheri") 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, Administrative Committee and the Information Technology Projects Committee of Abu Dhabi Investment Council. Prior to this, Mr Al Dhaheri has held various positions in the Treasury Department of Abu Dhabi Investment Authority since May 1997. His last position in Abu Dhabi Investment Authority was as a Chief Operating Officer of Treasury Department.

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

Mr Al Dhaheri attended twelve out of thirteen 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.

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 P.J.S.C. 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 all the thirteen 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

DATO' TEO CHIANG LIANG

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

Dato' Teo Chiang Liang ("Dato' Teo") was appointed as an Independent Non-Executive Director of RHB Capital on 20 May 2010. He also serves as a Member of the Group Nominating Committee, Group Remuneration and Human Resource Committee and Audit Committee of RHB Capital.

Dato' Teo holds a Bachelor of Arts (Honours) degree in Business Studies awarded by the Council for National Academic Awards, United Kingdom and Bachelor of Science in Management Studies from University of Bradford, United Kingdom. He was appointed as a Visiting Professor of Nottingham Trent University, United Kingdom in 1998 and conferred with an Honorary Degree of Doctor of Business Administration in 2001.

Dato' Teo joined and served the See Hoy Chan Holdings Group, a well-diversified group of companies, in different levels of management since 1975. He was the Secretary General of the Malaysian Association of Private Colleges & Universities from 1997 to March 2003 and is currently its Vice President. Dato' Teo was appointed as a member of the MSC Education Advisory Panel in 1998 and a Life Member of the Malaysian Red Crescent Society since 1983. He was elected as an Executive Council Member of Malaysia Crime Prevention Foundation since 2006.

Dato' Teo's other directorships in public companies include RHB Insurance Berhad and Ajinomoto (Malaysia) Berhad.

Dato' Teo attended seven 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.

DATO' SAW CHOO BOON
(64 years of age – Malaysian)
Independent Non-Executive Director

Dato' Saw Choo Boon ("Dato' Saw") was appointed as an Independent Non-Executive Director of RHB Capital on 20 May 2010. He also serves as the Chairman of the Audit Committee and a Member of the Group Nominating Committee and Group Remuneration and Human Resource Committee of RHB Capital.

Dato' Saw holds a Bachelor of Science (Chemistry) from the University of Malaya. He joined Shell in 1970 as a Refinery Technologist in Shell Refining Company (Federation of Malaya) Berhad. He then served in various capacities in manufacturing, supply, trading and planning in Malaysia, Singapore and the Netherlands. In 1996, Dato' Saw was appointed Managing Director of Shell MDS (Malaysia) Sendirian Berhad. In 1998 – 1999, he assumed the positions of Managing Director for Oil Products (Downstream) Shell Malaysia and Managing Director of Shell Refining Company (Federation of Malaya) Berhad. In 1999, with the globalisation of the Shell Oil Products business, he was appointed the Vice-President of the commercial business in the Asia-Pacific region and in 2004 he became the President of Shell Oil Product East. Since 2006, he has been managing the global marine business and special projects.

Dato' Saw was appointed as the Chairman of Shell Malaysia on 1 March 2006. He was also the Vice President Business Development Asia Pacific responsible for the developing of commercial businesses in new market entries in Asia – China, India, Indonesia and Vietnam. From 1 January 2010, Dato' Saw was appointed as the Senior Advisor of Shell Malaysia until his retirement on 30 June 2010.

Currently, Dato' Saw's other directorships in public companies are RHB Investment Bank Berhad, Shell Refining Company (Federation of Malaya) Berhad and Digi.Com Berhad.

Dato' Saw attended seven 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.

Profile of the Board of Directors

DATO' TAJUDDIN ATAN

(51 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 at Treasury Division. He spent the next few years in the corporate arena where he gained valuable experience in financial restructuring, corporate strategic management and improvement of operational efficiency in various public listed companies in the areas of shipping, property development and construction and electronics. Dato' Tajuddin was subsequently appointed as the Chief Executive Officer of Bank Simpanan Nasional ("BSN") in October 2004 where he successfully led the transformation of BSN into a sustainable, profitable and efficiently governed community bank. Thereafter, he joined Bank Pembangunan Malaysia Berhad as its President/Group Managing Director and initiated a business improvement process to bring about operational finesse.

Dato' Tajuddin 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) Ltd (Chairman). He is a Board Member of Amanah Ikhtiar Malaysia and he currently chairs the Special Committee for the Urban Poor Micro Finance Program. He is also a Corporate Member of SME Corporation Malaysia and is an Adjunct Professor in Universiti Putra Malaysia as well as Universiti Utara Malaysia. He is a Council Member of the Association of Banks in Malaysia and the Institut Bank-Bank Malaysia.

Dato' Tajuddin attended all the thirteen Board of Directors' Meetings held during the financial year. He has no family relationship with any Director and/or major shareholder of RHB Capital. He has no conflict of interest with RHB Capital and has never been charged of any offence.

Chairmen of the Key Operating Subsidiaries

HAJI KHAIRUDDIN AHMAD
RHB Insurance Berhad

DATO ABDULLAH MAT NOH
RHB Investment Bank Berhad

DATUK HAJI FAISAL SIRAJ
RHB Islamic Bank Berhad

TAN SRI AZLAN ZAINOL
RHB Bank Berhad

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

Marching to a New Beat

With Islamic finance representing one of the fastest-growing segments in the financial sector, RHB Islamic Bank is uniquely positioned to avail itself of a host of marketplace opportunities. Already a key growth driver for the Group, this entity is all set to increase the tempo of its performance through a new brand identity, enhanced delivery channels and strong strategic alliances.

Chairman's Statement

Dato' Mohamed Khadar Merican
Independent Non-Executive Chairman

DEAR VALUED SHAREHOLDER,

I am pleased to report that the RHB Banking Group ('the Group') achieved further success in 2010. Amidst the strengthening global and domestic economies, the Group posted its best ever financial performance to date and achieved or exceeded all but one of its key performance targets. The Transformation Programme that we launched in 2007 has significantly enhanced our overall performance and enabled us to make big strides forward as a Universal Banking Group. It has provided us with an operating platform that is proving to be scalable, sustainable and more competitive. The Group will continue to leverage our strengths to grow both our market share and profitability.

On behalf of the Board of Directors ('the Board'), it is my pleasure and privilege to present to you the Annual Report for RHB Capital Berhad ('RHB Capital') for the year ended 31 December 2010.

LEVERAGING TRANSFORMATION TO ACCELERATE GROWTH

The Journey Thus Far

The Group's Transformation Programme, initiated in line with our long-term vision to be one of the best performing banks in ASEAN, continues to have a positive influence on our performance. In place since 2007, this Strategic Transformation Programme has redefined the way the RHB Banking Group operates today. The completion of the programme brings the following benefits to the Group:

- Enables us to serve our customers even better as we have reorganised ourselves and migrated from a legal entity platform to a universal banking platform;
- Enables us to have a more efficient capital and corporate structure by ensuring maximum use of capital, reducing the cost of capital and eliminating earnings leakages through minority interests; and
- Through strategic rebranding and brand management, enables the Group to be able to better portray our new aspirations, renewed dynamism, and competitive spirit.

These three fundamental areas will remain an integral part of our strategy going forward and will enable us to put in place a competitive platform that will provide scalability in the future.

Chairman's Statement

Achieving 2010's Performance Milestones

The year 2010 saw us achieving several performance milestones as part of ongoing efforts to drive our long-term strategic vision. I am delighted to report that the Group met and exceeded all, but one, of our key performance targets. Group net profit doubled to RM1.4 billion in 2010 from RM0.7 billion in 2007, reflecting a compounded annual growth rate of 26%. Over the same period, Return on Equity ('ROE') improved to 15.2% from 11.9%, while Return on Assets ('ROA') improved to 1.2% from 0.7%.

The transformation initiatives also continued to impact positively on the Group's cost structure. Cost-to-income ratio in 2010 improved to 40.5%, in comparison with 44.4% in 2007. Our efforts to gain market share and grow our loans, advances and financing base was well rewarded, with our loans, advances and financing growing by more than 10% in 2008 and 2009, and by 20.2% in 2010, as compared to just 1.2% in 2007. Our loans, advances and financing growth of 20.2% in 2010 has far exceeded the industry growth of 13.3%.

To reflect the Group's improved performance, RHB Capital's market capitalisation increased by 63.6%, from RM11.5 billion in January 2010, to RM18.8 billion as at end December 2010. This makes us one of the best performing companies on Bursa Malaysia in terms of delivering shareholders' returns. In comparison with Total Shareholders' Return ('TSR'), RHB Capital outperformed the KLCI finance index by 32%, 233% and 242% respectively over a 3-year, 5-year and 7-year period.

As stated above, we are pleased that we have met or exceeded all of 2010's performance targets, with the exception of one. This relates to contributions from international operations. The Group's acquisition of an 80% stake in PT Bank Mestika Dharma ('Bank Mestika') in Indonesia was delayed to accommodate further regulatory considerations and guidance from the relevant regulators. We hope to finalise the acquisition by the second quarter of 2011, when together with our operations in Singapore, Thailand, Brunei and Vietnam, we expect to achieve a more significant contribution from our international operations.

STRONGEST GROUP FINANCIAL PERFORMANCE TO DATE

Building upon 2009's commendable financial performance, I am pleased to report that the RHB Banking Group recorded a Profit Before Tax ('PBT') of RM1.9 billion for the financial year ended 31 December 2010, an increase of 23.5% over 2009's PBT. Net profit increased by 18.2% to RM1.4 billion from RM1.2 billion in 2009, and earnings per share improved to 66.0 sen compared to 55.8 sen last year.

The improved performance was attributable to higher net interest income and other operating income, coupled with lower allowance for impairment on loans, advances and financing, and partially offset by higher other operating expenses and higher impairment losses on other assets.

Net interest income increased by RM260.0 million or 10.8% to RM2,673.2 million in 2010 on the back of strong growth in loans, advances and financing by RM14.1 billion. Other operating income totalled RM1,043.3 million, an increase of 12.7% as compared to RM925.6 million in 2009. This was largely due to higher fee income and higher net gain arising from the disposal of financial investments. The higher fee income was broad-based, with major improvements in fee and commitment income as well as income from the investment banking business.

Our cost-to-income ratio reduced to 40.5% in 2010 from 42.7% previously, even as the Group continues its investments in people, technology, customers' touch points and network infrastructure. This ratio remains one of the lowest in the industry.

Post-FRS 139 (Financial Instruments: Recognition and Measurement) implementation, the Group's allowance for impairment on loans, advances and financing reduced to RM415.6 million, or 28.2% lower than the previous year's figure.

For the period under review, the Group achieved its highest ROE and ROA in over 10 years at 15.2% and 1.2% respectively.

Gross loans, advances and financing grew by 20.2% in 2010 to reach RM83.7 billion as at 31 December 2010. Domestic loans, advances and financing increased by 21.3% as compared to that of the industry at 13.3%. These increases were primarily due to financing of government and statutory bodies, residential property, mergers and acquisitions ('M&A'), purchase of securities and purchase of transport vehicles. Loan approvals and disbursements increased by 31.0% and 11.7% respectively in 2010. Our market share of domestic loans improved to 9.1% in 2010 from 8.5% in 2009.

Gross impaired loans, advances and financing stood at RM3.7 billion as at 31 December 2010, in comparison to the post-FRS 139 implementation amount of RM4.6 billion on 1 January 2010. The gross impaired loans ratio reduced to 4.39% at the year end, much lower than the 6.66% on the implementation of FRS 139 at the beginning of 2010. Asset quality remained sound, with the new impaired loans formation ratio improving to 1.30% from 1.96% as at end-2009, whilst the credit charge ratio stood at 0.50% in comparison to the 0.83% recorded the year before.

The Group's customer deposits also saw an increase of 11.3% or RM9.6 billion in 2010 on the back of a 14.2% and 5.0% increase in fixed/investment deposits and demand deposits respectively. Domestic customer deposits increased by 12.0% during the year, as compared to the industry's 7.1% in 2010. Our overall domestic deposit market share grew from 7.5% at the end of 2009 to 7.8% in 2010. Demand and savings deposits contributed 26.8% of the Group's deposits in comparison to the industry's 25.4%. The Group's loans-to-deposits ratio stood at 88.6% as at 31 December 2010.

Total assets of the Group expanded by RM14.2 billion or 12.4% to RM129.3 billion as at 31 December 2010, primarily on the back of loans and investment asset growth. Shareholders' equity strengthened to RM10.0 billion, and net assets per share improved to RM4.63 from RM4.04 in 2009.

ROBUST PERFORMANCE BY SUBSIDIARIES

The domestic banking sector remained resilient in 2010 amidst a strong economic growth rate of 7.2%. This growth was supported by a robust domestic economy, stable asset quality and large capital inflows.

RHB Bank Berhad ('RHB Bank') continued to be the largest contributor of the Group, accounting for 91.7% of the Group's PBT in 2010. For the financial year ended 31 December 2010, RHB Bank recorded a PBT of RM1.7 billion, an increase of 28.2% over the preceding year's results. RHB Bank's ROE and ROA remained strong at 16.6% and 1.3% respectively. Total assets stood at RM105.2 billion and shareholders' equity stood at RM8.4 billion as at 31 December 2010. Post-implementation of the Basel II Capital Adequacy Framework in July 2010, the Risk-Weighted Capital Adequacy Ratio and Core Capital Ratio for RHB Bank stood at 13.79% and 10.46% respectively as at 31 December 2010.

RHB Investment Bank Berhad ('RHB Investment Bank') recorded a PBT of RM80.4 million in 2010, representing a 46.6% reduction in comparison to 2009. The lower profit was mainly due to the Group's strategy of moving loan assets and business to RHB Bank as well as higher impairment losses on other assets and higher other operating expenses, partially offset by higher fee income and higher net gain on disposal of financial investments.

RHB Investment Bank continues to maintain its industry leadership position in the country. It reinforced its No. 1 position in the Malaysian capital market for M&A (for deals with target Malaysian companies), while emerging third in both the equities and debt capital markets in 2010. It was also ranked first in M&A in Malaysia and Asia Pacific by undertaking the largest M&A deal for the proposed acquisition of PLUS Expressways Berhad.

RHB Islamic Bank Berhad ('RHB Islamic') achieved a PBT of RM90.6 million in 2010, 4.7% higher than the previous year. The increase was mainly attributable to higher net profit income on the back of a 48.5% growth in the gross financing base, coupled with lower allowance for impairment on financing and advances.

RHB Insurance Berhad ('RHB Insurance') registered a PBT of RM64.9 million in 2010, 40.7% higher than 2009. This was largely due to a higher underwriting surplus of RM74.7 million as compared to RM60.8 million in 2009, as well as an increase in investment income of RM3.5 million. RHB Insurance recorded its highest ever ROE for the last 10 years at 27.3%.

DELIVERING GREATER SHAREHOLDER VALUE

From a shareholder value creation perspective, I am delighted to report that RHB Capital's market capitalisation increased by more than 49.1% to RM18.8 billion in 2010 in comparison to RM12.6 billion in 2007.

Since 2007, the Group has consistently met its 30% dividend payout policy, with shareholders enjoying a steady rise in dividend payouts these last few years. With an ongoing commitment to creating positive shareholder value and in view of the year's strong performance, the Board is proposing a final dividend of 21.38 sen, less tax, amounting to RM345.3 million, subject to the approval of shareholders at the forthcoming Annual General Meeting. Together with the interim dividend of 5.0 sen, less tax, paid in September 2010, the total gross dividend for 2010 is 26.38 sen, in line with the Group's stated dividend policy. The 2010 dividends of 26.38 sen represent a growth of more than 93.0% as compared to the dividend of 13.6 sen in 2007.

Going forward, we will work harder towards continuing this trend and are confident that our shareholders can expect even greater TSR in the coming years. The Board, however, remains mindful of the need to maintain a balance between providing a healthy dividend income to our shareholders whilst ensuring that the future capital requirements of the Group are adequately met to maintain financial strength and fuel business growth.

Chairman's Statement

STRATEGIC DEVELOPMENTS IN 2010

With the completion of our 2007 Transformation Programme, the Group embarked on its next phase of growth – the development and execution of its 2010-2012 Strategic Growth Programme. The Growth Programme centres on Six Key Focus areas as follows:

1. Building a long-term competitive advantage through expanding our distribution reach as well as strategic partnerships;
2. Refining and developing new earnings sources through realigning our resources towards areas of opportunity that we believe we have not fully tapped;
3. Growing our international presence through the strengthening of our existing operations whilst expanding our reach into other countries within ASEAN;
4. Building a significantly stronger domestic Islamic Bank by fully leveraging the distribution network and resources of the entire RHB Banking Group;
5. Continuing to further improve our operational platform by building upon the foundation set by the 2007 Transformation Programme to allow for more efficient and effective product and service delivery to our customers; and
6. Continuing to strengthen and build our Human Resources within the Group through active hiring, training and proactive management of our talents.

Twenty key initiatives have been developed out of the above Six Key Focus areas to ensure we approach operational improvements and the strengthening of the overall performance of the RHB Banking Group in a holistic manner. We believe that in taking a systematic approach towards strategy development and execution, we will deliver meaningful, quantifiable and effective results. We are confident that this phase of the transformation will continue to unfold opportunities for us to grow in the future. It will also enhance our presence locally and regionally, as well as allow us to claim a leadership position in several of the market and product segments for which we choose to compete.

We will continue to build upon the success of well-executed strategies developed under the 2007 Transformation Programme with the next phase of growth brought about through our 2010-2012 Growth Programme.

Expanding Our Reach

The Group continues to work hard to expand our distribution reach to win market share. In bringing simple, convenient and value-added banking to our customers, our breakthrough community banking initiative, EASY by RHB, grew exponentially from a total of 14 EASY outlets in 2009, to 133 outlets nationwide (to date) and generated assets in excess of RM1.2 billion in just one year. Some 98% of our customers agree that RHB Banking Group is living up to our brand promise of providing 'Simple & Fast Banking' via EASY. The Group will replicate the '10-minute EASY ASB' in all branches in 2011.

The year also saw the Group expanding its distribution channels via increasing the number of self-service terminals ('SSTs'), comprising ATMs, cash deposit machines and cheque deposit machines to over 1,600 SSTs. As a result of these efforts, we are currently ranked third in place for the size of our SST network, up from sixth place a year ago.

Leveraging Strategic Partnerships

One of our strategies to strengthen our position in the fastest and most efficient way is to focus on delivering convenience to our customers. The year saw us building a string of strategic partnerships to extend our reach further.

On the domestic front, the Group is collaborating with POS Malaysia to provide banking services at selected POS Malaysia outlets across the country. The RHB-POS Malaysia Shared Banking Services initiative rapidly increases the number of banking access and transaction points available to our customers. By making EASY by RHB kiosks available at POS Malaysia outlets that are involved in the marketing and processing of retail financial products, particularly in the rural areas, we are reaching out to the mass market segment that is currently underserved.

The Group also entered into a number of international strategic partnerships in the areas of insurance, investment management and online banking. Among the year's key highlights was the 10-year exclusive Bancassurance Agreement with Tokio Marine Life Insurance Malaysia Berhad ('Tokio Marine'). This mutually beneficial agreement will see RHB Bank receiving an exclusivity fee of RM100 million over a 10-year period. This will enable RHB Bank to sell, market and promote conventional life insurance products developed by Tokio Marine via our distribution channels and any other alternative distribution channels jointly developed by the two parties.

In October 2010, the Group signed an exclusive agreement with PayPal, the leading global online payment platform, which offers RHB's customers two new innovative payment services in Malaysia. RHB Bank is the first bank in Malaysia to enable its customers to use their bank accounts to top up their PayPal accounts instantly for simpler, safer online shopping. RHB Bank is also the first bank in Asia Pacific to enable its customers to send real-time payments from their bank accounts to any email address via PayPal's open platform. This initiative serves to bolster usage of RHB's own internet banking platform.

In December 2010, RHB Investment Management Sdn Bhd ('RHB Investment Management') and Goldman Sachs Asset Management ('Goldman Sachs') established an exclusive partnership to jointly develop fund management products for distribution to investors in Malaysia. This partnership agreement, the first of its kind in the country, will significantly enhance the range of investment products and asset classes available to our customers. Working closely together, the asset management arm of RHB Investment Bank and Goldman Sachs will share their knowledge of global and local capital markets, product development and client servicing. The two firms will also develop joint marketing initiatives.

Mid-December 2010 saw RHB Bank entering into a memorandum of understanding ("MoU") with the Sumitomo Mitsui Banking Corporation to enhance its local and global strategic economic network. The MoU will also enable us to strengthen our position in the Japanese Business segment and establish a stronger foothold in the international arena.

Realigning Resources

Domestically, the Group restructured its Strategic Business Groups ('SBGs'), adding three more SBGs to the existing four. On top of our Retail Banking, Corporate & Investment Banking, Global Financial Banking and Islamic Banking SBGs, we now have the Business Banking, Group Transaction Banking and Group Treasury SBGs. The realignment of resources has provided the Group with improved operational efficiencies and is enabling us to focus on new sources of income. In addition, we revamped the RHB Islamic business model in May 2010 to enhance business delivery and support functional realignment, leveraging on the Group's banking platform and infrastructure to derive better results for the Islamic banking business.

In the international arena, the Group's efforts to strengthen its presence in Singapore, Thailand and Brunei was underlined by the formation of the Global Financial Banking SBG. Currently the group's overseas contribution stands at 5% and we aim to increase this significantly to 20% over the next three years.

Supporting Mergers and Acquisitions

The Group also acted in various key financial and advisory capacities for a number of significant deals in 2010. This included being principal adviser for the RM23 billion acquisition of PLUS Expressways Berhad by the UEM Group Berhad and the EPF; as well as joint financial advisers for the RM9.52 billion privatisation of Astro All Asia Network PLC and the RM7.89 billion privatisation of Tanjong PLC, among others.

We also played the role of sole financial adviser, joint global coordinators and joint book runners (institutional), plus joint underwriters (retail) for the RM1.5 billion Sunway Real Estate Investment Trust listing on Main Market of Bursa Malaysia, one of Southeast Asia's largest REITs. On top of this, the Group was also a joint principal advisers, joint lead arrangers and joint lead managers for Cagamas Berhad's RM5.0 billion Islamic Commercial Papers/Medium Term Notes Sukuk ALIm Programme. We also undertook the role of sole adviser and sole underwriter for MISC Berhad's RM5.25 billion rights issue.

Strategic Acquisitions

In October 2010, the Group acquired an additional 15.2% stake in RHB Insurance for a cash consideration of RM45.1 million. Following the completion, RHB Capital now holds 94.7% of the issued and paid-up share capital of RHB Insurance.

On the Bank Mestika acquisition, we received Bank Negara Malaysia's approval for RHB Bank's acquisition in January 2011, while the rights issue of RM1.3 billion for the acquisition of Bank Mestika, has also been approved by the Securities Commission and shareholders. Upon the expected completion of the acquisition in the second quarter of 2011 (the transaction is currently pending Bank Indonesia's approval), we will gain access and benefit from one of the region's fastest growing financial markets, thereby meeting our objective of expanding our international footprint.

AWARDS AND ACCOLADES

RHB Capital and its subsidiaries continue to win awards and accolades for their performance in various areas of excellence. We were named Top 10 Best Managed Company and Best Corporate Governance Company by FinanceAsia, while we received a Merit Award for Corporate Governance and the Best Return to Shareholders Award (2nd Runner-up) at the CIMA Enterprise Governance Awards.

On the retail front, RHB Bank received a Gold Award for Best Video for Contact Centre (open category) at the Excellence Award 2010 event, while we received a Bronze Award for Best In-house Contact Centre (Above 100 Seats) at the same event. Accolades also came from Asiamoney magazine which hailed RHB Bank as one of the top three Local Cash Management Banks in Malaysia (in terms of large-sized corporations). In addition, RHB Bank won two awards from Visa for the highest purchase volume growth for Visa non-premium and the Visa debit card.

EASY by RHB has proven to be an award-winning innovation. In 2010, it won the SGAM Best Process Innovation Award, the Effies Silver Award for 'Unbanking', or banking the unconventional way, the Asian Banker Award for Best Business Model and the IDC Financial Insights' Innovation Award for Operational Efficiency.

On the investment front, RHB Investment Bank won the coveted 'Malaysia's Best M&A House' award from The Asset; The Edge Malaysia's 'Best M&A Deal of the Year' for the privatisation of Tanjong PLC; Alpha Southeast Asia's 'Best REIT Deal of the Year' in South East Asia for the Sunway REIT IPO; International Financing Review Asia's 'Best Islamic Deal of the Year'; and Islamic Finance News' 'Malaysia Deal of the Year' for the Cagamas Berhad Sukuk ALIm Programme deal.

Chairman's Statement

CORPORATE RESPONSIBILITY

The Group firmly believes in undertaking responsible corporate practices and upholding the agenda of sustainability. We view these elements as being essential to our long-term business growth. In line with this, we remain committed to undertaking exemplary corporate conduct that creates sustainable value for all our stakeholders and establishes enduring ties with them.

To underline our commitment to good corporate responsibility ('CR') policies and practices, as well as to reflect how deeply ingrained these elements are within our people and business, I am pleased to announce that the Group has developed a new-format Corporate Responsibility Report. This stand-alone CR Report will present you with some solid insights into how the Group is making good progress in the areas of the Community, Workplace, Marketplace and Environment as we balance out our healthy bottom-line performance with commendable social and environmental performance.

MOVING FORWARD

The outlook for the global and domestic economies for 2011 remains positive with global growth projected at 4.4% and domestic growth at 5.0%. Malaysia's commitment to implementing comprehensive long-term structural reforms to transform the nation into a developed and high-income economy by 2020 has brought about the Economic Transformation Programme ('ETP') and the Government Transformation Programme ('GTP') to help accelerate transformation efforts. The projects planned under the 10th Malaysia Plan ('10MP') and the ETP's National Key Economic Activities ('NKEAs') are expected to revive private investments, while the many improvements to the government delivery system will help drive the GTP's National Key Result Area ('NKRA') initiatives.

Malaysia's strategic transformation is expected to open up many lucrative opportunities to the financial sector. Barring unforeseen circumstances, the Malaysian banking sector is expected to remain robust, underpinned by high capitalisation, stable asset quality and a strong liquidity position. Market demand for banking products and services is expected to remain strong and active.

The Board is confident that the strong foundations laid under our Strategic Transformation Programme have placed us in a position to tap into the many opportunities that the marketplace offers. At the same time, we are confident that we are resilient enough to overcome any challenges that may come our way. The Group will continue to focus on building market share in our core businesses. Initiatives such as EASY by RHB will enable us to successfully penetrate the retail market and gain traction in the domestic market in a more dynamic way. As the retail and capital market activities continue to pick up and with the infrastructure being put in place, the RHB Banking Group is well poised to reap the benefits of the continued economic growth in Malaysia.

As we move forward confidently into 2011 and set our sights on pursing the 2010-2012 Growth Programme, we remain mindful of the vagaries of the highly volatile and competitive operating environment and will take the necessary measures to mitigate risks while remaining flexible to market changes. The Board is optimistic that the Group will maintain the good momentum and achieve a better performance in financial year 2011.

ACKNOWLEDGEMENTS

On behalf of the Board, I wish to express my sincere gratitude to our loyal shareholders for your unwavering confidence in RHB. Those of you who have had the opportunity to be with us since the beginning of the Transformation Programme will have seen the tremendous growth the Group has achieved and enjoyed the fruits of your investment. I also wish to convey my deep gratitude to our customers, business partners and regulators for their endless support.

My heartfelt thanks go to our management team and staff, whose loyalty and hard work have brought the Group thus far. This fine group of people responded remarkably to the many challenges thrown at them and helped us deliver a truly commendable performance in 2010. I look forward to their continued support to take the Group to the next level of success.

The success we have achieved and the many accolades received would not have been possible without the invaluable advice of my esteemed colleagues on the Board. I thank them for their wise counsel and invaluable insights.

Datuk Tan Kim Leong retired as an Independent Non-Executive Director during the year. The Board bids him farewell and sincerely thanks him for his invaluable contributions during his tenure with us. We also wish him every success in his new endeavours.

Please join me in welcoming on board Dato' Saw Choo Boon and Dato' Teo Chiang Liang, who both joined the Board as Independent Non-Executive Directors on 10 May 2010. They bring with them a wide variety of experiences and we look forward to their insights and advice.

I hope all our stakeholders will continue to place their confidence in RHB as we continue to maintain the good momentum achieved. We certainly look forward to your support as we work together to capitalise on the many opportunities before us as well as brush aside any obstacles that may come our way on our journey to success.

Thank you.

Dato' Mohamed Khadar Merican
Independent Non-Executive Chairman

Chairmen of Group Committees

from left to right: Datuk Haji Faisal Siraj, Dato Abdullah Mat Noh, Haji Khairuddin Ahmad, Ong Seng Pheow, Dato' Saw Choo Boon, Choong Tuck Oon

GROUP NOMINATING COMMITTEE

Datuk Haji Faisal Siraj
Chairman
Dato' Mohamed Khadar Merican
Johari Abdul Muid
Dato' Saw Choo Boon
Dato' Teo Chiang Liang

GROUP REMUNERATION AND HUMAN RESOURCE COMMITTEE

Datuk Haji Faisal Siraj
Chairman
Dato' Mohamed Khadar Merican
Johari Abdul Muid
Dato' Saw Choo Boon
Dato' Teo Chiang Liang

AUDIT COMMITTEE

Dato' Saw Choo Boon
Chairman
Datuk Haji Faisal Siraj
Dato' Teo Chiang Liang

GROUP RISK MANAGEMENT COMMITTEE

Haji Khairuddin Ahmad
Chairman
Patrick Chin Yoke Chung
Johari Abdul Muid
Haji Md Ja'far Abdul Carrim
Choong Tuck Oon

GROUP CREDIT COMMITTEE

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

GROUP AUDIT COMMITTEE

Ong Seng Pheow
Chairman
Dato' Othman Jusoh
Patrick Chin Yoke Chung
Haji Md Ja'far Abdul Carrim
Dato' Saw Choo Boon

GROUP RECOVERY COMMITTEE

Haji Khairuddin Ahmad
Chairman
Dato' Mohamed Khadar Merican
Dato Abdullah Mat Noh
Dato' Teo Chiang Liang

GROUP IT AND TRANSFORMATION STRATEGY COMMITTEE

Choong Tuck Oon
Chairman
Ong Seng Pheow
Johari Abdul Muid
Dato' Mohd Ali Mohd Tahir
Dato' Tajuddin Atan

Corporate Governance Statement

OUR COMMITMENT TO GOOD CORPORATE GOVERNANCE

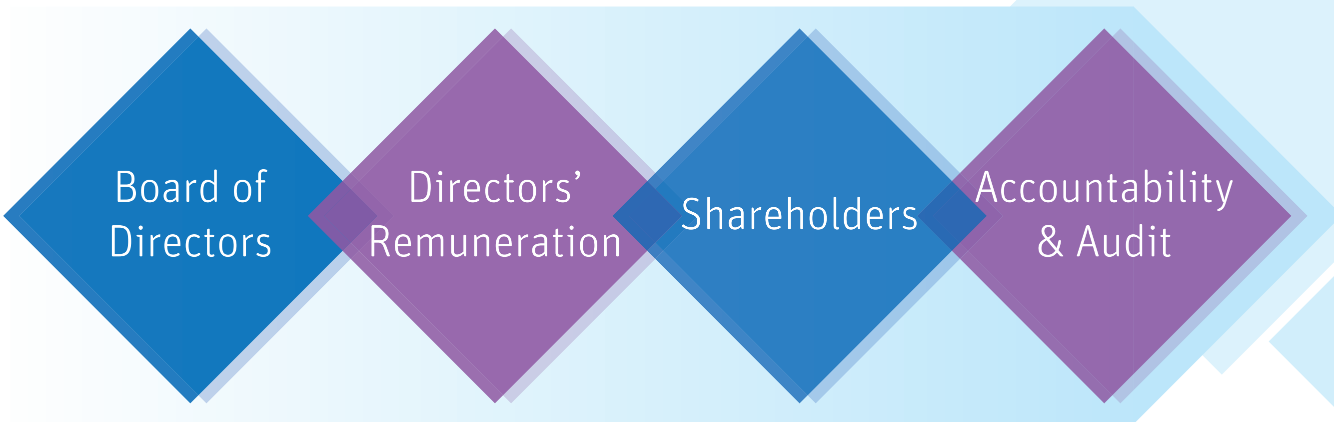
The Board of Directors ("Board") of RHB Capital Berhad ("RHB Capital" or "the Company") recognises that good corporate governance is and has been fundamental to the success of our business. Not only has it helped establish the RHB Banking Group's credibility and bolster our corporate reputation, it has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

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

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

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

THE BASIC PRINCIPLES OF CORPORATE GOVERNANCE

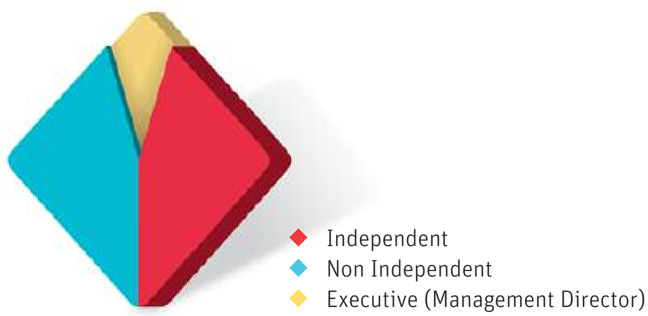


BOARD OF DIRECTORS

Board Composition and Balance

The Board currently comprises an (1) Independent Non-Executive Chairman, three (3) Independent Non-Executive Directors ("NEDs"), four (4) Non-Independent Non-Executive Directors and the Group Managing Director ("Group MD"). 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 BNM's CG Guidelines. The presence of the four (4) Independent NEDs ensures there is an effective check and balance in the functioning of the Board. These Independent NEDs are not involved in the day-to-day management of the Company, nor do they participate in any business dealings of the Company. This ascertains that they remain free of any conflict of interest and can undertake their roles and responsibilities as Independent NEDs in an effective manner.

COMPOSITION OF THE BOARD



Directors' Qualifications and Experience

As a major financial services group, the Board recognises that its Members must have the appropriate mix of skills as well as the necessary knowledge, experience and commitment to effectively contribute towards the growth and expansion of the Group as a whole. Furthermore, being on the Board of a bank/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 its major subsidiaries and the Group's Board Committees to ensure that appropriate balance is maintained and that there is an adequate mix of skills and experience.

Our Directors bring on board a wealth of knowledge and experience in business, financial and risk management skills that are drawn from the relevant industry and regulatory environment in which the Group operates. A brief profile of each member of the Board outlining their qualifications, experience and skills is presented on pages 18 to 26 of this Annual Report.

Duties and Responsibilities of the Board

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

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

Corporate Governance Statement

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

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

Chairman

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

The Chairman presides over Board and General Meetings of the 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 has to ensure that General Meetings are conducted efficiently and that shareholders have adequate opportunity to air their views and obtain answers to their queries.

In furtherance thereto, the Chairman is also responsible to:

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

Group Managing Director

The day-to-day management of the Company as well as the Group is delegated to the Group MD who is responsible in managing the business and operations of the Group and in ensuring the successful implementation of policies and directions as formulated by the Board. The distinct and separate duties and responsibilities of the Group MD and the Chairman 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 MD's integral role is to implement the policies and decisions of the Board, oversee the operations as well as coordinate the development and implementation of business and corporate strategies. In addition thereto, he is also responsible for the following tasks:

- manage the business and operations and to put in place the policies and strategies adopted by the Board;

- ensuring that the financial results are accurate and not misleading as well as ensuring that the financial management practices of the Group are carried out with the highest standards of integrity and transparency for the benefit of all stakeholders;
- ensuring that the business and affairs of the 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;
- ensuring succession planning and talent management programs are in place in the interest of human capital development;
- maintaining effective relationship between the Management, the Board and other stakeholders; and
- developing and maintaining strong communication programmes and dialogue with the stakeholders.

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

- to provide strategic guidance to the SBGs and SFGs;
- to recommend key strategic business plans and policies to the Board of the 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.

Non Executive Directors

The roles of the NEDs are wide and varied. They provide considerable depth of knowledge collectively gained from their experience in a variety of public and private companies and other enterprises. The Independent Directors provide unbiased and independent views in ensuring that the strategies proposed by the Management are fully deliberated on and take into account the interests of 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.

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

- to 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
- to maintain contact as required with major shareholders to have a balanced understanding of their issues and concerns.

BOARD CHARTER

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

Corporate Governance Statement

CODE OF ETHICS AND BUSINESS CONDUCT

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

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

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

COMPANY SECRETARY

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

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

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

BOARD MEETINGS AND ACCESS TO INFORMATION

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

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

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

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

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

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

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

The Board convened thirteen (13) meetings for the financial year ended 31 December 2010. The attendance of each Director in office at the end of the financial year at the aforesaid Board meetings is set out below:

Name of Director	No. of Meetings Attended	Total Percentage of Attendance (%)
Dato' Mohamed Khadar Merican	12/13	92
Tan Sri Azlan Zainol	13/13	100
Johari Abdul Muid	12/13	92
Mohamed Ali Ahmed Hamad Al Dhaheri	12/13	92
Arul Kanda Kandasamy	13/13	100
Datuk Haji Faisal Siraj	13/13	100
Dato' Tajuddin Atan	13/13	100
Dato' Saw Choo Boon[1]	7/8	88*
Dato' Teo Chiang Liang[1]	7/8	88*
Datuk Tan Kim Leong[2]	5/5	100#

Notes:

1 Appointed as a Director on 20 May 2010.
2 Retired on 19 May 2010.
* Based on the number of Board meetings attended since his appointment to the Board.
# Based on the number of Board meetings attended during his tenure of appointment in 2010.

APPOINTMENTS AND RE-ELECTION TO THE BOARD

RHB Capital, being a bank holding company, is governed by BNM's CG Guidelines in relation to the appointment of new Directors and the re-appointment of its existing Directors upon the expiry of their respective tenures of office as approved by BNM.

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

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

Article 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.

TRAINING & DEVELOPMENT

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

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

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

Corporate Governance Statement

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

The NEDs of the 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.

BOARD PERFORMANCE EVALUATION

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

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

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

GROUP BOARD COMMITTEES

Following the Group-wide transformation exercise undertaken in late 2007, the various Board Committees within the Group were consolidated to form Group Board Committees residing either at the Company or at RHB Bank Berhad 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 i.e. the RHB Capital Audit Committee.

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

- **Group Audit Committee**
  - The majority of its members are Independent NEDs.
  - Its main objective is to provide independent oversight of the financial reporting and internal control system and ensure checks and balances for entities within RHB Banking Group excluding RHB Capital.

- **Group Credit Committee**
  - The majority of its 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**
  - The majority of its 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.

- **Group IT & Transformation Strategy Committee**
  - Comprise Board members of the Group
  - Its principal responsibility is to provide guidance on the Group's planning and/or execution of programmes and initiatives within the realm of information technology and transformation management.

The functions and terms of references of the Group Board Committees are clearly defined and comply with the relevant governing laws, regulations and guidelines among others the Code and BNM's CG Guidelines. 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.

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

RHB Capital Audit Committee

The RHB Capital Audit Committee ("RHBCAC") comprises NEDs, the majority of whom are independent.

The RHBCAC meets regularly with the internal auditors. The RHBCAC 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 twelve (12) RHBCAC meetings were held.

The RHBCAC also meets twice a year with the external auditors without the presence of the Management in compliance with the terms of reference of the RHBCAC. The composition of the RHBCAC and the attendance of the members thereof together with the terms of reference and activities of the RHBCAC during the financial year are set out in the Audit Committee Report at pages 58 to 61 of this Annual Report.

Corporate Governance Statement

Group Nominating Committee

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

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

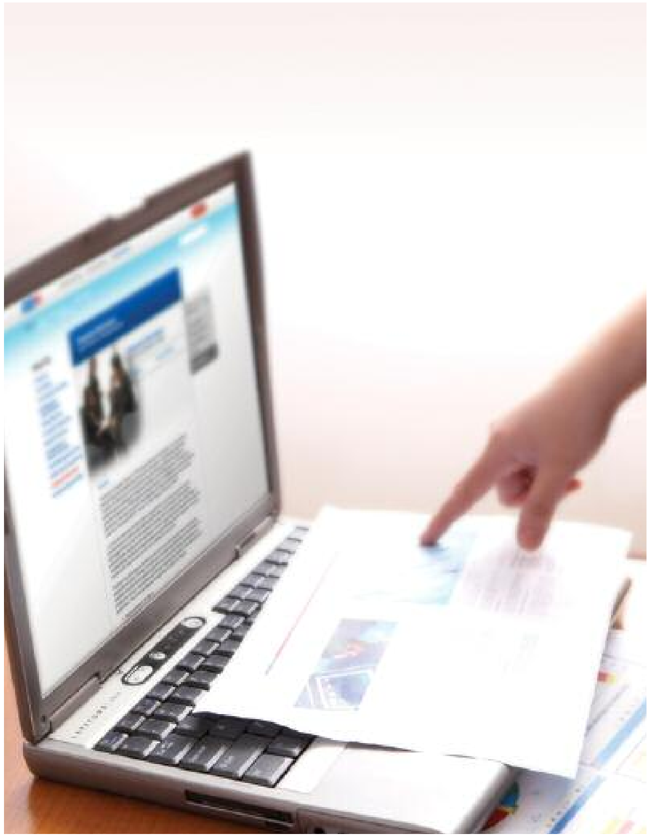
	Attendance at Meetings
Datuk Haji Faisal Siraj (Independent Non-Executive Director/Chairman)	6/6 (100%)
Johari Abdul Muid (Non-Independent Non-Executive Director)	5/6 (83%)
Dato' Mohamed Khadar Merican (Independent Non-Executive Director)	6/6 (100%)
Dato' Saw Choo Boon[1] (Independent Non-Executive Director)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

Notes:

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

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

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



- to assist the Board in ensuring that appointments are made on merit against agreed upon criteria;
- to assist the Board in identifying and reviewing, on an annual basis, the required mix of skills, experience and other qualities, including core competencies which Directors should bring to the Board and which the Board requires for it to function completely and efficiently; and
- to examine the size of the Board with a view to determining the impact the number of Members has upon its effectiveness.

Group Remuneration and Human Resource Committee

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

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

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

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

Notes:

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

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

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

Group Risk Management Committee

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

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

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

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

Notes:

1 Appointed as a Member on 20 May 2010
2 Retired on 19 May 2010
Based on number of meetings attended since his appointment as a Member.
* Based on number meetings attended prior to his retirement 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.

Corporate Governance Statement

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 comprises 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 ("NASC"), where relevant, on any Shariah matters which have not been resolved or endorsed by NASC.

DIRECTORS' REMUNERATION

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

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

i) Annual Fees
The NEDs are entitled to an annual Directors' fees. The annual Directors' fees are subject to 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 benefit structure which reward 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.

The details on the aggregate remuneration of the Directors of the Company (comprising remuneration received and/or receivable from the Company and its subsidiaries during the financial year 2010) are as follows:-

	Fees# RM'000	Allowance RM'000	Salary, bonus and other remuneration RM'000	Benefits-in-kind RM'000	Total RM'000
NEDs					
Dato' Mohamed Khadar Merican	220	173	–	19	412
Tan Sri Azlan Zainol	240	93	–	25	358
Johari Abdul Muid	200	211	–	–	411
Mohamed Ali Ahmed Hamad Al Dhaheri	140	33	–	–	173
Arul Kanda Kandasamy	180	57	–	–	237
Datuk Haji Faisal Siraj	200	158	–	10	368
Dato' Saw Choo Boon	82	92	–	–	174
Dato' Teo Chiang Liang	62	68	–	–	130
Datuk Tan Kim Leong##	44	72	–	–	116
Total (NEDs)	**1,368**	**957**	–	**54**	**2,379**
Group Managing Director*					
Dato' Tajuddin Atan	–	–	2,211	23	2,234

Note:

* The Group Managing Director's remuneration is derived solely from RHB Bank Berhad.

\# Subject to shareholders' approval.

\## Retired on 19 May 2010.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Stakeholder Communications

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

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

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

The Company's Annual General Meetings ("AGM") and Extraordinary General Meetings ("EGM") remain the primary platform for active dialogue between the shareholders, Board and Management of the Group. Shareholders are encouraged and given sufficient opportunity to participate actively in RHB Capital Berhad's AGM and EGM where they can enquire about the Group's activities and prospects as well as communicate their expectations and concerns. Shareholders are also encouraged to participate in the Question and Answer session on the resolutions being proposed and about the Group's operations in general. Shareholders are allowed to vote in person or by proxy for those that are unable to attend in accordance with the Company's Articles of Association.

Corporate Governance Statement

The Chairman and the Board of Directors attentively address any questions raised during these meetings. The Company's external auditors are also present at each AGM so as to be available to answer questions on the conduct of the audit and the preparation and content of the auditors' report.

At the 15th AGM held on 19 May 2010, the Group MD presented a comprehensive review of the RHB Banking Group's performance for the financial year 2009 and outlined the key focus areas and targets of the Group for the financial year 2010.

In addition, RHB Capital Berhad also held an EGM in 2010 to obtain shareholders' approval for the proposed renounceable rights issue to raise gross proceeds of approximately RM1.3 billion for the acquisition of PT Bank Mestika Dharma in Indonesia. A detailed presentation on the proposed acquisition and the rights issue were made to the shareholders so as to provide greater understanding on the Group's strategic direction and regionalisation agenda.

Attendance of shareholders at AGM and EGM has always been encouraging as evidenced by their presence in these meetings over the past years.

Investor Relations

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

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

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

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board ensures that shareholders are provided with a clear, balanced and meaningful assessment of the Company's financial performance, position and its future prospects through the Annual Audited Financial Statements, quarterly reports and corporate announcements on significant events affecting the Company in accordance with Bursa Securities' LR. The Chairman's Statement on pages 30 to 36 of this Annual Report provides an overview of the Company and the Group's financial performance for the financial year 2010.

A Directors' Responsibility Statement for the Annual Audited Financial Statements of the Company and the Group is set out on page 106 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 52 to 57 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 page 60 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 2010.

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

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 2010.

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-month financial period from 1 January 2010 to 31 December 2010.

Statement on Internal Control

RESPONSIBILITY

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

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

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

INTRODUCTION

The Board of Directors ("Board") recognises how important it is to maintain a sound system of internal control across the RHB Banking Group to ensure good corporate governance as well as to safeguard shareholders' investments and the Group's assets. The system of internal control that we have in place enables us to drive our business operations in a more efficient and effective manner, ensures sound financial reporting and control procedures, as well as compliance with the relevant laws and regulations.

As a listed issuer, we have an obligation under paragraph 15.26(b) of Bursa Malaysia Securities Berhad's Listing Requirements, to ensure that a statement on the state of the Group's internal control is included in this Annual Report. The following Statement on Internal Control has been prepared in accordance with the "Guidance for Directors of Public Listed Companies" issued by Bursa Malaysia Securities Berhad.

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 include the following:

- **Risk Management Framework**

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

Statement on Internal Control

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

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

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

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.

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

Internal Audit Function

Group Internal Audit performs regular reviews of the 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 the Audit Committee of the Company and the Group Audit Committee of the RHB Banking Group (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).

The results of the audits conducted by Group Internal Audit are reported to the respective Audit Committees. The follow-up actions and the review of the status of actions taken per 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 the RHB Banking Group for notation.

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

Group Compliance Framework

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

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

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

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

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

Board Committees

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

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.

The following are the Group Board Committees that reside at RHB Bank Berhad:

- Group Credit Committee;
- Group Recovery Committee;
- Group Audit Committee; and
- Group IT and Transformation Strategy Committee.

Statement on Internal Control

- **Central Management Committee**

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

- **Authority Limits**

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

- **Internal Policies and Procedures**

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

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

- **Budgeting Process**

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

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

- **Performance Review**

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

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

- **Human Resources**

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

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

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

- **Group Code of Ethics and Conduct**

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

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

- **Suspicious Transaction Reporting & Whistle Blowing**

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

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

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

- **Incident Management Framework**

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 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 consider (and they did not) 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 2010

Activities Of The Audit Committee

During the financial year ended 31 December 2010 ("year"), a total of 12 Audit Committee ("Committee") meetings were held. The Committee comprises the following members and details of attendance of each member at the Committee meetings held during the year are as follows:

Composition of the Committee	No. of Meetings Attended Whilst in Office
1. Dato' Saw Choo Boon (Chairman / Independent Non-Executive Director) - appointed as Chairman w.e.f 20 May 2010	8 out of 8 meetings
2. Datuk Haji Faisal Siraj (Member / Senior Independent Non-Executive Director)	12 out of 12 meetings
3. Dato' Teo Chiang Liang (Member / Independent Non-Executive Director) - appointed as Member on 2 August 2010	5 out of 5 meetings
4. Tan Sri Azlan Zainol (Member / Non-Independent Non-Executive Director) - relinquished position as Member on 1 August 2010	7 out of 7 meetings
5. Datuk Tan Kim Leong (Chairman / Independent Non-Executive Director) - retired as Chairman on 19 May 2010	4 out of 4 meetings

On 20 May 2010, Dato' Saw Choo Boon, an Independent Non-Executive Director, was appointed as Chairman of the Committee in place of Datuk Tan Kim Leong who retired as Chairman of the Committee on 19 May 2010.

On 2 August 2010, Dato' Teo Chiang Liang, an Independent Non-Executive Director, was appointed as a new member of the Committee. Tan Sri Azlan Zainol, a Non-Independent Non-Executive Director, had relinquished his membership on 1 August 2010.

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 the RHB Banking Group 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;
- Tabled the minutes of each Committee meeting to the Board for notation, and for further direction by the Board, where necessary;
- Reviewed the appointment of an external Quality Assurance Review ("QAR") service provider to perform an independent QAR on the Internal Audit function of the Group; and
- Reviewed the results of the external QAR on the Internal Audit function of the Group conducted by the appointed service provider.

During the year, the Members of the Committee attended the following training programmes, conferences and seminars:

(a) Banking and Finance
- Islamic Banking And Finance Fundamentals: Shariah Framework And Governance
- Goods And Services Tax
- Financial Institutions Directors Education Programme - Banking Insights
- Financial Industry Conference 2010
- Understanding Of The Financial Reporting Standard 139 - Financial Instruments: Recognition And Measurement & Bank Negara Malaysia's Revised GP3: Classification And Impairment Provisions For Loans/Financing

(b) Board and Corporate Governance
- Directors Duties & Governance Conference
- Performance Pays - The Report on Non-Executive Directors Remuneration

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 the RHB Banking Group. 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 RM18.2 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.

Audit Committee Report

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 the management, where necessary.

9. To recommend to the Board on the appointment and the annual reappointment of the external auditors and their audit fee, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of their audit as well as the removal of auditors.

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

11. To review and approve the non-audit services rendered by the external auditors together with the related fees and thereafter recommending the same to the Board for approval.

12. To review the co-ordination of the audit approach where more than one audit firm of external auditors is involved and the co-ordination between the external and internal auditors.

13. To review the minutes of meetings of other audit committees within the Group and be satisfied that all matters arising therefrom are being appropriately addressed by these other audit committees.

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

15. To perform any other functions as authorised by the Board.

Authority

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

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

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

4. Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Committee shall promptly report such matter to Bursa Securities.

Meetings

1. Meetings shall be held at least four (4) times a year with a minimum quorum of two (2) members and the majority of members present shall be independent non-executive directors. Additional meetings may be called at any time at the discretion of the Chairman of the Committee.

2. The head of internal audit shall be in attendance at meetings of the Committee. The Committee may invite the external auditors, the managing director/chief executive officer, the chief operating officer, the chief financial officer, any other directors or members of the management and employees of the Group to be in attendance during meetings to assist in its deliberations.

3. At least twice a year, the Committee shall meet with the external auditors without the presence of the Management or any executive board members, and upon the request of the external auditors, the Chairman of the Committee shall convene a meeting to consider any matter which the external auditors believe should be brought to the attention of the Board or shareholders.

4. The Company Secretary shall be the Secretary of the Committee.

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

Membership

1. The Committee shall be appointed by the Board from amongst its number and shall comprise not less than three (3) members, the majority of whom are independent directors. All members of the Committee shall be non-executive directors.

2. The Chairman of the Committee shall be an independent non-executive director appointed by the Board.

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

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

5. The term of office and performance of the Committee and each of its members must be reviewed by the Board at least once every three (3) years.

6. If a member of the Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

Risk Management Statement

INTRODUCTION

The risk management process within the RHB Banking Group seeks to identify, measure, monitor, and control risk, in order to ensure that risk exposures are adequately managed and that the expected returns offset the risks taken. To this extent, the Group has implemented a Risk Management Framework which governs the Group's management of risks. This framework operates on two interlocking layers:

(i) It provides a holistic overview of the risk and control environment of the Group, with risk management moving towards loss minimisation and protection against losses which may occur through, principally, the failure of effective checks and balances in the organisation, as well as deficiencies in the risk management culture.

(ii) It sets out the strategic progression of risk management as the Group moves towards becoming a value creation enterprise. This is realised through building up capabilities and infrastructure in risk management sophistication, and using the improvements in risk quantification to optimise risk-adjusted (or economic) returns.

OVERARCHING RISK MANAGEMENT PRINCIPLES

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

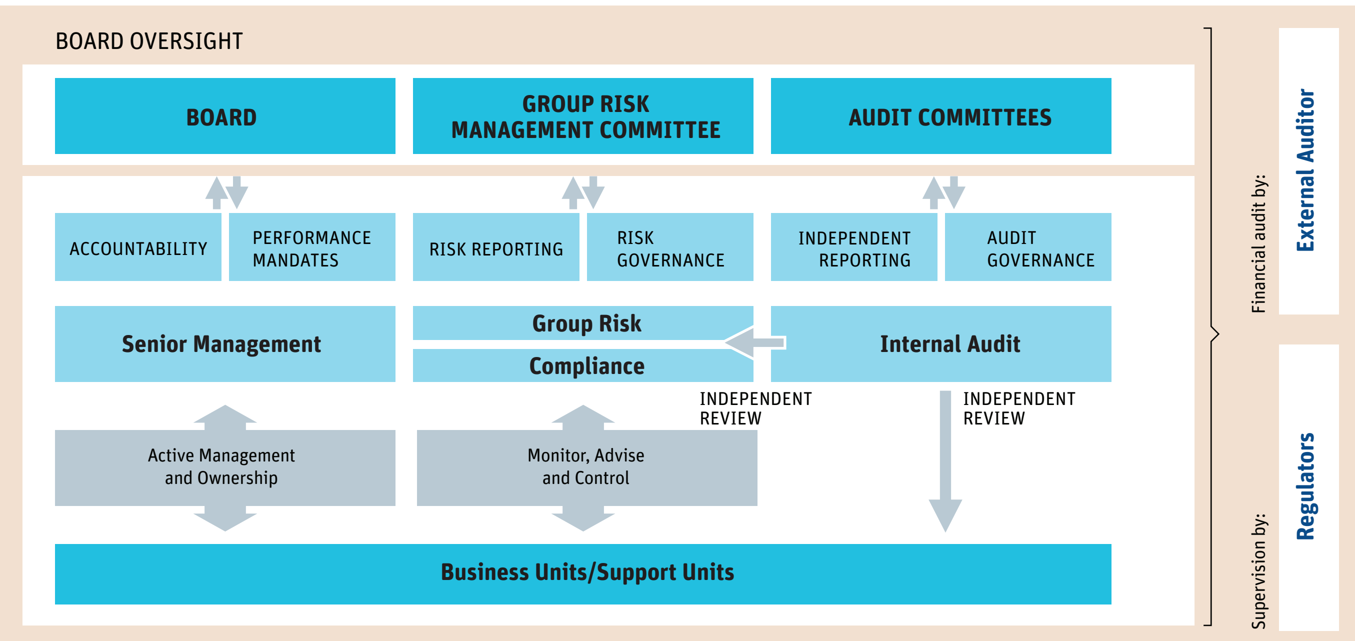
(i) Risk governance from the Boards of Directors of companies within the Group;
(ii) Clear understanding of risk management ownership;
(iii) Institutionalisation of a risk focused organisation;
(iv) Alignment of risk management to business strategies; and
(v) Optimisation of risk adjusted economic and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

Principle 1

Risk governance from the Boards of Directors of Companies within the Group

The ultimate responsibility of the Boards of Directors in the RHB Banking Group is to ensure that an effective risk management strategy is in place which is uniformly understood across the Group. The Group has a structured framework to support the Board's oversight responsibilities and this is depicted in the accompanying diagram:

Structured Framework to Support Board Oversight Role in Risk Management



Group Risk Management Committee (GRMC)

The RHB Banking Group has established a Group Risk Management Committee (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 in areas pertaining to risk management. In 2010, the GRMC met on a monthly basis and significant improvement was gained in the enhancement of risk management practices within the Group.

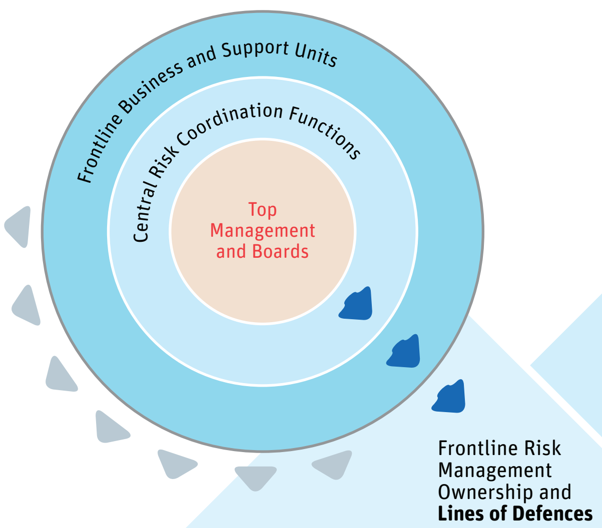
A Risk Management Committee has also been established at RHB Islamic Bank to focus on the risk management issues of the Islamic Bank, particularly in relation to risk issues unique to Islamic finance. This has promoted the achievement of the intended objectives of enhancing the risk management of the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

Principle 2

Clear understanding of risk management ownership

Risk management processes are a collective responsibility and warrant the cooperation of the Group's business and functional units, risk management functions, top management and the Board. This leads to risk management ownership with differing levels of focus across the Group and is outlined as follows:

Risk Management Ownership and Lines of Defence



Principle 3

Institutionalisation of a risk-focused organisation

The RHB Banking Group has promoted a risk-focused culture throughout the organisation through a number of measures. Two of these are:

(i) strengthening the central risk coordination functions, and
(ii) continuously reinforcing 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 RHB 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 and their possible impact 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.

Risk Management Statement

Principle 4

Alignment of risk management to business strategies

The Group's risk management framework serves 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. The Group's management is progressively implementing a risk-adjusted returns based framework for allocation of capital to business units as well as for performance measurement and management activities.

CREDIT RISK

Credit risk management is conducted in a holistic manner. During the assessment of credit risk at the transactional level, credit underwriting standards are dictated in approved credit risk policies (which are developed for the assurance of asset quality that is 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 modelling or for which statistical modelling 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 are performed in compliance with 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

The analysis of large customer group exposures is 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.

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 the 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 RHB Banking Group has established an interest rate/ profit rate risk management policy which provides for the governance of the 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 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 are measured by conventional risk quantification methodologies such as regulatory liquidity framework requirements. The 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 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 defence against operational losses.

- **Monitoring and Intervention** – this 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 Group has developed and implemented a Reputational Risk Management Framework. The key elements for management of reputational risk include:

- prompt and effective communication with all stakeholders;
- strong and consistent enforcement of controls relating to governance, business compliance and legal compliance;
- continuous monitoring of threats to reputation;
- ensuring ethical practices throughout the organisation; and
- 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; and
- 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 implementation that has been completed 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.

The RHB Banking Group continues to develop sustainable capabilities for continuous improvements in the use and adoption of the advanced approaches of the Basel II capital accord. In June 2010, RHB Bank obtained Bank Negara Malaysia's (BNM) approval to apply the IRB Approach for Credit Risk.

Risk Management Statement

FINANCIAL INSTRUMENTS

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 are reviewed regularly to ensure that it has sufficient levels of cash and cash equivalents to meet working capital requirements and to be able to settle its commitments when they fall due.

Interest Rate Risk

The Company's primary interest rate risk relates to interest-bearing borrowings. The Company manages its interest rate exposure through the use of fixed and floating rate debt. The objectives for the mix between fixed and floating rate borrowings are set to manage the fluctuations in interest rates and their impact on the Company.

BANKING SUBSIDIARIES: RHB BANK, 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 GRMC.

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 the 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 the 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 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

The ALCO plays a fundamental role in the asset/liability management of the banking subsidiaries, and establishes strategies that assist in controlling and reducing any potential exposures to liquidity risk.

Limits on the minimum portion of maturing funds available to meet obligations and the minimum level of inter-bank and other borrowing facilities are set to ensure adequate cover for withdrawals at unexpected levels of demand.

Defined liquidity management ratios are maintained and monitored on an active basis.

The banking subsidiaries' liquidity framework is subject to periodic stress tests and the results are constantly reviewed to ensure constant compliance with BNM's Liquidity Framework.

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

Credit Risk

Credit risk represents the possibility of loss due to changes in the quality of counterparties and the market price for credit risk assets (collateral).

Credit risk arises from the lending activities, primarily through loans and advances and guarantees. In addition, credit risk also occurs from funding, investment, trading and derivatives activities, where counterparties may not be able to fulfil their obligations when they fall due.

The primary objective of credit risk management is to keep the banking subsidiaries' exposure to credit risk within its capability and financial capacity to withstand potential financial losses.

In this respect, both RHB Bank, RHB Islamic Bank and RHB Investment Bank have carried out the following 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 portfolio that addresses credit risk, and mitigates concern for unexpected losses, as well as ensures a reliable and satisfactory risk-weighted return. Market best practices are incorporated into this policy.

(ii) The banking subsidiaries ensure measures and processes are in place before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being independently evaluated by an independent credit evaluation and management function. The Central Credit Committee and the Group Credit Committee sanctions credit beyond the established prudential threshold. The 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) In June 2010, RHB Bank obtained BNM's approval to apply the IRB Approach for Credit Risk. Meanwhile, the other banking subsidiaries are moving towards more advanced Basel II approaches by implementing key programme components which include: (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 the 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 enables RHB Bank to meet the Pillar II requirements of the Basel II Accord Internal Ratings Based Approach.

Operational Risk

The GRM function is responsible for the development of bank-wide operational risk policies, frameworks and methodologies, and providing inputs to the business units on operational risk areas. The respective business units are primarily responsible for managing operational risk on a day-to-day basis.

Risk Management Statement

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 in the future.

The 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.

The Group continually refines and strengthens existing policies, procedures and internal controls measures, as well as conducts 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 and single client to manage the concentration risk;
- requirement of upfront payment for purchase of stocks with "designated" status and "PN17" condition stocks under trading restriction prior to the execution of the transaction. Exposures to such counters are monitored closely;
- Finally, 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). Hence, market risk is contained within four market days following the transaction date.

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 the 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:

- a structured and systematic credit checking and processing based on approved policies, procedures and guidelines;
- a proper trading limit structure for dealer's representatives and clients in line with credit policies;
- the daily review and monitoring of exposure and adequacy of collateral;
- the requirement of upfront payment for purchase positions prior to the execution of trade for any exposures which are beyond the acceptable risk tolerance level; and
- an internal policy on the suspension of clients from trading once their accounts are overdue. Clients' losses are reviewed daily and recovery action initiated as and when appropriate.

Interest Rate Risk

The Divisions' financial position is not significantly affected by changes in the market interest rate. Any exposure is minimum as the funds placed are for the short-term.

Liquidity and Cash Flow Risk

The Division maintains sufficient cash, has access to sufficient funding through an adequate amount of committed credit facilities, and has the ability to close out market positions. The Division has in place the following measures to manage such risks:

- arrangement with licensed banks to maintain credit facilities for trade payments.
- the Division monitors its level of funds on a daily basis.

BASEL II IMPLEMENTATION

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

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

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

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

Business Ethics and Integrity

CODE OF ETHICS AND CONDUCT

The RHB Banking Group ("the Group") has adopted the Group Code of Ethics and Conduct ("Code") which sets out the standards of good banking practice that aim to safeguard the interest of customers and the Group. The Code has been drafted in line with the regulations, guidelines, rules and best practices issued by Malaysian regulators, mainly Bank Negara Malaysia ("BNM"), the Securities Commission Malaysia ("SC") and Bursa Malaysia Berhad ("Bursa Malaysia").

The principles, policies and procedures adopted in the Code serve as a guide on the high standards of ethics and integrity expected of employees of the Group in the pursuit of business activities. The main principles covered in the Code are as follows:

- **Adoption of Professional Standards**

  Integrity and morality should not be compromised in the name of profit or competition. Any consideration, decision and action involving any business of the Group should be made with due care, skill and diligence.

- **Avoidance of Conflicts of Interest**

  Disclosure is the most effective remedy in avoiding conflict of interest issues. Thus, the Group requires its employees to disclose any possible conflict of interest with the customers or the Group.

- **Prohibition of Misuse of Position**

  Employees are prohibited from misusing their positions in the Group for personal advantage. Such prohibition covers activities which could provide priority or benefit for personal investment transactions, or increase the political or social standing of the employee.

- **Prohibition of Misuse of Information**

  All information obtained while doing business for the Group should be treated with the utmost care. On no account should the information be used to gain benefit for the employees or any other parties.

- **Maintenance of Integrity of Records**

  All records pertaining to the Group's assets, business transactions and performance should be properly maintained in a complete and accurate manner. These reports should be able to provide the actual situation of the Group's standing at any particular time.

- **Maintenance of Confidentiality**

  Compliance with secrecy requirements is the foremost principle in doing business for the Group. Any information involving the customers and their business should be kept confidential unless customers expressly consent to the release of such information.

- **Assurance of Fair and Equitable Treatment**

  All dealings with potential and existing customers, and vendors should be done in a fair and equitable manner. No unfair advantage measures by any means should be practised by the employees.

- **Compliance with Applicable Rules and Regulations**

  Full compliance with the applicable regulatory rules and regulations and internal policies and procedures are prerequisites when undertaking business for the Group. Each employee is made personally liable for any breach or non-compliance with such regulatory and internal requirements.

- **Prevention of Money Laundering and Terrorism Financing Offences**

  The implementation of appropriate anti-money laundering and counter financing of terrorism ("AML/CFT") measures are vital to complement good business practice so as to prevent the Group from being used as a conduit for illegal activities. As such, the Group places an emphasis on the importance of compliance with Malaysian AML/CFT laws and guidelines, and where necessary, with international best practices.

- **Management of Customer Relationships**

  As the Group continues to provide high quality services, it is essential that employees anticipate customers' needs and maintain a level of professionalism that ensures customer satisfaction. For this reason, employees should explain the relevant policies and procedures of the Group when engaging with customers and should respond expeditiously and courteously to customers.

As the Group sets out to achieve its business goals, the Code will serve as the foundation for the high standards of ethics and integrity as espoused by the Group in its dealings with stakeholders. It will also ensure employees have a better understanding of the professional and personal conduct expected of them in their day-to-day business activities.

Compliance Statement

OVERVIEW

Over the past few years, the financial industry has seen an unprecedented surge in governance and regulatory requirements. With the increasing regulatory rigour, financial institutions are coming under intense pressure to implement good governance practices and manage compliance risk while pushing for improvements to the bottom-line.

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

The 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 evolves 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:

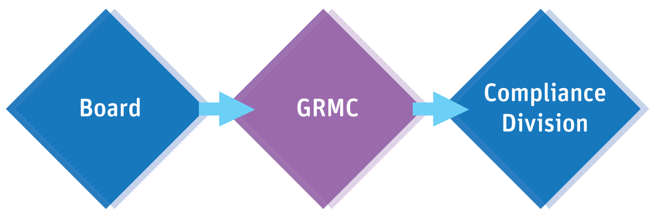
- to be most compliant banking group;
- to enable business growth and compliance;
- to ensure zero-tolerance for regulatory breaches; and
- to minimise operational losses.

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.

VISION	◆ To be a banking group with industry leading compliance culture
MISSION	◆ To effectively measure and manage the compliance risk of the RHB Banking Group to meet the expectations of all stakeholders
VALUE-ADD	Infusing Best Practices · Compliance Risk Mitigation · Compliance Assurance · Enabling Compliance · Education & Awareness
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 committee wherein the Group's state of compliance with laws, regulations, internal policies and procedures is reported. This enables the GRMC to carry out the effective oversight of the Group's compliance activities and provide the direction for appropriate risk management and mitigation actions.

The 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.

SHARIAH COMPLIANCE

Compliance with Shariah principles is an integral feature of Islamic banking and finance. It provides unique characteristics that differentiate the 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 mechanisms pertinent to Shariah advisory and compliance matters are emplaced to ensure the Group is in compliance with Shariah rules and principles at all the times. The support provided by all authorities and parties within the Group has contributed to the achievement of the Shariah compliance needs and enabled the Group to mitigate Shariah compliance risk.

SCOPE OF COMPLIANCE

The scope of compliance covers the 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 the 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.

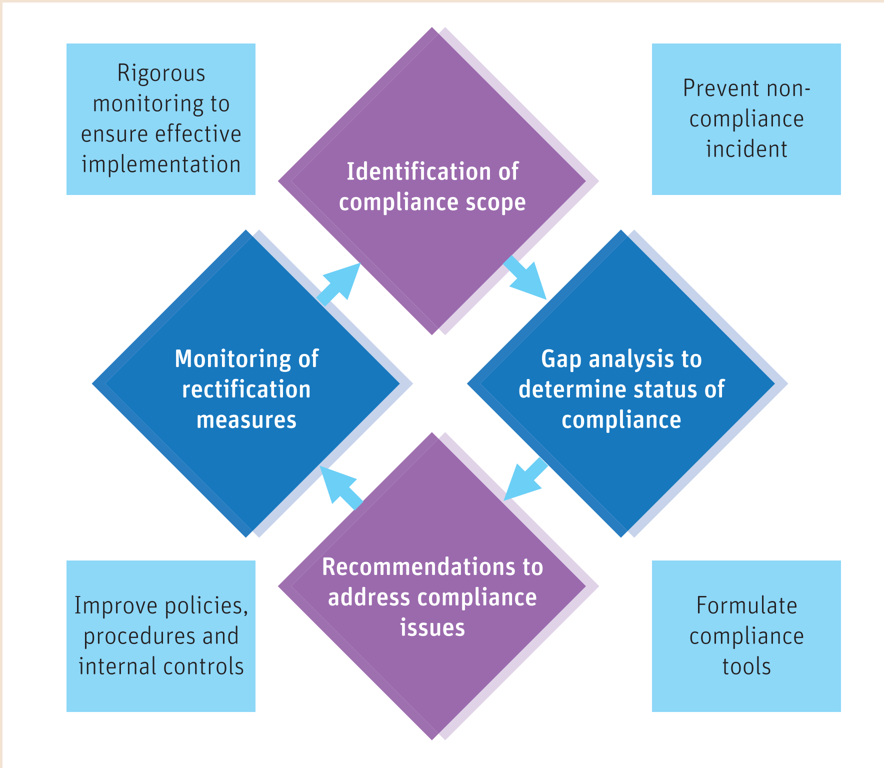
Division and Department Heads are continuously engaged to ensure they continue to inculcate compliance awareness and discharge their duties effectively to ensure their respective units comply with regulatory and internal requirements.

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 the Compliance Division itself.

Compliance sources

- Laws & regulations
- Group's policies & procedures
- Sound industry practices
- Internal compliance review
- Internal audit reports
- Group risk assessment
- Regulators' reports /dialogue



COMPLIANCE CHALLENGES

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

Challenges

- Focus resources on value-adding intiatives
- Re-validate best practices periodically
- Use expertise to enhance knowledge & awareness in Group
- Continue to build good & valuable controls to avoid operational losses
- Provide meaningful compliance assurance
- Continuous surveillance on key risk areas
- Strive to improve processes to enable compliance

Value Proposition

Compliance Statement

KEY INITIATIVES

The year 2010 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 a value proposition to our stakeholders are as below:

- Infusing Best Practices
- Compliance Risk Mitigation
- Compliance Assurance
- Enabling Compliance
- Education & Awareness

1. Infusing Best Practices

A comprehensive set of policies and procedures that institutionalise right from wrong is integral to promoting a sound compliance culture. It is imperative that the Group 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 Programme
- Group Incident Reporting, Management and Escalation Process
- Group Code of Ethics and Conduct
- Group Whistleblower Policy
- Group Chinese Wall and Insider Trading Policy

Continuous revisions are made to the Compliance Policies to ensure the Group keeps abreast of regulations, industry best practices and the changes evolving within the Group.

2. Compliance Assurance

The Group's state of compliance is provided for thorough Compliance offsite surveillance programmes that are complemented with onsite reviews carried out not only at local branches but also at overseas branches.

The respective Boards and Senior Management are apprised 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, AML/CFT measures, as well as root cause and trend analyses.

In addition, any incident affecting the reputation of the Group is escalated to the respective Boards within 24-hours of the incident occurring. This escalation process ensures adequate oversight and guidance are provided by the Board in managing reputational risk.

3. 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 proactively and minimised accordingly. Where applicable, preventive or corrective actions to be taken by staff are disseminated via issuance of alerts and Awareness Bulletins.

The Compliance Division continues to play an active role in integrating sound compliance risk management into the overall risk management strategy. It does this through reviews of policies and processes before the implementation of a product or service. Particular attention is paid to new business models or new processes that are introduced for the first time, either to the Group or to the industry, to ensure that good internal controls and processes are inbuilt to avoid operational losses.

4. 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") as well as Preventive Action and Corrective Action ("PACA") recommendations. The analyses and recommendations include process or procedural changes that not only support compliance objectives but also enhance productivity and efficiency.

In an effort to assist the Group's branches to improve compliance on the ground, the Compliance Division has formed the Regional Internal Control Oversight Team whose team members are based regionally but report directly to the Compliance Division. The team's key role is to conduct onsite branch reviews and provide assistance to enable better management of compliance at the branches.

The Compliance Division has also embarked on issuing regulatory alerts on a monthly basis to enable and assist business and operating units to comply with regulatory requirements that are issued from time to time by regulators.

5. Education and Awareness

Effective knowledge management is a key challenge in ensuring staff of the Group are aware of the risk issues surrounding their activities and are able to manage these accordingly in the course of carrying out their business. To this end, the monthly Compliance Newsletter to all staff of the Group highlights updates on compliance issues around the world as well as lessons learnt to ensure incidences of non-compliance and malpractice do not occur in the Group.

With the ultimate aim of embedding a compliance culture throughout the Group, the Compliance Division works with Group Internal Audit, Group Risk Management and Retail Strategy & Network Management to carry out regional briefings. These briefings involve sharing common findings and experiences as well as advice on how to improve compliance and contain operational risk within the branches.

Continuous improvements are also made to training modules to ensure compliance policies are understood and practised by all staff.

Other awareness programmes including computer-based self-tests are in place to promote a compliance culture and infuse a continuous awareness on compliance matters amongst staff. Mindful that regulatory requirements and sound practices continue to increase and grow in complexity, education and awareness-creation remain a primary focus for the Group.

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

As one of the forerunners of the Government and Bank Negara Malaysia's initiatives to prevent the banking system from being used for illicit and laundering activities, the Group has established the following processes and infrastructure:

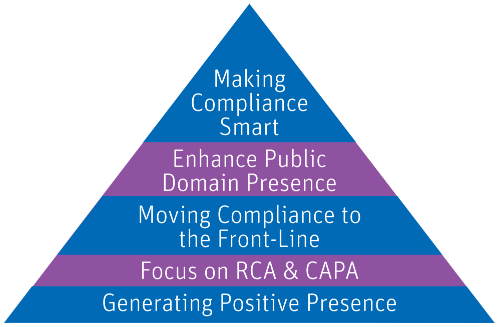
- accountability of each level of employee for anti-money laundering detection and prevention;
- education and training in preventing and detecting money laundering; and
- extensive procedures covering customer identification, account opening, record keeping and recognition and reporting of suspicious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

The AML/CFT measures continue to focus on ensuring the effectiveness of reporting by all business and operating units to Compliance Division. AML/CFT self-compliance assessments continue to provide an avenue for the Compliance Division to gauge the understanding of business and operating units on AML/CFT and act as tools to enhance future measures. In addition, various learning initiatives are conducted to raise awareness among employees on the important role that they play in ensuring the Group does not become a conduit for money laundering.

In its continual quest to infuse best practices on compliance, the Group has embarked on the implementation of an AML System to automate AML processes to enhance overall productivity and operational efficiencies.

VALUE OF COMPLIANCE

The five-pronged strategy as detailed above ultimately aims to protect the RHB brand value by achieving compliance excellence. Fundamental to achieving compliance excellence is the process of "making compliance smart" that is attained as follows:



As business models change, new technologies emerge and regulatory requirements increase amidst the intense focus on operational efficiencies as well as regionalisation and the 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 compliance smart" becomes a critical determining factor in our journey towards compliance excellence.

In this regard, the Boards and Senior Management within each respective entity have extended their fullest support and cooperation in moving compliance to the front-line. They have done this by 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 Management take an uncompromising stance if such trust is breached.

The Group's focus on RCA and CAPA to generate a positive presence has yielded greater compliance understanding. Growing in tandem with the understanding is the cooperation between the business and operating units and the Compliance Division with regard to managing compliance risk. The Compliance Division is increasingly becoming a point-of-reference and advisor for key strategic initiatives that the Group embarks on.

The effective penetration of a proper compliance culture into all business and operating units has enhanced our public domain presence and facilitated early detection of compliance risk. This has resulted in quicker compliance risk mitigation actions being undertaken which in turn translate into a reduction of operational losses and a higher level of operational efficiency.

The Group recognises that the strengthening of a compliance culture is the foundation for good compliance practices and it is imperative that this becomes an intrinsic trait of the Group. Not only will it preserve the Group's integrity and reputation, it will enhance our corporate image as a respectable organisation and ultimately, increase brand and shareholder value.

Group Senior Management

from left to right:

Haji Abd Rani Lebai Jaafar
Director, Islamic Banking

Datin Zaimah Zakaria
Director, Group Treasury *(Acting)*

Wan Mohd Fadzmi Wan Othman
Director, Global Financial Banking

Azaharin Abd Latiff
Director, Group Human Resource *(Acting)*

Koh Heng Kong
Head, Insurance

Sharifatul Hanizah Said Ali
Head, Investment Management

Azman Shah Md Yaman
Group Company Secretary

Chay Wai Leong
Director, Corporate & Investment Banking

Michael Lim Kheng Boon
Director, Group Transaction Banking

Renzo Christopher Viegas
Director, Retail Banking

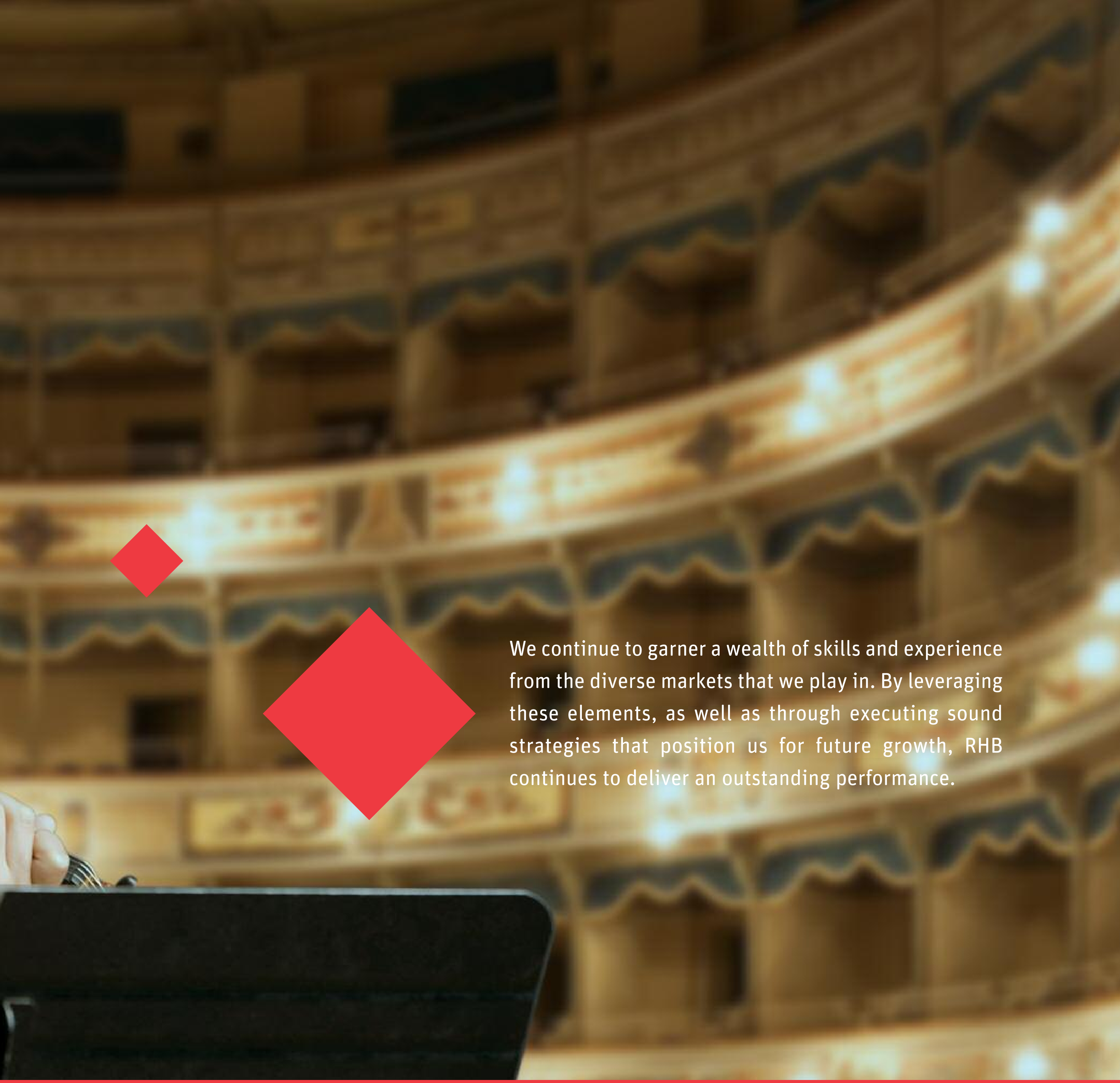
Dato' Tajuddin Atan
Group Managing Director

Kellee Kam Chee Khiong
Director, Group Finance

Norazzah Sulaiman
Director, Group Corporate Services

Amy Ooi Swee Lian
Director, Business Banking

Delivering an



We continue to garner a wealth of skills and experience from the diverse markets that we play in. By leveraging these elements, as well as through executing sound strategies that position us for future growth, RHB continues to deliver an outstanding performance.

Outstanding Performance

Overview: Business and Operations

INTRODUCTION

The year 2010 was the year in which the RHB Banking Group delivered its best performance to date on the financial, operational and stakeholder value-creation fronts. Our transformation initiatives did much to bolster the Group's overall performance as we delivered on or even surpassed most of our key targets, as well as strengthened our Universal Banking platform.

Since 2007, under the Group's Transformation Programme, we have been setting in place the building blocks to prepare RHB for domestic growth and regional expansion. In 2010, we took our efforts up several notches by implementing impactful new initiatives. These included a review of our business model at the subsidiary-level and our embarking on the plan to maximise our resources and enhance our revenue by growing our strategic business units groups ("SBGs") to seven SBGs. Today, on top of the existing Retail Banking, Corporate & Investment Banking, Islamic Banking and Global Financial Banking SBGs, we have in place the Business Banking, Group Transaction Banking, Group Treasury and SBGs. Going forward, our focus will be on growing the individual SBGs and their revenue streams.

The year also saw us taking the opportunity to redefine our Islamic banking business model to make the most of the opportunities in this sector. Our Islamic banking business will further leverage on the Group's infrastructure and shared services going forward. These efforts will not only help us increase business momentum in this area but will help us ensure costs, customer service standards and credit quality in particular are maintained.

To expand our reach, we continued to leverage on our revolutionary community banking initiative, EASY by RHB. EASY grew exponentially to 111 outlets nationwide in 2010 and in just over one year, generated assets in excess of RM1.3 billion. To strengthen our distribution network, we also grew our self-service terminal ("SST") network. We also took the time to improve service quality standards and grow our suite of innovative products. On top of this, a good deal of time was spent developing our human capital, as the Group will always only be as good as the people behind our operations.

We undertook many more impactful initiatives under our Transformation Programme which enabled RHB to outpace the industry on the retail banking, investment banking, loans growth and cost-income ratio fronts. The details of these are spelt out in the following review of our business and operations.

Going forward, the Group will continue to leverage our transformation initiatives to build a competitive operating platform that is sustainable yet scalable for the future. The next phase of transformation will see us driving efforts to enhance our presence locally and regionally. We will also work to claim a leadership position in specific markets or product segments. Come 2011, our assets too will start bearing fruit under our asset expansion programme.

Under the next phase of transformation, called SCORE 20 (Strategic, Charge Optimisation, Revenue Enhancement), we will bring six key strategic focus areas and 20 initiatives into play. These initiatives will focus on key areas within the Group's operations to ensure we are adopting a holistic approach to change, and will act as drivers to strengthen and improve our overall performance. In taking a systematic approach towards strategy development and execution, we will set our sights on achieving meaningful, quantifiable and effective results. Going forward, we are confident that the next phase of our Transformation Programme will continue to unveil many opportunities for the Group's future.

Dato' Tajuddin Atan
Group Managing Director

Overview: Business and Operations

RETAIL BANKING

In 2010, the Retail Banking SBG comprising Consumer Banking, Cards and Unsecured Lending, Auto Finance, Asset Backed Financing, Bancassurance and General Insurance, experienced an exceptionally strong growth in profit before tax, Assets Ending Net Receivables and Deposits End of Period, turning in growth of 12.2%, 18.8% and 9.0% respectively.

Retail Banking's residential home loans portfolio has grown at a double-digit Compounded Annual Growth Rate ("CAGR") in the last three years, while its market share too has shown a steady rate of growth. Residential Loans grew by 15.0% against the industry growth of 11.6%. Together with Amanah Saham Bumiputera Financing, we outpaced the industry with a growth of 24.5% against the industry's 12.3%.

RHB developed and packaged more competitive and attractive deposits product offerings in line with the upward revisions of the Overnight Policy Rate ("OPR") by Bank Negara Malaysia ("BNM") during the first half of 2010, which led to increased competition among financial institutions. Despite this competition, RHB's total consumer deposits registered a higher growth rate of 8.2% against the industry's 4.8% rate of growth.

RHB also registered a higher growth of 12.9% compared to the industry's 3.7% for its auto financing business on the back of a number of initiatives to sustain positive growth momentum. These included expanding panel dealers and offering joint promotion programmes, increasing distribution channels with the opening of two new Business Centres in Cheras and Klang, integrating Business Centres with bank branches to improve efficiency, introducing Franchise Financing, and participating in the Industry Financing Guarantee Scheme ("IRFGS").

The Debit Card international spend market share trend continues to grow. RHB registered a higher growth of 20.4% compared to the industry average of 10.4% for credit cards and personal financing combined. Efforts were intensified to increase market share in the credit card segment by offering value propositions to customers. These initiatives included the RHB Travel Money card that offers good value in rebates for the purchase of petrol throughout Malaysia and the TESCO-RHB Co-brand card for grocery shopping at TESCO outlets.

Retail Banking also expanded its EASY by RHB outlets to 111 nationwide, achieving RM1.3 billion ENR assets in 2010 as part of its efforts to expand channel distribution points.

There were also a number of new products and services launched under the various business sections. These included the CashConnect Extra Debit Card, Platinum Debit Card, Platinum Credit Card Re-Launch and Travel Money Re-Launch, Islamic Credit Card, EASY: Interest Only ASB Financing, DCI, BANCA (Tokio Marine): Single Premium, Essential Life Plus, Essential Protector and PayPal Pay Anyone via eMail.

The Internet Banking platform was also enhanced to allow customers to view any information in just three mouse-clicks, while the collaboration with PayPal has enhanced RHB's Internet Banking proposition so that customers now have the flexibility to send money worldwide through an email with their RHB bank account.

Building on RHB's strategic partnerships, the tie-ups with TESCO, POS Malaysia and LRT have further widened the reach of the Group's distribution network with EASY by RHB outlets now found in all TESCO stores, selected POS Malaysia branches and LRT locations. The tie-up with Tokio Marine too has allowed RHB to strengthen and widen its bancassurance product offerings to customers.

Retail Banking won a number of prestigious awards in 2010 which included an Effie, a global marketing and communication award recognising organisations across all industries. This award was bestowed on EASY by RHB which was the only bank to be recognised for the concept of "unbanking" or banking in an unconventional way. The Share Guide Association of Malaysia ("SGAM") also awarded EASY by RHB the Best Process Innovation Award, while the Customer Relationship Management and Contact Centre Association of Malaysia ("CCAM") recognised RHB for having one of the Best In-House Contact Centres (in the Above 100 Seats category), and the Best Video for a Contact Centre (Open category). The Cards and Unsecured Lending business also received VISA International Awards for the highest purchase volume growth for both its Debit Cards and Non-Premium Credit Cards.

Looking ahead, the growth of residential loans is expected to soften in 2011, given the normalisation of GDP growth and other regulatory actions to control asset inflation. The exclusive partnerships with Goldman Sachs and Tokio Marine (formed in 2010), also augur well for RHB. This will strengthen our Premier Banking proposition as we identify new opportunities in the Asia Pacific region for the Group's wealth management products and premier banking customer segment, focusing on dividend-yielding and high interest-bearing investments, bancassurance and principal-protected funds.

Overview: Business and Operations

CORPORATE & INVESTMENT BANKING

Corporate & Investment Banking ("CIB") recorded an impressive 62% growth in 2010 with a profit before tax of RM544 million in comparison to RM336 million in 2009. This strong performance contributed 28.6% of the Group's overall profit and was largely due to the increase in net interest income, impaired loans recovered and lower impairment as compared to 2009.

In 2010, RHB Investment Bank emerged as the No. 1 ranked bank on Bloomberg's South East Asia Mergers and Acquisitions ("M&A") league table. We undertook some of the country's landmark M&A deals in 2010 including advising the multi-billion Ringgit acquisition of PLUS Expressways Bhd (largest M&A deal in Malaysia and South East Asia) as well as the privatisation of Astro All Asia Networks PLC and Tanjong PLC. In recognition of this, RHB Investment Bank was accorded the coveted "Malaysia's Best M&A House" award from The Asset.

In the equity markets, RHB Investment Bank was the Sole Financial Adviser in the largest REIT IPO in Malaysia – the listing of Sunway REIT which won the "Best REIT Deal of the Year in South East Asia" award from Alpha SEA. We also completed a notable Islamic debt capital market deal in 2010 which raised RM1 billion for Cagamas under its Sukuk ALIm programme. This deal won IFR Asia's "Best Islamic Finance Deal of the Year" and IFN's "Malaysia Deal of the Year".

CIB's stockbroking business also gained market share from 5.86% in 2009 to 6.61% in 2010 and improved our broker ranking from eighth to fifth place.

In 2010, RHB Investment Bank was the first and only local broker to provide Direct Market Access for the equities market (DMA Equity) on Bursa Malaysia. We also commenced implementation of a seamless Multi-Market Trading in five foreign markets (Singapore, USA, Hong Kong, Australia and China) via the RHB Invest online trading platform. To date, MMT has started on the Singapore and USA (NASDAQ, AMEX and NYSE) exchanges.

Corporate Banking's gross loans and advances experienced an encouraging growth of 21% which contributed positively to the fee income growth for CIB. This growth is spurred by cross-selling activities amongst the Investment Banking, Corporate Banking and the Labuan Offshore units.

The asset management business of CIB sealed an exclusive partnership agreement with Goldman Sachs Asset Management to jointly develop fund management products for distribution to investors in Malaysia. RHB Investment Management also launched the RHB Asia Pacific Maqasid Fund, the first socially responsible Islamic fund in Malaysia that is based on the principle of Maqasid in 2010.

Looking ahead, RHB will continue to intensify efforts to increase market share and maintain market dominance as one of the Top 3 investment banks in Malaysia.

Business Banking was formed as one of the new SBGs in 2010 under the Transformation Programme to focus on SMEs. Business Banking currently contributes approximately 20% of the Group's total income, making it a significant contributor, and will continue to be an area of growth for the Group.

RHB's Business Banking accounts for 9% of the SME market. The SME segment in Malaysia has experienced continued growth with the industry seeing an increase between 8% and 9% in 2010.

Business Banking's ongoing initiatives in assisting SMEs in obtaining financing for growth continued to make good progress when RHB became the first local financial institution to enter into a risk partnership arrangement with the Credit Guarantee Corporation ("CGC"). This partnership arrangement will provide collateral coverage that will allow SMEs easier access to financing. The Bank also launched an empirically-based score card in early 2010. Specifically developed for SMEs, this initiative will enhance Business Banking's programme lending offerings. Both initiatives are designed to improve the Bank's delivery and reach a wider cross-section of SMEs.

Being awarded the Top SMI Supporter Award for the last 10 years and the Sahabat SMI Award by the SMI Association of Malaysia for five consecutive years by CGC is an apt reflection of the RHB Banking Group's long-standing support for SMEs.

BUSINESS BANKING

Overview: Business and Operations

GLOBAL FINANCIAL BANKING

Global Financial Banking ("GFB") was formally structured in 2010 as a standalone SBG to drive the Group's overseas business. The immediate priority for GFB was to strengthen the group's presence in Singapore, Thailand and Brunei.

All three overseas operations were profitable in 2010 with RHB Singapore's profit before tax increasing by 49% from SGD20 million in 2009 to SGD29 million in 2010, while its ROE improved from 17.29% to 23.38% in the same period.

While gross loans dipped marginally by 3.17%, total deposits for the operations in Thailand grew to THB43 billion, representing a 17.57% increase. There was a marginal decrease in ROE from 3.45% to 3.31% in 2010. The decrease in profitability of 3.97% for the Thai operations was attributable to higher overheads, higher provisions for impairment and lower FX profits. The ongoing political crisis in Thailand did not help the economy with exports and tourism accounting for 70% and 6% of the GDP respectively.

RHB Brunei recorded a slight improvement in its ROE from 4.4% in 2009 to 6.12% as at the end of 2010. Its total assets, gross loans and total deposits grew by 33%, 2.78% and 20.94% respectively in 2010, while profit before tax dipped slightly to BND1.83 million or 1.71% in 2010.

GFB embarked on three key initiatives in 2010, namely the GFB Network and Infrastructure Strategy, GFB Talent Management and Development and GFB Knowledge Management Framework. The first initiative involves the optimisation of delivery channels to achieve economies of scale by having a standard delivery platform and infrastructure set up. Two projects are already underway, which are the branch rationalisation and optimisation exercise in Singapore, and the introduction of Internet banking services for RHB Singapore.

The second initiative involves working closely with HR International to develop a talent pool by identifying and grooming suitable candidates (such as management associates and high-potential mid-level executives from across the Group), to fill future key positions for the Group's overseas operations. The third initiative centres on the establishment of a knowledge management framework that allows market and business intelligence to be managed and applied to the group's international business in a more structured manner.

In taking the Group's international business to the next level, GFB is planning to scale up RHB's operations in Vietnam by formally applying for a single branch licence. This is scheduled to happen in the second quarter of 2011. The group's overseas contribution currently stands at 4% and it is expected to grow to 40% by 2017.

GROUP TREASURY

Group Treasury, one of the new SBGs, contributed 28% towards the Group's balance sheet, 22% towards the total profit before tax, and 35% towards the Group's total deposits. Profit for the FX business grew by 11% and volume grew by 10%, while ILD business volume increased by about 48% in 2010. Market share for the FX business remained stable, despite strong competition from other market players.

Increased competition is envisaged in 2011 as new players enter the market coupled with a shortage of talent in terms of retention and recruitment of skilled staff. Group Treasury will leverage on the Group's synergy to cohesively focus on increasing the customer base, customer loyalty, and customer service initiatives.

Other initiatives include building a strong sales franchise in FX and structured products; developing and strengthening trading capabilities across all asset classes such as FX, fixed income, commodities and derivatives; diversifying into new asset classes, both in the interbank area and on the customer front. Group Treasury would also be building its capabalities to grow and enhance its treasury operations regionally.

This SBG also sees the Islamic banking business and regional countries as future growth areas.

TRANSACTION BANKING

Transaction Banking, another newly set up SBG, comprises four new sections, namely Customer/Business Solutions, Distribution, System & Operations and Strategic Planning & Business Performance Management. This SBG is tasked with driving fee income and generating new revenue streams.

Transaction Banking's performance for 2010 remained in line with the industry, with Trade Financing continuing to be the second largest trade financing provider with a market share of about 12.5%. The SBG's Cash Management performance has been strong, generating more than a 20% growth in fee income while Financial Institutions recorded a steady growth in fee income of 5%.

A major objective of Transaction Banking is to encourage customer usage of Internet banking in line with the Government and BNM's e-initiatives. In line with this, Transaction Banking successfully built and met the e-Share requirements as well as the Financial Process Exchange (FPX) B2B Payment Gateway platform in 2010, making RHB one of four banks in the country to be able to offer such services. An eDividend module is currently being built, while efforts are being made to enhance the existing online Foreign Telegraphic Transfer capabilities and improve ePayment capabilities.

The Cash Management Division has improved customer service support by adopting the Customer Care Centre system as well as a more user-friendly approach with the newly enhanced Reflex Cash Management ("Reflex") for which RHB was voted the third Best Local Cash Management Bank by Asiamoney in 2010. To improve competitiveness, Reflex will be further developed into an integrated single on-line cash management system for trade, payment and cash services.

Overview: Business and Operations

On the Trade side, a number of initiatives are being put in place not only to enhance this SBG's capabilities as one of the key trade financing and services providers, but also to introduce avenues for new income streams. One of the key projects being undertaken is to upgrade the trade system to a more robust platform that can support regional operations with online activity reporting capabilities. New income stream activities include enhancing risk participation arrangement product features to improve risk appetite which will provide greater opportunities for RHB to participate in growing intra-Asia trade. At the same time, greater emphasis is being placed on open-account trade to allow RHB to capture transactions on an end-to-end basis, including providing supply chain financing solutions as well as participating in SWIFT Trade Services Utility activities.

Looking ahead, Transaction Banking will strengthen its footprint by identifying strategic locations for Transaction Banking Sales and Services touch points. It will do this via providing advisory and services on trade finance, cash management and payments, including foreign exchange needs. There are presently 36 touch points located nationwide.

The Transaction Banking SBG foresees potential growth in the transaction banking business and aims to become a major contributor to the Group's revenue in the coming years. The Group's growing regional presence will provide ample opportunities for Transaction Banking to extend its cash management and trade financing capabilities on a regional basis.

ISLAMIC BANKING

In line with the rapid growth of Islamic finance, the domestic Islamic banking industry has seen increased market demand for its products and services. In tandem with this, RHB Islamic Bank continues to focus on building market share in its core businesses.

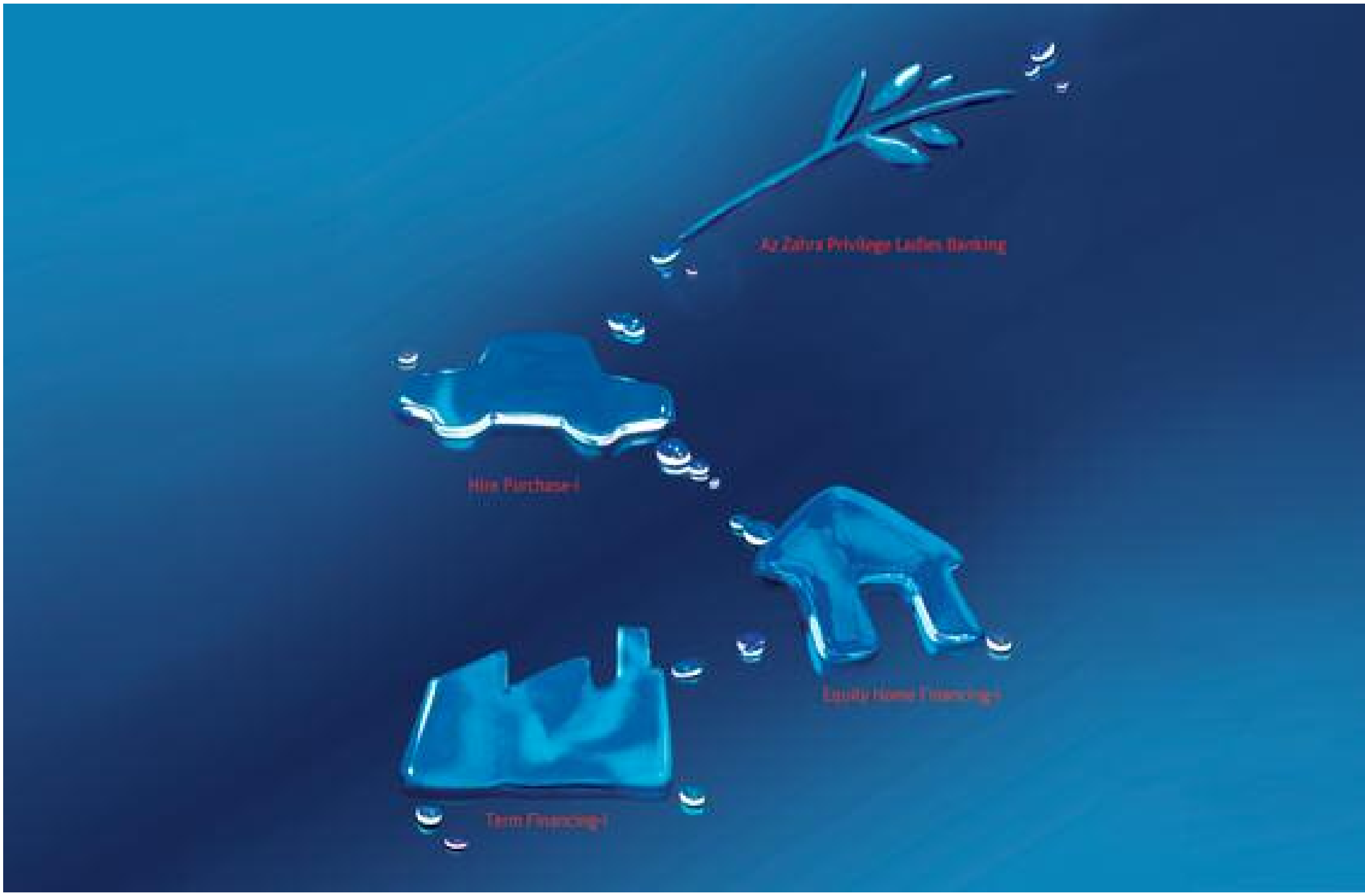
The Group's Islamic arm has revamped its business model in order to streamline and enhance the efficiency and effectiveness of its operations while standardising its methodologies and best practices. RHB Islamic Bank aims to achieve the Group's strategic objectives and vision by leveraging on the Group's available strength and infrastructure to achieve optimum productivity and cost efficiency.

RHB Islamic contributed 5.3% of RHB Capital's profit before tax and 10.5% of RHB Capital's total assets in 2010 with a projected growth of 35.5% in operating income. RHB Islamic Bank's impaired financing levels are expected to moderate based on its efforts to improve asset quality by further streamlining its risk management and credit processes in line with that of the Group.

The Islamic Corporate Investment Banking Division successfully completed several notable deals amidst a challenging environment in 2010. Term financing facilities totalling RM1.8 billion were offered to Government Linked Companies ("GLCs") for capital expenditure and working capital requirements. Training seminars were also organised to promote Islamic Finance facilities and products for selected GLCs in tandem with the nation's aspiration to become an Islamic financial hub.

The overall performance of Islamic Retail Banking in 2010 was encouraging, with a total growth of 33.5% in Retail financing assets and an increase of 5.5% in profit before tax. This was achieved by leveraging on RHB Bank's nationwide branch network, aggressive sales strategies and the offer of attractive and competitive product packages.

Islamic Business Banking registered positive financing growth in 2010, and saw the setting up of a new wholesale banking unit within Business Banking to capitalise on the growing financing needs for large-scale commercial banking customers. Efforts are underway to implement a programme financing business to capture small ticket financings and volume-driven businesses while accelerating the process for financing approvals.



The Islamic Transaction Banking Division focuses on bringing in new business for RHB by introducing electronic solutions for existing and potential customers, which include the Federal and State Governments, GLCs and the commercial sector. Several projects such as electronic payment systems, cheque processing and over-the-counter payment systems were successfully implemented, therefore contributing to the overall performance of RHB Islamic Bank.

Transaction Banking activities include cash management services that have become a very attractive business in recent times due to the low capital usage, stable earnings and high return on equity – characteristics which have become a predominant focus following the recent financial crisis. With many large companies moving towards electronic payment systems for effective and efficient daily account management operations, Transaction Banking will continue its efforts to enhance market share with customised services.

On a separate note, Islamic Corporate Banking won a number of prestigious awards which included the Best Practice Award (via Sedania Corporation) in the 2010 Frost & Sullivan Malaysia Telecoms Awards; an award for Most Innovative Islamic Finance Transaction at the London Sukuk Summit Islamic Finance; and an award for Most Outstanding Islamic Consumer Financing Products at KLIFF 2010.

With a renewed business model and the ability to fully leverage on the Group's capability, RHB Islamic Bank has since witnessed a five-fold productivity improvement across key segments. These segments encompass expanded products and services, increased distribution channels, enhanced delivery platforms and customer experience, enhanced business, customer and risk analytics as well as highly competent teams.

Looking ahead, the Group aspires for RHB Islamic Bank to contribute at least 10% to its profits and total assets by 2011 through maintaining its growth momentum in operating income and via improving asset quality.

Review of the Malaysian Economy

A Sharp Economic Recovery in 1H 2010

After going through three consecutive quarters of contraction, the Malaysian economy started to recover in the fourth quarter (4Q) of 2009. The recovery picked up momentum and growth strengthened to +10.1% year-on-year ("yoy") in 1Q 2010, the strongest growth in a decade. This was mainly on account of a sharp recovery in exports as the global economy emerged from its worst recession since the World War II. Consequently, real exports grew at a faster pace of 19.3% yoy in the 1Q compared with +6.0% in 4Q 2009 (see Chart 1), on account of a strong pick-up in demand for the country's exports from the Eurozone, China and ASEAN region. These were aided by a recovery in exports to the US and Japan during the quarter. The strong recovery in exports boosted consumer and business confidence, resulting in domestic demand picking up to 5.3% yoy in the 1Q, from +2.8% in the 4Q. The economy, however, eased with real GDP growth moderating to 8.9% yoy in the 2Q and 5.3% in the 3Q, in line with a moderation in export growth, and as the exceptionally high export growth normalised. Domestic demand, on the other hand, remained strong, underpinned by resilient consumer spending and a rise in private investment.

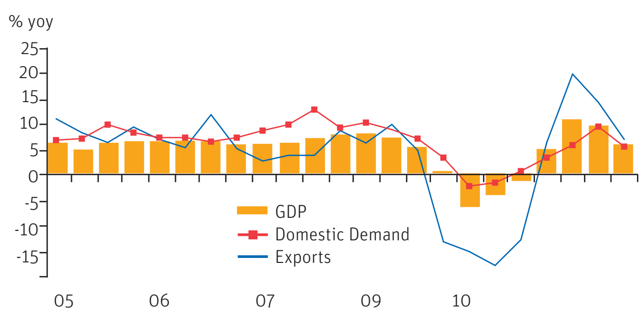
The slower growth continued into 4Q 2010 as worldwide stimulus spending dissipated and austerity measures in some European countries to address fiscal deficit and debt problems began to bite. This was compounded by policy normalisation and tightening measures introduced in some developing countries, particularly in Asia. Overall, the economy experienced a growth of 7.2% in 2010 in comparison to -1.7% in 2009, underpinned by the impressive +9.5% yoy growth recorded in the first half (1H) of 2010 (see Table 1).

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

	2009	2010 % yoy	2011f
Consumption			
Public sector	3.1	0.1	4.5
Private sector	0.7	6.6	5.4
Gross Fixed Capital Formation	-5.6	9.4	6.3
Public sector	8.0	9.9e	4.9
Private sector	-17.2	8.9e	7.8
Aggregate Domestic Demand	-0.5	6.3	5.5
Exports of Goods & Services	-10.4	9.8	7.6
Imports of Goods & Services	-12.3	14.7	7.8
GDP	**-1.7**	**7.2**	**5.0**

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

Chart 1: A Sharp Recovery in Exports Lifted the Country's Economy



Broad-based Expansion in Almost All Sectors

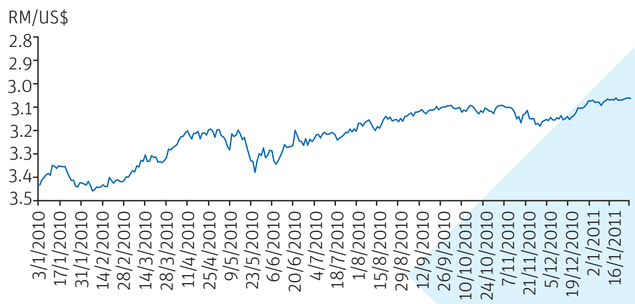
Lifted by a sharp recovery in exports and strengthening domestic demand, there was a broad-based recovery in the economy with the exception of the construction sector (see Table 2). The recovery was led by the manufacturing and services sectors, which expanded by 11.4% and 6.8% respectively in 2010, a rebound from the corresponding rates of -9.4% and +2.6% in 2009. Similarly, agriculture and mining output picked up in 2010. The former was due to a recovery in the production of palm oil, rubber and saw logs, while the latter was driven by a rise in the production of liquefied natural gas (LNG). Construction activities, however, softened to 5.2% in 2010, from +5.8% in 2009, as the Government's spending from the two stimulus packages fizzled out.

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

	2009	2010 % yoy	2011f
Real Gross Domestic Product	**-1.7**	**7.2**	**5.0**
Agriculture, forestry & fishing	0.4	1.7	3.5
Mining & quarrying	-3.8	0.2	2.3
Manufacturing	-9.4	11.4	8.0
Construction	5.8	5.2	3.3
Services	2.6	6.8	4.6

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

Chart 2 : Ringgit Strengthening Against the US Dollar



Strong Current Account Surplus in the Balance of Payments Supportive of the Ringgit

The surplus of the current account in the balance of payments (BOP) narrowed to RM66.6 billion in the January – September 2010 period, from a surplus of RM84.7 billion in the corresponding period of 2009. This was mainly the result of a widening deficit in income account and higher remittances by foreign labour while the services account recorded a smaller surplus during the same period. Overall, the current account surplus is likely to have narrowed to an estimated RM97.1 billion or 13.0% of gross national income (GNI) in 2010, from a surplus of RM112.1 billion or 16.9% of GNI in 2009 (see Table 3). This, however, is likely to have been mitigated by a smaller deficit in the financial account. The errors and omissions, however, are estimated to be larger due to a currency devaluation loss, on the back of a strengthening ringgit vis-à-vis the major currencies. As a result, the country's overall balance of payments recorded a deficit of RM2.8 billion in 2010, compared with +RM13.8 billion in 2009. Nevertheless, the foreign exchange reserves were at a high level and sufficient to finance about 8.5 months of retained imports at end-2010. As a result, the ringgit strengthened against the US dollar by 11.8% in 2010 (see Chart 2), after rising by 0.8% in 2009. This was due partly to the improving sentiment over regional currencies after China said that it would adopt a more flexible exchange rate on 18 June 2010. The move by China on 19 August 2010 to add the ringgit to a small group of currencies that are allowed to trade directly against the Renminbi further boosted the Ringgit. A widening interest rate differential in favour of Malaysia versus the US also helped.

Review of the Malaysian Economy

Table 3. Balance of Payments

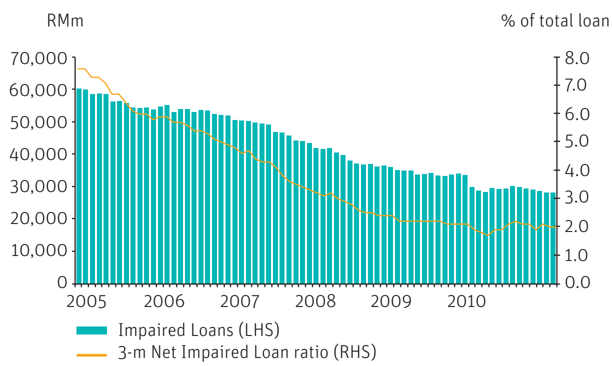
	2009	2010e RMbn	2011f
Current Account	**112.1**	**97.1**	**98.6**
(% of GNI)	(16.9)	(13.0)	(12.4)
Goods	141.7	142.5	144.8
Services	4.7	0.2	0.2
Income	-14.6	-26.1	-27.2
Current Transfers	-19.6	-19.5	-19.2
Capital Account	-0.2	0.0	0.0
Financial Account	-80.2	-36.0	-46.5
Errors & Omissions	-17.9	-63.9	-28.0
Overall Balance	13.8	-2.8	24.1
Outstanding Reserves*	331.3	328.5	352.6
(US$)*	96.7	106.5	113.9

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

Stronger Loan Growth and Accommodative Monetary Conditions

Meanwhile, the banking system's loan growth moderated to 12.8% yoy in December, after rising to a high of +13.2% in November and compared with +12.4% in October, indicating that loan growth remained resilient despite a slowdown in the country's economy. The broader monetary aggregate, M3, also eased to 7.0% yoy in December, from +8.2% in November and a high of +9.3% recorded in May. Separately, the 3-month net impaired loan ratio of the banking system held stable at 2.0% of total loans for the third straight month in December. The ratio, however, was slightly higher than 1.8% recorded at end-2009 (see Chart 3).

Chart 3 : Banking System Net Impaired Loan Ratio Improving



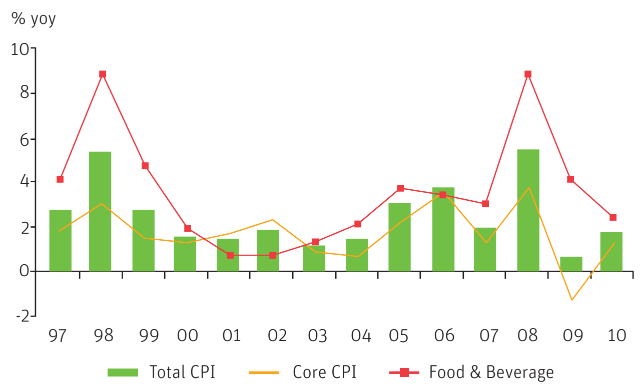
Inflation Trending Up

Headline inflation grew at a faster pace of 1.7% in 2010, compared with +0.6% in 2009 (see Chart 4). This was due mainly to a pick-up in the cost of transportation, which rose by 1.6% in 2010, a turnaround from -9.4% in 2009, reflecting partly the removal of fuel subsidies by the Government. As a result, the core inflation rate rose by 1.3% in 2010, compared with -1.2% in 2009. This was, however, mitigated by a slowdown in food and non-alcoholic beverage prices, which eased to 2.4% in 2010, from +4.1% in 2009. Overall, inflation is envisaged to trend up to 2.8% in 2011. This partly reflects the Government's move to gradually reduce its subsidies once every six months that will lead to higher retail fuel and food prices, on the back of rising international commodity, food and energy prices. In addition, traders are likely to take advantage of the situation to raise prices.

Monetary Policy Gradually Normalising

Given that the economy has emerged from the recession and gained momentum, the Central Bank started to normalise monetary conditions in March 2010 to prevent financial imbalances from building up. All in, the overnight policy rate (OPR) was raised by a total of 75 basis points in three steps to 2.75% by July 2010. Thereafter, the Central Bank took a pause in September and November's policy meetings in 2010. It paused again on 27 January 2011, as economic growth was still trending down. However, with inflation trending up and interest rates still at low levels, the Central Bank will likely resume its policy normalisation in 2H 2011 as domestic demand picks up momentum. The Central Bank is envisaged to raise the OPR by 50-75 basis points to bring it to a more neutral level of 3.25-3.50%.

Chart 4: Inflation Trending Up, But Manageable



Outlook for 2011

Slower Economic Growth in 1H 2011, but Recovery Building Momentum for a Rebound in the 2H

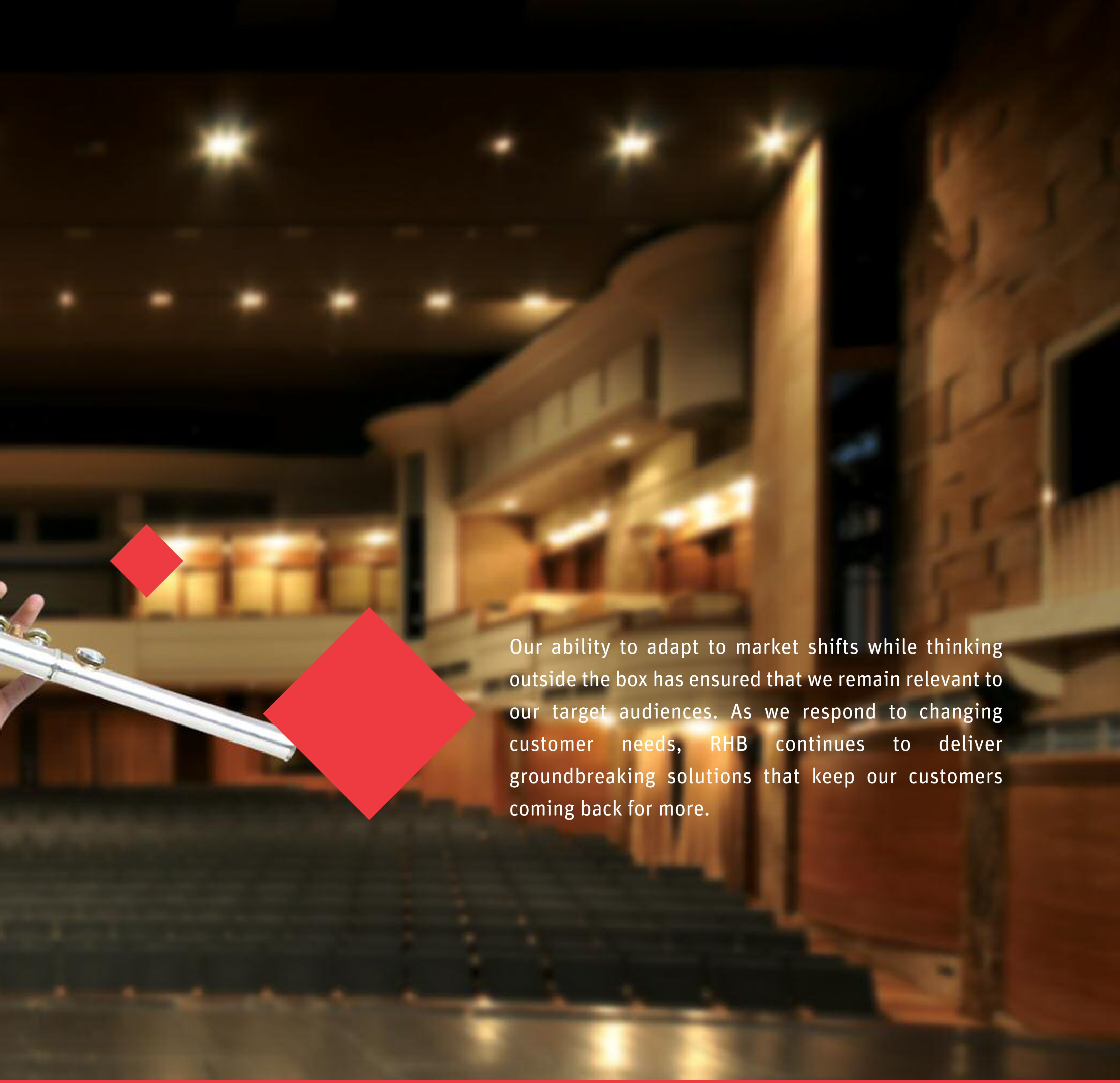
Despite the housing sector and high unemployment problems, consumer spending, which accounts for slightly more than two-thirds of the US economy, has been picking up consistently since August 2010. US consumer spending will likely sustain its growth and gain momentum in the months ahead, supported by improving confidence, a sustained job creation in the non-farm private sector and the Federal Reserve's quantitative easing 2. At the same time, household and corporate balance sheets are improving. As a result, the US economy is expected to continue expanding in the months ahead.

Similarly, overall growth in the Eurozone will unlikely fall off the cliff, given the relatively sound economic conditions in Germany, Luxemburg, the Nordic countries and Poland, that will provide the cushion and stability for the rest of the countries in the Eurozone. Outside the Eurozone, the UK has more flexibility to undertake additional measures to steer its economy out of the doldrums.

Whilst the Japanese economy is largely export-dependent, the Chinese economy bounced back in 4Q 2010 after experiencing a period of slowing growth due to credit tightening. Overall, the underlying global economic growth will also likely be supported by sustained growth in emerging and developing countries, particularly in emerging Asia, and better business and consumer confidence worldwide that have already spurred pockets of investments, leading to a gradual improvement in labour market conditions.

On the home front, domestic demand will likely be resilient in sustaining the country's economic growth in 2011. This is mainly on account of a sustained increase in consumer spending on the back of rising consumerism and high savings. Consumer spending will also be supported by rising rural household incomes on the back of sustained high palm oil and rubber prices. This will mitigate the downside risk from a slowdown in export growth, particularly in 1H 2011. Export growth, however, will likely improve in 2H on account of the anticipated upturn in the global electronic cycle. Some projects under the Economic Transformation Programme are expected to kick-start in 2011 and the economic recovery will likely gain momentum in 2H 2011. Overall, we envisage real GDP growth to normalise to around +5.0% in 2011, from the +7.2% in 2010.

Playing to A New Tune



Our ability to adapt to market shifts while thinking outside the box has ensured that we remain relevant to our target audiences. As we respond to changing customer needs, RHB continues to deliver groundbreaking solutions that keep our customers coming back for more.

Our Commitment to Human Capital

GROUP HUMAN CAPITAL INITIATIVES IN 2010

In 2010, the RHB Banking Group experienced strong people challenges due to tight labour market conditions, which included the scarcity of talent in the market and increased competition from other financial institutions. We undertook various measures to manage these challenges. These included creating more learning and development opportunities to enhance engagement, as well as reviewing compensation benefits and promotion opportunities for selected employees.

As at 31 December 2010, the Group's total workforce stood at 10,765 employees. The year also saw the Group experience a 9.5% attrition level against the industry average of 11.5%. Despite these attrition challenges, we managed to bring on board 1,115 new employees in 2010. This is a clear reflection of the RHB Banking Group's ability to attract talent as an employer of choice that is recognised by the labour market.

To ensure the sustainability of the Group's business and the availability of talented and capable leaders for the future, we continue to strengthen our pipeline of future leaders through our Management Associates Programme, Credit Associates Programme and Retail Associates Programme. In line with these initiatives, the Group is also a participant of Bank Negara Malaysia's Financial Sector Talent Enhancement Programme (also known as the FSTEP initiative). In 2010, the Group successfully hired 47 employees through these programmes. In total, there are 119 employees who are undergoing fast-tracked and structured career paths under these programmes. Going forward, we will continue to enhance these programmes to ensure their continuity and relevancy in providing the necessary skilled and talented resources for our businesses.

In the area of learning and development, we continue to focus on providing a continuous learning environment for our workforce. The year 2010 saw us making a huge investment particularly in the areas of service quality and leadership training apart from technical and soft skills training. We identified high-potential talent and immerse them in high-quality learning experiences through collaboration with various institutions locally and abroad, including top notch institutions like Harvard, ICLIF and INSEAD. Opportunities for overseas attachment also came by way of talent exchanges between Malaysia, Thailand and Singapore. We believe that in undertaking such learning and development initiatives, including overseas attachment opportunities, the Group is enhancing its ability to attract good talent from within the industry.

Aside from learning and development initiatives in the area of service quality and leadership training as well as technical and soft skills, we also focused on risk and compliance training in 2010. In pursuing such training, we are safeguarding the Group's interests and protecting ourselves from internal or external threats. This holistic approach to training ensures learning and development initiatives cover all the aspects necessary for the Group's workforce to provide exemplary service quality, while safeguarding RHB's interests.

MAXIMISING HUMAN CAPITAL: ALIGNING EMPLOYEE COMMITMENT AND LOYALTY TO ACHIEVE ORGANISATIONAL GOALS

People remain a strong focus for the RHB Banking Group in our drive to achieve the Group's goal of becoming one of the top three financial institutions in ASEAN by 2020. The Group recognises the fact that to be one of the best, we need to attract, recruit and retain the best. With this goal in mind, the Human Resource ("HR") Strategies and Initiatives 2011-2015 were developed, identifying the crucial elements of people, processes and the external environment.

These elements were then translated into four clear strategic objectives encompassing:

- employee branding;
- HR effectiveness;
- market competitiveness; and
- a high-performance culture

These strategic objectives will in turn be supported by seven key focus areas:

- competitive advantage
- performance management
- talent and succession
- manpower
- learning and development
- culture and engagement
- organisational effectiveness

Underpinning these focus areas, we will continue our efforts to be an employer of choice by placing our Core Values, the main driver of employee engagement, as the focal point for all HR initiatives. These initiatives will be supported by best-in-class employee engagement tools and development practices to equip our leaders with the right skills and competencies to take RHB to the forefront of banking in Malaysia.

These strategies are encompassed in HR's five-year roadmap that is driven by the Group's business strategy and aspirations. With a two-phase rollout that began in 2010, and which will run through 2015, we are confident that the Group is well on its way to transforming itself into a thriving, robust and engaging workplace. Our ambition at the end of these five years is to be a top financial institution in ASEAN, and a role model for others to emulate.

Our efforts to reach this goal have long been underway since 2009, wherein we concentrated on establishing a solid HR framework to work within and a strong base to work from. To ensure our competitive edge in the external market, we have embarked on a job grading system that will be applied across the Group. This exercise kicked-off with a massive job evaluation project that will be completed in June 2011. Complemented by a suite of co-existing efforts such as the ongoing design of a salary structure and job competency profiling, the Group is on the right track to creating a balanced remuneration and reward model to promote a performance-driven culture.

To ensure the Group remains relevant to the banking industry, we will continue with our ongoing strategy of identifying and developing future leaders. Our robust talent management programme is designed identify potential go-getters through creative and aggressive campus recruitment strategies as well as comprehensive associate programmes. The latter includes programmes such as the Management Associates Programme, Credit Associates Programme, FSTEP, Retail Associates Programme and other business-specific graduate associate programmes.

Internally, we strive to develop our people through comprehensive in-house technical programmes, identifying our own internal pool of talent and complementing this with enhanced performance appraisal and management processes. The Group takes pride in identifying young talent and equipping them with the right skills and knowledge so they can contribute to the country and the growth of RHB as a premier financial institution.

Not forgetting the "human touch" and understanding that holistic development is crucial, we continue to applaud and recognise the contributions of our people in the area of sports as well as that of their families through our academic excellence awards and scholarship programmes. Our people are further encouraged to become more well-rounded individuals and team contributors through our Sports Fiesta, RHB Idol competition as well as various other competitions celebrating the bonds of families and community. They are also recognised for their efforts at our company dinners.

The year 2010 was a year in which HR made a concerted effort to help the Group realise its ambitions and we expect many more good things to happen in 2011. A Group HR Project Management Office has been established to ensure we remain on the right track and consistently deliver against set expectations. The key to our success lies in the full commitment and energy from our staff at all levels – from our front-liners and back-office staff, all the way to our leadership team.

Moving forward, the Group will continue to evolve and grow as an employer of choice supported by a robust, dynamic workforce that is engaged on all levels and guided by our Core Values as our internal compass.

Awards & Recognition

RHB CAPITAL BERHAD

CIMA Enterprise Governance Awards
- ◆ 2010 – Second Runner-up in the Best Return to Shareholders and Merit Award

FinanceAsia
- ◆ Top 10 Best Managed Company and Best Corporate Governance Company

RETAIL BANKING

RHB

- ◆ VISA International Award for Highest Purchase Volume Growth for Debit Cards and Non Premium Credit Cards

- ◆ The Customer Relationship Management and Contact Centre Association of Malaysia (CCAM)
  - 1 of only 2 Banks recognised for one of the Best In-House Contact Centre (Above 100 Seats) category
  - Recognised for Best Video for Contact Centre (Open category)

EASY by RHB

- ◆ Effie Awards 2010 for "Unbanking" - Banking the Unconventional Way

- ◆ Share Guide Association Malaysia (SGAM) Best Process Innovation Award 2010
  - Paperless banking through process transformation
  - Instant loan approval and disbursement
  - Account opening in less than 5 minutes
  - "Wow" factor in customer experience

- ◆ The Asian Banker International Excellence in Retail Financial Services Awards 2011 - Best Business Model

- ◆ Financial Insight Innovation Awards 2011 - Special Citation Award for Operational Efficiency

CORPORATE AND INVESTMENT BANKING

RHB Investment Bank Berhad

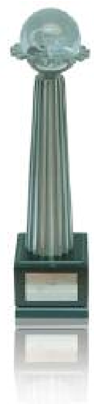
The Asset Triple A Country Awards
- ◆ Malaysia - Best M&A House

IFR Asia
- ◆ Best Islamic Deal - Cagamas RM1 billion Sukuk ALIm
  - Joint Principal Adviser, Joint Lead Arranger, Joint Bookrunner and Joint Lead Manager

Islamic Finance News
- ◆ Malaysia Deal of the Year - Cagamas RM1 billion Sukuk ALIm
  - Joint Principal Adviser, Joint Lead Arranger, Joint Bookrunner and Joint Lead Manager
- ◆ 10 Groundbreaker Deals - Cagamas RM1 billion Sukuk ALIm
  - Joint Principal Adviser, Joint Lead Arranger, Joint Bookrunner and Joint Lead Manager

Alpha South East Asia 4th Annual Deal & Solution Awards
- ◆ Best Deal of the Year in South East Asia - Petronas Chemicals Group RM12.8 billion (US4.1 billion) IPO
  - Joint Underwriter
- ◆ Best REIT Deal of the Year in South East Asia - Sunway REIT RM1.5 billion IPO
  - Sole Financial Adviser, Joint Global Coordinators & Joint Bookrunners (Institutional)

The Edge Malaysia
- ◆ Deal of the Year - Best M&A - Privatisation of Tanjong Plc for RM7.89 billion by Tanjong Capital Sdn Bhd
  - Adviser
- ◆ Deal of the Year - Best Share Placement (Notable Mention) - Placement of 4.5% Equity Interest in RHB Capital Berhad for RM746.2 million by the Employees Provident Fund Board
  - Joint Bookrunner
- ◆ Deal of the Year - Best IPO (Notable Mention) - Sunway REIT RM1.5 billion IPO
  - Sole Financial Adviser, Joint Global Coordinator & Joint Bookrunner (Institutional)



RHB Research Institute Sdn Bhd

Asiamoney

- **Broker's Poll**
  - Best Overall Strategy (3rd Place)
  - Best Overall Macroeconomics (2nd Place)
  - Best Overall Capital Goods (3rd Place)

The Edge / StarMine Awards

- **Broker Rankings Awards**
  - FTSE Bursa Malaysia 30 Index – Recommendations: Rank (1)
  - Malaysia Mid-and Small-Cap Stocks – Recommendations: Rank (3)
- **Analyst Awards – Industry Award Winners**
  - **Energy** – 1st Place - Joseph Wong Chi Wai
  - **Financials** – 3rd Place - Low Yee Huap
  - **Real Estate** – 2nd Place - Low Yee Huap

The Edge Malaysia

- **Best Construction Sector Call** - Joshua Ng

StarMine

- **The Financial Times & Starmine Analyst Awards - Pan Asia**
  - Banks – 2nd Place - Low Yee Huap
  - Energy & Chemicals – 3rd Place - Yap Huey Chiang
  - Media – 1st Place - David Chong
  - Construction & Engineering – 2nd Place - Joshua Ng

RHB Investment Management Sdn Bhd

The Asset

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

The Edge-Lipper Malaysia Fund Awards

- **Best Bond Malaysian Ringgit-Islamic Fund : 3 Years**
  - RHB Islamic Bond Fund

ISLAMIC BANKING

2010 Frost & Sullivan Malaysia Telecoms Awards

- Best Practice Award - Sedania Corporation

London Sukuk Islamic Finance

- Most Innovative Islamic Finance Transaction

Kuala Lumpur Islamic Finance Awards (KLIFF)

- 2010 - Most Outstanding Islamic Consumer Financing Products

GLOBAL FINANCIAL BANKING

RHB Singapore

- **SPRING Singapore**
  - Service Class Award (S-Class)
  - Service Quality Class Certification (SQC)
- **Singtel**
  - Top Chain Retailer – Top Up Growth Award
- **Singapore Sport Council (and sponsored by POSBANK)**
  - POSB Everyday Champions for Sport Award 2010

TRANSACTION BANKING

Asiamoney Cash Management Poll 2010

- 3rd Best Local Cash Management Bank (as voted by Large-Sized Corporates)

BUSINESS BANKING

Credit Guarantee Corporation (CGC):

- Top SMI Supporter Award 2009 – Commercial Bank Category

SMI Association of Malaysia

- Sahabat SME Award 2010

Calendar of Significant Corporate Events 2010

18th March 2010
RHB Investment Bank Berhad officially launches the RHB-Bursa Malaysia Direct Market Access facility

26th March 2010
The Finance Business Division pays tribute to its top dealers at the 2009 Dealers Appreciation Night Dinner

31st March 2010
RHB Investment Bank signs an Underwriting Agreement with Seremban Engineering

19th - 21st April 2010
The Chief Minister of Sarawak, YAB Pehin Sri Haji Abdul Taib Mahmud visits the RHB booth at the Minggu Saham Amanah Malaysia 2010 in Kuching, Sarawak

1st June 2010
RHB Islamic Bank and the Royal Malaysian Customs Department sign an agreement pertaining to the online e-payment customs duty service

15th June 2010
RHB Investment Bank's involvement with Sunway REIT (Sunway Real Estate Investment Trust) upon its listing on the Main Market of Bursa Malaysia Securities Berhad.

1st July 2010
RHB Bank Berhad and Tokio Marine Life Insurance Malaysia Berhad sign an exclusive bancassurance distribution agreement

13th July 2010
Deputy Finance Minister II, YB Senator Datuk Dr. Awang Adek Hussin launches the RM1 billion Cagamas Sukuk Alim Programme, an innovative Islamic debt capital market deal undertaken by RHB Investment Bank

Calendar of Significant Corporate Events 2010

2nd - 4th August 2010
RHB Islamic Bank is the Silver Sponsor at the Kuala Lumpur Islamic Financial Forum (KLIFF) 2010

21st September 2010
The Group holds its Hari Raya Aidilfitri Corporate Open House 2010

30th September 2010
The Business Banking Division and Crowe Horwath hold a media briefing on their joint 2011 Budget & Tax Planning Seminar

14th October 2010
The Group and Credit Guarantee Corporation sign a Portfolio Guarantee Agreement

20th October 2010
YB Dato' Sri Mustapa Mohamed, Minister of International Trade & Industry, launches the RHB-PayPal strategic collaboration

10th December 2010
RHB Investment Management and Goldman Sachs Asset Management sign an exclusive partnership agreement to jointly develop fund management products

15th December 2010
RHB Bank Berhad and Sumitomo Mitsui Banking Corporation sign a Memorandum of Understanding

Analysis of the Financial Performance

The following management discussion should be read in conjunction with the audited consolidated financial statements for the financial year 2010 of RHB Capital Berhad and its subsidiary companies.

ANALYSIS OF THE BALANCE SHEET

Total Assets

The Group's total assets stood at RM129.3 billion as at 31 December 2010, increased of 12.4% over the previous financial year. The increase was mainly due to higher net loans, advances and financing and coupled with higher financial investments available-for-sale. Net loans, advances and financing remain as the largest component of the total assets at 62.8% (2009: 58.2%). Gross loans, advances and financing registered a growth of 20.2% in financial year 2010 compared to 10.3% 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 decreased by 11.5% to RM14.8 billion in 2010, while deposits and placements with banks and other financial institutions decreased by RM1.2 billion (53.9%) to RM1.0 billion recorded in 2010.

Securities Purchased Under Resale Agreements

The securities purchased under resale agreements were lower by RM1.3 billion (82.7%) to RM0.3 billion as at 31 December 2010 mainly due to lower Malaysian Government Securities purchased under resale agreement with Bank Negara Malaysia.

Financial Investments Portfolio

The Group's financial investments portfolio comprise of financial assets held-for-trading, financial investments available-for-sale and financial investments held-to-maturity. The largest component of the Group's financial investments portfolio are the financial investments available-for-sale which made up 53.5% of the portfolio as at end 2010, followed by financial investments held-to-maturity (43.4%) and financial investments held-for-trading (3.1%) respectively.

Compared to 31 December 2009, the Group's financial investments available-for-sale expanded by 47.1% mainly due to higher holding of securities related to Malaysian government.

However, the Group's financial assets held-for-trading contracted by RM0.1 billion (10.2%) to RM0.8 billion as at 31 December 2010 mainly due to decrease in holding of securities related to Malaysian government, negotiable instrument of deposits and private debt securities.

Loans, Advances and Financing

The Group's gross loans, advances and financing increased by 20.2% to RM83.7 billion as at 31 December 2010, primarily originated from the retail business and corporate and investment business, covering both residential and non-residential mortgages, loans for purchase of transport vehicles and other purposes.

Lending to the household sector recorded a growth of 23.4% to RM36.5 billion, in particular to cater for purchase of motor vehicles, residential mortgages and credit cards, and accounted for 43.6% of the Group's total gross loans, advances and financing. Lending to the government and statutory bodies sector recorded an increase by RM9.2 billion and represented 11.0% of the Group's total gross loans, advances and financing as at the end of December 2010.

In line with our commitment to grow the 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 48.5% to RM9.0 billion, focusing on residential mortgages, working capital and purchase of transport vehicles.

Impaired loans, advances and financing volume increased by RM418.7 million (12.9%) to RM3.7 billion during the financial year. Net impaired loans, advances and financing ratio is higher at 3.4% in 2010 whilst loan loss coverage dropped to 67.7% in 2010, down from 83.4% in the previous year.

Total Liabilities and Equity

Total liabilities increased by RM13.0 billion (12.2%) to RM119.4 billion in 2010, mainly due to the increase in deposits from customers.

Equity increased by 14.4% to RM10.0 billion as at 31 December 2010. The increase was largely due to the higher current year net profit of RM1.4 billion, partly offset by dividend payments of RM363.4 million made during the financial year.

Deposits from Customers

Approximately 90.4% of the Group's funding as at 31 December 2010 was from deposits from customers. Deposits from customers grew by RM9.6 billion (11.3%) to RM94.4 billion in 2010, mainly due to increase in fixed/investment deposits of RM8.6 billion (14.2%).

Deposits from individuals, viewed as a stable source of funds, accounted for 29.1% of the Group's total deposits from customers, recorded an increase of 8.4% to RM27.5 billion as at 31 December 2010.

With a 11.3% increase in customer deposits and 20.2% increase in gross loans, advances and financing, the gross loans to customer deposits ratio increase to 88.6% as at 31 December 2010 from 82.1% in the previous year.

Deposits and placements of banks and other financial institutions increased by 35.7% to RM10.1 billion as at 31 December 2010, in line with the Group's funding and liquidity management activities.

Borrowings

Borrowings increased by RM0.2 billion (6.1%) to RM4.1 billion as at 31 December 2010 mainly for general working capital of the Group.

Subordinated Obligations

As at 31 December 2010, RHB Bank Berhad ('RHB Bank') had during the financial year issued totaling of RM1.0 billion nominal value of Subordinated Notes, being the remaining balance of the issuance of RM3.0 billion in nominal value of Subordinated Notes and/or Senior Notes under a Medium Term Note Programme.

Capital Adequacy

As at 31 December 2010, RHB Bank remained strongly capitalised with a risk weighted capital ratio of 13.79% and Tier-1 capital ratio of 10.46%. RHB Islamic Bank Berhad's risk-weighted capital ratio and Tier-1 capital ratio as at end 2010 were at 13.56% and 12.23% respectively while RHB Investment Bank Berhad's risk-weighted capital ratio and Tier-1 capital ratio stood at 33.85% and 27.69% respectively.

ANALYSIS OF THE INCOME STATEMENT

Net Interest Income

Net interest income of the Group increased 10.8% to RM2,673.2 million in 2010 from RM2,413.2 million in 2009 on the back of a 20.2% growth on the Group's loans base.

Net interest income represented the main contributor of the Group's total income, amounting to 66.0% (2009: 65.8%) of the Group's total operating income.

Other Operating Income

Other operating income was higher by 12.7% from RM925.6 million in 2009 to RM1,043.3 million in 2010, primarily as a result of higher fee income and net gain on revaluation of derivatives, partly offset by lower net gain on revaluation of financial assets held-for-trading.

Other operating income comprised 25.8% (2009: 25.3%) of the Group's total operating income.

Income from Islamic Banking Business

Income from the Islamic Banking business increased by 2.3% to RM333.8 million in 2010 on the back of 48.5% increase in gross financing and advances.

Income from Islamic Banking business comprised 8.2% (2009: 8.9%) of the Group's total operating income.

Other Operating Expenses

The Group's other operating expenses increased by 4.7% to RM1,639.6 million in 2010 and the Group's cost to income ratio reduced to 40.5% from 42.7% in 2009, as it continued to leverage on its scale and increase its overall efficiency.

Personnel costs, which accounted for 58.6% (2009: 54.6%) of the Group's total other operating expenses, increased by 12.5% to RM960.8 million in 2010. The number of employees of the Group stood at 11,722 as at the end of 2010.

Total establishment costs, marketing expenses and administration expenses decreased by 4.6% in 2010 in line with the Group's aim to increase overall efficiency.

Allowance for impairment on loans, financing and other losses. The Group's net allowance for losses on loans, financing and other losses decreased by 28.2% to RM415.6 million in 2010 primarily due to lower individual impairment allowance made, partly offset by higher collective impairment allowance made.

Impairment Losses on Other Assets

The Group's impairment losses on other assets increased by RM131.5 million due to higher impairment charged on securities and impairment losses on property, plant and equipment during the financial year 2010.

Taxation

The effective tax rate for the financial year ended 31 December 2010 of 24.8% was slightly lower than the statutory tax rate mainly due to recognition of deferred tax on unabsorbed tax losses and other temporary differences previously not recognised.

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 Malaysian Accounting Standards Board approved accounting standards in Malaysia for Entities Other than Private Entities, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965.

It is the responsibility of the directors to ensure that the financial reporting of the Group and of the Company present a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and of the financial results and cash flows of the Group and of the Company for the financial year ended 31 December 2010.

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

The Statement by directors pursuant to Section 169 of the Companies Act, 1965 is set out in page 271 of the financial statements.

Statutory Financial Statements

108 Directors' Report
117 Statements Of Financial Position
119 Income Statements
120 Statements Of Comprehensive Income
121 Statements Of Changes In Equity
124 Statements Of Cash Flows
129 Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions
152 Notes To The Financial Statements
271 Statement By Directors
272 Independent Auditors' Report

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 2010.

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	1,899,289	429,944
Taxation	(470,744)	(108,508)
Net profit for the financial year	1,428,545	321,436

DIVIDENDS

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

	RM'000
In respect of the financial year ended 31 December 2009:	
Final dividend of 17.45% less 25% tax paid on 30 June 2010	281,836
In respect of the financial year ended 31 December 2010:	
Interim dividend of 5.00% less 25% tax paid on 30 September 2010	80,755

At the forthcoming Annual General Meeting, a final gross dividend in respect of the current financial year of 21.38% less 25% tax amounting to RM345,309,667 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 2011 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.

Directors' Report (continued)

BAD AND DOUBTFUL DEBTS AND FINANCING

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 financing and the making of allowance for non-performing debts and financing, and satisfied themselves that all known bad debts and financing have been written off and that adequate allowance had been made for non-performing debts and financing.

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

CURRENT ASSETS

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

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

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

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

(a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and the Company which has arisen since the end of the financial year other than in the ordinary course of business.

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

CHANGE OF CIRCUMSTANCES

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

Directors' Report (continued)

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 other than the changes in accounting policies as disclosed in Note 48 to the financial statements.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or the 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 50 to the financial statements.

DIRECTORS

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

Dato' Mohamed Khadar Merican	
Tan Sri Azlan Zainol	
Johari Abdul Muid	
Datuk Haji Faisal Siraj	
Mohamed Ali Ahmed Hamad Al Dhaheri	
Arul Kanda Kandasamy	
Dato' Teo Chiang Liang	(Appointed on 20 May 2010)
Dato' Saw Choo Boon	(Appointed on 20 May 2010)
Datuk Tan Kim Leong	(Retired on 19 May 2010)
Dato' Tajuddin Atan	

Pursuant to Article 80 of the Company's Articles of Association, Tan Sri Azlan Zainol, Johari Abdul Muid and Mohamed Ali Ahmed Hamad Al Dhaheri 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, Dato' Teo Chiang Liang and Dato' Saw Choo Boon retire at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-election.

Directors' Report (continued)

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1.00 each			
	As at 1.1.2010	Bought	Sold	As at 31.12.2010
The Company				
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 Note 33 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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.

RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTOR

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 Malaysian Accounting Standards Board approved accounting standards in Malaysia for Entities Other than Private Entities, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965.

It is the responsibility of the directors to ensure that the financial reporting of the Group and of the Company present a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and of the financial results and cash flows of the Group and of the Company for the financial year ended 31 December 2010.

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

The Statement by directors pursuant to Section 169 of the Companies Act, 1965 is set out in page 271 of the financial statements.

Directors' Report (continued)

IMMEDIATE AND ULTIMATE HOLDING BODY

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

BUSINESS REVIEW 2010

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

A major highlight of the year was the Group's restructuring of its strategic business units from four namely Retail, Corporate Investment Banking, Islamic Banking and International to seven with the addition of Treasury, Business Banking and Transaction Banking in an effort to augment its businesses and enhance operation efficiency. While market uncertainty provided opportunities for the Banking Group to offer customers solutions to manage uncertainty and reduce financial risks through hedging solutions, there was greater competitiveness in the marketplace as consumers become more sophisticated coupled with strong competition from existing and new entry financial institutions.

The Group continued to build strength and further enhances the competitiveness of its franchise in 2010. Following the launch of its community banking services, "EASY by RHB" in 2009, "EASY" outlets grew from the initial 14 outlets to 111 outlets in 2010 with assets generated over RM1.3 billion in just one year. The exclusive partnership with Tokio Marine Life Insurance Malaysia Berhad formed during the financial year will strengthen the Group's propositions as new opportunities are identified in the Asia Pacific region. The Group also signed an exclusive agreement with Paypal, the leading global online payment platform to be the first bank to provide customers with new innovative payment services in Malaysia.

In 2010, RHB Investment Bank Berhad ('RHB Investment Bank') retained its leading market position in the Malaysian capital markets, particularly in mergers & acquisitions ('M&A') and equity capital markets activities. RHB Investment Bank ended the year by emerging 1st in the Bloomberg league tables for M&A and Rights Issue with the highest market share.

RHB Investment Bank notably enhanced its market presence by undertaking some of the country's landmark M&A deals in 2010 including advising the RM23.0 billion proposed acquisition of PLUS Expressways Berhad ('largest M&A in Malaysia and Asia-Pacific'), the RM9.5 billion privatization of Astro All Asia Network Plc and the RM7.9 billion privatization of Tanjong Plc. RHB Investment Bank was accorded the coveted "Malaysia's Best M&A House" award from The Asset and the privatization of Tanjong Plc won The Edge Malaysia's "Best M&A Deal of the Year".

In the equity capital markets, RHB Investment Bank was the Sole Financial Adviser in the largest REIT IPO in Malaysia 2010 – the RM1.5 billion listing of Sunway REIT. This deal was awarded Alpha SEA's "Best REIT Deal of the Year in South East Asia". The Investment Bank was also involved in the 5 biggest Rights Issues in Malaysia's corporate history for Axiata, Maybank, Malaysia Airlines, MRCB and MISC Berhad that collectively raised more than RM20.0 billion.

In addition, RHB Investment Bank also completed a notable Islamic debt capital market deal in 2010 raising RM1.0 billion for Cagamas Berhad under its Sukuk ALIm Programme. This deal is a novel structure in the sukuk market that was innovatively designed to meet the more conservative Shari'ah requirements and is fully tradable in the secondary market. This deal won IFR Asia's "Best Islamic Deal of the Year" and Islamic Finance News' "Malaysia Deal of the Year".

Directors' Report (continued)

BUSINESS REVIEW 2010 (CONTINUED)

In October 2010, the Company completed the acquisition of an additional 15.2% stake in RHB Insurance Berhad at a cash consideration of RM45.1 million, making it a 94.7% subsidiary of the Company.

In May 2010, RHB Islamic Bank Berhad ('RHB Islamic') remodelled its business model so as to streamline operations in order to enhance efficiency and effectiveness as well as the standardization of methodologies and best practices, leveraging on the Group's strength and infrastructure in achieving optimum productivity and cost efficiency. RHB Islamic's statement of financial position expanded by 17.1% to RM13.1 billion and achieved a profit before taxation of RM90.6 million.

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

BUSINESS STRATEGY AND PROSPECTS 2011

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

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

The Group is also expecting to expand on the Corporate and Investment Banking arm as the Government has launched investments under the Economic Transformation Programme ('ETP') with the award of large-scale infrastructure projects. Bonds and equity issues are expected to increase to finance Entry Point Projects ('EPP') identified by the Government and more mergers and acquisition in certain selected sectors are expected.

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

Directors' Report (continued)

RATINGS BY RATING AGENCIES

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

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

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 operating environments.

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

(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.

Directors' Report (continued)

RATINGS BY RATING AGENCIES (CONTINUED)

Description of the ratings accorded (continued)

(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 commitments.

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

(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.

(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.

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

Directors' Report (continued)

RATINGS BY RATING AGENCIES (CONTINUED)

Description of the ratings accorded (continued)

(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	**DATO' TAJUDDIN ATAN**
CHAIRMAN	MANAGING DIRECTOR

Kuala Lumpur
28 February 2011

Statements Of Financial Position

As At 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
ASSETS					
Cash and short-term funds	2	**14,754,516**	16,675,261	**346,009**	100,919
Securities purchased under resale agreements		**276,407**	1,594,210	**–**	–
Deposits and placements with banks and other financial institutions	3	**1,023,526**	2,219,270	**891**	860
Financial assets held-for-trading	4	**772,254**	860,216	**–**	–
Financial investments available-for-sale	5	**13,374,857**	9,092,421	**–**	–
Financial investments held-to-maturity	6	**10,869,550**	10,980,145	**–**	–
Loans, advances and financing	7	**81,228,093**	66,923,091	**–**	–
Clients' and brokers' balances	8	**421,127**	249,667	**–**	–
Other assets	9	**589,156**	840,090	**153,347**	153,049
Derivative assets	10	**310,905**	221,429	**–**	–
Amounts due from subsidiaries	11	**–**	–	**35,787**	10,603
Statutory deposits	12	**459,554**	310,156	**–**	–
Tax recoverable		**129,371**	92,316	**113,009**	73,717
Deferred tax assets	13	**261,105**	272,261	**–**	19
Investments in subsidiaries	14	**–**	–	**8,691,602**	8,785,389
Investments in an associate	15	**–**	11,180	**–**	–
Investments in a joint venture	16	**25,044**	25,976	**–**	–
Property, plant and equipment	17	**1,023,170**	931,151	**757**	330
Goodwill	18	**3,806,860**	3,786,218	**–**	–
TOTAL ASSETS		**129,325,495**	115,085,058	**9,341,402**	9,124,886

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

Statements Of Financial Position
As At 31 December 2010 (continued)

		Group		Company	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
LIABILITIES AND EQUITY					
Deposits from customers	19	**94,433,828**	84,841,065	**–**	–
Deposits and placements of banks and other financial institutions	20	**10,066,157**	7,416,025	**–**	–
Bills and acceptances payable		**3,536,140**	3,802,522	**–**	–
Clients' and brokers' balances	21	**610,360**	401,857	**–**	–
Other liabilities	22	**1,527,724**	1,779,919	**4,611**	61,833
Derivative liabilities	10	**253,704**	232,354	**–**	–
Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')		**818,503**	1,168,826	**–**	–
Amounts due to subsidiaries	11	**–**	–	**6,146**	155,288
Taxation		**172,595**	40,463	**–**	–
Deferred tax liabilities	13	**4,514**	177	**25**	–
Borrowings	23	**4,064,323**	3,829,672	**3,597,762**	3,133,752
Subordinated obligations	24	**3,264,284**	2,240,000	**–**	–
Hybrid Tier-1 Capital Securities	25	**600,393**	591,996	**–**	–
TOTAL LIABILITIES		**119,352,525**	106,344,876	**3,608,544**	3,350,873
Share capital	26	**2,153,475**	2,153,475	**2,153,475**	2,153,475
Reserves	27	**7,808,682**	6,554,266	**3,579,383**	3,620,538
		9,962,157	8,707,741	**5,732,858**	5,774,013
Minority interests		**10,813**	32,441	**–**	–
TOTAL EQUITY		**9,972,970**	8,740,182	**5,732,858**	5,774,013
TOTAL LIABILITIES AND EQUITY		**129,325,495**	115,085,058	**9,341,402**	9,124,886
COMMITMENTS AND CONTINGENCIES	40	**69,418,274**	67,234,183	**–**	–

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

Income Statements

For The Financial Year Ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Interest income	28	**4,772,001**	4,173,684	**1,246**	483
Interest expense	29	**(2,098,777)**	(1,760,450)	**(145,663)**	(137,104)
Net interest income/(expense)		**2,673,224**	2,413,234	**(144,417)**	(136,621)
Other operating income	30	**1,043,307**	925,598	**593,674**	308,591
		3,716,531	3,338,832	**449,257**	171,970
Income from Islamic Banking business	31	**333,762**	326,164	**–**	–
		4,050,293	3,664,996	**449,257**	171,970
Other operating expenses	32	**(1,639,648)**	(1,565,789)	**(18,630)**	(24,761)
Operating profit before allowances		**2,410,645**	2,099,207	**430,627**	147,209
Allowance for impairment on loans, financing and other losses	34	**(415,572)**	(578,808)	**–**	–
Impairment losses on other assets	35	**(96,588)**	17,558	**(683)**	–
		1,898,485	1,537,957	**429,944**	147,209
Share of results of an associate		**12**	43	**–**	–
Share of results of a joint venture		**792**	420	**–**	–
Profit before taxation		**1,899,289**	1,538,420	**429,944**	147,209
Taxation	36	**(470,744)**	(329,814)	**(108,508)**	(41,765)
Net profit for the financial year		**1,428,545**	1,208,606	**321,436**	105,444
Attributable to:					
– Equity holders of the Company		**1,420,258**	1,201,363	**321,436**	105,444
– Minority interests		**8,287**	7,243	**–**	–
		1,428,545	1,208,606	**321,436**	105,444
Earnings per share (sen)					
– Basic	37	**66.0**	55.8		

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

Statements Of Comprehensive Income

For The Financial Year Ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Net profit for the financial year		**1,428,545**	1,208,606	**321,436**	105,444
Other comprehensive income/(loss):					
Currency translation differences		**(68,600)**	2,685	**–**	–
Financial investments available-for-sale ('AFS')					
– Unrealised net gain/(loss) on revaluation		**180,131**	(49,155)	**–**	–
– Net transfer to income statements on disposal or impairment		**(84,805)**	(29,020)	**–**	–
Gain on fair valuation of property arising from acquisition of a subsidiary	50 (f)	**20,265**	–	**–**	–
Income tax relating to components of other comprehensive (loss)/income	38	**(24,771)**	19,620	**–**	–
Other comprehensive income/(loss) for the financial year, net of tax		**22,220**	(55,870)	**–**	–
Total comprehensive income for the financial year		**1,450,765**	1,152,736	**321,436**	105,444
Total comprehensive income attributable to:					
– Equity holders of the Company		**1,442,423**	1,145,270	**321,436**	105,444
– Minority interests		**8,342**	7,466	**–**	–
		1,450,765	1,152,736	**321,436**	105,444

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

Statements Of Changes In Equity

For The Financial Year Ended 31 December 2010

Group	Note	Share capital RM'000	Share premium RM'000	Reserve funds RM'000	Other reserves RM'000	AFS reserves RM'000	Translation reserves RM'000	Retained profits RM'000	Sub-total RM'000	Minority interests RM'000	Total equity RM'000
		Attributable to equity holders of the Company									
Balance as at 1 January 2010											
As previously stated		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
Effect of adoption of FRS 139	48	–	–	–	–	118,352	(64)	56,296	174,584	–	174,584
As restated		2,153,475	2,352,093	2,246,611	8,563	82,359	(8,254)	2,047,478	8,882,325	32,441	8,914,766
Net profit for the financial year		–	–	–	–	–	–	1,420,258	1,420,258	8,287	1,428,545
Currency translation differences		–	–	–	–	–	(68,600)	–	(68,600)	–	(68,600)
Financial investments available-for-sale ('AFS')											
– Unrealised net gain on revaluation		–	–	–	–	179,676	–	–	179,676	455	180,131
– Net transfer to income statements on disposal or impairment		–	–	–	–	(84,424)	–	–	(84,424)	(381)	(84,805)
Gain on fair valuation of property arising from acquisition of a subsidiary	50(f)	–	–	–	20,265	–	–	–	20,265	–	20,265
Income tax relating to components of other comprehensive income/(loss)	38	–	–	–	(1,013)	(23,739)	–	–	(24,752)	(19)	(24,771)
Total other comprehensive income/(loss)		–	–	–	19,252	71,513	(68,600)	–	22,165	55	22,220
Total comprehensive income/(loss)		–	–	–	19,252	71,513	(68,600)	1,420,258	1,442,423	8,342	1,450,765
Transfer in respect of statutory requirements		–	–	357,353	–	–	–	(357,353)	–	–	–
Ordinary dividends	39	–	–	–	–	–	–	(362,591)	(362,591)	(770)	(363,361)
Acquisition of additional interest in a subsidiary		–	–	–	–	–	–	–	–	(29,200)	(29,200)
Balance as at 31 December 2010		2,153,475	2,352,093	2,603,964	27,815	153,872	(76,854)	2,747,792	9,962,157	10,813	9,972,970

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

Statements Of Changes In Equity
For The Financial Year Ended 31 December 2010 (continued)

		Attributable to equity holders of the Company									
Group	Note	Share capital RM'000	Share premium RM'000	Reserve funds RM'000	Other reserves RM'000	AFS reserves RM'000	Translation reserves RM'000	Retained profits RM'000	Sub-total RM'000	Minority interests RM'000	Total equity RM'000
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
Net profit for the financial year		–	–	–	–	–	–	1,201,363	1,201,363	7,243	1,208,606
Currency translation differences		–	–	–	–	–	2,685	–	2,685	–	2,685
Financial investments AFS											
– Unrealised net loss on revaluation		–	–	–	–	(48,743)	–	–	(48,743)	(412)	(49,155)
– Net transfer to income statements on disposal or impairment		–	–	–	–	(29,728)	–	–	(29,728)	708	(29,020)
Income tax relating to components of other comprehensive income/(loss)	38	–	–	–	–	19,693	–	–	19,693	(73)	19,620
Total other comprehensive income/(loss)		–	–	–	–	(58,778)	2,685	–	(56,093)	223	(55,870)
Total comprehensive income/(loss)		–	–	–	–	(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 2010 (continued)

		Non-distributable		Distributable	
Company	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Retained profits RM'000**	**Total RM'000**
Balance as at 1 January 2010		**2,153,475**	**2,352,093**	**1,268,445**	**5,774,013**
Net profit for the financial year		**–**	**–**	**321,436**	**321,436**
Ordinary dividends	39	**–**	**–**	**(362,591)**	**(362,591)**
Balance as at 31 December 2010		**2,153,475**	**2,352,093**	**1,227,290**	**5,732,858**
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

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

Statements Of Cash Flows

For The Financial Year Ended 31 December 2010 (continued)

Group	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**1,899,289**	1,538,420
Adjustments for:		
Allowance for impairment on loans, financing and other losses	**577,029**	740,938
Interest suspended clawback	**–**	112,388
Property, plant and equipment		
– depreciation	**98,951**	84,930
– impairment loss	**24,945**	–
– gain on disposal	**(6,841)**	(3,085)
– written off	**10**	–
Impairment loss/(writeback) on financial investments AFS and held-to-maturity	**68,138**	(17,817)
Accretion of discounts for borrowings and subordinated obligations	**4,690**	2,706
Share of results of an associate	**(12)**	(43)
Share of results of a joint venture	**(792)**	(420)
Gain on liquidation of a subsidiary	**–**	(163)
Interest income from financial assets held-for-trading and financial investments AFS and held-to-maturity	**(857,401)**	(765,601)
Investment income from financial assets held-for-trading and financial investments AFS and held-to-maturity	**(110,333)**	(87,383)
Net gain arising from sale/redemption of financial assets held-for-trading and financial investments AFS and held-to-maturity	**(129,729)**	(73,656)
Unrealised gain on revaluation of financial assets held-for-trading and financial investments AFS and held-to-maturity and derivatives	**(77,194)**	(20,495)
Unrealised foreign exchange (gain)/loss	**(21,310)**	14,936
Accretion of discount less amortisation of premium	**46,093**	21,641
Gross dividend income from financial assets held-for-trading and financial investments AFS and held-to-maturity	**(10,843)**	(9,360)
Operating profit before working capital changes	**1,504,690**	1,537,936
(Increase)/decrease in operating assets:		
Securities purchased under resale agreements	**1,317,803**	(1,487,645)
Deposits and placements with banks and other financial institutions	**1,195,744**	(1,664,144)
Financial assets held-for-trading	**(1,621)**	2,759,355
Financial investments AFS	**1,022**	–
Loans, advances and financing	**(14,823,650)**	(7,178,570)
Clients' and brokers' balances	**(171,460)**	(74,364)
Other assets	**244,561**	(81,864)
Statutory deposits	**(149,398)**	1,269,522
	(12,386,999)	(6,457,710)

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

Statements Of Cash Flows

For The Financial Year Ended 31 December 2010 (continued)

Group	Note	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
Increase/(decrease) in operating liabilities:			
Deposits from customers		**9,592,763**	10,878,841
Deposits and placements of banks and other financial institutions		**2,650,132**	(1,266,122)
Bills and acceptances payable		**(266,382)**	(1,132,990)
Clients' and brokers' balances		**208,503**	112,804
Other liabilities		**(215,385)**	279,036
Recourse obligation on loans sold to Cagamas		**(350,323)**	(4,928)
		11,619,308	8,866,641
Cash generated from operations		**736,999**	3,946,867
Taxation paid		**(453,834)**	(414,329)
Taxation recovered		**2,230**	58,586
Net cash generated from operating activities		**285,395**	3,591,124
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchase of financial investments AFS and held-to-maturity		**(3,805,604)**	(2,518,286)
Purchase of property, plant and equipment		**(143,111)**	(122,764)
Interest received from financial assets held-for-trading and financial investments AFS and held-to-maturity		**729,590**	667,502
Investment income received from financial assets held-for-trading and financial investments AFS and held-to-maturity		**104,438**	74,146
Proceeds from disposal of property, plant and equipment		**15,693**	6,578
Dividend income received from financial assets held-for-trading and financial investments AFS and held-to-maturity		**10,483**	8,334
Capital repayment upon liquidation of a subsidiary		**–**	163
Acquisition of subsidiaries	50(f) & (g)	**(37,861)**	(1,658)
Acquisition of additional interest in a subsidiary	50(d)	**(45,125)**	–
Deposit for proposed acquisition of Bank Mestika Dharma ('Bank Mestika')		**–**	(112,515)
Net cash used in investing activities		**(3,171,497)**	(1,998,500)

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

Statements Of Cash Flows

For The Financial Year Ended 31 December 2010 (continued)

Group	Note	2010 RM'000	2009 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of Hybrid Tier-1 Capital Securities		**–**	591,834
Drawdown of borrowings		**560,210**	1,152,330
Repayment of borrowings		**(235,135)**	(754,825)
Net proceeds from issuance of subordinated notes		**1,005,000**	–
Dividends paid to minority interests in a subsidiary company		**(770)**	(1,538)
Dividends paid to equity holders of the Company		**(362,591)**	(251,956)
Payment to hire-purchase creditors		**–**	(146)
Net cash generated from financing activities		**966,714**	735,699
Net (decrease)/increase in cash and cash equivalents		**(1,919,388)**	2,328,323
Cash and cash equivalents at the beginning of the financial year		**16,673,904**	14,345,581
Cash and cash equivalents at the end of the financial year		**14,754,516**	16,673,904
Cash and cash equivalents comprise the following:			
Cash and short-term funds	2	**14,754,516**	16,675,261
Overdrafts	23(c)	**–**	(1,357)
		14,754,516	16,673,904

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

Statements Of Cash Flows

For The Financial Year Ended 31 December 2010 (continued)

Company	Note	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**429,944**	147,209
Adjustments for:			
Interest expense		**145,663**	137,104
Unrealised foreign exchange (gain)/loss		**(648)**	395
Property, plant and equipment			
– depreciation		**158**	285
– gain on disposal		**–**	(149)
Gain on liquidation of subsidiaries		**–**	(163)
Impairment loss on other assets		**683**	–
Dividend income		**(593,026)**	(308,674)
Interest income		**(1,246)**	(483)
Operating loss before working capital changes		**(18,472)**	(24,476)
(Increase)/decrease in deposits and placements with banks and other financial institutions		**(31)**	393
(Increase)/decrease in inter-company balances		**(34,476)**	339
Increase in other assets		**(434)**	(7,987)
(Decrease)/increase in other liabilities		**(1,430)**	1,821
Cash used in operations		**(54,843)**	(29,910)
Taxation recovered		**–**	16,455
Net cash used in operating activities		**(54,843)**	(13,455)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income received from subsidiaries		**445,270**	231,506
Interest income received		**409**	358
Purchase of property, plant and equipment		**(585)**	(243)
Acquisition of a subsidiary		**–**	(1,773)
Acquisition of additional interest in a subsidiary	50 (d)	**(45,125)**	–
Deposit for proposed acquisition of Bank Mestika		**–**	(112,515)
Proceeds from disposal of property, plant and equipment		**–**	150
Capital repayment upon liquidation of a subsidiary		**–**	163
Net cash generated from investing activities		**399,969**	117,646

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

Statements Of Cash Flows

For The Financial Year Ended 31 December 2010 (continued)

Company	Note	2010 RM'000	2009 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of borrowings		**620,100**	1,159,930
Repayment of borrowings		**(187,300)**	(805,930)
Interest expense paid		**(168,888)**	(126,276)
Dividends paid to equity holders of the Company		**(362,591)**	(251,956)
Payment to hire-purchase creditors		**–**	(146)
Net cash used in financing activities		**(98,679)**	(24,378)
Net increase in cash and cash equivalents		**246,447**	79,813
Cash and cash equivalents at the beginning of the financial year		**99,562**	19,749
Cash and cash equivalents at the end of the financial year		**346,009**	99,562
Cash and cash equivalents comprise the following:			
Cash and short-term funds	2	**346,009**	100,919
Overdrafts	23(c)	**–**	(1,357)
		346,009	99,562

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

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Basis of preparation of the financial statements

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

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

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

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

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

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

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

- FRS 4 "Insurance Contract"
- FRS 7 "Financial Instruments: Disclosures" and the related amendments
- FRS 8 "Operating Segments"
- FRS 101 (revised) "Presentation of Financial Statements"
- FRS 123 "Borrowing Costs"
- FRS 139 "Financial Instruments: Recognition and Measurement" and the related amendments
- Amendment to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- Amendments to FRS 132 "Financial Instruments: Presentation" and FRS 101 (revised) "Presentation of Financial Statements" - Puttable financial instruments and obligations arising on liquidation
- IC Interpretation 9 "Reassessment of Embedded Derivatives" and the related amendments
- IC Interpretation 10 "Interim Financial Reporting and Impairment"
- IC Interpretation 13 "Customer Loyalty Programmes"
- IC Interpretation 14 "FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction"
- Improvements to FRSs (2009)

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

A summary of the impact of the new accounting standards, amendments and improvements to published standards and interpretations on the financial statements of the Group and Company is set out in Note 48.

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

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

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

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

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

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

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

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

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Improvements to FRSs:

- FRS 3 (effective from 1 January 2011)

  – Clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by FRS.

  – Clarifies that the amendments to FRS 7, FRS 132 and FRS 139 that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of FRS 3 (2010). Those contingent consideration arrangements are to be accounted for in accordance with the guidance in FRS 3 (2005).

- FRS 101 "Presentation of Financial Statements" (effective from 1 January 2011) clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statements of changes in equity or in the notes to the financial statements.

- FRS 138 "Intangible Assets" (effective from 1 July 2010) clarifies that a group of complementary intangible assets acquired in a business combination may be recognised as a single asset if each asset has similar useful lives.

- IC Interpretation 9 (effective from 1 July 2010) clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture.

The adoption of the above standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company 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 2010 (continued)

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) Basis of consolidation

(a) 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.

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

- subsidiaries that were consolidated prior to 1 April 2002 in accordance with Malaysian Accounting Standard 2 'Accounting for Acquisitions and Mergers', the generally accepted accounting principles prevailing at that time;

- business combinations consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 that meet the conditions of a merger as set out in FRS 122_{2004} 'Business Combinations';

- internal group reorganisations, as defined in FRS 122_{2004}, consolidated on/after 1 July 2001 but with agreement dates before 1 January 2006 where:

  – the ultimate shareholders remain the same, and the rights of each such shareholder, relative to the others, are unchanged; and

  – the minorities' share of net assets of the Group is not altered by the transfer.

- business combinations involving entities or businesses under common control with agreement dates on/after 1 January 2006.

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

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

Identifiable assets, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities at the acquisition date is reflected as goodwill. Refer to accounting policy Note 4 on goodwill. If the cost of acquisition is less than the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities at the acquisition date, the difference is recognised directly in the profit or loss.

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.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) Basis of consolidation (continued)

(a) Subsidiaries (continued)

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

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

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 ventures

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

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

Investments in associates and joint ventures 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 profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. 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 ventures equals or exceeds its interest in the associate and joint ventures, 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 ventures.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures; 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 ventures 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. Accordingly, disposals to minority interests result in gains and losses and purchases result in the recognition of goodwill, being the difference between consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(3) Investments in subsidiaries, associates and joint ventures

In the Company's separate financial statements, investments in subsidiaries, associates and joint ventures are stated at cost less accumulated impairment losses. At the end of each reporting period, the Group assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy Note 24 on impairment of non-financial assets.

On disposal of investments in subsidiaries, associates and joint ventures, the difference between disposal proceeds and the carrying amount of the investments are recognised in profit or loss.

(4) Goodwill

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

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

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

(5) Financial assets

(a) Classification

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

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

Financial assets at fair value through profit or loss are financial assets held-for-trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held-for-trading unless they are designated as hedges. Refer to accounting policy Note 9.

(ii) Loans and receivables

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

(iii) Financial investments held-to-maturity

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

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(5) Financial assets (continued)

(a) Classification (continued)

(iv) Financial investments available-for-sale

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

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the settlement date the date on which the Group commits to purchase or sell the asset.

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

(c) Subsequent measurement – gain and losses

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

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise. Changes in the fair value of financial investments available-for-sale are recognised in other comprehensive income, except for impairment losses (refer to accounting policy Note 21) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

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

(d) De-recognition

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

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

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(5) Financial assets (continued)

Changes in accounting policy

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

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

The Group and the Company have applied the new policy according to the transitional provisions by re-measuring all financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained profits or, if appropriate, another category of equity, of the current financial year. Comparatives of these financial assets have not been adjusted and therefore the corresponding balances are not comparable. Refer to Note 48 for the impact of these changes in accounting policy.

(6) 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 statements of financial position.

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 statements of financial position.

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

(7) Foreclosed properties

Foreclosed properties are stated at lower of cost or fair value less cost to sell.

(8) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised as expense in profit or loss during the financial period in which they are incurred.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(8) Property, plant and equipment and depreciation (continued)

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

Leasehold land	Amortised over the period of the leases*
Buildings	2% to $3\frac{1}{3}$%
Renovations and improvements	7.5% to 20%
Computer equipment and software	20% to $33\frac{1}{3}$%
Furniture, fittings and equipment	7.5% to 20%
Motor vehicles	20% to 25%

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

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

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

At the end of the reporting period, the Group assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is written down to its recoverable amount. Refer to accounting policy Note 24 on impairment of non-financial assets.

(9) Derivative financial instruments and hedge accounting

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

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose 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.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

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

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

(b) Cash flow hedge

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

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

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

(c) Derivatives that do not qualify for hedge accounting

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

(10) Financial liabilities

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

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(10) Financial liabilities (continued)

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

Financial liabilities at fair value through profit or loss are financial liabilities held-for-trading. A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated as hedges. Refer to accounting policy Note 9.

(b) Other liabilities measured at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from banks or customers, bills and acceptances payable, clients' and brokers' balances, recourse obligation on loans sold to Cagamas, long term borrowings, subordinated obligations and Hybrid Tier-1 Capital securities.

Changes in accounting policy

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

The Group and the Company have applied the new policy according to the transitional provisions by re-measuring all financial liabilities, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained profits. Comparatives of these financial liabilities have not been adjusted and therefore the corresponding balances are not comparable. Refer to Note 48 for the impact of these changes in accounting policy.

(11) 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 statements of financial position.

(12) 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.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) Leases – where the Group is lessee (continued)

(b) Finance lease

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

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

Change in accounting policy

Following the adoption of the improvement to FRS 117 “Leases”, leasehold land in which the Group has substantially all the risks and rewards incidental to ownership has been reclassified retrospectively from operating lease to finance lease. Previously, leasehold land was classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term. Refer to Note 48 for the impact of this change in accounting policy.

(13) Leases – where the Group is lessor

(a) Operating lease

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

(b) Finance lease

When assets are leased out under a finance lease, the present value of the lease payment is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the ‘net investment’ method so as to reflect a constant periodic rate of return.

(14) Provisions

Provisions 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.

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

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

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(14) Provisions (continued)

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

(15) Borrowings

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

(16) Financial guarantee contract

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

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

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

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

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

(17) 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 their existence where inflows of economic benefits are probable, but not virtually certain.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(18) Dividends payable

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

(19) Cash and cash equivalents

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

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

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

(20) Revenue recognition

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

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

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

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

(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 using effective interest method.

(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 date of statements of financial position, is accrued at that date.

(h) Corporate advisory fees are recognised as income on completion of each stage of the engagement and issuance of invoice.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(20) Revenue recognition (continued)

(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.

Change in accounting policy

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

The Group and the Company have applied the new policy according to the transitional provision by recognising and measuring the financial instruments as at 1 January 2010 and recording any adjustments to opening retained profits. Comparative of interest income has not been adjusted and therefore the corresponding amount is not comparable. Refer to Note 48 for the impact of this change in accounting policy.

(21) Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(21) Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or a 'held-to-maturity investment' have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

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

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

Individually impairment allowance

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

Collective impairment allowance

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

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

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(21) Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

Collective impairment allowance (continued)

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

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

(b) Assets classified as available-for-sale

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

For debt securities, the Group uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

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

Changes in accounting policy

The Group has changed its accounting policy for impairment of loans, advances and financing upon adoption of FRS 139 and BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010.

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

The Group has applied the new policy according to the transitional provisions by re-measuring all financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained earnings or, if appropriate, another category of equity, of the current financial year. Comparatives have not been adjusted and therefore the corresponding balances are not comparable. Refer to Note 48 for the impact of these changes in accounting policy.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(22) General insurance

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the insurance subsidiary (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

The general insurance underwriting results are determined for each class of business after taking into account, reinsurances, commissions, unearned premiums and claims incurred.

Premium income

Premium income is recognised on the date of assumption of risk. Premiums in respect of risks incepted for which policies have not been raised as of the date of statement of financial position are accrued at the date.

Outward reinsurance premiums are recognised in the same accounting period as the original policies to which the reinsurance relate.

Premium liabilities

Premium liabilities refer to the higher of the aggregate of the unearned premium reserve or the best estimate value of the insurer's unexpired risk reserves at the valuation date and the Provision of Risk Margin for Adverse Deviation ('PRAD') calculated at the overall company level of the insurance subsidiary. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expense including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and shall allow for expected future premium refunds.

Claim liabilities

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance. The amount of claims liabilities is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligations at the date of statement of financial position. These include provision for claims reported, claims incurred but not reported, claims incurred but not enough reserved and direct and indirect claims-related expenses such as investigation fees, loss adjustment fees, legal fees, sue and labour charges and the expected internal costs that the insurer expects to incur when settling these claims.

Reinsurance

The insurance subsidiary cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the insurance subsidiary from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(22) General insurance (continued)

Reinsurance (continued)

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the insurer may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the insurer will receive from the reinsurer. The impairment loss is recorded in income statement.

Gains or losses on buying reinsurance are recognised in income statement immediately at the date of purchase and are not amortised.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

Insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities comprise claims liabilities and premium liabilities.

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the date of statement of financial position, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the date of statement of financial position. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled. The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

At each reporting date, the Group reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs is inadequate, the deficiency is recognised in profit or loss by setting up a provision for liability adequacy.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(22) General insurance (continued)

Changes in accounting policy

The adoption of FRS 4 has resulted in a change in accounting policy relating to the impairment loss on the insurance receivables. Prior to 1 January 2010, an allowance was made for any premiums, including agents' and reinsurers' balances, which remain outstanding for more than six months from the date on which they became receivable, except for outstanding motor premiums for which an allowance was made for amounts outstanding for more than 30 days.

Upon adoption of FRS 4, if there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in income statement. The objective evidence of impairment is deemed to exist where the insurance receivables is past due for more than 90 days or 3 months.

The Group has changed its accounting policy relating to presentation of insurance liabilities. Prior to 1 January 2010, the insurance liabilities were offset with the recoverable reinsurance assets. Upon adoption of FRS 4, offsetting is prohibited. Refer to Note 48 for the impact of these changes in accounting policy.

(23) Employee benefits

(a) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period 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 profit or loss in the period 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.

(24) Impairment of non-financial assets

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

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

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

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(25) Current and deferred income taxes

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

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group 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 deductible temporary differences or unused tax losses can be utilised.

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

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

(26) Currency conversion and translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses are presented in profit or loss within non-interest income.

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

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(26) Currency conversion and translation (continued)

(c) Group companies

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

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

(ii) income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

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

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

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

(27) Segment reporting

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

Change in accounting policy

The Group has adopted FRS 8 ‘Operating Segment’ from 1 January 2010. FRS 8 replaces FRS 114 ‘Segment Reporting’ and is applied retrospectively. The adoption of FRS 8 resulted in additional disclosures in segment reporting disclosures. Comparatives have been restated. Refer to Note 44 for the disclosure of segment reporting.

Summary Of Significant Accounting Policies And Critical Accounting Estimates And Assumptions

For The Financial Year Ended 31 December 2010 (continued)

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 impairment of financial assets

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

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 in the estimation of the amount and timing of future cash flows in assessing allowance for impairment of financial assets. Among the factors considered are the Group's aggregate exposure to the borrower, the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims. The actual amount of the future cash flows and their timing may differ from the estimates used by management and consequently may cause actual losses to differ from the impairment made.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

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.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 24 February 2011.

2 CASH AND SHORT-TERM FUNDS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and balances with banks and other financial institutions	**984,020**	1,012,106	**399**	319
Money at call and deposit placements maturing within one month	**13,770,496**	15,663,155	**345,610**	100,600
	14,754,516	16,675,261	**346,009**	100,919

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

	Group	
	2010	**2009**
	RM'000	**RM'000**
Cash and balances with banks and other financial institutions	**30,832**	7,593
Money at call and deposit placements maturing within one month	**212,878**	162,502
	243,710	170,095

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

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Licensed banks	**931,141**	1,722,590	**891**	860
Licensed investment banks	**92,385**	61,680	**–**	–
Licensed Islamic banks	**–**	107,000	**–**	–
BNM	**–**	325,000	**–**	–
Other financial institutions	**–**	3,000	**–**	–
	1,023,526	2,219,270	**891**	860

Included in deposits and placements with licensed banks are:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits pledged to licensed banks	**120**	120	**–**	–

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

4 FINANCIAL ASSETS HELD-FOR-TRADING

	Group	
	2010 RM'000	2009 RM'000
At fair value		
Money market instruments:		
Malaysian government securities	**–**	49,775
Malaysian government investment issues	**45,621**	–
BNM monetary notes	**366,768**	–
Negotiable instrument of deposits	**51,502**	452,193
Singapore government treasury bills	**119,367**	92,749
Thailand government bonds	**10,216**	–
Quoted securities:		
In Malaysia		
Shares	**69,896**	54,684
Unit trusts	**1,059**	863
Outside Malaysia		
Shares	**2,457**	5,496
Unquoted securities:		
In Malaysia		
Private debt securities	**105,368**	204,456
	772,254	860,216

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group	
	2010	2009
	RM'000	RM'000
At fair value		
Money market instruments:		
Malaysian government securities	**4,520,680**	2,512,175
Malaysian government investment issues	**3,080,615**	1,000,660
Cagamas bonds	**591,416**	444,542
Khazanah bonds	**11,984**	11,179
Negotiable instruments of deposits	**108,163**	109,672
Bankers acceptances and Islamic accepted bills	**93,868**	–
Singapore government securities	**128,445**	83,610
Singapore government treasury bills	**26,258**	134,262
Thailand government bonds	**112,140**	20,755
1 Malaysia sukuk	**86,032**	–
Quoted securities:		
In Malaysia		
Corporate loan stocks	**15,408**	15,612
Shares	**4,310**	5,689
Outside Malaysia		
Shares	**17**	11
Unquoted securities:		
In Malaysia		
Private debt securities	**3,910,065**	4,374,356
Shares	**360,862**	168,472
Corporate loan stocks	**129,634**	133,267
Unit trusts	**168,495**	–
Redeemable Convertible Preference Shares	**13,980**	–
Outside Malaysia		
Private debt securities	**11,921**	54,209
Corporate loan stocks	**564**	1,221
Structured notes	**–**	22,729
	13,374,857	9,092,421

As at 31 December 2010, the carrying value of financial investments available-for-sale, which was transferred from financial assets held-for-trading in previous financial years is RM1,512,298,000 (2009: RM2,558,708,000).

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group	
	2010 RM'000	2009 RM'000
At amortised cost		
Money market instruments:		
Malaysian government securities	**2,993,642**	2,387,667
Malaysian government investment issues	**1,371,160**	1,327,616
Cagamas bonds and Cagamas Mudharabah bonds	**773,645**	779,550
Khazanah bonds	**52,631**	34,935
Negotiable instruments of deposits	**1,103,432**	1,800,000
Singapore government securities	**120,730**	121,748
Thailand government securities	**223,230**	237,187
Sukuk (Brunei) Incorporation	**23,873**	41,538
Singapore government treasury bills	**9,549**	–
Unquoted securities:		
In Malaysia		
Private debt securities	**2,396,089**	2,439,042
Corporate loan stocks	**81,107**	60,507
Bonds	**25,137**	25,036
Prasarana bonds	**1,860,387**	1,852,771
Outside Malaysia		
Floating rate notes	**–**	28,419
Private debt securities	**18,520**	20,364
Structured paper	**32,564**	33,060
	11,085,696	11,189,440
Accumulated impairment losses	**(216,146)**	(209,295)
	10,869,550	10,980,145

As at 31 December 2010, the carrying value of financial investments held-to-maturity, which was transferred from financial assets held-for-trading in previous financial years is RM26,038,000 (2009: RM28,806,000). The fair value of these financial investments at 31 December 2010 is RM27,350,000 (2009: RM29,011,000).

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

7 LOANS, ADVANCES AND FINANCING

	Group	
	2010	**2009**
	RM'000	**RM'000**
At amortised cost		
Overdrafts	**6,092,693**	5,989,096
Term loans/financing		
– housing loans/financing	**18,277,357**	15,510,118
– syndicated term loans/financing	**2,033,985**	2,899,403
– hire-purchase receivables	**10,956,570**	9,693,483
– lease receivables	**146,399**	180,650
– other term loans/financing	**33,530,820**	21,913,454
Bills receivable	**1,507,021**	1,238,462
Trust receipts	**343,170**	381,389
Claims on customers under acceptance credits	**4,632,725**	4,909,188
Staff loans/financing	**350,587**	370,422
Credit/charge cards receivables	**1,644,995**	1,580,368
Revolving credits	**4,193,922**	4,968,972
Gross loans, advances and financing	**83,710,244**	69,635,005
Allowance for impaired loans and financing		
– individual impairment allowance	**(855,782)**	–
– collective impairment allowance	**(1,626,369)**	–
– specific allowance	**–**	(1,757,142)
– general allowance	**–**	(954,772)
Net loans, advances and financing	**81,228,093**	66,923,091

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group 2010 RM'000	Group 2009 RM'000
(i) By type of customers:		
Domestic non-bank financial institutions		
– others	**315,707**	377,356
Domestic business enterprises		
– small medium enterprises	**11,044,473**	11,342,280
– others	**22,141,219**	19,754,848
Government and statutory bodies	**9,204,927**	3,764,664
Individuals	**36,474,819**	29,547,312
Other domestic entities	**8,324**	12,609
Foreign entities	**4,520,775**	4,835,936
	83,710,244	69,635,005
(ii) By geographical distribution:		
In Malaysia	**80,067,443**	65,990,201
Outside Malaysia		
– Singapore operations	**3,191,218**	3,068,090
– Thailand operations	**297,308**	414,566
– Brunei operations	**154,275**	162,148
	83,710,244	69,635,005
(iii) By interest/profit rate sensitivity:		
Fixed rate		
– housing loans/financing	**1,523,367**	1,501,691
– hire-purchase receivables	**10,956,595**	9,703,885
– other fixed rate loans/financing	**14,207,886**	8,129,335
Variable rate		
– base lending/financing rate plus	**32,736,627**	27,386,890
– cost-plus	**19,946,768**	18,203,737
– other variable rates	**4,339,001**	4,709,467
	83,710,244	69,635,005

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group 2010 RM'000	Group 2009 RM'000
(iv) By purpose:		
Purchase of securities	**4,007,645**	2,408,854
Purchase of transport vehicles	**9,567,623**	8,225,802
Purchase of landed property:		
– residential	**18,841,064**	16,002,278
– non-residential	**4,761,379**	3,943,025
Purchase of property, plant and equipment other than land and building	**3,336,170**	3,757,180
Personal use	**3,535,354**	2,749,034
Credit card	**1,644,995**	1,580,368
Purchase of consumer durables	**54,295**	61,414
Construction	**2,593,596**	2,218,554
Working capital	**20,693,990**	22,217,787
Merger and acquisition	**2,432,562**	19,945
Other purpose	**12,241,571**	6,450,764
	83,710,244	69,635,005
(v) By remaining contractual maturities:		
Maturing within one year	**28,641,800**	20,552,606
One year to three years	**4,692,466**	4,832,451
Three years to five years	**10,023,354**	8,217,320
Over five years	**40,352,624**	36,032,628
	83,710,244	69,635,005

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

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Notes	Group 2010 RM'000	Group 2009 RM'000
(vi) Impaired loans, advances and financing			
(a) Movements in impaired loans, advances and financing			
Balance as at the beginning of the financial year			
– As previously stated		**3,253,499**	2,840,118
– Effect of adoption of FRS 139	48	**1,384,069**	–
– As restated		**4,637,568**	2,840,118
Classified as impaired		**3,881,193**	3,871,236
Amount recovered		**(961,325)**	(396,318)
Reclassified as non-impaired		**(2,789,193)**	(2,502,944)
Amount written off		**(1,084,148)**	(559,943)
Exchange difference		**(11,920)**	1,350
Balance as at the end of the financial year		**3,672,175**	3,253,499
(b) By purpose:			
Purchase of securities		**83,475**	4,705
Purchase of transport vehicles		**241,331**	180,867
Purchase of landed property:			
– residential		**1,163,245**	1,088,996
– non-residential		**251,257**	167,974
Purchase of property, plant and equipment other than land and building		**203,251**	114,830
Personal use		**90,835**	92,830
Credit card		**78,954**	69,677
Purchase of consumer durables		**2,983**	3,745
Construction		**174,628**	105,533
Working capital		**1,370,284**	1,376,343
Other purpose		**11,932**	47,999
		3,672,175	3,253,499

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Notes	Group 2010 RM'000	Group 2009 RM'000
(vi) Impaired loans, advances and financing (continued)			
(c) By geographical distribution:			
In Malaysia		**3,516,560**	3,072,824
Outside Malaysia			
– Singapore operations		**127,892**	164,374
– Thailand operations		**22,371**	8,896
– Brunei operations		**5,352**	7,405
		3,672,175	3,253,499
(d) Movements in allowance for impaired loans, advances, and financing:			
Individual impairment allowance			
Balance as at the beginning of the financial year			
– As previously stated		**–**	–
– Effect of adoption of FRS 139	48	**1,351,202**	–
– As restated		**1,351,202**	–
Allowance made		**256,823**	–
Amount recovered		**(73,709)**	–
Amount written off		**(672,014)**	–
Exchange difference		**(6,520)**	–
Balance as at the end of the financial year		**855,782**	–

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

(vi) Impaired loans, advances and financing (continued)

(d) Movements in allowance for impaired loans, advances, and financing (continued):

	Notes	Group 2010 RM'000	Group 2009 RM'000
Collective impairment allowance			
Balance as at the beginning of the financial year			
– As previously stated		**–**	–
– Effect of adoption of FRS 139	48	**1,614,354**	–
– As restated		**1,614,354**	–
Allowance made		**677,250**	–
Amount recovered		**(258,287)**	–
Amount written off		**(403,105)**	–
Exchange difference		**(3,843)**	–
Balance as at the end of the financial year		**1,626,369**	–
Specific allowance			
Balance as at the beginning of the financial year			
– As previously stated		**1,757,142**	1,457,957
– Effect of adoption of FRS 139	48	**(1,757,142)**	–
– As restated		**–**	1,457,957
Allowance made		**–**	1,161,812
Amount recovered		**–**	(270,092)
Amount written off		**–**	(563,488)
Transferred to accumulated impairment loss		**–**	(28,298)
Exchange difference		**–**	(749)
Balance as at the end of the financial year		**–**	1,757,142

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

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Notes	Group 2010 RM'000	Group 2009 RM'000
(vi) Impaired loans, advances and financing (continued)			
(d) Movements in allowance for impaired loans, advances, and financing (continued):			
General allowance			
Balance as at the beginning of the financial year			
– As previously stated		**954,772**	1,106,697
– Effect of adoption of FRS 139	48	**(954,772)**	–
– As restated		**–**	1,106,697
Net allowance written back		**–**	(152,103)
Exchange difference		**–**	178
Balance as at the end of the financial year		**–**	954,772
As % of gross loans, advances and financing less loans exempted from general allowance by BNM and specific allowance		**–**	1.5%

8 CLIENTS' AND BROKERS' BALANCES

Clients' and brokers' balances are stated net of individual and collective impairment allowance of RM7,478,000 and RM357,000 respectively.

	Note	Group 2010 RM'000	Group 2009 RM'000
Movements in impairment allowances are as follows:			
Individual impairment allowance			
Balance as at the beginning of the financial year			
– As previously stated		**–**	–
– Effect of adoption of FRS 139	48	**8,061**	–
– As restated		**8,061**	–
Allowance written back		**(583)**	–
Balance as at the end of the financial year		**7,478**	–

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

8 CLIENTS' AND BROKERS' BALANCES (CONTINUED)

	Note	Group 2010 RM'000	Group 2009 RM'000
Movements impairment allowances are as follows (continued):			
Collective impairment allowance			
Balance as at the beginning of the financial year			
– As previously stated		**–**	–
– Effect of adoption of FRS 139	48	**221**	–
– As restated		**221**	–
Allowance made		**136**	–
Balance as at the end of the financial year		**357**	–
Specific allowance			
Balance as at the beginning of the financial year			
– As previously stated		**8,061**	8,888
– Effects of adoption of FRS 139	48	**(8,061)**	–
– As restated		**–**	8,888
Allowance made		**–**	923
Amount recovered		**–**	(1,750)
Balance as at the end of the financial year		**–**	8,061
General allowance			
Balance as at the beginning of the financial year			
– As previously stated		**221**	146
– Effects of adoption of FRS 139	48	**(221)**	–
– As restated		**–**	146
Allowance made		**–**	75
Balance as at the end of the financial year		**–**	221

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

9 OTHER ASSETS

		Group		Company	
		2010	**2009**	**2010**	**2009**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Other debtors, deposits and prepayments	(a)	**322,193**	386,134	**40,832**	40,343
Reinsurance assets	(b)	**154,448**	133,676	**–**	–
Deposit for proposed acquisition of Bank Mestika (Note 50(j))	(c)	**112,515**	112,515	**112,515**	112,515
Accrued interest receivable		**–**	207,765	**–**	191
		589,156	840,090	**153,347**	153,049

(a) Other debtors, deposits and prepayments of the Group are stated net of allowance for doubtful debts of RM6,374,000 (2009: RM9,019,000).

Included in other debtors, deposits and prepayments of the Group and the Company is a deposit of RM32,800,000 (2009: RM32,800,000) paid by the Company pursuant to the sale and purchase agreement dated 7 November 2000 between Carta Bintang Sdn Bhd ('CBSB') and the Company for the sale and purchase of 60 million shares in SJ Securities Sdn Bhd ('SJ Securities') as disclosed in Note 49.

(b) Reinsurance assets

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Claims liabilities (Note 22(a)(i))	**113,929**	99,119	**–**	–
Premium liabilities (Note 22(a)(ii))	**40,519**	34,557	**–**	–
	154,448	133,676	**–**	–

(c) 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 50(j).

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

10 DERIVATIVE ASSETS/(LIABILITIES)

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments are used by the Group 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 date of statements of financial position. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative assets) and gross negative (derivative liabilities) fair values at the date of statements of financial position are analysed below.

	Group	
	2010 RM'000	**2009 RM'000**
Derivative assets	**310,905**	221,429
Derivative liabilities	**(253,704)**	(232,354)
	57,201	(10,925)

	Group		
	Contract or underlying principal amount RM'000	**Year-end positive fair value RM'000**	**Year-end negative fair value RM'000**
2010			
Foreign exchange related contracts:			
– forwards/swaps	**14,015,055**	**159,624**	**(148,040)**
– options	**190,715**	**797**	**(760)**
– cross-currency interest rate swaps	**1,245,502**	**12,860**	**(11,121)**
Interest rate related contracts:			
– futures	**140,000**	**–**	**(793)**
– swaps	**13,047,782**	**137,624**	**(92,990)**
Commodity contracts:			
– forwards	**17,628**	**–**	**–**
		310,905	**(253,704)**

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

10 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

	Group		
	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
2009			
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)

11 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amounts due from/(to) subsidiaries are unsecured, interest free and receivable/(payable) within the normal credit period.

12 STATUTORY DEPOSITS

Included in statutory deposits are:

(a) non-interest bearing statutory deposits of RM459,454,000 (2009: RM310,056,000) relating to the banking subsidiaries which are maintained with BNM in compliance with Section 26 (2)(c) of the Central Bank of Malaysia Act, 2009, with the Ministry of Finance, Negara Brunei Darussalam in compliance with Section 6A of the Banking Act, 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 (2009: RM100,000) relating to a trust subsidiary which is maintained in accordance with Section 61(2)(b)(ii) of the Labuan Financial Services and Securities Act 2010.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

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 statements of financial position:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets	**261,105**	272,261	**–**	19
Deferred tax liabilities	**(4,514)**	(177)	**(25)**	–
	256,591	272,084	**(25)**	19
Deferred tax assets				
– settled more than 12 months	**209,953**	246,099	**–**	19
– settled within 12 months	**51,152**	26,162	**–**	–
Deferred tax liabilities				
– settled more than 12 months	**(816)**	–	**–**	–
– settled within 12 months	**(3,698)**	(177)	**(25)**	–
	256,591	272,084	**(25)**	19

13 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Group	Note	Property, plant and equipment RM'000	Financial investments AFS RM'000	Loans advances and financing RM'000	Tax losses RM'000	Other liabilities RM'000	Other temporary differences RM'000	Total RM'000
2010								
Balance as at the beginning of the financial year								
– As previously stated		**(24,335)**	**11,959**	**236,954**	**4,824**	**31,386**	**11,296**	**272,084**
– Effect of adoption of FRS 139	48	**–**	**(39,450)**	**(18,374)**	**–**	**–**	**–**	**(57,824)**
– As restated		**(24,335)**	**(27,491)**	**218,580**	**4,824**	**31,386**	**11,296**	**214,260**
Acquisition of a subsidiary		**(2,032)**	**–**	**–**	**–**	**–**	**–**	**(2,032)**
Transfer (to)/from income statements	36	**(18,110)**	**–**	**48,170**	**11,047**	**28,393**	**(1,268)**	**68,232**
Transfer to equity		**–**	**(23,758)**	**–**	**–**	**–**	**–**	**(23,758)**
Exchange difference		**–**	**–**	**–**	**(111)**	**–**	**–**	**(111)**
Balance as at the end of the financial year		**(44,477)**	**(51,249)**	**266,750**	**15,760**	**59,779**	**10,028**	**256,591**
2009								
Balance as at the beginning of the financial year		(19,965)	(7,661)	280,502	4,746	442	15,192	273,256
Acquisition of a subsidiary		12	–	–	–	–	–	12
Transfer (to)/from income statements	36	(4,382)	–	(43,548)	–	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		(24,335)	11,959	236,954	4,824	31,386	11,296	272,084

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

13 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	Property, plant and equipment	
	2010	2009
	RM'000	RM'000
Company		
Balance as at the beginning of the financial year	**19**	(16)
Transfer (to)/from income statement (Note 36)	**(44)**	35
Balance as at the end of the financial year	**(25)**	19

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	
	2010	2009
	RM'000	RM'000
Unabsorbed tax losses carried forward	**1,383,256**	1,606,269
Unabsorbed capital allowances carried forward	**24,611**	63,693
	1,407,867	1,669,962

14 INVESTMENTS IN SUBSIDIARIES

	Company	
	2010	2009
	RM'000	RM'000
Unquoted shares in Malaysia companies, at cost		
– ordinary shares	**9,021,049**	8,975,924
Unquoted shares in companies outside Malaysia, at cost	**7,167**	7,167
	9,028,216	8,983,091
Accumulated impairment losses	**(336,614)**	(197,702)
	8,691,602	8,785,389

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

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 2010 %	Effective equity interest 2009 %	Principal activities
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[1]	Singapore	S$19,000,000	100	100	Property investment and rental
Banfora Pte Ltd[1]	Singapore	S$25,000,000	100	100	Property investment and rental
RHB Bank Nominees Pte Ltd[1]	Singapore	S$100,000	100	100	Nominee services
RHB Leasing Sdn Bhd	Malaysia	10,000,000	100	100	Leasing
RHB Trade Services Limited[2]	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

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

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest 2010 %	Effective equity interest 2009 %	Principal activities
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 shareholder
RHB Merchant Nominees (Asing) Sdn Bhd	Malaysia	10,000	100	100	Nominee services for foreign beneficial shareholders
RHB Nominees Sdn Bhd	Malaysia	25,000	100	100	Nominee and custodian services
RHB Nominees (Asing) Sdn Bhd	Malaysia	25,000	100	100	Nominee and custodian services for foreign beneficial shareholders
RHB Nominees (Tempatan) Sdn Bhd	Malaysia	25,000	100	100	Nominee and custodian services for Malaysian beneficial shareholders
RHB Investment Management Sdn Bhd	Malaysia	10,000,000	100	100	Asset management services and management of unit trust funds
RHB Islamic Asset Management Sdn Bhd[3]	Malaysia	4,000,000	100	–	Islamic asset management services and management of Islamic unit funds
RHB Research Institute Sdn Bhd	Malaysia	500,000	100	100	Research services

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest 2010 %	Effective equity interest 2009 %	Principal activities
RHB Private Equity Holdings Sdn Bhd	Malaysia	25,000,002	100	100	Investment holding
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[4]	Cayman Islands	USD 10,001	100	100	Investment company
RHB Insurance Berhad[5]	Malaysia	100,000,000	94.7	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
Positive Properties Sdn Bhd[6]	Malaysia	23,192,000	100	50	Property investment
RHB Property Management Sdn Bhd[7]	Malaysia	500,000	100	–	Property management
RHB Equities Sdn Bhd[8]	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	Malaysia	1,500,000	100	100	Security services

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

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest 2010 %	Effective equity interest 2009 %	Principal activities
RHB Capital Berhad's dormant subsidiaries					
Rashid Hussain Securities (Philippines) Inc[1,9]	Philippines	PHP180,000,000	100	100	Dormant
RHBF Sdn Bhd	Malaysia	148,145,176	100	100	Dormant
KYF Sdn Bhd	Malaysia	50,000,000	100	100	Dormant
SFSB Services (Melaka) Sdn Bhd	Malaysia	5,000,000	100	100	Dormant
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	Malaysia	2	100	100	Dormant
RHB Bank's dormant subsidiaries					
UMBC Sdn Bhd	Malaysia	499,999,818	100	100	Dormant
RHB Delta Sdn Bhd	Malaysia	175,000,000	100	100	Dormant
Utama Gilang Sdn Bhd	Malaysia	800,000,000	100	100	Dormant
RHB Delta Nominees (Tempatan) Sdn Bhd[10]	Malaysia	10,000	–	100	Dormant
RHB Investment Bank's dormant subsidiaries					
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 To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Notes:

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

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

3 The company was incorporated on 11 October 2010.

4 The company became a wholly-owned subsidiary of RHB Private Equity Holdings Sdn Bhd on 30 September 2010.

5 On 8 October 2010, RHB Capital Berhad acquired an additional 15.2% of the issued and paid up share capital of RHB Insurance Berhad. Refer to Note 50(d).

6 The company became a wholly-owned subsidiary of RHB Hartanah Sdn Bhd on 26 May 2010. Refer to Note 50(f) on the effect of the acquisition.

7 The company became a wholly-owned subsidiary of RHB Hartanah Sdn Bhd on 16 July 2010. Refer to Note 50(g) on the effect of the acquisition.

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

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

10 The company has been formally dissolved on 7 December 2010.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

15 INVESTMENTS IN AN ASSOCIATE

	Group 2010 RM'000	Group 2009 RM'000
Share of net assets of an associate	–	11,180

The details of the associate are as follows:

Name of company	Country of incorporation	Paid-up share capital	Effective equity interest 2010 %	Effective equity interest 2009 %	Principal activities
Positive Properties Sdn Bhd	Malaysia	RM23,192,000	–	50	Property investment

Based on effective equity interest as of year end, the financial position of the associate in 2009 was as follows:

Group	Assets RM'000	Liabilities RM'000	Revenue RM'000	Profit after taxation RM'000
2009	22,353	11,173	78	43

Positive Properties Sdn Bhd ('Positive Properties') became a wholly-owned subsidiary of RHB Hartanah Sdn Bhd ('RHB Hartanah'), a wholly-owned subsidiary of the Company with effect from 26 May 2010 pursuant to the acquisition of the remaining 50% equity interest in Positive Properties not already owned by RHB Hartanah as disclosed in Note 50(f).

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

16 INVESTMENTS IN A JOINT VENTURE

	Group 2010 RM'000	Group 2009 RM'000
Share of net assets of a joint venture	**25,044**	25,976

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

	Group 2010 RM'000	Group 2009 RM'000
Income	**1,593**	1,116
Expenses	**(765)**	(696)
Tax expenses	**(36)**	–
Net profit for the year	**792**	420
Non-current assets	**14,423**	14,483
Current assets	**10,749**	11,748
Current liabilities	**(128)**	(255)
Net assets	**25,044**	25,976

There are no capital commitments or contingent liabilities relating to the Group's interest in the joint venture as at 31 December 2010.

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest 2010 %	Effective equity interest 2009 %	Principal activities
Vietnam Securities Corporation	Vietnam	VND 135 billion	**49**	49	Stockbroking busines and corporate finance advisory

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

17 PROPERTY, PLANT AND EQUIPMENT

Group	Note	Freehold land RM'000	Leasehold Less than 50 years RM'000	Leasehold Properties 50 years or more RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment and software RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
2010										
Cost										
Balance as at the beginning of the financial year										
– As previously stated		142,083	–	–	496,965	228,225	925,101	235,214	17,129	2,044,717
– Effect of adoption of FRS117 improvement	48	–	1,426	131,571	–	–	–	–	–	132,997
– As restated		142,083	1,426	131,571	496,965	228,225	925,101	235,214	17,129	2,177,714
Acquisition of subsidiaries		62,000	–	–	–	168	648	712	5	63,533
Additions		–	–	–	–	55,446	79,073	6,984	1,608	143,111
Disposals		(1,387)	–	(6,015)	(3,220)	–	(134)	–	(1,881)	(12,637)
Written off		–	–	–	–	(277)	(13,104)	(2,146)	(371)	(15,898)
Exchange difference		(36)	–	(2,320)	(1,299)	(387)	(738)	(368)	(42)	(5,190)
Reclassifications		456	–	–	(456)	(5,823)	373	5,450	–	–
Balance as at the end of the financial year		203,116	1,426	123,236	491,990	277,352	991,219	245,846	16,448	2,350,633
Accumulated depreciation										
Balance as at the beginning of the financial year										
– As previously stated		–	–	–	115,806	147,579	713,820	217,475	14,808	1,209,488
– Effect of adoption of FRS117 improvement	48	–	644	5,609	–	–	–	–	–	6,253
– As restated		–	644	5,609	115,806	147,579	713,820	217,475	14,808	1,215,741
Acquisition of subsidiaries		–	–	–	–	168	608	690	3	1,469
Charge for the financial year		–	36	473	9,870	13,975	66,764	6,763	1,070	98,951
Disposals		–	–	(740)	(1,044)	–	(132)	–	(1,831)	(3,747)
Written off		–	–	–	–	(277)	(13,100)	(2,140)	(371)	(15,888)
Exchange difference		–	–	(8)	(345)	(304)	(552)	(336)	(30)	(1,575)
Reclassifications		–	–	–	–	–	4	(4)	–	–
Balance as at the end of the financial year		–	680	5,334	124,287	161,141	767,412	222,448	13,649	1,294,951

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Freehold land RM'000	Leasehold Properties Less than 50 years RM'000	Leasehold Properties 50 years or more RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment and software RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
2010										
Accumulated impairment loss										
Balance as at the beginning of the financial year										
– As previously stated		–	–	–	3,046	–	4,601	–	–	7,647
– Effect of adoption of FRS117 improvement	48	–	–	23,175	–	–	–	–	–	23,175
– As restated		–	–	23,175	3,046	–	4,601	–	–	30,822
Charge for the financial year		–	–	–	–	–	24,945	–	–	24,945
Disposals		–	–	(2,160)	(38)	–	–	–	–	(2,198)
Written back		–	–	(20,577)	–	–	–	–	–	(20,577)
Exchange difference		–	–	(438)	(42)	–	–	–	–	(480)
Balance as at the end of the financial year		–	–	–	2,966	–	29,546	–	–	32,512
Net book value as at the end of the financial year		203,116	746	117,902	364,737	116,211	194,261	23,398	2,799	1,023,170

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Freehold land RM'000	Leasehold Less than 50 years RM'000	Properties 50 years or more RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment and software RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
2009										
Cost										
Balance as at the beginning of the financial year										
– As previously stated		145,400	–	–	497,552	204,822	840,804	223,539	18,941	1,931,058
– Effect of adoption of FRS117 improvement	48	–	1,426	129,916	–	–	–	–	–	131,342
– As restated		145,400	1,426	129,916	497,552	204,822	840,804	223,539	18,941	2,062,400
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	-	1,655	846	165	278	227	40	3,237
Reclassifications		–	–	–	–	(6,459)	–	6,459	–	-
Balance as at the end of the financial year		142,083	1,426	131,571	496,965	228,225	925,101	235,214	17,129	2,177,714
Accumulated depreciation										
Balance as at the beginning of the financial year										
– As previously stated		–	–	–	106,586	135,195	661,293	210,227	15,439	1,128,740
– Effect of adoption of FRS117 improvement	48	–	609	5,126	–	–	–	–	–	5,735
– As restated		–	609	5,126	106,586	135,195	661,293	210,227	15,439	1,134,475
Acquisition of a subsidiary		–	–	–	–	139	96	543	57	835
Charge for the financial year		–	35	478	9,909	12,160	53,535	7,363	1,450	84,930
Disposals		–	–	–	(912)	(25)	(722)	(346)	(1,996)	(4,001)
Written off		–	–	–	–	(11)	(729)	(532)	(166)	(1,438)
Exchange difference		–	–	5	223	121	347	220	24	940
Balance as at the end of the financial year		–	644	5,609	115,806	147,579	713,820	217,475	14,808	1,215,741

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

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Freehold land RM'000	Leasehold Properties Less than 50 years RM'000	Leasehold Properties 50 years or more RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment and software RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
2009										
Accumulated impairment loss										
Balance as at the beginning of the financial year										
– As previously stated		1,324	–	–	4,347	–	4,601	–	–	10,272
– Effect of adoption of FRS117 improvement	48	–	–	22,828	–	–	–	–	–	22,828
As restated		1,324	–	22,828	4,347	–	4,601	–	–	33,100
Disposals		(1,324)	–	–	(1,304)	–	–	–	–	(2,628)
Exchange difference		–	–	347	3	–	–	–	–	350
Balance as at the end of the financial year		–	–	23,175	3,046	–	4,601	–	–	30,822
Net book value as at the end of the financial year		142,083	782	102,787	378,113	80,646	206,680	17,739	2,321	931,151

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Group 2010 RM'000	Group 2009 RM'000
At cost		
Renovations	**18,280**	17,258
Computer equipment and software	**13,689**	46,059
	31,969	63,317

Company	Computer equipment and software RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
2010					
Cost					
Balance as at the beginning of the financial year	**470**	**583**	**1,226**	**375**	**2,654**
Additions	**167**	**37**	**381**	**–**	**585**
Disposals	**(28)**	**–**	**–**	**–**	**(28)**
Balance as at the end of the financial year	**609**	**620**	**1,607**	**375**	**3,211**
Accumulated depreciation					
Balance as at the beginning of the financial year	**384**	**555**	**1,103**	**282**	**2,324**
Charge for the financial year	**81**	**22**	**44**	**11**	**158**
Disposals	**(28)**	**–**	**–**	**–**	**(28)**
Balance as at the end of the financial year	**437**	**577**	**1,147**	**293**	**2,454**
Net book value as at the end of the financial year	**172**	**43**	**460**	**82**	**757**

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

17 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
2009					
Cost					
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
Accumulated depreciation					
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

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Accumulated depreciation and impairment loss				
Balance as at the beginning of the financial year	**1,246,563**	1,167,575	**2,324**	3,123
Balance as at the end of the financial year	**1,327,463**	1,246,563	**2,454**	2,324

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

18 GOODWILL

	Group	
	2010	**2009**
	RM'000	**RM'000**
Balance as at the beginning of the financial year	**3,786,218**	3,786,169
Acquisition of subsidiaries	**4,718**	–
Acquisition of additional interest in a subsidiary	**15,924**	49
Balance as at the end of the financial year	**3,806,860**	3,786,218

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

	Group	
	2010	**2009**
	RM'000	**RM'000**
CGU		
Corporate and Investment Banking	**778,339**	778,339
Retail Banking	**1,001,017**	1,379,242
Business Banking	**398,844**	–
Treasury and money market	**1,366,164**	1,366,164
Islamic Banking	**258,571**	258,570
Others	**3,925**	3,903
	3,806,860	3,786,218

The Group has adopted FRS 8 from 1 January 2010. The adoption of FRS 8 has resulted in an increase in the number of reportable segments presented. As goodwill is allocated by management to CGU according to the operating segment, the change in reportable segments has resulted in a re-allocation of goodwill of RM398,844,000 from the Retail Banking operating segment to the newly identified operating segment Business Banking. Comparatives have not been restated. This re-allocation of goodwill has been accounted for prospectively in accordance with the transitional provisions of the amendments to FRS 136 'Impairment of Assets'.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets/forecasts approved by directors covering a four-year (2009: four-year) period. Cash flows beyond the four-year period are assumed to grow at 3.0% (2009: 3.0%) to perpetuity.

The cash flow projections are derived based on a number of key factors including the past performance and the management's expectations of the market developments.

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

18 GOODWILL (CONTINUED)

The following are the other assumptions used in determining the recoverable amount of each CGU within the business segment:

	Discount rate	
	2010	2009
	%	%
CGU		
Corporate and Investment Banking	**6.4**	8.9
Retail Banking	**6.0**	8.7
Business Banking	**6.3**	–
Treasury and money market	**6.4**	8.8
Islamic Banking	**6.3**	8.5
Others	**6.3**	8.5

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.

19 DEPOSITS FROM CUSTOMERS

	Group	
	2010	2009
	RM'000	RM'000
(i) By type of deposits		
Demand deposits	**19,523,082**	18,597,038
Savings deposits	**5,832,118**	5,663,371
Fixed/investment deposits	**68,829,333**	60,264,247
Negotiable instruments of deposits	**249,295**	316,409
	94,433,828	84,841,065
(ii) By type of customer		
Government and statutory bodies	**8,424,043**	6,566,945
Business enterprises	**54,623,226**	50,519,461
Individuals	**27,507,468**	25,372,763
Others	**3,879,091**	2,381,896
	94,433,828	84,841,065

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

19 DEPOSITS FROM CUSTOMERS (CONTINUED)

	Group 2010 RM'000	Group 2009 RM'000
(iii) By maturity structure of fixed/investment deposits and negotiable instruments of deposits		
Due within six months	**58,855,201**	51,127,186
Six months to one year	**9,744,919**	8,801,962
One year to three years	**449,560**	645,883
Three years to five years	**28,948**	5,382
Over five years	**–**	243
	69,078,628	60,580,656

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHERS FINANCIAL INSTITUTIONS

	Group 2010 RM'000	Group 2009 RM'000
Licensed banks	**5,228,464**	4,412,113
Licensed investment banks	**153,442**	100,000
Licensed Islamic banks	**–**	802,720
BNM	**2,197,885**	690,006
Other financial institutions	**2,486,366**	1,411,186
	10,066,157	7,416,025

21 CLIENTS' AND BROKERS' BALANCES

Included in clients' and brokers' balances are clients' trust balances held by a subsidiary in trust of RM262,007,000 (2009: RM211,357,000).

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

22 OTHER LIABILITIES

		Group		Company	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Accrued interest payable		**–**	357,376	**–**	55,790
Other creditors and accruals		**843,879**	757,862	**4,611**	6,043
General insurance contract liabilities	(a)	**379,176**	334,845	**–**	–
Short term employee benefits		**148,068**	167,572	**–**	–
Lessee deposits		**65,050**	74,864	**–**	–
Prepaid instalment		**77,670**	76,602	**–**	–
Remisiers' trust deposits		**10,016**	8,624	**–**	–
Amount due to Danaharta	(b)	**1,796**	1,824	**–**	–
Amount payable for creation of units due to fund		**2,069**	350	**–**	–
		1,527,724	1,779,919	**4,611**	61,833

(a) General insurance contract liabilities

	Group	
	2010 RM'000	2009 RM'000
Claims liabilities	**257,751**	225,654
Premium liabilities	**121,425**	109,191
	379,176	334,845

	Gross RM'000	Reinsurance RM'000	Net RM'000
2010			
Claims reported by policyholders	**187,974**	**(87,626)**	**100,348**
Incurred but not reported claims ('IBNR')	**69,777**	**(26,303)**	**43,474**
Claims liabilities (i)	**257,751**	**(113,929)**	**143,822**
Premium liabilities (ii)	**121,425**	**(40,519)**	**80,906**
Total	**379,176**	**(154,448)**	**224,728**
2009			
Claims reported by policyholders	170,758	(79,610)	91,148
Incurred but not reported claims ('IBNR')	54,896	(19,509)	35,387
Claims liabilities (i)	225,654	(99,119)	126,535
Premium liabilities (ii)	109,191	(34,557)	74,634
Total	334,845	(133,676)	201,169

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

22 OTHER LIABILITIES (CONTINUED)

(a) General insurance contract liabilities (continued)

	Gross RM'000	Reinsurance RM'000	Net RM'000
(i) Claims liabilities			
At 1 January 2010	**225,654**	**(99,119)**	**126,535**
Claims incurred in current accident year	**156,258**	**(41,853)**	**114,405**
Adjustment to claims incurred in prior accident year			
– case reserve	**(16,058)**	**7,407**	**(8,651)**
– IBNR	**14,882**	**(6,795)**	**8,087**
Claims paid during the year	**(122,985)**	**26,431**	**(96,554)**
At 31 December 2010	**257,751**	**(113,929)**	**143,822**
At 1 January 2009	199,644	(80,969)	118,675
Claims incurred in current accident year	172,295	(64,835)	107,460
Adjustment to claims incurred in prior accident year			
– case reserve	(29,712)	15,262	(14,450)
– IBNR	9,501	(2,401)	7,100
Claims paid during the year	(126,074)	33,824	(92,250)
At 31 December 2009	225,654	(99,119)	126,535
(ii) Premium liabilities			
As 1 January 2010	**109,191**	**(34,557)**	**74,634**
Premium written for the year	**305,370**	**(90,162)**	**215,208**
Premium earned during the year	**(293,136)**	**84,200**	**(208,936)**
At 31 December 2010	**121,425**	**(40,519)**	**80,906**
At 1 January 2009	93,666	(28,792)	64,874
Premium written for the year	271,443	(82,614)	188,829
Premium earned during the year	(255,918)	76,849	(179,069)
At 31 December 2009	109,191	(34,557)	74,634

(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 2010 (continued)

23 BORROWINGS

		Group		Company	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unsecured:					
Revolving credits	(a)	**724,422**	646,000	**815,449**	648,800
Term loans:					
RM Term loans	(b(i))	**800,807**	800,000	**1,062,581**	1,060,000
USD Term loans	(b(ii))	**819,362**	958,720	**–**	–
Overdrafts	(c)	**–**	1,357	**–**	1,357
RM600 million 6 years Serial Fixed Rate Bonds	(d)	**310,238**	449,147	**310,238**	449,147
RM350 million Fixed Rate Bonds	(e)	**354,111**	345,448	**354,111**	345,448
RM150 million 7 years Commercial Papers/Medium Term Notes	(f)	**74,000**	74,000	**74,000**	74,000
RM1.1 billion 7 years Commercial Papers/Medium Term Notes	(g)	**981,383**	555,000	**981,383**	555,000
		4,064,323	3,829,672	**3,597,762**	3,133,752
Schedule repayment of borrowings:					
Within one year		**1,496,088**	1,842,717	**1,765,712**	1,794,157
One year to three years		**1,682,477**	845,755	**1,482,050**	904,595
Three years to five years		**550,428**	768,840	**350,000**	435,000
Over five years		**335,330**	372,360	**–**	–
		4,064,323	3,829,672	**3,597,762**	3,133,752

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

(a) Revolving credits (unsecured)

The Group and the Company have unsecured revolving credit facilities of RM724,422,000 (2009: RM646,000,000) and RM815,449,000 (2009: RM648,800,000) respectively, which bear interest at rates ranging from 2.63% to 5.40% (2009: 2.51% to 5.40%) per annum.

(b) Term loans (unsecured)

(i) RM Term loans

The Group and the Company have unsecured term loans which bear interest at rates ranging from 3.40% to 3.72% and 2.73% to 3.89% (2009: 2.72% to 4.75% and 2.70% to 4.75%) per annum.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

23 BORROWINGS (CONTINUED)

(b) Term loans (unsecured) (continued)

(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 was done on 29 June 2006 and 20 October 2006 respectively. Final disbursement of USD20 million was done on 31 January 2007. The said loan is repayable on 8 March and 8 September each year for 20 equal instalments commencing on 8 March 2008 until 8 September 2017 and bears a floating interest rate of British Bankers Association Interest Settlement Rate in USD ('BBA LIBOR') plus 0.395% per annum. The average interest rates range from 0.78% to 1.11% (2009: 1.11% to 3.51%) per annum.

On 24 March 2008, RHB Bank entered into another agreement with JBIC to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 10 years. Disbursement of USD100 million was done on 30 May 2008. The said loan is repayable on 8 March and 8 September each year for 20 equal instalments commencing 8 September 2010 to 8 March 2020 and bears a floating interest rate of BBA LIBOR plus 0.315% per annum. The average interest rate range from 0.70% to 1.03% (2009: 1.03% 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 1.25% to 1.40% per annum (2009: 1.40% to 1.75% per annum).

(c) Overdrafts (unsecured)

The unsecured overdrafts bear interest at rates ranging from 6.00% to 7.05% per annum in 2009.

(d) 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)
3	300.0	11 January 2011	7.20%

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.

(e) 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.

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

23 BORROWINGS (CONTINUED)

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

On 29 October 2010, the Company issued RM74 million nominal value Commercial Papers, with a tenure of 3 months, at a discount rate of 3.50% per annum.

(g) RM1.1 billion 7 years Commercial Papers/Medium Term Notes ('CP/MTN Programme')

The Company issued the following Commercial Papers at a discount rate under the CP/MTN Programme:

Issuance date	Nominal value RM'million	Tenor	Coupon rate (per annum)
8 July 2010	75.0	12 months	3.20%
30 September 2010	120.0	6 months	3.35%

The Company issued the following Medium Term Notes under the CP/MTN Programme:

Issuance date	Nominal value RM'million	Maturity date	Coupon rate (per annum)
23 November 2009	175.0	22 November 2013	5.00%
22 December 2009	260.0	20 December 2013	5.00%
30 December 2010	350.0	30 December 2015	4.80%

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

24 SUBORDINATED OBLIGATIONS

		Group	
		2010 RM'000	**2009 RM'000**
5.0% RM1,300 million Tier II Subordinated Notes 2007/2017	(a)	**1,305,699**	1,300,000
5.5% RM700 million Tier II Subordinated Notes 2007/2022	(a)	**703,375**	700,000
5.3% RM200 million Tier II Subordinated Notes 2007/2017	(b)	**200,639**	195,000
5.5% RM45 million Tier II Subordinated Notes 2008/2018	(c)	**45,488**	45,000
5.0% RM700 million Tier II Subordinated Notes 2010/2020	(d)	**706,137**	–
5.6% RM300 million Tier II Subordinated Notes 2010/2025	(d)	**302,946**	–
		3,264,284	2,240,000

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

24 SUBORDINATED OBLIGATIONS (CONTINUED)

(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.

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

On 10 December 2007, RHB Investment Bank, a wholly-owned subsidiary of the Company, 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.

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

24 SUBORDINATED OBLIGATIONS (CONTINUED)

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

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 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 requirements.

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.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

24 SUBORDINATED OBLIGATIONS (CONTINUED)

(d) 5.0% RM700 million Tier II Subordinated Notes 2010/2020 and 5.6% RM300 million Tier II Subordinated Notes 2010/2025

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

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

25 HYBRID TIER-1 CAPITAL SECURITIES

		Group 2010 RM'000	Group 2009 RM'000
RM370 million Hybrid Tier-1 Capital Securities due in 2039, callable with step-up in 2019	(a)	**374,769**	366,996
RM230 million Hybrid Tier-1 Capital Securities due in 2039, callable with step-up in 2019	(b)	**225,624**	225,000
		600,393	591,996

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

25 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 step-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 step-up rate of 7.75% per annum from 2019 if not called. The interest is payable semi-annually in arrears.

26 SHARE CAPITAL

	Company	
	2010	**2009**
	RM'000	**RM'000**
Ordinary shares of RM1.00 each		
Authorised:		
Balance as at the beginning/end of the financial year	**5,000,000**	2,500,000
Issued and fully paid:		
Balance as at the beginning/end of the financial year	**2,153,475**	2,153,475

27 RESERVES

		Group		Company	
		2010	**2009**	**2010**	**2009**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Retained profits	(a)	**2,747,791**	1,991,182	**1,227,290**	1,268,445
Share premium	(b)	**2,352,093**	2,352,093	**2,352,093**	2,352,093
Reserve funds	(c)	**2,603,965**	2,246,611	**–**	–
AFS reserves	(d)	**153,872**	(35,993)	**–**	–
Translation reserves	(e)	**(76,854)**	(8,190)	**–**	–
Other reserves		**27,815**	8,563	**–**	–
		7,808,682	6,554,266	**3,579,383**	3,620,538

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

27 RESERVES (CONTINUED)

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

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

Based on the estimated tax credits available, the prevailing tax rate applicable to dividends and subject to agreement with the tax authorities, the Company has sufficient tax credits under Section 108(6) of the Income Tax Act, 1967 and tax exempt income to frank dividends of approximately RM896,000,000 (2009: RM1,035,000,000) and RM183,000,000 (2009: RM183,000,000) respectively out of its retained profits as at 31 December 2010.

(b) Share premium comprises of 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.

(c) 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.

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

(e) The translation reserves comprise all foreign exchange differences from the translation of the financial statements of foreign subsidiaries and joint ventures.

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

28 INTEREST INCOME

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Loans, advances and financing	**3,648,803**	3,231,556	**–**	–
Money at call and deposits and placements with banks and other financial institutions	**297,233**	288,882	**273**	483
Securities purchased under resale agreements	**6,857**	6,040	**–**	–
Financial assets held-for-trading	**19,913**	52,485	**–**	–
Financial investments available-for-sale	**365,091**	320,015	**–**	–
Financial investments held-to-maturity	**418,858**	356,158	**–**	–
Others	**15,246**	23,317	**973**	–
	4,772,001	4,278,453	**1,246**	483
Interest suspended	**–**	(104,769)	**–**	–
	4,772,001	4,173,684	**1,246**	483
Of which:				
Interest income accrued on impaired loans, advances and financing	**25,433**	–	**–**	–

29 INTEREST EXPENSE

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Deposits and placements of banks and other financial institutions	**129,101**	96,460	**–**	–
Deposits from customers	**1,522,873**	1,281,283	**–**	–
Borrowings	**143,365**	144,003	**145,629**	137,068
Subordinated obligations	**151,476**	116,310	**–**	–
Hybrid Tier-1 Capital Securities	**44,950**	23,169	**–**	–
Recourse obligation on loans sold to Cagamas	**52,022**	43,572	**–**	–
Others	**54,990**	55,653	**34**	36
	2,098,777	1,760,450	**145,663**	137,104

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

30 OTHER OPERATING INCOME

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fee income				
Service charges and fees	**166,876**	149,396	**–**	–
Commission	**110,620**	116,007	**–**	–
Brokerage	**83,353**	66,925	**–**	–
Commitment fees	**52,896**	48,930	**–**	–
Guarantee fees	**35,572**	38,821	**–**	–
Unit trust fee income	**1,190**	1,946	**–**	–
Corporate advisory fees	**16,604**	13,644	**–**	–
Underwriting and arrangement fees	**34,481**	40,835	**–**	–
Fund management fees	**24,345**	17,079	**–**	–
Other fee income	**28,084**	22,371	**–**	–
	554,021	515,954	**–**	–
Net gain arising from financial assets held-for-trading				
– net gain on revaluation	**47,966**	72,248	**–**	–
– gross dividend income	**2,348**	1,939	**–**	–
	50,314	74,187	**–**	–
Net gain on revaluation of derivatives	**39,643**	1,643	**–**	–
Net gain arising from financial investments available-for-sale				
– net gain on disposal	**79,159**	13,861	**–**	–
– gross dividend income	**8,450**	7,286	**–**	–
	87,609	21,147	**–**	–

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

30 OTHER OPERATING INCOME (CONTINUED)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Net gain arising from of financial investments held-to-maturity				
– net gain on redemption	**3,644**	7,101	**–**	–
– gross dividend income	**45**	135	**–**	–
	3,689	7,236	**–**	–
Gross dividend income from subsidiaries	**–**	–	**593,026**	308,674
Other income				
Foreign exchange gain/(loss)				
– realised	**166,143**	202,910	**–**	–
– unrealised	**21,310**	(14,936)	**648**	(395)
Insurance underwriting surplus before management expenses	**60,440**	48,144	**–**	–
Net gain on disposal of property, plant and equipment	**6,841**	3,085	**–**	149
Rental income	**2,822**	3,792	**–**	–
Gain on liquidation of subsidiaries	**–**	163	**–**	163
Other operating income	**47,064**	50,186	**–**	–
Other non-operating income	**3,411**	12,087	**–**	–
	308,031	305,431	**648**	(83)
	1,043,307	925,598	**593,674**	308,591

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

31 INCOME FROM ISLAMIC BANKING BUSINESS

	Group	
	2010	2009
	RM'000	RM'000
Income derived from investment of depositors' fund	**492,413**	431,007
Income derived from investment of shareholders' fund	**53,685**	47,809
	546,098	478,816
Transfer (to)/from Profit Equalisation Reserve	**(201)**	1,410
	545,897	480,226
Income attributable to depositors	**(212,135)**	(154,062)
	333,762	326,164
of which:		
Financing income earned on impaired financing and advances	**7,119**	–

32 OTHER OPERATING EXPENSES

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
Salaries, bonus, wages and allowances	**765,860**	688,263	**9,022**	10,019
Defined contribution plan	**115,511**	105,022	**1,437**	1,587
Other staff related costs	**79,394**	60,893	**1,469**	1,309
	960,765	854,178	**11,928**	12,915
Establishment costs				
Property, plant and equipment				
– depreciation	**98,951**	84,930	**158**	285
– written off	**10**	–	**–**	–
Information technology expenses	**112,436**	86,314	**11**	11
Repair and maintenance	**48,598**	44,127	**259**	232
Rental of premises	**44,158**	40,600	**1,151**	1,163
Water and electricity	**20,708**	19,034	**71**	61
Rental of equipment	**9,901**	11,919	**46**	64
Insurance	**13,043**	28,762	**2**	3
Others	**8,645**	5,479	**–**	–
	356,450	321,165	**1,698**	1,819

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

32 OTHER OPERATING EXPENSES (CONTINUED)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Marketing expenses				
Dealers' handling and warranty fees	**62**	11,316	**–**	
Advertisements and publicity	**56,678**	40,340	**637**	730
Sales commission	**9,959**	31,807	**–**	–
Others	**64,891**	82,349	**274**	6,597
	131,590	165,812	**911**	7,327

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Administration and general expenses				
Auditors' remuneration				
(i) Audit				
– statutory audit				
– Malaysia	**1,878**	1,431	**175**	155
– overseas	**554**	599	**–**	–
– limited review	**275**	250	**–**	–
– other audit related	**180**	520	**–**	–
(ii) Non-audit				
– Malaysia	**823**	370	**63**	275
– overseas	**98**	–	**–**	–
Communication expenses	**83,865**	86,160	**325**	259
Legal and professional fee	**15,058**	18,689	**2,572**	1,887
Others	**88,112**	116,615	**958**	124
	190,843	224,634	**4,093**	2,700
	1,639,648	1,565,789	**18,630**	24,761

Included in the personnel costs of the Group are Managing Directors' remuneration (excluding estimated monetary value of benefits-in-kind) totalling RM2,211,000 (2009: RM3,804,000) as disclosed in Note 33.

Included in the administration and general expenses of the Group and the Company are other directors' remuneration (excluding estimated monetary value of benefits-in-kind) totalling RM2,325,000 (2009: RM1,947,000) and RM791,000 (2009: RM654,000) respectively as disclosed in Note 33.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

33 DIRECTORS' REMUNERATION

	Group			
2010	**Salary and other remuneration, including meeting allowance RM'000**	**Benefits-in-kind (based on an estimated monetary value) RM'000**	**Bonus RM'000**	**Total RM'000**
Managing Director				
Dato' Tajuddin Atan	**1,531**	**23**	**680**	**2,234**
2009				
Managing Director				
Dato' Tajuddin Atan	813	–	–	813
Michael J Barrett	1,056	132	1,935	3,123
	1,869	132	1,935	3,936

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

33 DIRECTORS' REMUNERATION (CONTINUED)

	Group				Company		
2010	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Others RM'000	Total RM'000	Fees RM'000	Others RM'000	Total RM'000
Non-executive Directors							
Dato' Mohamed Khadar Merican	**220**	**19**	**173**	**412**	**80**	**30**	**110**
Tan Sri Azlan Zainol	**240**	**25**	**93**	**358**	**60**	**40**	**100**
Johari Abdul Muid	**200**	**–**	**211**	**411**	**60**	**46**	**106**
Datuk Haji Faisal Siraj	**200**	**10**	**158**	**368**	**60**	**59**	**119**
Mohamed Ali Ahmed Hamad Al Dhaheri	**140**	**–**	**33**	**173**	**60**	**18**	**78**
Arul Kanda Kandasamy	**180**	**–**	**57**	**237**	**60**	**19**	**79**
Dato' Teo Chiang Liang	**62**	**–**	**68**	**130**	**37**	**27**	**64**
Dato' Saw Choo Boon	**82**	**–**	**92**	**174**	**37**	**42**	**79**
Datuk Tan Kim Leong (resigned 19 May 2010)	**44**	**–**	**72**	**116**	**23**	**33**	**56**
	1,368	**54**	**957**	**2,379**	**477**	**314**	**791**

	Group				Company		
2009	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Others RM'000	Total RM'000	Fees RM'000	Others RM'000	Total RM'000
Non-executive Directors							
Dato' Mohamed Khadar Merican	206	28	137	371	73	22	95
Tan Sri Azlan Zainol	240	–	112	352	60	49	109
Johari Abdul Muid	200	–	165	365	60	40	100
Datuk Haji Faisal Siraj	200	–	135	335	60	52	112
Datuk Tan Kim Leong	120	–	179	299	60	82	142
Mohamed Ali Ahmed Hamad Al Dhaheri	79	–	22	101	32	14	46
Arul Kanda Kandasamy	81	-	32	113	27	12	39
Eirvin Bee Knox	33	–	6	39	10	1	11
	1,159	28	788	1,975	382	272	654

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

34 ALLOWANCE FOR IMPAIRMENT ON LOANS, FINANCING AND OTHER LOSSES

	Group	
	2010	**2009**
	RM'000	**RM'000**
Allowance for impaired loans and financing:		
– Individual impairment allowance	**183,114**	–
– Collective impairment allowance	**418,963**	–
– Specific allowance	**–**	891,720
– General allowance	**–**	(152,103)
Impaired loans and financing recovered	**(182,786)**	(161,965)
Impairment (write back)/allowance for other debtors	**(3,719)**	1,156
	415,572	578,808

35 IMPAIRMENT LOSSES ON OTHER ASSETS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Charge for the financial year				
– financial investments available-for-sale	**94,701**	11,999	**–**	–
– financial investments held-to-maturity	**23,902**	–	**–**	–
– property, plant and equipment	**24,945**	–	**–**	–
– foreclosed properties	**510**	572	**–**	–
– investments in subsidiaries	**–**	–	**138,912**	–
	144,058	12,571	**138,912**	–
Reversal for the financial year				
– financial investments available-for-sale	**(18,126)**	(9,768)	**–**	–
– financial investments held-to-maturity	**(8,437)**	(20,048)	**–**	–
– property, plant and equipment	**(20,577)**	–	**–**	–
– foreclosed properties	**(330)**	(313)	**–**	–
– waiver of intercompany balances	**–**	–	**(138,229)**	–
	(47,470)	(30,129)	**(138,229)**	–
	96,588	(17,558)	**683**	–

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

36 TAXATION

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Income tax based on profit for the financial year				
– Malaysian income tax	**524,812**	368,921	**108,439**	39,295
– overseas tax	**3,001**	4,363	**–**	–
Deferred tax (Note 13)	**(68,232)**	20,882	**44**	(35)
	459,581	394,166	**108,483**	39,260
Under/(over) provision in respect of prior years	**11,163**	(64,352)	**25**	2,505
	470,744	329,814	**108,508**	41,765
Current tax				
Current year	**527,813**	373,284	**108,439**	39,295
Under/(over) provision in respect of prior years	**11,163**	(64,352)	**25**	2,505
	538,976	308,932	**108,464**	41,800
Deferred tax				
Origination and reversal of temporary differences	**(68,232)**	20,851	**44**	(35)
Reversal of previously recognised deferred tax assets	**–**	31	**–**	–
	(68,232)	20,882	**44**	(35)
	470,744	329,814	**108,508**	41,765

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

36 TAXATION (CONTINUED)

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	
	2010	**2009**	**2010**	**2009**
	%	**%**	**%**	**%**
Tax at Malaysian statutory tax rate	**25.0**	25.0	**25.0**	25.0
Tax effects in respect of:				
Effect of different tax rate in Labuan/other countries	**0.1**	(0.9)	**–**	–
Non taxable income	**(0.2)**	(0.2)	**–**	(0.1)
Non allowable expenses	**0.9**	1.9	**0.2**	1.8
Recognition of deferred tax on unabsorbed tax losses not previously recognised	**(0.5)**	–	**–**	–
Utilisation of unabsorbed business losses brought forward previously not recognised	**(0.5)**	(0.5)	**–**	–
Under/(over) provision in respect of prior years	**0.6**	(4.2)	**–**	1.7
Other temporary differences not recognised in prior years	**(0.6)**	0.3	**–**	–
	24.8	21.4	**25.2**	28.4

	Group	
	2010	**2009**
	RM'000	**RM'000**
Tax savings as a result of the utilisation of tax losses brought forward from previous years from which the related credit is recognised during the financial year	**10,248**	9,903

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

37 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the financial year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group 2010 RM'000	Group 2009 RM'000
Profit attributable to equity holders of the Company	**1,420,258**	1,201,363
Number of ordinary shares in issue ('000)	**2,153,475**	2,153,475
Basic earnings per share (sen)	**66.0**	55.8

(b) Diluted earnings per share

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

38 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE (LOSS)/INCOME

	Group					
	2010			2009		
	Before tax RM'000	Tax expenses RM'000	Net of tax amount RM'000	Before tax RM'000	Tax benefits RM'000	Net of tax amount RM'000
Financial investments available-for-sale – Fair value gain/(loss) and amount transfer to income statement	**95,326**	**(23,758)**	**71,568**	(78,175)	19,620	(58,555)
Gain on fair valuation of property arising from acquisition of a subsidiary	**20,265**	**(1,013)**	**19,252**	–	–	–
	115,591	**(24,771)**	**90,820**	(78,175)	19,620	(58,555)

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

39 ORDINARY DIVIDENDS

Dividends declared or proposed for the financial year ended 31 December 2010 are as follows:

	Group and Company			
	2010		2009	
	Gross dividend per share %	Amount of dividends, net of tax RM'000	Gross dividend per share %	Amount of dividends, net of tax RM'000
Ordinary shares				
Interim dividend	**5.00%**	**80,755**	5.00%	80,755
Final dividend	**21.38%**	**345,310**	17.45%	281,836
	26.38%	**426,065**	22.45%	362,591

At the forthcoming Annual General Meeting, a final gross dividend in respect of the current financial year of 21.38% less 25% tax amounting to RM345,309,667 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 2011 when approved by the shareholders.

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

	Group and Company			
	2010		2009	
	Gross dividend per share %	Amount of dividends, net of tax RM'000	Gross dividend per share %	Amount of dividends, net of tax RM'000
Ordinary shares				
Interim dividend	**5.0%**	**80,755**	5.00%	80,755
Final dividend for 2010/2009	**17.45%**	**281,836**	10.60%	171,201
	22.45%	**362,591**	15.60%	251,956

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	2010 Principal amount RM'000	2010 Credit equivalent amount* RM'000	2010 Risk weighted amount RM'000	2009 Principal amount RM'000	2009 Credit equivalent amount* RM'000	2009 Risk weighted amount RM'000
Direct credit substitutes	**2,366,972**	**2,301,345**	**2,575,444**	2,251,758	2,251,758	2,014,053
Transaction-related contingent items	**1,905,733**	**929,964**	**963,854**	2,197,336	1,098,669	842,297
Short term self-liquidating trade-related contingencies	**825,269**	**162,953**	**125,968**	1,671,688	334,338	222,581
Obligations under underwriting agreements	**206,762**	**103,381**	**44,300**	430,900	215,450	163,615
Irrevocable commitments to extend credit						
– maturity not exceeding one year	**30,970,754**	**1,582,218**	**955,370**	29,508,470	310,873	310,873
– maturity exceeding one year	**4,388,898**	**1,302,303**	**1,079,919**	5,496,841	2,654,057	2,039,733
Foreign exchange-related contracts						
– less than one year	**14,267,825**	**306,554**	**157,387**	10,094,034	143,085	46,885
– one year to less than five years	**1,183,447**	**564,225**	**300,962**	1,419,297	185,127	63,620
Interest rate-related contracts						
– less than one year	**2,676,825**	**11,996**	**3,173**	2,638,766	10,583	2,116
– one year to less than five years	**9,980,957**	**316,358**	**77,240**	8,108,858	375,480	85,236
– more than five years	**530,000**	**50,241**	**10,048**	885,352	89,164	21,674
Commodity contracts						
– less than one year	**17,628**	**–**	**–**	–	–	–
Others	**97,204**	**–**	**–**	2,530,883	–	–
	69,418,274	**7,631,538**	**6,293,665**	67,234,183	7,668,584	5,812,683

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

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

40 COMMITMENTS AND CONTINGENCIES (CONTINUED)

With effect from 1 July 2010, the credit equivalent amount ('CE') and risk weighted amount ('RWA') of the Group are an aggregate of CE and RWA of:

(i) its commercial banking subsidiary, which is computed in accordance with BNM's Guidelines on Risk Weighted Capital Adequacy Framework: Internal Ratings Based ('IRB') Approach for Credit Risk, Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk ('Basel II');

(ii) its Islamic 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 Basic Indicator Approach for Operational Risk ('Basel II'); and

(iii) its investment banking subsidiary, which is computed in accordance with BNM's Guidelines on Risk Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk ('SA Basel II').

As at 31 December 2009, CE and RWA of the Group were an aggregate of CE and RWA of:

(i) its commercial banking subsidiary, which was computed in accordance with BNM's Guidelines on Risk Weighted Capital Adequacy Framework for Credit and Market Risk ('Basel I');

(ii) its Islamic banking subsidiary, which was computed in accordance with BNM's Capital Adequacy Framework for Islamic Bank ('CAFIB'): Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk ('Basel II'); and

(iii) its investment banking subsidiary, which was computed in accordance with BNM's guidelines on Risk Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk ('Basel II').

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.

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:

	Group	
	2010 RM'000	2009 RM'000
Rental of premises		
Within one year	**32,307**	33,504
Between one to five years	**27,364**	27,558
More than five years	**2,252**	2,798
	61,923	63,860

42 CAPITAL COMMITMENTS

	Group	
	2010 RM'000	2009 RM'000
Capital expenditure for property, plant and equipment:		
– authorised and contracted for	**71,673**	59,757
– authorised but not contracted for	**103,668**	103,259
	175,341	163,016
Proposed acquisition of Bank Mestika (refer to Note 50(j))	**1,050,611**	1,050,611
	1,225,952	1,213,627

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

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	Former immediate and ultimate holding body
Subsidiaries of EPF as disclosed in its financial statements	Subsidiaries of the former immediate and ultimate holding body
Subsidiaries of the Company as disclosed in Note 14	Subsidiaries
Key management personnel	The key management personnel of the Group and the Company consists of: – All Directors of the Company and its key subsidiaries – RHB Capital Group Central Management Committee members – Key management personnel of EPF who are in charge of the RHB Capital Group
Related parties of key management personnel (deemed as related to the Company)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

(b) Significant related party balances and transactions

In addition to related party disclosures mentioned in Note 11, set out below are other significant related party transactions and balances.

EPF ceased to be the immediate and ultimate holding body of the Company with effect from 3 December 2010.

Positive Properties Sdn Bhd (‘Positive Properties’) and RHB Properties Management Sdn Bhd became wholly-owned subsidiaries of the Company on 15 July 2010 and 26 May 2010, respectively. As such, significant related party transactions with RHB Capital Group of companies were disclosed until the effective date of the commencement of the relationship.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

43 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Group	Former immediate and ultimate holding body RM'000	Key management personnel RM'000	Other related parties RM'000
2010			
Income			
Interest on money at call, deposits and placements with financial institutions	–	–	57,477
Interest on loans, advances and financing	–	93	2,579
Fees on loans, advances and financing	–	2	–
Insurance premium	–	–	923,161
Management fees	–	80	–
Brokerage fees	13,270	4	–
Fund management fees	3,669	–	–
	16,939	179	983,217
Expenses			
Interest on deposits from customers	65,816	386	2,398
Other expenses	–	30	–
	65,816	416	2,398
Amount due from			
Loans, advances and financing	–	2,670	–
Other assets	–	2	–
	–	2,672	–
Amount due to			
Deposits from customers	–	25,534	–
Clients' and brokers' balances	–	2	–
Other liabilities	–	9	–
	–	25,545	–

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

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
2009			
Income			
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 fees	9,429	–	–
Fund management fees	3,665	–	3
Service charges and fees	–	–	114
Rental income	–	–	1,364
	13,094	276	2,468
Expenses			
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
Amount due from			
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
Amount due to			
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 2010 (continued)

43 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Company	Former immediate and ultimate holding body RM'000	Subsidiary companies RM'000	Other related parties RM'000
2010			
Income			
Interest on deposits and placements with other financial institutions	–	1,207	–
Expenses			
Interest on borrowings	–	11,148	–
Rental of premises	–	1,137	–
Legal and professional fees	–	230	–
Property management fees	–	2	35
Security service fees	–	47	–
Personnel costs	–	28	–
Other expenses	–	1	–
	–	12,593	35
Amount due from			
Cash and short-term funds	–	345,925	–
Inter-company balances	–	35,787	–
	–	381,712	–
Amount due to			
Inter-company balances	–	6,146	–
Borrowings	–	352,800	–
Other liabilities	–	–	48
	–	358,946	48

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

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
2009			
Income			
Interest on deposits and placements with other financial institutions	–	452	–
Expenses			
Interest on borrowings	–	9,724	–
Rental of premises	–	1,163	–
Legal and professional fees	–	730	–
Property management fees	–	–	80
Security service fees	–	6	27
Other expenses	–	13	–
	–	11,636	107
Amount due from			
Cash and short-term funds	–	100,904	–
Inter-company balances	–	10,603	–
	–	111,507	–
Amount due to			
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 2010 (continued)

43 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Short-term employee benefits				
– fees	**1,368**	1,159	**477**	382
– salary and other remuneration	**20,126**	15,731	**3,395**	2,664
– benefits-in-kind	**192**	295	**42**	42
	21,686	17,185	**3,914**	3,088

The above includes directors' remuneration as disclosed in Note 33.

	Group	
	2010 RM'000	2009 RM'000
Approved limit on loans, advances and financing for key management personnel	**6,883**	9,071

44 SEGMENT REPORTING

In the financial year ended 31 December 2010, segment reporting by the Group has been prepared for the first time in accordance with FRS 8. Segment information for 2009 that is reported as comparative information for 2010 has been restated to conform with the requirements of FRS 8. Following the management approach of FRS 8, operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.

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

The business segment results are prepared based on the Group's internal management reporting, which reflect the organisation's management reporting structure. Internal allocation of costs for example back office support, centralised cost, funding centre and the application of transfer pricing, where appropriate, has been used in preparing the segmental reporting.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

44 SEGMENT REPORTING (CONTINUED)

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

(a) Corporate and Investment Banking

Corporate and Investment banking caters to funding or lending needs of corporate customers including public listed corporations and its related entities, multinational corporations (including Japanese), financial institutions and Government and state owned entities. Included under Corporate Banking are offshore banking activities carried out by RHB Bank (L) Ltd whose borrowing and lending facilities are offered in major currencies mainly to corporate customers.

(b) Retail Banking

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

(c) Business Banking

Business Banking caters to funding or lending needs to small and medium sized enterprises.

(d) Treasury and money market

Treasury and money market operations 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.

(e) Islamic Banking business

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

(f) Global Financial Banking

Global Financial 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, Thailand and Brunei.

(g) 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.

44 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis

2010	Corporate and Investment Banking RM'000	Retail Banking RM'000	Business Banking RM'000	Treasury and money market RM'000	Islamic Banking business RM'000	Global Financial Banking RM'000	Others RM'000	Inter-segment elimination RM'000	Total RM'000
External revenue	804,456	1,646,341	662,567	793,569	267,548	186,487	20,234	–	4,381,202
Inter-segment revenue	23,225	14,007	–	12,469	(9,167)	2,711	24,682	(67,927)	–
Segment revenue*	827,681	1,660,348	662,567	806,038	258,381	189,198	44,916	(67,927)	4,381,202
Overhead expenses	(235,864)	(590,516)	(266,476)	(55,273)	(76,609)	(101,545)	(51,780)	67,927	(1,310,136)
of which:									
Depreciation of property, plant and equipment	(8,810)	(13,325)	(54,811)	(3,882)	(8,371)	(4,050)	(5,702)	–	(98,951)
Allowances for impairment on loans, financing and other losses	28,593	(282,451)	(86,638)	–	(67,379)	(7,697)	–	–	(415,572)
(Impairment losses)/write back on other assets	(5,187)	(210)	150	(86,660)	(24,945)	20,264	–	–	(96,588)
Profit before unallocated expenses	615,223	787,171	309,603	664,105	89,448	100,220	(6,864)	–	2,558,906
Unallocated expenses									(660,421)
Profit after unallocated expenses									1,898,485
Share of results of an associate									12
Share of results of a joint venture									792
Profit before taxation									1,899,289
Taxation									(470,744)
Net profit for the financial year									1,428,545

* Total segment revenue comprise of net interest income excluding interest expense on borrowings, subordinated obligations and Hybrid Tier-1 Capital Securities amounting to RM330,909,000 other operating income and income from Islamic banking business.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

44 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

2010	Corporate and Investment Banking RM'000	Retail Banking RM'000	Business Banking RM'000	Treasury and money market RM'000	Islamic Banking business RM'000	Global Financial Banking RM'000	Others RM'000	Total RM'000
Segment assets	27,649,732	36,728,049	10,596,481	35,877,907	9,108,128	7,672,544	443,835	128,076,676
Investments in a joint venture								25,044
Tax recoverable								129,371
Deferred tax assets								261,105
Unallocated assets								833,299
Total assets								129,325,495
Segment liabilities	16,775,470	25,044,310	5,956,125	44,647,219	11,346,073	6,379,387	6,083	110,154,667
Taxation								172,595
Deferred tax liabilities								4,514
Borrowings								4,064,323
Subordinated obligations								3,264,284
Hybrid Tier-1 Capital Securities								600,393
Unallocated liabilities								1,091,749
Total liabilities								119,352,525
Other segment items								
Capital expenditure	6,474	116,945	6,590	2,862	4,228	3,415	2,597	143,111

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

44 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

2009	Corporate and Investment Banking RM'000	Retail Banking RM'000	Business Banking RM'000	Treasury and money market RM'000	Islamic Banking business RM'000	Global Financial Banking RM'000	Others RM'000	Inter-segment elimination RM'000	Total RM'000
External revenue	630,200	1,526,576	589,256	661,929	265,804	212,156	45,934	–	3,931,855
Inter-segment revenue	22,230	13,222	–	15,131	(10,773)	2,458	14,675	(56,943)	–
Segment revenue*	652,430	1,539,798	589,256	677,060	255,031	214,614	60,609	(56,943)	3,931,855
Overhead expenses	(213,768)	(582,514)	(251,985)	(55,136)	(86,086)	(114,110)	(65,219)	56,943	(1,311,875)
of which:									
Depreciation of property, plant and equipment	(8,837)	(10,512)	(44,111)	(5,114)	(6,111)	(4,078)	(6,167)	–	(84,930)
Allowances for impairment on loans, financing and other losses	(164,103)	(185,937)	(102,000)	–	(83,028)	(43,740)	–	–	(578,808)
Write back/(impairment losses) on other assets	18,403	(4,389)	61	3,483	–	–	–	–	17,558
Profit before unallocated expenses	292,962	766,958	235,332	625,407	85,917	56,764	(4,610)	–	2,058,730
Unallocated expenses									(520,773)
Profit after unallocated expenses									1,537,957
Share of results of an associate									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

* Total segment revenue comprise of net interest income excluding interest expense on borrowings, subordinated obligations and Hybrid Tier-1 Capital Securities amounting to RM266,859,000, other operating income and income from Islamic banking business.

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

44 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

2009	Corporate and Investment Banking RM'000	Retail Banking RM'000	Business Banking RM'000	Treasury and money market RM'000	Islamic Banking business RM'000	Global Financial Banking RM'000	Others RM'000	Total RM'000
Segment assets	22,310,172	31,429,536	9,164,595	36,875,954	6,342,942	7,471,724	416,909	114,011,832
Investments in an associate								11,180
Investments in a joint venture								25,976
Tax recoverable								92,316
Deferred tax assets								272,261
Unallocated assets								671,493
Total assets								115,085,058
Segment liabilities	14,107,750	21,970,306	5,627,792	42,372,267	8,148,254	6,289,150	60,682	98,576,201
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
Total liabilities								106,344,876
Other segment items								
Capital expenditure	12,046	74,104	16,092	4,659	7,851	6,649	1,363	122,764

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

44 SEGMENT REPORTING (CONTINUED)

(b) The geographical information is prepared based on the location of the assets. The Group's activities are principally conducted in Malaysia.

	Revenue RM'000	Segment assets RM'000	Capital expenditure RM'000
2010			
Malaysia	**4,196,108**	**121,465,386**	**139,696**
Outside Malaysia	**185,094**	**7,860,109**	**3,415**
	4,381,202	**129,325,495**	**143,111**
2009			
Malaysia	3,719,002	107,414,750	116,115
Outside Malaysia	212,853	7,670,308	6,649
	3,931,855	115,085,058	122,764

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.

With effect from 1 July 2010, the capital ratios of RHB Bank are computed based on BNM's Guidelines on Risk Weighted Capital Adequacy Framework: IRB Approach for Credit Risk, Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk ('Basel II'). Comparatives have not been restated. As at 31 December 2009, the capital ratios of RHB Bank were computed based on BNM's Guidelines on Risk Weighted Capital Adequacy Framework for Credit and Market Risk ('Basel I').

The capital ratios of RHB Islamic Bank are computed based on BNM's Capital Adequacy Framework for Islamic Banks ('CAFIB'): Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk ('Basel II').

The capital ratios of RHB Investment Bank are computed based on BNM's Guidelines on Risk Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk ('Basel II').

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

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

45 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	RHB Bank #	
	2010	2009
	RM'000	RM'000
Tier I capital		
Paid-up ordinary share capital	**3,318,085**	3,318,085
Hybrid Tier-1 Capital Securities	**597,227**	596,996
Share premium	**8,563**	8,563
Retained profits	**2,492,142**	1,696,589
Other reserves	**2,673,342**	2,397,969
	9,089,359	8,018,202
Less:		
Deferred tax assets	**(265,300)**	(234,070)
Goodwill	**(905,519)**	(905,519)
Total Tier I capital	**7,918,540**	6,878,613
Tier II capital		
Subordinated obligations	**3,000,000**	2,000,000
Collective impairment allowance^	**263,786**	–
General allowance for bad and doubtful debts	**–**	862,725
Total Tier II capital	**3,263,786**	2,862,725
Less:		
Investments in subsidiaries	**(622,656)**	(622,666)
Excess of total expected loss over total eligible provision under the IRB Approach	**(199,127)**	–
Other deduction*	**(3,190)**	(3,230)
Eligible Tier II Capital	**2,438,813**	2,236,829
Total capital base	**10,357,353**	9,115,442
Capital ratios		
Before deducting proposed dividends:		
Core capital ratio	**10.79%**	10.55%
Risk-weighted capital adequacy ratio	**14.11%**	13.99%
After deducting proposed dividends:		
Core capital ratio	**10.46%**	10.41%
Risk-weighted capital adequacy ratio	**13.79%**	13.84%

\# The bank figure include the operations of RHB Bank (L) Ltd. The capital adequacy ratios of the bank consist of capital base and risk-weighted assets derived from the bank and its wholly-owned offshore banking subsidary company, RHB Bank (L) Ltd.

^ Excludes collective impairment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on "Classification and Impairment Provisions for Loans/Financing" issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010.

* Pursuant to 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.

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

45 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	RHB Islamic Bank	
	2010 RM'000	2009 RM'000
Tier I capital		
Paid-up ordinary share capital	**523,424**	523,424
Statutory reserve	**231,484**	197,739
Retained profits	**222,371**	167,172
	977,279	888,335
Less:		
Deferred tax assets	**(33,269)**	(17,046)
Total Tier I capital	**944,010**	871,289
Tier II capital		
Collective impairment allowance^	**103,037**	–
General allowance for bad and doubtful debts	**–**	88,984
Total Tier II Capital	**103,037**	88,984
Less:		
Other deduction*	**(102)**	(12)
Eligible Tier II Capital	**102,935**	88,972
Total capital base	**1,046,945**	960,261
Capital ratios		
Before deducting proposed dividends:		
Core capital ratio	**12.23%**	12.50%
Risk-weighted capital adequacy ratio	**13.56%**	13.78%
After deducting proposed dividends:		
Core capital ratio	**12.23%**	12.50%
Risk-weighted capital adequacy ratio	**13.56%**	13.78%

^ Excludes collective impairment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on "Classification and Impairment Provisions for Loans/Financing" issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010.

* Pursuant to 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.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

45 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	RHB Investment Bank 2010 RM'000	RHB Investment Bank 2009 RM'000
Tier I capital		
Paid-up ordinary share capital	**263,646**	263,646
Statutory reserve	**278,549**	278,549
Retained profits	**93,912**	220,169
	636,107	762,364
Less:		
Deferred tax (assets)/liabilities	**(1,315)**	1,095
Goodwill	**(159,280)**	(159,280)
Total Tier I capital	**475,512**	604,179
Tier II capital		
Subordinated obligations	**237,756**	245,000
Collective impairment allowance	**1,117**	–
General allowance for bad and doubtful debts	**–**	1,137
Total Tier II capital	**238,873**	246,137
Less:		
Investments in subsidiaries	**(84,970)**	(58,270)
Investments in a joint venture	**(27,399)**	(27,399)
Securitisation exposures subject to deductions	**(1,086)**	–
Other deduction*	**(336)**	(422)
Eligible Tier II Capital	**125,082**	160,046
Total capital base	**600,594**	764,225
Capital ratios		
Before deducting proposed dividends:		
Core capital ratio	**32.47%**	35.58%
Risk-weighted capital adequacy ratio	**41.02%**	45.01%
After deducting proposed dividends:		
Core capital ratio	**27.69%**	24.64%
Risk-weighted capital adequacy ratio	**33.85%**	31.95%

* 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.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

45 CAPITAL ADEQUACY RATIO (CONTINUED)

	RHB Bank Risk-weighted Assets RM'000	RHB Islamic Bank Risk-weighted Assets RM'000	RHB Investment Bank Risk-weighted Assets RM'000
2010			
The break down of risk-weighted assets in the various category of risk-weights are as follows:			
(i) Credit risk	**65,571,292**	**7,124,858**	**887,428**
(ii) Market risk	**1,232,084**	**30,513**	**161,901**
(iii) Operational risk	**6,559,217**	**566,538**	**414,976**
Total risk-weighted assets	**73,362,593**	**7,721,909**	**1,464,305**
2009			
The break down of risk-weighted assets in the various category of risk-weights are as follows:			
(i) Credit risk	64,025,583	6,401,766	1,118,845
(ii) Market risk	1,118,776	9,114	148,681
(iii) Operational risk	–	558,743	430,394
Total risk-weighted assets	65,144,359	6,969,623	1,697,920

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

46 FINANCIAL RISK MANAGEMENT

(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 2010 (continued)

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

BANKING SUBSIDIARIES:
RHB BANK, RHB ISLAMIC BANK AND RHB INVESTMENT BANK

Overview and Organisation

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

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

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

The GRMC comprises non-executive directors with at least five (5) members. Members of the GRMC are directors who are exclusively non-executive in all of their directorships within the RHB Banking Group ('Group').

Overriding objectives of the GRMC:

(i) To provide oversight and governance of risks of the Group;

(ii) To oversee senior management's activities in managing credit, market, liquidity, operational, legal and other risks and to ensure that the risk management process of each entity in the Group is in place and functioning; and

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

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

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

BANKING SUBSIDIARIES:
RHB BANK, RHB ISLAMIC BANK AND RHB INVESTMENT BANK

Major Areas of Risk

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

(i) Market risk - the risk of potential loss resulting from adverse movements in the level of market prices, interest rate and foreign currency exchange.

(ii) Liquidity risk - the risk of the Group being unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due and transact at a reasonable cost.

(iii) Credit risk - the risk of potential loss due to changes in the quality of counter-parties and the market price for credit risk (collateral).

(iv) Operational risk - the risk of loss resulting from inadequate or failed internal processes, people, systems or external events as well as the risk of breach in applicable laws and regulatory requirements.

To counter the following business risks that the banking subsidiaries, GRMC has put in place the following:

Market Risk

- A framework of approved risk policies, measurement methodologies and limits, as approved by the Board, controls financial market activities as well as identifies potential risk areas early to mitigate any adverse effects from market volatility.

- The GRM function plays an independent role in the monitoring and assessing of risk exposures and reports independently to the GRMC.

- Risk measurement techniques and stress testing are applied to the banking subsidiaries portfolio on a regular basis.

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

BANKING SUBSIDIARIES:
RHB BANK, RHB ISLAMIC BANK AND RHB INVESTMENT BANK

Market Risk (continued)

- For Currency Risk:
  - Approved overall position limits are applied for foreign exchange spot trading portfolio. Trading loss limits are imposed on each trading desk. The levels of these exposures (including off-balance sheet items), by overall total for both intra-day and overnight positions, are monitored daily for compliance with the approved limits. These limits are reviewed regularly and are in line with strategies set by the Group Asset and Liability Committee ('ALCO').
  - Foreign and overseas investments, which are funded by purchases with resultant open foreign exchange positions, are monitored and appropriate hedging strategies are undertaken in line with market trends.
- For Interest Rate Risk:
  - The ALCO monitors the balance sheet position and assesses it for profit and loss impacts arising from sensitivity to interest rate movements.
  - The ALCO also sets and reviews limits on the level of mismatch of interest rate re-pricing that may be undertaken. Likewise, fixed rate assets, especially long term assets, are subject to various limit parameters.

Liquidity Risk

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

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

BANKING SUBSIDIARIES:
RHB BANK, RHB ISLAMIC BANK AND RHB INVESTMENT BANK

Credit Risk

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

- The banking subsidiaries also ensure that stringent measures and processes are in place before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being independently evaluated by an independent credit evaluation and management function. The Central Credit Committee and the Group Credit Committee sanction credits beyond established prudential threshold. The adherence to the discretionary powers sanctioned by the Board is monitored by the Central Compliance function.

- A risk rating system is used to 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.

- Counter-party, industry and product exposure limits/directions are set and risk reward relationships are mapped with the aim of maintaining a diverse credit profile and track the changing risk concentrations in response to market changes and external events.

- RHB Bank had, in June 2010, obtained BNM's approval to apply the Internal Ratings Based ('IRB') approach for credit risk, whereby Advanced Basel II approaches and key program components are implemented, which includes (i) enhancing the economic returns of RHB Bank using established and proven credit risk framework and methodologies, (ii) implementing and using empirical credit scoring models for consumer financing and credit grading 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 IRB Approach.

- RHB Islamic Bank and RHB Investment Bank are moving towards the advanced Basel II approaches by implementing key program components which include: (i) enhancing the economic returns of both RHB Islamic Bank and RHB Investment Bank, using established and proven credit risk framework and methodologies, (ii) implementing and using empirical 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 both RHB Islamic Bank and RHB Investment Bank in meeting the Pillar II requirements of the Basel II Accord Internal Ratings Based Approach.

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

BANKING SUBSIDIARIES:
RHB BANK, RHB ISLAMIC BANK AND RHB INVESTMENT BANK

Operational Risk

- The GRM function is responsible for the development of bank-wide operational risk policies, frameworks and methodologies, and providing inputs to the business units on operational risk areas. The respective business units are primarily responsible for managing operational risk on a day-to-day basis.

- The banking subsidiaries use an operational risk management system. This system has integrated applications for supporting the entire operational risk management process for loss event data collection and management, loss event analysis, assessment and monitoring of the quality of the internal control environment, risk scenario analysis and measurement, comprehensive reporting of operational risks and internal control quality and tracking of risk mitigation and control improvement actions. This system facilitates the banking subsidiaries capabilities for the Advanced Measurement Approach of the Basel II Framework in the future.

- The banking subsidiaries have an ongoing and actively managed Business Continuity Planning ('BCP') programme for its major critical business operations and activities at the Head Office, data centre, and branch locations. The BCP programme is subject to regular testing to ensure efficacy, reliability and functionality.

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

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

BANKING SUBSIDIARIES:
RHB BANK, RHB ISLAMIC BANK AND RHB INVESTMENT BANK

Capital Management

Capital

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

Risk Appetite

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

Exposure

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

Capital Management and Basel II

The Group's capital management policy aims to ensure diversity in capital sources, ensure efficiency in capital allocation, and to meet the expectations of key constituencies, including investors, regulators and rating agencies. The Group has complied with all capital adequacy requirements prescribed by the regulators.

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

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

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

BANKING SUBSIDIARIES:
RHB BANK, RHB ISLAMIC BANK AND RHB INVESTMENT BANK

Basel II Implementation

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

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

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

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

For purpose of credit risk measurement, RHB Bank has applied the Internal Ratings Based ('IRB') principles for credit risk since January 2010, following preliminary approval by BNM in December 2009 for the Bank to migrate directly to the IRB approach. Upon approval from BNM, RHB Bank has successfully migrated to IRB for credit risk in July 2010. For RHB Islamic Bank, the Standardised Approach ('SA') has been adopted for credit risk since 2009.

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category

Group 2010	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Total RM'000
Cash and short-term funds	14,754,516	–	–	–	**14,754,516**
Securities purchased under resale agreements	276,407	–	–	–	**276,407**
Deposits and placements with banks and other financial institutions	1,023,526	–	–	–	**1,023,526**
Financial assets held-for-trading	–	772,254	–	–	**772,254**
Financial investments available-for-sale	–	–	13,374,857	–	**13,374,857**
Financial investments held-to-maturity	–	–	–	10,869,550	**10,869,550**
Loans, advances and financing	81,228,093	–	–	–	**81,228,093**
Clients' and brokers' balances	421,127	–	–	–	**421,127**
Other assets	467,193	–	–	–	**467,193**
Derivative assets	–	310,905	–	–	**310,905**
Total	**98,170,862**	**1,083,159**	**13,374,857**	**10,869,550**	**123,498,428**

	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities RM'000	Total RM'000
Deposits from customers	–	94,433,828	**94,433,828**
Deposits and placements of banks and other financial institutions	–	10,066,157	**10,066,157**
Bills and acceptances payable	–	3,536,140	**3,536,140**
Clients' and brokers' balances	–	610,360	**610,360**
Other liabilities	–	1,130,724	**1,130,724**
Derivative liabilities	253,704	–	**253,704**
Recourse obligation on loans sold to Cagamas	–	818,503	**818,503**
Borrowings	–	4,064,323	**4,064,323**
Subordinated obligations	–	3,264,284	**3,264,284**
Hybrid Tier-1 Capital Securities	–	600,393	**600,393**
Total	**253,704**	**118,524,712**	**118,778,416**

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Company	**Loans and receivables RM'000**
2010	
Cash and short-term funds	346,009
Deposits and placements with banks and other financial institutions	891
Other assets	146,344
Total	**493,244**

	Other financial liabilities RM'000
Other liabilities	4,611
Borrowings	3,597,762
Total	**3,602,373**

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest/Profit rate risk

The tables below summarise the Group's and the Company's exposure to interest/profit rate risks. The carrying amount of assets and liabilities (include non-financial instruments) are categorised by the earlier of contractual re-pricing or maturity dates:

	Non-trading book								
Group	**Up to 1 month** RM'000	**> 1-3 months** RM'000	**> 3-6 months** RM'000	**> 6-12 months** RM'000	**> 1-3 years** RM'000	**Over 3 year** RM'000	**Non-interest sensitive** RM'000	**Trading book** RM'000	**Total** RM'000
2010									
Cash and short-term funds	13,792,123	–	–	–	–	–	962,393	–	**14,754,516**
Securities purchased under resale agreements	276,398	–	–	–	–	–	9	–	**276,407**
Deposits and placements with banks and other financial institutions	18,827	926,544	60,517	16,868	–	–	770	–	**1,023,526**
Financial assets held-for-trading	–	–	–	–	–	–	–	772,254	**772,254**
Financial investments available-for-sale	192,607	458,851	360,541	484,074	1,893,075	9,298,624	687,085	–	**13,374,857**
Financial investments held-to-maturity	401,498	1,039,546	232,274	2,391,643	2,343,036	4,588,383	(126,830)	–	**10,869,550**
Loans, advances and financing									
– performing	43,674,453	6,586,374	3,351,350	2,028,187	5,858,375	18,374,623	163,981	–	**80,037,343**
– non-performing	–	–	–	–	–	–	1,190,750	–	**1,190,750**
Clients' and brokers' balances	70,241	–	–	–	–	–	350,886	–	**421,127**
Other assets	–	–	10	31	67	383	588,665	–	**589,156**
Derivative assets	–	–	–	–	–	–	–	310,905	**310,905**
Statutory deposits	–	–	–	–	–	–	459,554	–	**459,554**
Tax recoverable	–	–	–	–	–	–	129,371	–	**129,371**
Deferred tax assets	–	–	–	–	–	–	261,105	–	**261,105**
Investments in a joint venture	–	–	–	–	–	–	25,044	–	**25,044**
Property, plant and equipment	–	–	–	–	–	–	1,023,170	–	**1,023,170**
Goodwill	–	–	–	–	–	–	3,806,860	–	**3,806,860**
TOTAL ASSETS	**58,426,147**	**9,011,315**	**4,004,692**	**4,920,803**	**10,094,553**	**32,262,013**	**9,522,813**	**1,083,159**	**129,325,495**

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest/Profit rate risk (continued)

The tables below summarise the Group's and the Company's exposure to interest/profit rate risks. The carrying amount of assets and liabilities (include non-financial instruments) are categorised by the earlier of contractual re-pricing or maturity dates (continued):

	Non-trading book								
Group 2010	**Up to 1 month RM'000**	**> 1-3 months RM'000**	**> 3-6 months RM'000**	**> 6-12 months RM'000**	**> 1-3 years RM'000**	**Over 3 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Deposits from customers	40,432,059	16,872,241	8,940,269	9,771,872	447,470	28,948	17,940,969	–	**94,433,828**
Deposits and placements of banks and other financial institutions	5,511,584	3,047,901	715,753	175,365	379,509	204,977	31,068	–	**10,066,157**
Bills and acceptances payable	1,166,999	1,723,270	444,264	–	–	–	201,607	–	**3,536,140**
Clients' and brokers' balances	–	–	–	–	–	–	610,360	–	**610,360**
Other liabilities	–	–	–	–	–	–	1,527,724	–	**1,527,724**
Derivative liabilities	–	–	–	–	–	–	–	253,704	**253,704**
Recourse obligation on loans sold to Cagamas	147,030	–	–	–	170,092	500,000	1,381	–	**818,503**
Taxation	–	–	–	–	–	–	172,595	–	**172,595**
Deferred taxation	–	–	–	–	–	–	4,514	–	**4,514**
Borrowings	1,481,000	642,377	–	773,574	785,025	350,000	32,347	–	**4,064,323**
Subordinated obligations	–	–	–	–	1,545,000	1,700,000	19,284	–	**3,264,284**
Hybrid Tier-1 Capital Securities	–	–	–	–	–	592,213	8,180	–	**600,393**
TOTAL LIABILITIES	**48,738,672**	**22,285,789**	**10,100,286**	**10,720,811**	**3,327,096**	**3,376,138**	**20,550,029**	**253,704**	**119,352,525**
Total equity	–	–	–	–	–	–	9,962,157	–	**9,962,157**
Minority interest	–	–	–	–	–	–	10,813	–	**10,813**
TOTAL LIABILITIES AND EQUITY	**48,738,672**	**22,285,789**	**10,100,286**	**10,720,811**	**3,327,096**	**3,376,138**	**30,522,999**	**253,704**	**129,325,495**
On-balance sheet interest sensitivity gap	9,687,475	(13,274,474)	(6,095,594)	(5,800,005)	6,767,457	28,885,875			
Off-balance sheet interest sensitivity gap	(472,894)	44,997	(200,674)	861,300	(20,865)	20,688			
TOTAL INTEREST SENSITIVITY GAP	**9,214,581**	**(13,229,477)**	**(6,296,268)**	**(4,938,705)**	**6,746,592**	**28,906,563**			

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest/Profit rate risk (continued)

The tables below summarise the Group's and the Company's exposure to interest/profit rate risks. The carrying amount of assets and liabilities (include non-financial instruments) are categorised by the earlier of contractual re-pricing or maturity dates (continued):

Company 2010	Non-trading book								
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-6 months RM'000	> 6-12 months RM'000	> 1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Cash and short-term funds	345,540	–	–	–	–	–	469	–	**346,009**
Deposits and placements with banks and other financial institutions	–	346	382	153	–	–	10	–	**891**
Other assets	–	–	–	–	–	–	153,347	–	**153,347**
Amount due from subsidiaries	–	–	–	–	–	–	35,787	–	**35,787**
Tax recoverable	–	–	–	–	–	–	113,009	–	**113,009**
Investments in subsidiaries	–	–	–	–	–	–	8,691,602	–	**8,691,602**
Property, plant and equipment	–	–	–	–	–	–	757	–	**757**
TOTAL ASSETS	**345,540**	**346**	**382**	**153**	**–**	**–**	**8,994,981**	**–**	**9,341,402**
Other liabilities	–	–	–	–	–	–	4,611	–	**4,611**
Amount due to subsidiaries	–	–	–	–	–	–	6,146	–	**6,146**
Deferred tax liabilities	–	–	–	–	–	–	25	–	**25**
Borrowings	1,516,950	140,900	306,750	468,050	785,000	350,000	30,112	–	**3,597,762**
TOTAL LIABILITIES	**1,516,950**	**140,900**	**306,750**	**468,050**	**785,000**	**350,000**	**40,894**	**–**	**3,608,544**
Total equity	–	–	–	–	–	–	5,732,858	–	**5,732,858**
TOTAL LIABILITIES AND EQUITY	**1,516,950**	**140,900**	**306,750**	**468,050**	**785,000**	**350,000**	**5,773,752**	**–**	**9,341,402**
On-balance sheet interest sensitivity gap	(1,171,410)	(140,554)	(306,368)	(467,897)	(785,000)	(350,000)			
Off-balance sheet interest sensitivity gap	–	–	–	–	–	–			
TOTAL INTEREST SENSITIVITY GAP	**(1,171,410)**	**(140,554)**	**(306,368)**	**(467,897)**	**(785,000)**	**(350,000)**			

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market Risk

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

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

(i) Interest/profit rate sensitivity analysis

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

	Group		Company	
2010	**Impact on profit after tax RM'000**	**Impact on equity RM'000**	**Impact on profit after tax RM'000**	**Impact on equity RM'000**
+50 bps	672	(193,249)	(7,365)	–
-50 bps	(650)	199,523	7,365	–

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

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

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

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market Risk (continued)

(ii) Foreign currency sensitivity analysis

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

2010	**Group Impact on profit after tax RM'000**
+5%	114
-5%	(114)

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk

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

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

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
2010								
ASSETS								
Cash and short-term funds	9,406,933	5,347,543	–	–	–	40	–	**14,754,516**
Securities purchased under resale agreements	276,407	–	–	–	–	–	–	**276,407**
Deposits and placements with banks and other financial institutions	14,301	3,365	927,515	66,732	11,613	–	–	**1,023,526**
Financial assets held-for-trading	190,329	78,094	194,984	135,889	100,374	72,584	–	**772,254**
Financial investments available-for-sale	200,186	194,082	503,730	386,976	490,031	11,585,872	13,980	**13,374,857**
Financial investments held-to-maturity	1,043	386,918	1,083,574	246,743	2,286,057	6,865,215	–	**10,869,550**
Loans, advances and financing	1,904,959	4,767,002	5,234,357	2,951,035	2,319,750	64,050,990	–	**81,228,093**
Clients' and brokers' balances	294,789	126,338	–	–	–	–	–	**421,127**
Other assets	35,278	30,838	6,170	53,310	165,474	23,817	274,269	**589,156**
Derivative assets	22,615	65,723	39,682	36,839	28,462	117,584	–	**310,905**
Statutory deposits	–	–	–	–	–	–	459,554	**459,554**
Tax recoverable	–	–	–	–	–	–	129,371	**129,371**
Deferred tax assets	–	–	–	–	–	–	261,105	**261,105**
Investments in a joint venture	–	–	–	–	–	–	25,044	**25,044**
Property, plant and equipment	–	–	–	–	–	–	1,023,170	**1,023,170**
Goodwill	–	–	–	–	–	–	3,806,860	**3,806,860**
TOTAL ASSETS	**12,346,840**	**10,999,903**	**7,990,012**	**3,877,524**	**5,401,761**	**82,716,102**	**5,993,353**	**129,325,495**

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk (continued)

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

Group 2010	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
LIABILITIES								
Deposits from customers	39,807,715	18,302,296	16,986,808	8,941,051	9,905,540	490,418	–	**94,433,828**
Deposits and placements of banks and other financial institutions	1,678,339	3,707,047	3,537,967	469,716	87,267	585,821	–	**10,066,157**
Bills and acceptances payable	463,826	904,780	1,723,270	444,264	–	–	–	**3,536,140**
Clients' and brokers' balances	427,252	183,108	–	–	–	–	–	**610,360**
Other liabilities	60,138	174,362	80,020	94,889	515,386	436,551	166,378	**1,527,724**
Derivative liabilities	19,279	43,877	38,740	38,398	20,601	92,809	–	**253,704**
Recourse obligation on loans sold to Cagamas	–	147,030	–	1,381	–	670,092	–	**818,503**
Taxation	–	–	–	–	–	–	172,595	**172,595**
Deferred tax liabilities	–	–	–	–	–	–	4,514	**4,514**
Borrowings	46,354	1,446,012	172,912	2,256	525,604	1,871,185	–	**4,064,323**
Subordinated obligations	–	–	–	19,284	–	3,245,000	–	**3,264,284**
Hybrid Tier-1 Capital Securities	–	–	7,542	638	–	592,213	–	**600,393**
TOTAL LIABILITIES	**42,502,903**	**24,908,512**	**22,547,259**	**10,011,877**	**11,054,398**	**7,984,089**	**343,487**	**119,352,525**
Total equity	–	–	–	–	–	–	9,962,157	9,962,157
Minority interest	–	–	–	–	–	–	10,813	10,813
TOTAL LIABILITIES AND EQUITY	**42,502,903**	**24,908,512**	**22,547,259**	**10,011,877**	**11,054,398**	**7,984,089**	**10,316,457**	**129,325,495**

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk (continued)

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

Company

2010	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Cash and short-term funds	35,128	310,881	–	–	–	–	–	**346,009**
Deposits and placements with banks and other financial institutions	–	–	347	389	155	–	–	**891**
Other assets	–	–	–	–	–	–	153,347	**153,347**
Amount due from subsidiaries	–	–	–	–	–	–	35,787	**35,787**
Tax recoverable	–	–	–	–	–	–	113,009	**113,009**
Investments in subsidiaries	–	–	–	–	–	–	8,691,602	**8,691,602**
Property, plant and equipment	–	–	–	–	–	–	757	**757**
TOTAL ASSETS	**35,128**	**310,881**	**347**	**389**	**155**	**–**	**8,994,502**	**9,341,402**
Other financial liabilities	–	–	–	–	–	–	4,611	**4,611**
Amount due to subsidiaries	–	–	–	–	–	–	6,146	**6,146**
Deferred tax liabilities	–	–	–	–	–	–	25	**25**
Borrowings	46,354	1,482,159	148,111	310,641	475,497	1,135,000	–	**3,597,762**
TOTAL LIABILITIES	**46,354**	**1,482,159**	**148,111**	**310,641**	**475,497**	**1,135,000**	**10,782**	**3,608,544**
Total equity	–	–	–	–	–	–	5,732,858	**5,732,858**
TOTAL LIABILITIES AND EQUITY	**46,354**	**1,482,159**	**148,111**	**310,641**	**475,497**	**1,135,000**	**5,743,640**	**9,341,402**

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk (continued)

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

Group	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2010							
Deposits from customers	58,198,725	26,138,813	10,031,154	463,657	34,023	–	**94,866,372**
Deposits and placements of banks and other financial institutions	5,418,452	3,996,027	92,290	391,855	205,732	16,588	**10,120,944**
Bills and acceptances payable	1,368,605	2,167,534	–	–	–	–	**3,536,139**
Clients' and brokers' balances	610,360	–	–	–	–	–	**610,360**
Other liabilities	220,481	115,070	145,187	374,156	405,612	60,628	**1,321,134**
Derivative liabilities							
– Gross settled derivatives							
– Inflow	(4,382,957)	(1,944,163)	(321,027)	14,860	6,556	2,419	**(6,624,312)**
– Outflow	4,445,595	2,031,110	350,213	4,662	2,017	657	**6,834,254**
– Net settled derivatives	10,955	19,355	24,673	66,595	29,703	16,914	**168,195**
Recourse obligation on loans sold to Cagamas	150,999	17,087	20,504	214,332	522,750	–	**925,672**
Borrowings	1,495,161	198,261	572,310	1,100,457	593,065	342,050	**4,301,304**
Subordinated obligations	–	84,188	84,188	1,804,913	863,100	1,152,600	**3,988,989**
Hybrid Tier-1 Capital Securities	–	22,394	22,394	89,575	89,575	759,350	**983,288**
TOTAL FINANCIAL LIABILITIES	**67,536,376**	**32,845,676**	**11,021,886**	**4,525,062**	**2,752,133**	**2,351,206**	**121,032,339**

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

Group 2010	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
Direct credit substitutes	2,366,972	–	**2,366,972**
Transaction-related contingent items	1,905,733	–	**1,905,733**
Short-term self-liquidating trade-related contingencies	825,269	–	**825,269**
Obligations under underwriting agreements	206,762	–	**206,762**
Irrevocable commitments to extend credit	30,970,754	4,388,898	**35,359,652**
Others	97,204	–	**97,204**
TOTAL COMMITMENT AND CONTINGENCIES	**36,372,694**	**4,388,898**	**40,761,592**

Undrawn loan commitments are recognised at activitation stage and includes commitments which are unconditionally cancellable by the Group. The Group expects that not all of the contingent liabilities and undrawn loan commitments will be drawn before expiry.

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk (continued)

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

Company	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2010							
Other financial liabilities	4,611	–	–	–	–	–	**4,611**
Amount due to subsidiaries	6,146	–	–	–	–	–	**6,146**
Borrowings	1,517,824	499,593	518,345	887,054	383,600	–	**3,806,416**
TOTAL FINANCIAL LIABILITIES	**1,528,581**	**499,593**	**518,345**	**887,054**	**383,600**	**–**	**3,817,173**

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit Risk

(i) Maximum exposure to credit risk

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

2010	**Group RM'000**	**Company RM'000**
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds	14,161,297	346,009
Securities purchased under resale agreements	276,407	–
Deposits and placements with banks and other financial institutions	1,023,526	891
Financial assets held-for-trading (exclude shares and unit trusts)	698,842	–
Financial investments available-for-sale (exclude shares and unit trusts)	12,827,193	–
Financial investments held-to-maturity (exclude shares and unit trusts)	10,869,550	–
Loans, advances and financing	81,228,093	–
Clients' and brokers' balances	421,127	–
Amount due from subsidiaries	–	35,787
Other assets	467,193	146,344
Derivative assets	310,905	–
	122,284,133	**529,031**
Credit risk exposure relating to off-balance sheet assets:		
Commitment and contingencies	40,761,592	–
Total maximum credit risk exposure	**163,045,725**	**529,031**

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit Risk (continued)

(ii) Collaterals

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

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

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

(iii) Credit quality

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

Loans, advances and financing

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

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

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

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit Risk (continued)

(iii) Credit quality (continued)

(a) Loans, advances and financing (continued)

Loans, advances and financing are summarised as follows:

	Group 2010 RM'000
Neither past due nor impaired	74,934,413
Past due but not impaired	5,103,655
Individually impaired	3,672,175
Gross loans, advances and financing	83,710,243
Less: Individual impairment allowance	(855,782)
Collective impairment allowance	(1,626,368)
Net loans, advances and financing	**81,228,093**

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

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

	Group 2010 RM'000
Investment Grade	50,657,074
Lower investment Grade	5,924,441
Non investment Grade	8,003,925
Non-rated	10,348,973
Neither past due nor impaired	**74,934,413**

Loans, advances and financing classified as non-rated mainly comprise of loans under the standardised approach for credit risk including Amanah Saham Bumiputera ('ASB'), Islamic housing financing and Islamic hire purchase.

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit Risk (continued)

(iii) Credit quality (continued)

(a) Loans, advances and financing (continued)

(ii) Loans, advances and financing past due but not impaired

Analysis of ageing of loans, advances and financing that are past due but not impaired is as follows:

	Group 2010 RM'000
Past due up to 30 days	1,322,560
Past due 31 to 60 days	2,621,829
Past due 61 to 90 days	1,159,266
Past due but not impaired	**5,103,655**

The fair value of collateral held as security in respect of loans, advances and financing past due but not impaired is not disclosed by the Group as it is not practicable to do so.

(iii) Impaired loans, advances and financing

Loans, advances and financing that are individually determined to be impaired are as follows:

	Group 2010 RM'000
Individually impaired loans	**3,672,175**

The fair value of collateral held as security in respect of impaired loans, advances and financing is not disclosed by the Group as it is not practicable to do so.

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit Risk (continued)

(iii) Credit quality (continued)

(b) Short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, derivative assets and other financial assets.

Short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, derivative assets and other financial assets summarised as at 31 December 2010 are as follows:

Group	Short term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Clients' and brokers' balances RM'000	Derivatives assets RM'000	Other financial assets RM'000
2010								
Neither past due nor impaired	15,184,823	276,407	698,842	12,569,262	10,796,181	399,055	310,905	467,003
Past due but not impaired	–	–	–	–	–	12,337	–	–
Impaired	–	–	–	257,931	288,515	17,570	–	1,756
	15,184,823	**276,407**	**698,842**	**12,827,193**	**11,084,696**	**428,962**	**310,905**	**468,759**
Less:								
Impairment losses/Individual impairment	–	–	–	–	(215,146)	(7,478)	–	(1,566)
Collective impairment	–	–	–	–	–	(357)	–	–
	15,184,823	**276,407**	**698,842**	**12,827,193**	**10,869,550**	**421,127**	**310,905**	**467,193**

The amount of short-term funds and deposits and placements with banks and other financial institutions and other financial assets that are past due but not impaired is not material.

Company	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Other financial assets RM'000
2010		
Neither past due nor impaired	346,900	182,131

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit Risk (continued)

(iii) Credit quality (continued)

(b) Short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, derivative assets and other financial assets (continued).

1) Analysis of short-term funds, deposits and placements with banks and other financial institutions, securities purchase under resale agreements, financial assets and investments portfolios, clients' and brokers' balances and derivative assets that are neither past due nor impaired by rating agency designation as at 31 December 2010 are as follows:

Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Clients' and brokers' balances RM'000	Derivative assets RM'000	Other financial assets RM'000
2010								
AAA to AA3	77,027	276,076	134,229	3,075,156	4,038,777	–	130,254	–
A1 to A3	553,766	331	51,502	677,020	1,548,569	–	89,354	–
Baa1 to Ba3	343,335	–	10,216	214,784	241,750	–	5,261	–
P1 to P3	5,586,865	–	90,506	109,589	–	–	–	–
Non-rated	8,623,830	–	412,389	8,492,713	4,967,085	399,055	86,036	467,003
of which:								
– Bank Negara Malaysia	8,120,164	–	366,768	–	–	–	–	–
– Malaysian Government Securities	–	–	–	4,520,680	2,993,642	–	–	–
– Malaysian Government Investment Issues	–	–	45,621	3,080,615	1,371,160	–	–	–
– Private Debt Securities	–	–	–	709,829	525,373	–	–	–
– Others	503,666	–	–	181,589	76,910	399,055	86,036	467,003
	15,184,823	**276,407**	**698,842**	**12,569,262**	**10,796,181**	**399,055**	**310,905**	**467,003**

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit Risk (continued)

(iii) Credit quality (continued)

(b) Short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, derivative assets and other financial assets (continued).

1) Analysis of short-term funds, deposits and placements with banks and other financial institutions, securities purchase under resale agreements, financial assets and investments portfolios, clients' and brokers' balances and derivative assets that are neither past due nor impaired by rating agency designation as at 31 December 2010 are as follows (continued):

Company	**Short-term funds and deposits and placements with banks and other financial institutions RM'000**	**Other financial assets RM'000**
2010		
A1	890	–
P1	346,010	–
Non-rated	–	182,131

(iv) Renegotiated financial assets

The carrying amount of financial assets that would have been past due or impaired had they not been renegotiated during the financial year is as follows:

	Group 2010 RM'000
Loans, advances and financing	**457,204**

(v) Collateral and other credit enhancements obtained

The carrying amount of assets held by the Group as at 31 December 2010 as a result of taking possession of collaterals held as securities is as follows:

	Group 2010 RM'000
Residential Properties	**3,724**

Repossessed properties are made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. The Group generally does not occupy the premises repossessed for its business use.

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit Risk (continued)

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	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale@ RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing# RM'000	Other financial assets* RM'000	On-balance sheet total RM'000	Commitments and contingencies RM'000
2010									
Agriculture, hunting, forestry and fishing	–	–	–	9,496	–	2,415,893	–	2,425,389	789,087
Mining and quarrying	–	–	–	–	–	127,176	–	127,176	155,118
Manufacturing	–	–	38,727	280,912	76,529	8,946,342	–	9,342,510	8,224,599
Electricity, gas and water	–	–	49,812	291,271	128,028	702,678	–	1,171,789	1,611,720
Construction	–	–	4,721	75,191	–	3,454,737	–	3,534,649	5,196,044
Real estate	–	–	–	84,564	35,723	1,085,249	–	1,205,536	909,095
Purchase of landed property	–	–	–	–	–	23,322,504	–	23,322,504	4,160,660
Wholesale & retail trade and restaurant & hotel	–	–	–	5,193	–	–	–	5,193	460
General commerce	–	–	1,967	42,514	47,750	5,575,577	–	5,667,808	5,339,941
Transport, storage and communication	–	–	–	212,975	512,085	5,455,044	3	6,180,107	1,938,899
Finance, insurance and business services	7,099,193	31,448	235,459	3,619,409	5,057,724	5,207,847	170,893	21,421,973	1,485,060
Government and government agencies	8,085,630	244,959	368,156	8,205,104	5,011,711	14,984	–	21,930,544	–
Purchase of securities	–	–	–	–	–	3,792,816	421,127	4,213,943	1,244,967
Purchase of transport vehicles	–	–	–	–	–	6,641,427	–	6,641,427	877,191
Consumption credit	–	–	–	–	–	5,456,048	–	5,456,048	6,444,870
Others	–	–	–	564	–	9,029,771	607,202	9,637,537	2,383,881
	15,184,823	**276,407**	**698,842**	**12,827,193**	**10,869,550**	**81,228,093**	**1,199,225**	**122,284,133**	**40,761,592**

Excludes collective impairment allowance amounting to RM1,626,369,000.

@ Excludes equity instrument amounting to RM437,542,000.

* Other financial assets comprise clients' and brokers' balances, derivative assets and other assets.

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

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit risk (continued)

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 (continued):

Company	**Short-term funds and deposits and placements with banks and other financial institutions RM'000**	**Amount due from subsidiaries RM'000**	**Other financial assets RM'000**	**On-balance sheet total RM'000**
2010				
Finance, insurance and business services	346,900	–	–	346,900
Others	–	35,787	146,344	182,131
	346,900	**35,787**	**146,344**	**529,031**

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

47 FAIR VALUES OF FINANCIAL INSTRUMENTS

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's and the Company's statements of financial position at their fair values:

	Group		Company	
2010	**Carrying value RM'000**	**Estimated fair value RM'000**	**Carrying value RM'000**	**Estimated fair value RM'000**
Financial assets				
Financial investments held-to-maturity	**10,869,550**	**11,000,404**	**–**	**–**
Loans, advances and financing	**81,228,093**	**81,390,242**	**–**	**–**
Financial liabilities				
Deposits from customers	**94,433,828**	**94,440,980**	**–**	**–**
Deposits and placements of banks and other financial institution	**10,066,157**	**10,032,140**	**–**	**–**
Recourse obligation on loans sold to Cagamas	**818,503**	**782,525**	**–**	**–**
Borrowings	**4,064,323**	**4,042,419**	**3,597,762**	**3,223,057**
Subordinated obligations	**3,264,284**	**3,349,378**	**–**	**–**
Hybrid Tier-1 Capital Securities	**600,393**	**678,878**	**–**	**–**
2009				
Financial assets				
Financial investments held-to-maturity	66,923,091	66,645,389	–	–
Loans, advances and financing	10,980,145	11,095,926	–	–
Financial liabilities				
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	–	–

47 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

(ii) Securities purchased under resale agreements

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

(iii) Financial investment held-to-maturity

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

(iv) Loans, advances and financing

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

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

The fair values of impaired floating and fixed rates loans are represented by their carrying value, net of impairment allowance.

(v) Other assets and liabilities

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

(vi) Deposits from customers

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

47 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

(viii) Recourse obligation on loans sold to Cagamas Berhad

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

(ix) Long term borrowings

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

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

(x) Subordinated obligations

The estimated fair value of subordinated obligations is generally based on quoted and observable market prices at the date of statements of financial position.

(xi) Hybrid Tier-1 Capital Securities

The estimated fair value of Hybrid Tier-1 Capital Securities is generally based on quoted and observable market prices at the date of statements of financial position.

(xii) Credit related commitments and contingencies

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

(xiii) Foreign exchange and interest rate related contracts

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

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

48 CHANGES IN ACCOUNTING POLICIES

During the financial year, the Group and the Company changed the following accounting policies upon adoption of new accounting standards, amendments and improvements to published standards and interpretations:

- Leasehold land
- Financial assets
- Financial liabilities
- Revenue recognition
- Impairment of financial assets
- Insurance contracts

Refer to the summary of significant accounting policies for the details of the changes in accounting policies.

The impact of such changes on the financial statements of the Group and the Company are set out below.

(i) Impact on the Group's and the Company's statements of financial position:

	Balance as at 31 December 2008		
	As previously reported RM'000	**Improvement to FRS 117 RM'000**	**As stated RM'000**
Group			
Property, plant and equipment	792,046	102,779	894,825
Prepaid land lease	102,779	(102,779)	–

	Balance as at 31 December 2009		
	As previously reported RM'000	**Improvement to FRS 117 RM'000**	**As stated RM'000**
Group			
Property, plant and equipment	827,582	103,569	931,151
Prepaid land lease	103,569	(103,569)	–

	Balance as at 31 December 2009		
	As previously reported RM'000	**FRS 4 RM'000**	**As stated RM'000**
Group			
Other assets	706,414	133,676	840,090
Other liabilities	1,646,243	133,676	1,779,919

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

48 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) Impact on the Group's and the Company's statements of financial position (continued):

Group	As at 31 December 2009 RM'000	FRS 139 RM'000	As at 1 January 2010 RM'000
Retained profits	1,991,182	56,296	2,047,478
Translation reserves	(8,190)	(64)	(8,254)
Available-for-sale reserves	(35,993)	118,352	82,359
Financial investments available-for-sale	9,092,421	157,802	9,250,223
Loan, advances and financing			
– Gross loans, advances and financing	69,635,005	328,376	69,963,381
– Individual impairment allowance	–	1,351,202	1,351,202
– Collective impairment allowance	–	1,614,354	1,614,354
– Specific allowance	1,757,142	(1,757,142)	–
– General allowance	954,772	(954,772)	–
Clients' and brokers' balances			
– Individual impairment allowance	–	8,061	8,061
– Collective impairment allowance	–	221	221
– Specific allowance	8,061	(8,061)	–
– General allowance	221	(221)	–
Deferred tax assets	272,084	(57,824)	214,260
Loans, advances and financing of which:			
- Impaired loans, advances and financing	3,253,499	1,384,069	4,637,568

Group		Increase/(decrease) to balance as at 31 December 2010		
	FRS 117 RM'000	FRS 139 RM'000	FRS 4 RM'000	Total RM'000
Assets				
Cash and short-term funds	–	9,889	–	**9,889**
Securities purchased under resale agreement	–	9	–	**9**
Deposits and placements with banks and other financial institutions	–	6,925	–	**6,925**
Financial assets held-for-trading	–	2,154	–	**2,154**
Financial investments available-for-sale	–	362,242	–	**362,242**
Financial investments held-for-maturity	–	87,792	–	**87,792**
Loans, advances and financing	–	271,527	–	**271,527**
Other assets	–	(589,704)	157,474	**(432,230)**
Deferred tax assets	–	(7,491)	–	**(7,491)**
Property, plant and equipment	118,648	–	–	**118,648**
Prepaid land lease	(118,648)	–	–	**(118,648)**

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

48 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) Impact on the Group's and the Company's statements of financial position (continued):

Group	Increase/(decrease) to balance as at 31 December 2010			
	FRS 117 RM'000	FRS 139 RM'000	FRS 4 RM'000	Total RM'000
Liabilities				
Deposits from customers	–	317,092	–	**317,092**
Deposits and placements of banks and other financial institutions	–	21,068	–	**21,068**
Other liabilities	–	(396,552)	154,448	**(242,104)**
Taxation	–	26,363	756	**27,119**
Recourse obligation on loans sold to Cagamas	–	1,381	–	**1,381**
Borrowings	–	29,547	–	**29,547**
Deferred tax liabilities	–	3,854	–	**3,854**
Subordinated obligations	–	19,284	–	**19,284**
Hybrid Tier-1 Capital Securities	–	8,180	–	**8,180**
Equity				
Available-for-sale reserves	–	34,036	–	**34,036**

Company	Increase/(decrease) to balance as at 31 December 2010		
	FRS 117 RM'000	FRS 139 RM'000	Total RM'000
Borrowings	–	27,312	**27,312**
Other liabilities	–	(27,312)	**(27,312)**

(ii) Impact on the Group's and the Company's income statements/statements of comprehensive income:

Group	Increase/(decrease) for the financial year ended 31 December 2010			
	FRS 117 RM'000	FRS 139 RM'000	FRS 4 RM'000	Total RM'000
Interest income	–	(66,313)	–	**(66,313)**
Other operating expenses	–	(40,708)	–	**(40,708)**
Allowance for impairment on loans, financing and other losses	–	(131,058)	(3,026)	**(134,084)**
Profit before taxation	–	105,453	3,026	**108,479**
Taxation	–	26,363	756	**27,119**
Net profit for the financial year	–	79,090	2,270	**81,360**
Other comprehensive income:				
Fair value gains on financial investments available-for-sale, net of tax	–	34,036	–	**34,036**

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

49 CONTINGENT LIABILITIES

Guarantees issued

As at the date of statements of financial position, the Company has extended unsecured guarantees of RM68,000,000 (2009: RM100,000,000) for performance guarantees of one of its subsidiary company.

Other contingent liabilities

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 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 2010.

50 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 2009, granted an extension of time of up to 10 October 2010 for RHB Investment Bank to implement or issue such capital securities subject to the conditions as contained therein.

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 certain conditions.

On 11 October 2010, the Company announced that RHB Investment Bank has not made any issuance of the HT1 Securities to date and has decided not to proceed with the issuance of the HT1 Securities given that its core financial ratios remain at level adequate to support its current level of operations. As such, the proposed HT1 Securities has been cancelled with effect from 10 October 2010.

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

50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(b) 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.

As at 31 December 2010, the Company had issued RM195 million nominal value of Commercial Papers and RM785 million nominal value of Medium Term Notes under the CP/MTN Programme.

(c) Proposed issuance of up to RM3.0 billion in nominal value of Subordinated Notes and/or Senior Notes under a Medium Term Note Programme by RHB Bank

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

(i) 5.0% 10 non-call 5 year Subordinated Notes of RM700,000,000 due on 29 April 2020; and

(ii) 5.6% 15 non-call 10 year Subordinated Notes of RM300,000,000 due on 29 April 2025.

(d) Acquisition of the remaining equity interest in RHB Insurance Berhad ('RHB Insurance') not already owned by the Company ('Acquisition')

On 19 July 2010, RHB Investment Bank, on behalf of the Company, announced that the Company and Nissay Dowa General Insurance Co. Ltd ('Nissay Dowa') had on even date submitted a joint application to BNM to seek the approval of the Minister of Finance with the recommendation of BNM, for the transfer by Nissay Dowa of 15,200,000 ordinary shares of RM1.00 each in RHB Insurance, representing 15.2% of the issued and paid-up share capital of RHB Insurance, to RHB Capital pursuant to the Proposed Acquisition.

BNM had via its letter dated 24 September 2010 approved the Proposed Acquisition as announced by the Company on 27 September 2010.

The Company and Nissay Dowa had on 30 September 2010, entered into a share sale agreement ('SSA') and the salient terms of the SSA are as contained in the announcement of the Company dated 30 September 2010. On 8 October 2010, the Company announced that the Proposed Acquisition has been completed on the same date for cash consideration of RM45,125,000.

Goodwill arising from the additional 15.2% of RHB Insurance amounted to RM15,924,000.

(e) Establishment of a bancassurance alliance between RHB Bank and Tokio Marine Life Insurance Malaysia Berhad ('Tokio Marine Life')

RHB Investment Bank had, on 1 July 2010, announced that RHB Bank had on even date entered into an Exclusive Bancassurance Agreement ('Bancassurance Agreement') with Tokio Marine Life.

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

50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(e) Establishment of a bancassurance alliance between RHB Bank and Tokio Marine Life Insurance Malaysia Berhad ('Tokio Marine Life') (continued)

Pursuant to the Bancassurance Agreement, Tokio Marine Life will pay an exclusivity fee of RM100 million to RHB Bank and RHB Bank shall be committed to a 10-year exclusive bancassurance relationship with Tokio Marine Life.

Under the Bancassurance Agreement, RHB Bank will sell, market and promote conventional life insurance products developed by Tokio Marine Life via its distribution channels and any other alternative distribution channels jointly developed by RHB Bank and Tokio Marine Life subject to the terms and conditions stipulated in the Bancassurance Agreement.

Notwithstanding the Bancassurance Agreement, RHB Bank may continue to maintain its existing panel of insurers to provide Group Mortgage Reducing Term Assurance products for residential property and non-residential property to the extent that such panelship is required to be maintained pursuant to BNM's requirements and guidelines.

(f) Acquisition by RHB Hartanah Sdn Bhd ('RHB Hartanah'), a wholly-owned subsidiary of RHB Capital Berhad, of the remaining 50% equity interest in Positive Properties Sdn Bhd ('Positive Properties') not already owned by RHB Hartanah

Positive Properties became a wholly-owned subsidiary of RHB Hartanah, a wholly-owned subsidiary of the Company, with effect from 26 May 2010 pursuant to the acquisition of the remaining 50% equity interest in Positive Properties not already owned by RHB Hartanah from Bedford Land Sdn Bhd. Previously, Positive Properties is an associate of the Group. The acquisition was settled via cash consideration of RM35,130,642. The effect of the acquisition on the Group's cash flow is as follows:

	Group 2010 RM'000
At date of acquisition:	
Property, plant and equipment	62,000
Cash, bank balances and deposits with banks	812
Other receivables, deposits and prepayments	84
Tax recoverable	61
Other payables	(43)
Deferred tax liabilities	(2,027)
Fair value of total net assets	60,887
Less: Amount accounted for as an associate at the date of acquisition	(11,192)
Less: Fair value adjustment on net assets attributable to equity interest held previously	(20,265)
Add: Tax adjustment on net assets attributable to equity interest held previously	1,013
Fair value of net assets acquired at the date of acquisition	30,443
Goodwill arising from acquisition	4,687
Total purchase consideration	35,130
Less: Cash and cash equivalents in subsidiary acquired	(812)
Net cash outflow of the Group on acquisition of a subsidiary	34,318

The financial results of Positive Properties in the period between the date of acquisition and the date of statements of financial position was not significant to the Group.

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

50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(f) Acquisition by RHB Hartanah Sdn Bhd ('RHB Hartanah'), a wholly-owned subsidiary of RHB Capital Berhad, of the remaining 50% equity interest in Positive Properties Sdn Bhd ('Positive Properties') not already owned by RHB Hartanah (continued):

The effect of this acquisition on the Group's financial position as at 31 December 2010 is as follows:

	Group 2010 RM'000
Property, plant and equipment	62,000
Cash, bank balances and deposits with banks	879
Other receivables, deposits and prepayments	32
Tax recoverable	60
Other payables	(8)
Deferred tax liabilities	(2,027)
	60,936
Less: Amount accounted for as an associate at date of acquisition	(11,192)
Less: Group share of profit had the Group not acquired the additional interest	(4)
Increase in the Group's net asset	49,740

(g) Acquisition by RHB Hartanah, a wholly-owned subsidiary of RHB Capital Berhad, of 500,000 ordinary shares of RM1.00 each in RHB Property Management Sdn Bhd ('RHBPM'), representing the entire issued and fully paid-up share capital in RHBPM, from Rashid Hussain Berhad (In Members' Voluntary Liquidation)

RHBPM became a wholly-owned subsidiary of RHB Hartanah, a wholly-owned subsidiary of the Company, with effect from 16 July 2010 pursuant to the acquisition of the entire issued and paid-up share capital of RHBPM. The acquisition was settled via cash consideration of RM5,412,841. The effect of the acquisition on the Group's cash flows and financial position as at 31 December 2010 is as follows:

	Group 2010 RM'000
At date of acquisition:	
Property, plant and equipment	64
Cash, bank balances and deposits with banks	1,869
Other receivables, deposits and prepayments	820
Tax recoverable	1,520
Inventory	19
Amount due from holding company	4,039
Amount due from related companies	1,159
Other payables	(1,031)
Tax liabilities	(1,660)
Amount due to related companies	(1,413)
Deferred tax liabilities	(5)
Fair value of net assets acquired at the date of acquisition	5,381
Goodwill arising from acquisition	31
Total purchase consideration	5,412
Less: Cash and cash equivalents in subsidiary acquired	(1,869)
Net cash outflow of the Group on acquisition of a subsidiary	3,543

The financial results of RHBPM in the period between the date of acquisition and the date of statements of financial position was not significant to the Group.

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

50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(g) Acquisition by RHB Hartanah, a wholly-owned subsidiary of RHB Capital Berhad, of 500,000 ordinary shares of RM1.00 each in RHB Property Management Sdn Bhd ('RHBPM'), representing the entire issued and fully paid-up share capital in RHBPM, from Rashid Hussain Berhad (In Members' Voluntary Liquidation) (continued)

The effect of this acquisition on the Group's financial position as at 31 December 2010 is as follows:

	Group 2010 RM'000
At date of acquisition:	
Property, plant and equipment	48
Cash, bank balances and deposits with banks	3,478
Other receivables, deposits and prepayments	962
Tax recoverable	1,519
Inventory	14
Amount due from holding company	1,386
Amount due from related companies	825
Other payables	(1,271)
Tax liabilities	(1,575)
Amount due to related companies	(4,615)
Deferred tax liabilities	(5)
Increase in the Group's net asset	766

(h) Incorporation of a new subsidiary

The Company announced on 13 October 2010 that RHB Investment Management Sdn Bhd ('RHBIM'), a wholly-owned subsidiary of RHB Investment Bank Berhad which in turn is a wholly-owned subsidiary of RHB Capital, has incorporated a new wholly-owned subsidiary by the name of RHB Islamic Asset Management Sdn Bhd ('RHBIAM').

RHBIAM was incorporated in Malaysia on 11 October 2010 with an authorized share capital of RM5,000,000 comprising of 5,000,000 ordinary shares of RM1.00 each of which two (2) ordinary shares are fully issued and paid-up.

(i) Internal Reorganisation

The Company announced on 30 September 2010 that RHB Private Equity Holdings Sdn Bhd ('PEHSB'), a wholly-owned subsidiary of RHB Investment Bank, which in turn is a wholly-owned subsidiary of the Company had, on even date completed the acquisition of 100% issued and paid-up ordinary share capital of RHB Private Equity Fund Ltd, comprising one (1) ordinary share of USD1.00 each for a cash consideration of USD1.00 from RHB Private Equity Management Ltd, a wholly-owned subsidiary of PEHSB ('Internal Reorganisation').

The Internal Reorganisation will result in an optimal corporate structure for RHB Capital Group's private equity business and which in turn will facilitate growth. The Internal Reorganisation is not subject to the approval of the shareholders of RHB Capital or any regulatory authorities. In addition, the Internal Reorganisation will not have any effect on the share capital, substantial shareholding structure and financials of the RHB Capital Group.

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

50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(j) 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:

(a) 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');

(b) proposed put and call option for 9% of the issued and paid-up share capital in Bank Mestika ('Proposed Options');

(c) 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

(d) 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 ('EGM') 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.

In the same announcement, the Company also announced that RHB Venture Capital Sdn Bhd ('RHBVC'), a wholly-owned subsidiary of the Company, had been identified as the entity to hold the investment in Bank Mestika on behalf of the Company pursuant to the Proposed Acquisition and Proposed Options. Accordingly, on 23 October 2009, the Company had assigned all of its right, title, interest, benefit and entitlement and novated all of its obligations and liabilities as follows to RHBVC:

(i) the conditional sale and purchase agreement dated 19 October 2009 with PT Mestika Benua Mas ('Vendor') ('CSPA') in relation to the Proposed Acquisition;

(ii) the escrow agreement dated 19 October 2009 with the Vendor and The Hongkong Shanghai Banking Corporation Limited (Jakarta Office), acting as the escrow agent, to facilitate the deposit of an amount equal to 10% of the purchase consideration for the Proposed Acquisition by the Company; and

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

50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(j) Proposed acquisition of 80% of the issued and paid-up share capital in Bank Mestika (continued)

(iii) the agreement dated 19 October 2009 with the Vendor in relation to the Proposed Options.

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.

Subsequently, on 9 April 2010, RHB Investment Bank on behalf of the Company had announced on the proposed revision to the utilisation of proceeds arising from the Proposed Rights Issue to among others, repay the borrowings to finance the Proposed Acquisition in view of the Proposed Acquisition is likely to be completed prior to the completion of the Proposed Rights Issue.

As announced on 22 April 2010, Bursa Securities had, vide its letter dated 20 April 2010, approved the listing and quotation of up to 1,300,000,000 new ordinary shares of RM1.00 each in RHB Capital to be issued pursuant to the Proposed Rights Issue subject to the condition as stated therein. Bursa Securities had further on 13 December 2010, granted the Company an extension of time until 19 April 2011 to complete the implementation of the Proposed Rights Issue.

The shareholders of the Company had also at the EGM of the Company held on 19 May 2010, approved the Proposed Rights Issue and the Proposed Increase In Authorised Share Capital.

As announced on 19 July 2010, RHBVC and the Vendor had on 16 July 2010, by way of an exchange of letters, mutually agreed to extend the period to satisfy or waive the conditions precedent based on the terms of the CSPA (Long Stop Date) as expired on 16 July 2010 to 19 April 2011.

The Company further announced on 20 December 2010 that RHBVC had subsequently on 17 December 2010, assigned all of its rights, title, interest, benefit and entitlement and novated all of its obligation and liabilities as contained in the Transaction Agreements to RHB Bank. RHB Bank had on 20 December 2010, submitted the relevant applications to BI and BNM as the acquirer for the Proposed Acquisition and Proposed Options. BNM had on 31 January 2011, granted its approval to RHB Bank for the Proposed Acquisition.

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 did not have any material effect on the earnings of the Group for the financial year ended 31 December 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 2010 (continued)

51 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

The following analysis of realised and unrealised profits or losses of the Group and the Company is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

The breakdown of retained profits of the Group and the Company as at 31 December 2010 is as follows:

		Group	
	Realised Profits/(Losses) RM'000	**Unrealised Profits RM'000**	**Total RM'000**
Operating subsidiaries	3,791,337	630,775	**4,422,112**
Dormant subsidiaries*	(7,929,534)	–	**(7,929,534)**
Total retained profits of the Group	(4,138,197)	630,775	**(3,507,422)**
Total share of retained profits from joint venture	1,149	–	**1,149**
	(4,137,048)	630,775	**(3,506,273)**
Less: Consolidation adjustments			**6,254,065**
Total Group retained profits as per consolidated accounts			**2,747,792**

	Company RM'000
Total retained profits of the Company	
– Realised profits	1,227,815
– Unrealised losses	(25)
Total Company retained profits as per accounts	**1,227,790**

* The realised losses relate mainly to dormant subsidiaries which are currently in the process of being liquidated.

The disclosure of realised and unrealised profits/(losses) above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

On 20 December 2010, the Malaysian Institute of Accountants issued Guidance on Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements. Accordingly, the Group views translation gains or losses on monetary items as realised as it is incurred in the ordinary course of business.

The disclosure above does not affect or alter the existing divisible profit rule in Malaysia. Likewise, this shall not be applied to address or interpret any legal matters regarding the availability of profit for distribution to shareholders. Listed corporations are required to observe the existing requirements in the Malaysian legal framework in dealing with matters related to distribution of profits to shareholders.

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 117 to 270 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 2010 and of the financial results and cash flows of the Group and the Company for the financial year ended 31 December 2010 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
28 February 2011

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 117 to 270 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

YAP CHOI FOONG

Subscribed and solemnly declared by the abovenamed Yap Choi Foong at Kuala Lumpur in Malaysia on 28 February 2011 before me.

ZULKIFLA MOHD DAHLIM
COMMISSIONER FOR OATHS
Kuala Lumpur

Independent Auditors' Report

To The Members Of RHB Capital Berhad
(Incorporated in Malaysia)
(Company No. 312952 H)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of RHB Capital Berhad on pages 117 to 269, which comprise the statements of financial position as at 31 December 2010 of the Group and the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flow of the Group and the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on notes 1 to 50.

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 misstatements 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 the Company as of 31 December 2010 and of their financial performance and cash flows for the year then ended.

Independent Auditors' Report

To The Members Of RHB Capital Berhad
(Incorporated in Malaysia)
(Company No. 312952 H)

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 not acted as auditors, which are indicated in Note 14 to the financial statements.

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

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 51 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members 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

SRIDHARAN NAIR
(No. 2656/05/12 (J))
Chartered Accountant

Kuala Lumpur
28 February 2011

Analysis Of Shareholdings

As At 10 February 2011

Authorised Share Capital	:	RM5,000,000,000.00 comprising 5,000,000,000 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	:	13,535

Category	No. of Shareholders	% of Shareholders	No. of Securities	% of Securities
1 - 99	583	4.31	21,143	0.00
100 – 1,000	4,340	32.07	3,807,212	0.18
1,001 – 10,000	6,946	51.32	26,064,223	1.21
10,001 – 100,000	1,190	8.79	37,974,358	1.76
100,001 – less than 5% of the issued shares	474	3.50	556,007,996	25.82
5% and above of the issued shares	2	0.01	1,529,599,763	71.03
Total	**13,535**	**100.0**	**2,153,474,695**	**100.0**

Substantial Shareholders

As At 10 February 2011

No.	Name of Substantial Shareholders	No. of Shares			
		Direct	%	Indirect	%
1.	Employees Provident Fund Board	998,684,789	46.38		–
2.	ADCB Holdings (Malaysia) Sdn Bhd	538,368,674	25.0		–
3.	ADCB Holdings (Labuan) Limited[1]	–	–	538,368,674	25.0
4.	ADCB Holdings (Cayman) Limited[2]	–	–	538,368,674	25.0
5.	Abu Dhabi Commercial Bank P.J.S.C.[3]	–	–	538,368,674	25.0

Notes:

[1] *Deemed interested pursuant to Section 6A of the Companies Act, 1965. ADCB Holdings (Malaysia) Sdn Bhd is a wholly-owned subsidiary of ADCB Holdings (Labuan) Limited.*

[2] *Deemed interested pursuant to Section 6A of the Companies Act, 1965. ADCB Holdings (Labuan) Limited is a wholly-owned subsidiary of ADCB Holdings (Cayman) Limited.*

[3] *Deemed interested pursuant to Section 6A of the Companies Act, 1965. ADCB Holdings (Cayman) Limited is a wholly-owned subsidiary of Abu Dhabi Commercial Bank P.J.S.C.*

List Of Thirty (30) Largest Shareholders

As At 10 February 2011

RANK	NAME	UNITS	%
1	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	991,231,089	46.03
2	RHB NOMINEES (TEMPATAN) SDN BHD ADCB HOLDINGS (MALAYSIA) SDN BHD	538,368,674	25.00
3	AMANAHRAYA TRUSTEES BERHAD SKIM AMANAH SAHAM BUMIPUTERA	44,540,300	2.07
4	VALUECAP SDN BHD	32,786,000	1.52
5	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	17,826,500	0.83
6	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND 1LNO FOR THE GENESIS GROUP TRUST EMPLOYEE BENEFIT PLANS	15,390,093	0.71
7	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	15,042,500	0.70
8	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AMERICAN INTERNATIONAL ASSURANCE BERHAD	13,827,200	0.64
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	13,432,800	0.62
10	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	12,892,500	0.60
11	HSBC NOMINEES (ASING) SDN BHD EXEMPT AND FOR THE BANK OF NEW YORK MELLON (MELLON ACCT)	12,134,658	0.56
12	HSBC NOMINEES (ASING) SDN BHD BBH (LUX) SCA FOR THE GENESIS EMERGING MARKETS INVESTMENT COMPANY	12,057,195	0.56
13	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	10,075,100	0.47
14	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	9,590,819	0.45
15	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	9,179,500	0.43

List Of Thirty (30) Largest Shareholders
As At 10 February 2011

RANK	NAME	UNITS	%
16	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	8,639,300	0.40
17	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PRUDENTIAL FUND MANAGEMENT BERHAD	8,012,200	0.37
18	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (SAUDI ARABIA)	7,418,006	0.34
19	AMANAHRAYA TRUSTEES BERHAD PUBLIC GROWTH FUND	6,410,800	0.30
20	LEMBAGA TABUNG ANGKATAN TENTERA	6,226,000	0.29
21	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEXFUND	6,147,035	0.29
22	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	5,561,200	0.26
23	AMANAHRAYA TRUSTEES BERHAD PUBLIC EQUITY FUND	5,091,000	0.24
24	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK NATIONAL ASSOCIATION (NETHERLANDS)	5,065,793	0.24
25	AMANAHRAYA TRUSTEES BERHAD PUBLIC INDEX FUND	4,735,800	0.22
26	HSBC NOMINEES (ASING) SDN BHD BNY LUX FOR INVESCO FUNDS	4,711,100	0.22
27	AMANAHRAYA TRUSTEES BERHAD PUBLIC SECTOR SELECT FUND	4,639,000	0.22
28	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK NATIONAL ASSOCIATION (U.A.E)	4,465,443	0.21
29	SBB NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	4,422,700	0.21
30	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	4,400,000	0.20

Directors' Interest In Securities Of The Company And Its Related Corporation

As at 10 February 2011

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 31.12.2010 (RM' 000)	Year of Acquisition or Revaluation
MALAYSIA **Kuala Lumpur**									
424 Jalan Tun Razak	RHB Hartanah Sdn Bhd	12 storey office building	20,440	Office Space	21	Freehold	–	121,410	1989
426 Jalan Tun Razak	RHB Hartanah Sdn Bhd	16 storey office building	22,516	Office Space	15	Freehold	–	116,507	1989
19 & 21 Jalan Tun Perak Kuala Lumpur	RHB Bank Berhad	1 unit of 4½ storey corner commercial building	589	Office Space	13	Freehold	–	9,005	1999
Selangor									
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	10	Leasehold	2090	86,456	1999
Perak									
No. 2,4,6 & 8 Jalan Tun Sambathan Ipoh	RHB Bank Berhad	4 storey office building	630	Bank Branch	13	Freehold	–	5,632	1999
SINGAPORE									
90 Cecil Street	Banfora Pte Ltd	2 commercial buildings	796	Commercial Building	31	Leasehold	2980	119,335	1997
10, Jalan Besar 01-03 Sim Lim Tower	RHB Bank Berhad	Ground Floor of Office buildings	543	Bank Branch	32	Freehold	–	26,554	1999
14A/B, 16A/B & 18A/B East Coast Road	RHB Bank Berhad	3 units of 3 storey Shophouses	442	Bank Branch	52	Freehold	–	14,006	1999
1/1A / 1B Yio Chu Kang Road	RHB Bank Berhad	First Floor of Office buildings	101	Bank Branch	30	Freehold	–	10,416	1999
No. 537/539 Geylang Road	RHB Bank Berhad	3 storey shophouses	374	Bank Branch	87	Freehold	–	8,465	1999

Group Branch Network

NORTHERN REGION

1) Lebuh Pantai, Penang
44, Lebuh Pantai
10300 Georgetown
Pulau Pinang
Tel : (04) 262 1144, 1109
Fax : (04) 261 8019

2) Jelutong
112 & 114, Jalan Tan Sri Teh Ewe Lim
11600 Pulau Pinang
Tel : (04) 282 6922, 6921
Fax : (04) 282 6930

3) Bayan Baru
42 A, B, C, Jalan Tengah
11950 Bayan Baru, Pulau Pinang
Tel : (04) 642 1880, 1882
Fax : (04) 642 1884

4) Ayer Itam
15, Jalan Pasar
11500 Ayer Itam, Pulau Pinang
Tel : (04) 828 3522, 5168
Fax : (04) 828 8554

5) Burmah House, Penang
Ground & Mezzanine Floor
Suite G-02, Burmah House
405, Jalan Burmah, Pulau Tikus
10350 Pulau Pinang
Tel : (04) 227 4367, 4364
Fax : (04) 227 4361

6) Sungai Dua
4H & 4J
Desa Universiti Comm Complex
Jalan Sungai Dua
11700 Gelugor, Pulau Pinang
Tel : (04) 658 5617, 5620, 5621
Fax : (04) 658 5609

7) 2784 & 2785
Jalan Chain Ferry, Prai
Ground Floor, 2784 & 2785
Jalan Chain Ferry
Taman Inderawasih
13600 Prai, Pulau Pinang
Tel : (04) 390 9255, 9257, 9258
Fax : (04) 390 3976

8) Kulim
No. 8 & 9, Jalan KLC 1
09000 Kulim, Kedah
Tel : (04) 491 5912, 5913
Fax : (04) 491 5916

9) Butterworth
6774, 6775 & 6776, Jalan Kg Gajah
12200 Butterworth, Pulau Pinang
Tel : (04) 331 5871, 5872
Fax : (04) 332 3328

10) Jalan Raja Uda, Penang
Ground & Mezzanine Floor
6957 & 6958, Jalan Raja Uda
Raja Uda Light Industrial Park
12300 Butterworth, Pulau Pinang
Tel : (04) 332 4937, 4860, 4837
Fax : (04) 332 4946

11) Sungai Bakap
1433-1434, Jalan Besar
Sungai Bakap, Seberang Prai Selatan
14200 Sungai Jawi, Pulau Pinang
Tel : (04) 582 3629, 3630
Fax : (04) 582 3580

12) Bukit Mertajam
1244 & 1246, Jalan Padang Lallang
Taman Desa Damai
14000 Bukit Mertajam, Pulau Pinang
Tel : (04) 539 1171, 1176
Fax : (04) 539 4148

13) Kangar
41 & 43, Persiaran Jubli Emas
Taman Suriani
01000 Kangar, Perlis
Tel : (04) 977 6864, 6867
Fax : (04) 977 6863

14) Jalan Tunku Ibrahim, Alor Setar
1519, Jalan Tunku Ibrahim
05700 Alor Setar
Kedah
Tel : (04) 731 6066, 6144
Fax : (04) 733 3843

15) Mergong, Alor Setar
97J, Seberang Jalan Putra
05150 Alor Setar, Kedah
Tel : (04) 733 9279, 9304
Fax : (04) 731 6059

Group Branch Network

NORTHEN REGION (CONTINUED)

16) Taman Pekan Baru, Sg Petani
104, 105 & 106, Jalan Pengkalan
Tmn Pekan Baru, Sg Petani Baru
08000 Sungai Petani, Kedah
Tel : (04) 421 0786, 9090
Fax : (04) 421 3401, 4230485

17) Padang Serai
11 & 12, Lorong Berkat Satu
Taman Berkat
09400 Padang Serai, Kedah
Tel : (04) 485 5951, 5952
Fax : (04) 485 0982

18) Pulau Langkawi
13 & 15, Jalan Pandak Mayah Satu
07000 Langkawi, Kedah
Tel : (04) 966 7511, 7512
Fax : (04) 966 7513

19) Kuala Kedah
Ground & First Floor, 262 & 263
Block C, Bangunan Peruda
06600 Kuala Kedah, Kedah
Tel : (04) 762 5367, 5366
Fax : (04) 762 5393

20) Jalan Bakar Arang, Sungai Petani
27 & 28, Jalan Bakar Arang
08000 Sungai Petani, Kedah
Tel : (04) 422 2151, 2152
Fax : (04) 421 6632

21) Jitra, Kedah
No. 242, Jalan PJ 2/2
Pekan Jitra 2
06000 Jitra, Kedah
Tel : (04) 917 3388, 3358, 4588
Fax : (04) 9170 888

22) Air Tawar
33A & B, Jalan Besar
32400 Air Tawar, Perak
Tel : (05) 672 2385, 4148
Fax : (05) 672 2168

23) Bagan Serai
243, Jalan Besar
34300 Bagan Serai, Perak
Tel : (05) 721 5715, 5716
Fax : (05) 721 2486

24) Kuala Kurau
Ground & First Floor
19, Jalan Besar
34350 Kuala Kurau, Perak
Tel : (05) 727 7953, 0939, 7952
Fax : (05) 727 7155

25) Teluk Intan
31 & 33, Jalan Intan 2
Bandar Baru Teluk Intan
36000 Teluk Intan, Perak
Tel : (05) 622 1654, 1655
Fax : (05) 621 1228

26) Kuala Kangsar
6 & 7, Jalan Daeng Selili
33000 Kuala Kangsar, Perak
Tel : (05) 776 3772, 1762
Fax : (05) 776 6836

27) Parit Buntar
44, Jalan Teh Peh Kong
34200 Parit Buntar, Perak
Tel : (05) 716 1626, 1627
Fax : (05) 716 2019

28) Simpang Empat, Hutan Melintang
Lots P.T 1374 & 1375,
Jalan Hutan Melintang
Taman Seri Perak, Simpang Empat
36400 Hutan Melintang, Perak
Tel : (05) 641 2363, 2362
Fax : (05) 641 3310

29) Sitiawan
25C, Jalan Datuk Ahmad Yunus
32000 Sitiawan, Perak
Tel : (05) 691 1411, 1412, 4669
Fax : (05) 691 9012

30) Taiping
68 & 70, Jalan Kota
34000 Taiping, Perak
Tel : (05) 807 3276, 3257, 4749
Fax : (05) 806 3275

31) Sungkai
18 & 19, Jalan Besar
35600 Sungkai, Perak
Tel : (05) 438 6708, 6710
Fax : (05) 438 6720

32) Jalan Tun Sambanthan, Ipoh
Lot 2, 4, 6 & 8, Jalan Tun Sambanthan
30000 Ipoh, Perak
Tel : (05) 254 2135, 2136
Fax : (05) 255 0050

33) Kampar
81, 83 & 85, Jalan Gopeng
31900 Kampar, Perak
Tel : (05) 466 6202, 6203
Fax : (05) 465 2216

NORTHEN REGION (CONTINUED)

34) Sungai Siput
139 & 140, Jalan Besar
31100 Sungai Siput, Perak
Tel : (05) 598 2233, 2234, 8922
Fax : (05) 598 4094

35) Menglembu
Ground & First Floor
50 & 52, Jalan Besar
31450 Menglembu, Perak
Tel : (05) 281 6011, 6017
Fax : (05) 281 6010

36) Ipoh Garden South
12 & 14 Tingkat, Taman Ipoh 6
Ipoh Garden South
31400 Ipoh, Perak
Tel : (05) 548 2532, 547 7888
Fax : (05) 547 8899

37) Tasek
699 & 701, Jalan Tasek
Taman Musim Bunga
31400 Ipoh, Perak
Tel : (05) 546 7363, 7386, 7370
Fax : (05) 548 7566

38) Gunung Rapat
57 & 59, Medan Gopeng 1
Jalan Gopeng, Gunung Rapat
31350 Ipoh, Perak
Tel : (05) 312 3599, 3851
Fax : (05) 312 6570

39) Gopeng
Ground Floor
67 & 69, High Street
31600 Gopeng, Perak
Tel : (05) 359 1169, 4524, 1291
Fax : (05) 359 3291

40) Jelapang
433 & 435, Jalan Silibin
Taman Silibin
30760 Ipoh, Perak
Tel : (05) 526 6515, 8518
Fax : (05) 526 2418

41) Persiaran Greenhill, Ipoh
62, Persiaran Greenhill
30450 Ipoh, Perak
Tel : (05) 253 3355, 255 4195
Fax : (05) 253 5053

CENTRAL REGION

1) Kuala Lumpur Main
Level 1, Tower Two
RHB Centre
426, Jalan Tun Razak
50400 Kuala Lumpur
Tel : (03)9281 3030
Fax : (03) 9287 4173

2) Menara Yayasan Tun Razak, Kuala Lumpur
Ground Floor
Menara Yayasan Tun Razak
200, Jln Bukit Bintang
55100 Kuala Lumpur W.P.
Tel : (03) 2162 5068
Fax : (03) 2162 1609

3) KLCC
Lot G 34, Ground Level
Petronas Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel : (03) 2164 4423, 4125, 128
Fax : (03) 2164 6213

4) Plaza OSK, KL
Ground and Mezzanine Floor
Podium Block, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Tel : (03) 2164 4419
Fax : (03) 2161 2972, 2164 3679

5) Jalan Ipoh, KL
14 - 16, Jalan Ipoh
51200 Kuala Lumpur
Tel : (03) 4042 8068, 8601, 2573
Fax : (03) 4041 1411, 4043 0653

6) Taman Shamelin, KL
38-1-5, Shamelin Business Center
Jalan 4/91, Taman Shamelin Perkasa
56100 Kuala Lumpur
Tel : (03) 9282 7385, 7386, 7382
Fax : (03) 9282 7380

7) Jalan SS21/39, Damansara Utama
2M & 2G Jalan SS 21/39
Damansara Utama
47400 Petaling Jaya, Selangor
Tel : (03) 7726 2307, 2308
Fax : (03) 7726 2305

8) SS2, Petaling Jaya
157 & 159, Jalan SS2/24
Sg Way / Subang
47300 Petaling Jaya, Selangor
Tel : (03) 7875 3724, 7895 3259
Fax : (03) 7875 6600

Group Branch Network

CENTRAL REGION (CONTINUED)

9) Giant Kelana Jaya
Lot F1, F2 and F3
Tingkat 1, Giant Hypermarket
No. 33 Jalan SS 6/12
SS 6 Kelana Jaya
47301 Petaling Jaya, Selangor
Tel : (03) 7804 3658
Fax : (03) 7804 4048

10) Damansara Jaya
22 & 24, Jalan SS 22/25
Damansara Jaya
47400 Petaling Jaya, Selangor
Tel : (03) 7729 5132, 5137, 3853
Fax : (03) 7729 9169

11) Section 14, Petaling Jaya
1, Jalan 14/20
46100 Petaling Jaya, Selangor
Tel : (03) 7957 4742, 4460
Fax : (03) 7955 6219

12) Taman Megah, Petaling Jaya
11 - 15, Jalan SS 24/11
Taman Megah
47301 Petaling Jaya, Selangor
Tel : (03) 7804 1258, 7481
Fax : (03) 7804 1629

13) New Town, Petaling Jaya
1, 3 & 5, Jalan 52/18
New Town Centre
46200 Petaling Jaya, Selangor
Tel : (03) 7956 9611, 9612, 1994
Fax : (03)7957 8984

14) Jalan Maharajalela, KL
Unit 1, Ground Floor
Bangunan Cheong Wing Chan
41 - 51, Jalan Maharajalela
50150 Kuala Lumpur
Tel : (03) 2274 9820, 0475
Fax : (03) 2274 9843

15) KL Sentral
Unit 7, Level 1 (Arrival Hall)
City Air Terminal
KL Sentral Station
50470 Kuala Lumpur
Tel : (03) 2273 5000
Fax : (03) 2274 7000

16) Jalan Bukit Bintang, KL
58 - 60, Jalan Bukit Bintang
55100 Kuala Lumpur
Tel : (03) 2142 3604, 3396
Fax : (03) 2143 0645

17) Taman Tun Dr. Ismail, KL
15 & 17, Jalan Tun Mohd Fuad 3
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel : (03) 7726 8995, 4303
Fax : (03) 7729 4077

18) 1st Avenue, Petaling Jaya
Lot G01A, Ground Floor
1 First Avenue, Bandar Utama
47800 Petaling Jaya, Selangor
Tel : (03) 7728 3454, 3470
Fax : (03) 7728 3496

19) Desa Sri Hartamas, KL
6, Jalan 24/ 70A
Desa Sri Hartamas
50480 Kuala Lumpur
Tel : (03) 2300 2360, 1754
Fax : (03) 2300 2358

20) Kota Damansara
No. 27-G-& 27-I,
Jalan PJU 5/3, Dataran Sunway
Kota Damansara
47810 Petaling Jaya
Tel : (03) 6140 9037, 9044
Fax : (03) 6141 8838

21) 75 Jalan Tun H.S. Lee, KL
75, Jalan Tun H.S. Lee
50000 Kuala Lumpur
Tel : (03) 2070 0233, 6869
Fax : (03) 2072 7591

22) Bangsar Shopping Centre, KL
G-01 Ground Floor
Bangsar Shopping Centre
Office Tower, Jalan Ma'arof
Bangsar, 59100 Kuala Lumpur
Tel : (03) 2284 6870, 6872, 6875
Fax : (03) 2284 6896

23) Damansara Heights, KL
Lots C9 - C12, Block C
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel : (03) 2095 7068, 7069, 7088
Fax : (03) 2093 7515

CENTRAL REGION (CONTINUED)

24) Mid Valley, KL
17-G and 17-1, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : (03) 2284 4339, 4360, 4353
Fax : (03) 2284 4350

25) Overseas Union Garden, KL
140 & 142 Jalan Mega Mendung
Bandar Complex, Batu 41/2
Jalan Kelang Lama
58200 Kuala Lumpur
Tel : (03) 7983 9863, 9864, 9861
Fax : (03) 7980 8081

26) The Sphere, Bangsar South
Unit G 10, Ground Floor and Unit 3A, First Floor
The Sphere, No. 1, Avenue 1 Bangsar South
No.8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : GL : (03) 224 0010, 104, 107
Fax : (03) 2240 0092

27) 53 & 55, Pasar Borong, Selayang, KL
53 & 55, Jalan 2/3A
Off KM 12, Jalan Ipoh
68100 Batu Caves, Kuala Lumpur
Tel : (03) 6136 3284, 3169, 8975
Fax : (03) 6136 3243

28) Rawang
Ground, First & Second Floor
10 & 11, Jalan Maxwell
48000 Rawang, Selangor
Tel : (03) 6092 5035, 5036
Fax : (03) 6092 4788

29) Bandar Sri Damansara
1 & 2, Jalan Tanjung SD 13/1
52200 Bandar Sri Damansara
Selangor
Tel : (03) 6274 5287, 5532, 5576
Fax : (03) 6274 2917

30) Kampung Baru Sungai Buloh
25, Jalan Public
Kampung Baru Sungai Buloh
47000 Sungai Buloh, Selangor
Tel : (03) 6156 9301, 9302, 9344
Fax : (03) 6156 8645

31) Bandar Baru Sungai Buloh
391 & 392, Jalan 1A/1
Bandar Baru Sungai Buloh
47000 Sungai Buloh, Selangor
Tel : (03) 6156 1712, 1713, 1711
Fax : (03) 6156 7803

32) Jinjang Utara, KL
Ground Floor, No. 3471-A
Jalan Besar
Jinjang Utara
52000 Kuala Lumpur
Tel : (03) 6257 7053, 7808
Fax : (03) 6252 7158

33) Kepong, KL
321, Batu 7, Jalan Kepong
Kepong Baru
52100 Kuala Lumpur
Tel : (03) 6274 0022, 0593, 0463
Fax : (03) 6272 6521

34) Kajang
25, Jalan Raja Harun
Taman Hijau
43000 Kajang, Selangor
Tel : (03) 8736 0599, 0177
Fax : (03) 8733 8570

35) Seri Kembangan, Selangor
Lot 1484A & B, Jalan Besar
43300 Seri Kembangan, Selangor
Tel : (03) 8943 1455, 1357, 0276
Fax : (03) 8943 0441

36) Taman Sungai Besi, KL
30, Ground & First Floor, Jalan 7/ 108C
Taman Sungai Besi
57100 Kuala Lumpur
Tel : (03) 7984 3014, 3016
Fax : (03) 7981 8875

37) Salak South, KL
178-180, Main Street
Salak South
57100 Kuala Lumpur
Tel : (03) 7983 9177, 9458, 9306
Fax : (03) 7981 3357

Group Branch Network

CENTRAL REGION (CONTINUED)

38) Taman Suntex, Selangor
5 & 6, Jalan Kijang 1
Taman Suntex, Batu 9
43200 Cheras, Selangor
Tel : (03) 9074 7888, 7804
Fax : (03) 9074 7879

39) Taman Taming Jaya, Selangor
1, Jalan Taming Kanan 2
Taman Taming Jaya
43300 Balakong, Selangor
Tel : (03) 8961 1194, 1195, 1164
Fax : (03) 8961 1197

40) Taman Indah, Selangor
7 & 9, Jalan SS 2/1
Off Jalan Balakong
Taman Indah, Batu 11
43200 Cheras, Selangor
Tel : (03) 9074 0998, 0997, 1000
Fax : (03) 9074 1344

41) Mines Shopping Fair, Selangor
G20, The Mines Shopping Fair
Jalan Dulang, Off Jalan Balakong
Mines Resort City
43300 Seri Kembangan, Selangor
Tel : (03) 8942 5055, 5157
Fax : (03) 8942 5218

42) Taman Midah, KL
18 & 20, Jalan Midah Satu
Taman Midah
56000 Kuala Lumpur
Tel : (03) 9131 2826, 2898
Fax : (03) 9130 0588

43) Bandar Baru Ampang, Selangor
27G - 29G Ground Floor &
29A First Floor
Jalan Wawasan Ampang 2/3
Bandar Baru Ampang
68000 Ampang, Selangor
Tel : (03) 4270 2069, 2068
Fax : (03) 4270 2060

44) Ampang Point
37 & 38, Jalan Memanda 7
Taman Dato' Ahmad Razali
Jalan Ampang
68000 Ampang, Selangor
Tel : (03) 4252 1753, 1907
Fax : (03) 4252 1898

45) Pandan Indah, Selangor
Ground & Mezzanine Floor
7 & 9, Jalan Pandan Indah 4/2
55100 Pandan Indah, Selangor
Tel : (03) 4295 0981, 2260
Fax : (03) 4295 7127

46) Taman Permata, Selangor
Lot 6 & 7, Ground Floor
Giant Hypermarket Complex
Jalan Changkat Permata
Taman Permata
53300 Selangor
Tel : (03) 4106 9726, 9308, 9832
Fax : (03) 4106 9810

47) Setapak, KL
257 & 259, Jalan Genting Kelang
53300 Setapak Kuala Lumpur
Tel : (03) 4023 7444, 7476
Fax : (03) 4024 1353

48) Jalan Pasar, KL
50 - 52, Jalan Pasar
55100 Kuala Lumpur
Tel : (03) 2141 4167, 2148 7301
Fax : (03) 2142 8390, 2148 8967

49) Segambut, KL
42 & 42A, Jalan Segambut Tengah
Segambut, 51200 Kuala Lumpur
Tel : (03) 6257 8777, 8999, 6888
Fax : (03) 6252 2801

50) Meru, Kelang
1, Lorong Pepauh 1A
Taman Pekan Meru
41050 Kelang, Selangor
Tel : (03) 3392 4501, 4502, 4503
Fax : (03) 3392 4504

51) Jalan Stesen, Kelang
24 & 26, Jalan Stesen
41000 Kelang, Selangor
Tel : (03) 3371 9669, 9652
Fax : (03) 3372 9613

52) Persiaran Sultan Ibrahim, Kelang
33, Persiaran Sultan Ibrahim
41300 Kelang, Selangor
Tel : (03) 3342 0433, 0434, 0435
Fax : (03) 3344 6405

53) Port Klang
Persiaran Raja Muda Musa
42000 Pelabuhan Kelang, Selangor
Tel : (03) 3165 6720
Fax : (03) 3166 1351

CENTRAL REGION (CONTINUED)

54) Bandar Bukit Tinggi
Lot 53, Jalan Batu Nilam 1
Bandar Bukit Tinggi
41200 Klang
Tel : (03) 3323 6682, 6684, 7278
Fax : (03) 3323 7957

55) Bandar Baru Klang
Unit A6, No. 22A, Jalan Tiara 2A/KU1
Pusat Perniagaan BBK
41150 Kelang, Selangor
Tel : (03) 3344 2751, 2750, 52
Fax : (03) 3344 2755

56) Tanjong Karang
Lot 1 & 3, Jalan Satu
Taman Tanjong Karang Baru
45500 Tanjong Karang, Selangor
Tel : (03) 3269 5039, 8171, 1812
Fax : (03) 3269 8078

57) Jenjarom
M38 & M40, Jalan Besar
42600 Jenjarom, Selangor
Tel : (03) 3191 3422, 3433, 3477
Fax : (03) 3191 4328

58) 11,13 & 15, Jalan Niaga, Shah Alam
11, 13 & 15, Jalan Niaga 16/3A
Section 16
40000 Shah Alam, Selangor
Tel : (03) 5510 3131, 3135, 3849
Fax : (03) 5519 6166

59) Jalan Tengku Ampuan Zabedah Shah Alam
16 & 18, Ground & First Floor
Jln T. Amp Zabedah D9/D, Section 9
40100 Shah Alam, Selangor
Tel : (03) 5510 0559
Fax : (03) 5513 1834

60) Giant Shah Alam
Lot B26 - B27
Giant Hypermarket, Shah Alam
2, Persiaran Sukan, Seksyen 13
40100 Shah Alam, Selangor
Tel : (03) 5511 9085
Fax : (03) 5512 8899

61) 48-50, Jalan SS15/4D, Subang Jaya
Lot 48-50 Jalan SS15/4D
Subang Jaya
47500 Selangor
Tel : (03) 5634 4970, 4976, 4973
Fax : (03) 5634 4848

62) UEP Subang Jaya
47 & 49, Jalan USJ 10/1
UEP Subang Jaya
47620 Petaling Jaya, Selangor
Tel : (03) 5637 3592, 3593, 3594
Fax : (03) 5637 3941

63) IOI Boulevard, Puchong
No. B-G-5 & B-1-5,
Ground Floor & 1st Floor
IOI Boulevard, Jalan Kenari 5
Bandar Puchong Jaya
47100 Puchong, Selangor
Tel : (03) 8070 8603, 8604, 8571
Fax : (03) 8070 8563

64) Putrajaya (Precinct 8)
Blok C - T.00 - U.02 & U.03
1, Jalan P 8 D
62250 Putrajaya
Tel : (03) 8889 2546, 2548, 2549
Fax : (03) 8889 2900

65) Bahau
Ground & First Floor
Lot 982 & 983
Wisma UMNO Jempol
Jalan Gurney
72100 Bahau, Negeri Sembilan
Tel : (06) 454 1305, 2722
Fax : (06) 454 4015

66) Bandar Baru Nilai
PT 7460 & 7461
Jalan Bandar Baru Nilai 1/1A
Putra Point, Bandar Baru Nilai
71800 Nilai, Negeri Sembilan
Tel : (06) 794 1006, 1007, 1008
Fax : (06) 799 6095

67) Kuala Pilah
Lots P.T. 9 & 10, Jalan Melewar
72000 Kuala Pilah
Negeri Sembilan
Tel : (06) 481 1442, 1513, 3995
Fax : (06) 481 6478

68) Rantau
158 & 159, Jalan Besar
71200 Rantau
Negeri Sembilan
Tel : (06) 694 1969, 1589
Fax : (06) 694 2690

Group Branch Network

CENTRAL REGION (CONTINUED)

69) Seremban
10 & 11, Jalan Dato' Abdul Rahman
70000 Seremban, Negeri Sembilan
Tel : (06) 763 8623, 8555
Fax : (06)762 0192

70) Simpang Pertang
15, Jalan Helang
Taman Sri Pertang
72300 Simpang Pertang
Negeri Sembilan
Tel : (06) 492 9520, 9550, 9540
Fax : (06) 492 9190

71) Sungai Pelek
76 & 77, Jalan Besar
43950 Sungai Pelek, Selangor
Tel : (03) 3141 1176, 1394
Fax : (03) 3141 1100

72) Tanjung Sepat
1 & 3, Jalan Senangin Satu
Taman Tanjung
42809 Tanjung Sepat, Selangor
Tel : (03) 3197 4035, 4235, 4788
Fax : (03) 3197 4568

73) Taipan Senawang
No. 163 G & 164 G
Taipan Senawang
Jalan Taman Komersil Senawang 1
Taman Komersil Senawang
70450 Senawang
Negeri Sembilan
Tel : (06) 678 1320, 1318
Fax : (06) 678 1477

EAST COAST REGION

1) Bentong
Lot 13 & 14, Jalan Loke Yew
28700 Bentong, Pahang
Tel : (09) 222 1648, 1649
Fax : (09) 222 5944

2) Jerantut
Lot 4360 & 4361, Jalan Kuantan
27000 Jerantut, Pahang
Tel : (09) 266 5900, 5901
Fax : (09) 266 5899

3) Raub
Lot PT 16477 & 16478
Pusat Perniagaan Indrapura
Jalan Tras
27600 Raub, Pahang
Tel : (09) 355 5077, 5155
Fax : (09) 355 2929

4) Kuantan, Putra Square
No. 2, 4, & 6 (Malay Town)
Jalan Putra Square 1
Putra Square, 25000 Kuantan
Pahang
Tel : (09) 517 3500, 3503
Fax : (09) 517 3501

5) Mentakab
Lot 94 & 95, Jalan Temerloh
28400 Mentakab, Pahang
Tel : (09) 278 1976, 1971
Fax : (09) 278 2034

6) Air Putih
No. A237 & A239, Jalan Air Putih
25300 Kuantan, Pahang
Tel : (09) 5668 200, 8700, 101
Fax : (09) 5660 214

7) Jalan Kebun Sultan, Kota Bahru
Lot 1182-1183, Jalan Kebun Sultan
15350 Kota Bharu, Kelantan
Tel : (09) 744 1776, 1654
Fax : (09) 748 1788

8) Kuala Dungun
K231, Jalan Besar, Kuala Dungun
23000 Dungun, Terengganu
Tel : (09) 848 1416, 1575
Fax : (09) 848 2996

9) Kuala Terengganu
59, Jalan Sultan Ismail
20200 Kuala Terengganu
Terengganu
Tel : (09) 622 1478, 6478
Fax : (09) 622 9379

10) Kerteh
10B, Bandar Baru Kerteh
24300 Kerteh, Terengganu
Tel : (09) 826 1644, 1645
Fax : (09) 826 2171

11) Ketereh
Lot PT 383 & PT 384
Kedai Ketereh, Bandar Ketereh
16450 Ketereh, Kelantan
Tel : (09) 788 6377, 6376
Fax : (09) 788 8721

EAST COAST REGION (CONTINUED)

12) Pasir Mas
18A, Jalan Tengku Ahmad
17000 Pasir Mas, Kelantan
Tel : (09) 790 9088, 8066
Fax : (09) 790 2292

13) Kemaman
No 11289 & 11290
Bandar Cukai Utama, Phase 3
Jalan Kubang Kurus
24000 Kemaman, Terengganu
Tel : (09) 859 9000, 9100
Fax : (09) 859 9003

SOUTHERN REGION

1) Jalan Dedap, Taman Johor Jaya
7 & 9, Jalan Dedap 18
Taman Johor Jaya
81100 Johor Bahru, Johor
Tel : (07) 355 5226, 5327
Fax : (07) 355 5004

2) Jalan Bandar, Pasir Gudang
10A, Pusat Perdagangan
Jalan Bandar
81700 Pasir Gudang, Johor
Tel : (07) 251 1578, 1573, 6292
Fax : (07) 251 1584, 252 7719

3) Taman Pelangi, Johor
Suite 1-2, Level 1, Menara Pelangi
2, Jalan Kuning, Taman Pelangi
80400 Johor Bahru, Johor
Tel : (07) 334 3476, 3481
Fax : (07) 334 3482

4) Permas Jaya, Johor
Ground Floor
35 & 37, Jalan Permas 10/2
Bandar Baru Permas Jaya
81750 Johor Bahru, Johor
Tel : (07) 388 6741, 6744, 6746
Fax : (07) 388 674

5) Johor Bahru City Square
Lot J1-22 & J2-31, Level 1 & 2
Johor Bahru City Square
106 & 108, Jalan Wong Ah Fook
80000 Johor Bahru, Johor
Tel : (07) 224 5333, 0333
Fax : (07) 224 1264

6) Ulu Tiram
1 & 2, Jalan Raya
81800 Ulu Tiram, Johor
Tel : (07) 861 3002, 7609, 3003
Fax : (07) 861 4088

7) Taman Molek, Johor
56 & 58, Jalan Molek 2/2
Taman Molek
81100 Johor Bahru, Johor
Tel : (07) 351 4643
Fax : (07) 351 4649

8) Taman Sentosa, Johor
9 & 11, Jalan Sutera
Taman Sentosa
80150 Johor Bahru, Johor
Tel : (07) 332 2243, 2244, 2246
Fax : (07) 334 9441, 332 7251

9) Taman Mount Austin
No. 87 & 89 Jalan Austin Heights 3
Austin Heights, Taman Mount Austin
81100 Johor Bahru
Tel : (07) 3539 648, 649, 659, 579
Fax : (07) 3539 566

10) Jalan Bendahara 12
Taman Ungku Tun Aminah
62, 64 & 66, Jalan Bendahara 12
Taman Ungku Tun Aminah
81300 Sekudai, Johor
Tel : (07) 557 1477, 1097
Fax : (07) 557 1553

11) Senai
180 & 181, Jalan Belimbing 1
81400 Senai, Johor
Tel : (07) 599 7154
Fax : (07) 599 6913

12) Bandar Baru Uda
No 14 & 16 Jalan Padi Emas 6/1
Bandar Baru UDA
81200 Johor Bahru
Tel : (07) 234 0678, 0729
Fax : (07) 234 0680

13) Kulai
4 & 5, Taman Seraya
Kulai Besar
81000 Kulai, Johor
Tel : (07) 663 1911, 1912
Fax : (07) 663 2159

Group Branch Network

SOUTHERN REGION (CONTINUED)

14) Pontian Kechil
192, Jalan Bakek
Pontian Kechil
82000 Pontian, Johor
Tel : (07) 687 8368, 8369, 8123
Fax : (07) 687 9107

15) Masai, Johor
Lot G-03, G-05 & 01-05
Jalan Masai Jaya 1
81750, Johor Bahru, Johor
Tel : (07) 352 7684
Fax : (07) 352 7689

16) Jalan Dato' Rauf, Kluang
18 & 20, Jalan Dato' Rauf
86000 Kluang, Johor
Tel : (07) 772 4111, 4112
Fax : (07) 772 4094

17) Segamat
110 & 111, Jalan Genuang
85000 Segamat, Johor
Tel : (07) 931 1366, 1367, 5442
Fax : (07) 932 3901

18) Batu Pahat
89, Jalan Rahmat
83000 Batu Pahat, Johor
Tel : (07) 431 7011, 7022
Fax : (07) 431 1077

19) Jementah
Ground Floor, MCA Building
Jalan Muar
85200 Jementah, Johor
Tel : (07) 947 1578, 1353
Fax : (07) 947 2404

20) Simpang Renggam
8 & 9, Jalan Kijang
86200 Simpang Renggam, Johor
Tel : (07) 755 8531, 8532, 7366
Fax : (07) 755 8262

21) Bekok
G34 & G36, Jalan Wijaya
86500 Bekok, Johor
Tel : (07) 922 1639, 1643
Fax : (07) 922 1525

22) Yong Peng
106, Jalan Besar
83700 Yong Peng, Johor
Tel : (07) 467 1006, 1146
Fax : (07) 467 5137

23) 9, Jalan Abdullah, Muar
9, Jalan Abdullah
84000 Muar, Johor
Tel : (06) 952 2234, 951 9080
Fax : (06) 952 9503

24) Bukit Baru, Melaka
Ground Floor, 5 & 6, Jalan DR 1
Taman Delima Raya
Bukit Baru, 75150 Melaka
Tel : (06) 232 1302, 1298
Fax : (06) 232 1319

25) Tangkak
351 & 352, Jalan Muar
84900 Tangkak, Johor
Tel : (06) 978 6588, 6591
Fax : (06) 978 6592

26) Jalan Hang Tuah, Melaka
477, Plaza Melaka
Jalan Hang Tuah
75300 Melaka
Tel : (06) 284 0473, 0476
Fax : (06) 284 4699

27) Kota Melaka
No. 57&59, Prime Square
Taman Melaka Raya
75000 Melaka
Tel : (06) 282 5030, 5029
Fax : (06) 282 5076

SABAH REGION

1) Jalan Gaya, Kota Kinabalu
81 / 83, Jalan Gaya
88000 Kota Kinabalu, Sabah
Tel : (088) 216 188, 213 982
Fax : (088) 235 871
including:-
Warisan Square (Sales Kiosk)
Lot No: C-G-09 Block C
Ground Floor, Warisan Square
Jalan Tun Fuad Stephen
88000 Kota Kinabalu
Sabah
Tel : (088) 447 224, 225
Fax : (088) 447 221
2) Inanam, Sabah
Block DBKK, No. 1, 2 & 3
Lorong KK, Taipan 3
Inanam New Township
88450 Inanam, Sabah
Tel : (088) 422 883
Fax : (088) 423 011

SABAH REGION (CONTINUED)

3) Labuan
Lot 1 & 2, Jati Shop Houses
Off Jalan Tun Mustapha
87007 Labuan
Wilayah Persekutuan Labuan
Tel : (087) 414 822, 810
Fax : (087) 414 449

4) 1-Borneo Hypermall, Kota Kinabalu
Lot No: G-203, Ground Floor
1-Borneo Hypermall
Jalan Sulaman
88450 Kota Kinabalu, Sabah
Tel : (088) 488 011, 982, 986
Fax : (088) 488 678

5) Lintas Station Complex, Kota Kinabalu
Lot No. 6-19, Ground Floor
Lintas Station Complex
Jalan Lintas, Luyang
88300 Kota Kinabalu, Sabah
Tel : (088) 244 698, 230 693
Fax : (088) 233 690

6) Prima Square, Sandakan
Block 7, Lot 64, 65 & 66, Phase 1
Prima Square, Mile 4, Jalan Utara
90000 Sandakan, Sabah
Tel : (089) 208 101, 102, 104, 100
Fax : (089) 228 101

7) Wisma Khoo, Sandakan
Sub Lot 1 - 7, Ground Floor
Wisma Khoo Siak Chiew
Lebuh Tiga, Jalan Sim Sim
90009 Sandakan, Sabah
Tel : (089) 218 777
Fax : (089) 271 246

8) Tawau, Sabah
Ground & First Floor, Lot 5 Block 27
Fajar Complex, Jalan Mahkamah
Town Extension II
91000 Tawau, Sabah
Tel : (089) 777 355, 233
Fax : (089) 764 684, 765 254

9) Lahad Datu, Sabah
Lot 1 & 2, Block A
Metro Commercial Complex
91100 Lahad Datu, Sabah
Tel : (089) 886 159, 418
Fax : (089) 886 163

SARAWAK REGION

1) Kanowit, Sarawak
Lots 127 & 128
No 65-66 Jalan Kubu
Kanowit Town District
96700 Kanowit, Sarawak
Tel : (084) 752 700
Fax : (084) 752 711

2) Dalat, Sarawak
Ground Floor
Pejabat Daerah Dalat
96300 Dalat, Sarawak
Tel : (084) 864 841, 842
Fax : (084) 864 824

3) 31, Jalan Tunku Osman, Sibu
No 31, Jln Tuanku Osman
96007 Sibu
Sarawak
Tel : (084) 314 455
Fax : (084) 310 546

4) Sungai Merah, Sibu
No 1&3, Lorong Sungai Merah
2C, 9600 Sibu, Sarawak
Tel : (084) 310 869, 311 869
Fax : (084) 331 869

5) Kapit, Sarawak
Lot 504 Jalan Temenggong Jugah
96800, Kapit, Sarawak.
Tel : (084) 797 771
Fax : (084) 797 775

6) Sarikei, Sarawak
Lot 1468
Repok Road
96108 Sarikei, Sarawak
Tel : (084) 657 030
Fax : (084) 657 036

7) Batu Kawah , Kuching
Bd 104/204 & 105/205
Batu Kawah New Township
Jalan Batu Kawah
93250 Kuching, Sarawak
Tel : (082) 455 465
Fax : (082) 459 790

8) UNIMAS
Bangunan Hal Ehwal Pelajar
Campus Tetap Unimas
KM 17, Kuching
Kota Samarahan Expressway
94300, Kota Samarahan, Sarawak
Tel : (082) 665 622, 288
Fax : (082) 665 261

Group Branch Network

SARAWAK REGION (CONTINUED)

9) Wisma Mahmud, Kuching
Level 1, Wisma Mahmud
Jalan Sungei Sarawak
93100 Kuching
Sarawak
Tel : (082) 345 345, 610
Fax : (082) 338 358, 342 327

10) Lundu, Sarawak
Lot 249-250, Jalan Blacksmith
Pekan Lundu
94500 Lundu, Sarawak
Tel : (082) 735 611
Fax : (082) 735 220

11) Sri Aman, Sarawak
Lot 839, Jalan Sabu
95000 Sri Aman
Kuching, Sarawak
Tel : (083) 320 979, 980
Fax : (083) 320 975

12) Matang Jaya, Kuching
Lot 25, 26 & 27, Section 65
Kuching Town Land District
Taman Lee Ling Commercial Cantre
93050 Matang Jaya
Kuching Sarawak
Tel : (082) 442 741, 449 135
Fax : (082) 443 926

13) Tabuan Jaya, Sarawak
891-892, Lorong Bayor Bukit 2A
Tabuan Jaya, Shopping Centre
Jalan Wan Alwi
93350 Kuching, Sarawak
Tel : (082) 366 823, 828
Fax : (082) 366 826

14) Jalan Padungan, Kuching
256, Jalan Padungan
93100 Kuching
Sarawak
Tel : (082) 423 216, 252 088
Fax : (082) 415 453, 428 717

15) Jalan Kulas, Kuching
Ground Floor, Lot 363
Jalan Kulas
93740 Kuching, Sarawak
Tel : (082) 419 050, 426 586
Fax : (082) 426 160

16) Simpang Tiga, Kuching
No 11, Jalan Simpang Tiga
93758 Kuching, Sarawak
Tel : (082) 417 817, 411 817
Fax : (082) 420 975

17) Siburan, Sarawak
No 12 & 13,
Eastern Commercial Centre
17th Mile, Kuching Serian Road
94200 Siburan, Sarawak
Tel : (082) 862 808
Fax : (082) 862 880

18) Boulevard Centre, Miri
Ground Floor, Lot 2469 & 2470
Boulevard Commercial Centre
Jalan Boulevard Utama
98000 Miri, Sarawak
Tel : (085) 429 880
Fax : (085) 429 881

19) Jalan Nakhoda Gampar, Miri
Lot 362, Block 9
Jalan Nakhoda Gampar
98008 Miri, Sarawak
Tel : (085) 411 882
Fax : (085) 415 682

20) Lawas, Sarawak
Lot No 355
Jalan Punang
98850 Lawas
Tel : (085) 285 657, 659
Fax : (085) 285 529

21) Jalan Masjid, Bintulu
Ground Floor & 1st Floor
258 Taman Sri Dagang
Jalan Masjid
97000 Bintulu, Sarawak
Tel : (086) 331 133
Fax : (086) 331 692

22) Marudi, Sarawak
Lot 29, Jalan Kapitan Lim Ching Kiat
Marudi, 98050 Baram, Sarawak
Tel : (085) 756 721, 722
Fax : (085) 756 724

23) Limbang, Sarawak
Lot 1563 Jalan Buangsiol
98700 Limbang, Sarawak
Tel : (085) 212 398, 399
Fax : (085) 211 022

ISLAMIC BANK

1) **Cawangan Utama K.L**
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 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

3) **Kelana Jaya**
A-G-03, Jalan SS6/5A
Dataran Glomac
Pusat Bandar Kelana Jaya
47301 Petaling Jaya, Selangor
Tel : (03) 7805 7500
Fax : (03) 7805 7600

4) **Bandar Baru Bangi**
No. 39-G-1, Jalan Medan
Pusat Bandar 4
43650 Bandar Baru Bangi
Selangor
Tel : (03) 8926 5433
Fax : (03) 8926 3343

5) **Bayu Tinggi, Klang**
No 1, Jalan Bayu Tinggi 6
Taman Bayu Tinggi
41200 Klang
Selangor
Tel : (03) 3326 2255
Fax : (03) 3325 9522

6) **Auto City, Prai**
1808-B, Jalan Perusahaan,
Auto-City, North South HIghway
Juru Interchange
13600 Prai, Penang
Tel : (04) 5080 500
Fax : (04) 5016 700

7) **Taman Flora Utama, Batu Pahat**
Ground Floor, No. 1&2
Jalan Flora Utama 1
Taman Flora Utama
83000 Batu Pahat, Johor
Tel : (07) 433 6777
Fax : (07) 433 4848

8) **Taman Setia Tropika, Johor Bahru**
No 1, Jalan Setia Tropika 1/30
Taman Setia Tropika
81200 Johor Bahru, Johor
Tel : (07) 2380 078
Fax : (07) 2380 012

9) **Kuala Terengganu**
No. 20, Pusat Niaga Paya Keladi
20000 Kuala Terengganu
Terengganu
Tel : (09) 630 5577
Fax : (09) 630 5533

10) **Kubang Kerian**
Lot 1679, Jalan Raja Perempuan Zainab 2
Bandar Baru Kubang Kerian
16150 Kota Bharu
Kelantan
Tel : (09) 7640 221, 222, 223
Fax : (09) 7640 700

11) **Jalan Karamunsing, Kota Kinabalu**
Lot BG-01, Ground Floor
Block B, Bangunan KWSP
No. 49, Jalan Karamunsing
88100 Kota Kinabalu, Sabah
Tel : (088) 245 777
Fax : (088) 234 499

12) **Jalan Satok, Kuching**
Ground Floor
Lot 474 & 475
Section 6, KTLD
192-E & 192-F, Jalan Satok
93400 Kuching, Sarawak
Tel : (082) 258 800
Fax : (082) 243 900

13) **Taman Indah Automobile Business Centre**
7 & 9, Jalan SS2/1
Taman Indah, Off Jalan Balakong
Bt 11, 43200 Cheras
Selangor
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

Group Branch Network

RHB INVESTMENT BANK BERHAD (CONTINUED)

2) Melaka Branch
Lot 9 & 10, 1st Floor
Bangunan Tabung Haji
Jalan Banda Kaba
75000 Melaka
Tel : (06) 283 3622
Fax : (06) 284 9886

3) Kuching Desk Office
Suite 102, 1st Floor
Crown Tower
88 Jalan Pending
93450 Kuching
Sarawak
Tel : (082) 332 898, 342 898
Fax : (082) 335 989

4) Jointly Controlled Entity
Vietnam Securities Corporation
8th Floor, 59 Quang Trung Street
Nguyen Du Ward
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) RHB Research Institute Sdn Bhd
Level 11, Tower 1
RHB Centre, Jalan Tun Razak
50400 Kuala Lumpur
Tel : (03) 9280 2160
Fax : (03) 9284 8693

RHB INVESTMENT MANAGEMENT SDN BHD

1) 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

2) Northern Regional Office
Level 3A, 44 Lebuh Pantai
Georgetown, 10300 Penang
Tel : (04) 263 4848, 1333
Fax : (04) 262 8844

3) Sabah Regional Office
Lot No. C-02-04,
2nd Floor, Block C
Warisan Square
Jalan Tun Fuad Stephens
88000, Kota Kinabalu, Sabah
Tel : (088) 528 692
Fax : (088) 528 685

4) Sarawak Regional Office
Lot 7420, First Floor
Jalan Simpang Tiga
93300 Kuching, Sarawak
Tel : (082) 231 326
Fax : (082) 230 326

5) Kuala Lumpur Branch Office
1st and 2nd Floor, Lot 10, Block J
Kuala Cityview, No. 10, Jalan 4/93A
Warisan Cityview, Off Batu 2 1/2
Jalan Cheras
56100 Kuala Lumpur
Tel : (03) 9282 8669
Fax : (03) 9282 2669

RHB INSURANCE SDN BHD

1) Penang Branch
2nd Floor, RHB Bank
44, Lebuh Pantai
10300 Penang
Tel : (04) 2610 115, 2615 639
Fax : (04) 2616 310

2) Ipoh Branch
No. 37, Jalan Medan Ipoh 5
Bandar Baru Medan Ipoh
31400 Ipoh
Perak
Tel : (05) 546 3123, 2021
Fax : (05) 546 1303

3) Johor Bahru Branch
Suite 18.06, Level 18
JB City Square (Office Tower)
106 - 108, Jln Wong Ah Fook
80000 Johor Bahru, Johor
Tel : (07) 223 4982, 7068
Fax : (07) 223 0824

4) Kota Bharu Branch
Lot 344, Ground Floor
Jalan Sultan Yahya Petra
15200 Kota Bharu, Kelantan
Tel : (09) 746 1611
Fax : (09) 746 1612

5) Sibu Branch
27 & 29 1st Floor
Jalan Tuanku Osman
96000 Sibu
Sarawak
Tel : (084) 331 660, 876
Fax : (084) 331 873

RHB INSURANCE SDN BHD (CONTINUED)

6) Klang Branch
2nd Floor, Unit A6
Jalan Tiara 2A/KU1
Pusat Perniagaan BBK
Bandar Baru Klang
41150 Klang, Selangor
Tel : (03) 3342 0026
Fax : (03) 3342 1026

7) Kota Kinabalu Branch
Lot No. C-02-06, 2nd Floor
Block C, Warisan Square
Jalan Tun Fuad Stephens
88000 Kota Kinabalu, Sabah
Tel : (088) 528 765, 448 010
Fax : (088) 528 770

8) Kuching Branch
Lot 7420, 1st & 2nd Floor
No 11, Jalan Simpang Tiga
P.O. Box 3000
93758 Kuching, Sarawak
Tel : (082) 236 643, 234 643
Fax : (082) 230 643

9) Melaka Branch
No. 339, Jalan Melaka Raya 3
Taman Melaka Raya
75000 Melaka
Tel : (06) 283 9460, 9118
Fax : (06) 282 0516

10) Kuantan Branch
No. 2, 4, & 6 (Malay Town)
Jalan Putra Square 1
Putra Square
25200 Kuantan
Pahang Darul Makmur
Tel : (09) 505 7048
Fax : (09) 505 7046

11) Kajang Branch
No. 7 Jalan Raja Haroun
43000 Kajang
Selangor Darul Ehsan
Tel : (03) 8737 6067, 8733 6479
Fax : (03) 8737 9348

12) Sandakan Branch
1st Floor, Block 7, Lot 64, 65 & 66
Phase 1, Prime Square, Mile 4
Jalan Utara
90000 Sandakan, Sabah
Tel : (089) 235 893, 898
Fax : (089) 275 882

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 (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

3) 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

4) KUCHING INTERNATIONAL AIRPORT
Arrival Hall
Peti Surat 1070, 93722 Kuching
Sarawak
Tel : (082) 463 768
Fax : (082) 464 355

5) LOW COST CARRIER TERMINAL (LCCT) KLIA
Lot LCIA 01
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
50088 Kuala Lumpur
Tel : (03) 2164 4423, 4125, 128
Fax : (03) 2164 6213

Group Branch Network

LIST OF OVERSEAS BRANCH

BRUNEI BRANCH
UnitG.02, Ground Floor, Block D
Bolkiah, Jalan Pretty
Bandar Seri Begawan, BS 8711
Negara Brunei Darul Salam
Tel : (673) 222 2515, 2516
Fax : (673) 222 3687

BANGKOK BRANCH
G Floor/18th Floor, M Thai Tower
All Seasons Place
87 Wireless Road, Lumpini
Pathumwan, Bangkok 10330
Tel : 66 (02) 126 8600
Fax : 66 (02) 126 8601

VIETNAM RPRESENTATIVE OFFICE
Room 1208, 12th Floor
Sun Wah Tower
115 Nguyen Hue District
Ho Chin Minh City, Vietnam
Tel : (00) 848 382 78498
Fax : (00) 848 382 78499

SINGAPORE BRANCH

1) **Cecil Street Branch**
90 Cecil Street
#01-00
Singapore 069531
Tel : (00) 65 6222 1059
Fax : (00) 65 6225 5296

2) **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**
537 Geylang Road
Singapore 389492
Tel : (00) 65 6747 8969
Fax : (00) 65 6747 1015

4) **Jalan Besar Branch**
10, Jalan Besar #01-03
Sim Lim Tower
Singapore 208787
Tel : (00) 65 6296 5842
Fax : (00) 65 6296 5846

5) **Bukit Merah Branch**
Block 131, Jalan Bukit Merah
#01-1577 / 1579
Singapore 160131
Tel : (00) 65 6273 9168
Fax : (00) 65 6273 7765

6) **Katong Branch**
14-18 East Coast Road
Singapore 428741
Tel : (00) 65 6344 5353
Fax : (00) 65 6345 7131

7) **Upper Serangoon Branch**
1 Yio Chu Kang Road
Singapore 545506
Tel : (00) 65 6282 6778
Fax : (00) 65 6273 7765

Notice Of Sixteenth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixteenth (16th) Annual General Meeting of the Company will be held at Grand Ballroom, Level 2, InterContinental Kuala Lumpur, 165, Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 6 April 2011 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 2010 and the Directors' and Auditors' Reports thereon. **Ordinary Resolution 1**

2. To declare a final dividend of 21.38% less 25% income tax in respect of the financial year ended 31 December 2010 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) Tan Sri Azlan Zainol; **Ordinary Resolution 3**
   (ii) Johari Abdul Muid; and **Ordinary Resolution 4**
   (iii) Mohamed Ali Ahmed Hamad Al Dhaheri **Ordinary Resolution 5**

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) Dato' Saw Choo Boon; and **Ordinary Resolution 6**
   (ii) Dato' Teo Chiang Liang **Ordinary Resolution 7**

5. To approve the payment of Directors' Fees totalling RM476,986.29 for the financial year ended 31 December 2010; **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**

Notice Of Sixteenth Annual General Meeting

7. To transact any other business for which notice has been duly received.

By Order of the Board

Azman Shah Md Yaman
(LS 0006901)
Company Secretary

Kuala Lumpur
15 March 2011

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, 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

No. of Ordinary Shares held

RHB Capital Berhad
(Company No. 312952-H)
(Incorporated in Malaysia under the Companies Act, 1965)

I/We____________________________________NRIC/Passport/Company No.________________
(Name in block letters)

of____
(Full address)

being a member of RHB CAPITAL BERHAD hereby appoint :-

(Name & NRIC No.)__________________________of___________________________________
and/or*

(Name & NRIC No.)__________________________of___________________________________

or failing him/her, the CHAIRMAN OF THE MEETING, as my/our* proxy to vote for me/us* and on my/our* behalf at the Sixteenth (16th) Annual General Meeting of the Company to be held at Grand Ballroom, Level 2, InterContinental Kuala Lumpur, 165, Jalan Ampang, 50450 Kuala Lumpur, on Wednesday, 6 April 2011 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 21.38% less 25% income tax for the financial year ended 31 December 2010.		
Ordinary Resolution 3	To re-elect Tan Sri Azlan Zainol as Director.		
Ordinary Resolution 4	To re-elect Johari Abdul Muid as Director.		
Ordinary Resolution 5	To re-elect Mohamed Ali Ahmed Hamad Al Dhaheri as Director.		
Ordinary Resolution 6	To re-elect Dato' Saw Choo Boon as Director.		
Ordinary Resolution 7	To re-elect Dato' Teo Chiang Liang as Director.		
Ordinary Resolution 8	To approve the payment of Directors' Fees totalling RM476,986.29 for the financial year ended 31 December 2010.		
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__________________, 2011

____
Signature
(If shareholder is a corporation, this part should be executed under seal)

* *Delete if not applicable*

Note

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, 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.
6. Registration counter will open from 8.30 a.m. to 9.30 a.m. on the meeting day to facilitate shareholders/proxy registration.

Fold this flap for sealing

PLEASE FOLD HERE

Postage
Stamp

The Share Registrar of **RHB CAPITAL BERHAD**
SYMPHONY SHARE REGISTRARS SDN BHD
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor

PLEASE FOLD HERE