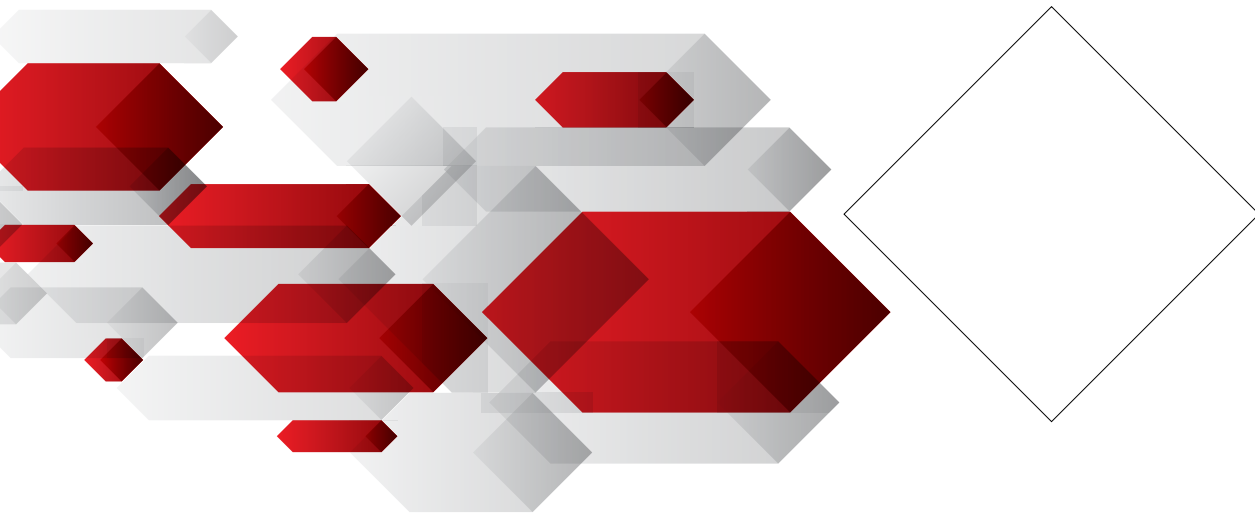




ANNUAL REPORT 2011



## RATIONALE

This year's annual report cover gives you an insight into the heart of RHB – our employees and the new set of customer-centric core values we have adopted under the acronym **PRIDE** – **P**rofessionalism, **R**espect, **I**ntegrity, **D**ynamism and **E**xcellence.

These new values set the tone for how we are to serve customers externally and how we are to do business internally. They call for our employees to deliver a superior customer experience by inculcating PRIDE within our work culture and DNA. PRIDE must resonate intuitively with RHB's workforce if we are to be a success and achieve our ambition of becoming a leading multinational financial services group.

# PRIDE



# Professionalism

We are committed to maintain a high level of proficiency, competency and reliability in all that we do



# Respect

We are courteous, humble and we show empathy to everyone through our actions and interactions



# Integrity

We are honest, ethical and we uphold a high standard of governance



# Dynamism

We are proactive, responsive and forward thinking



# Excellence

We will continuously achieve high standards of performance and service deliverables

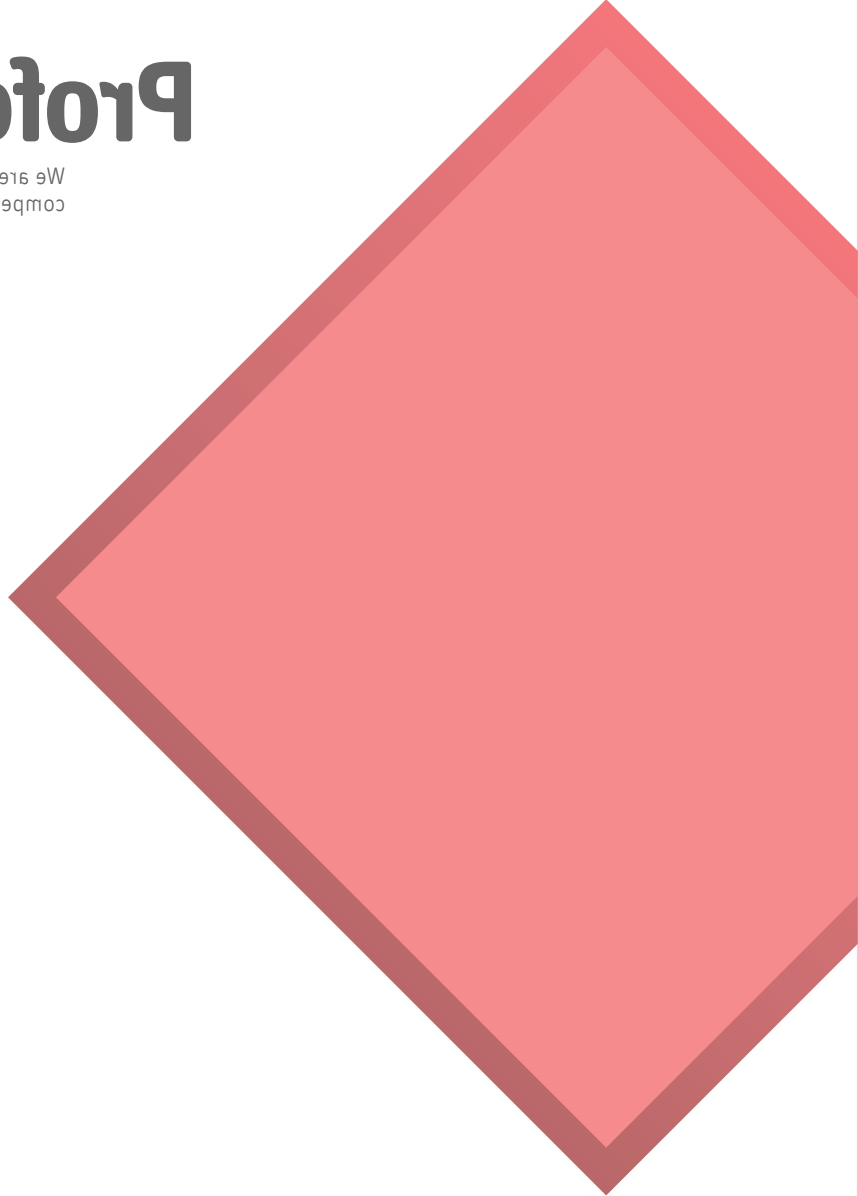


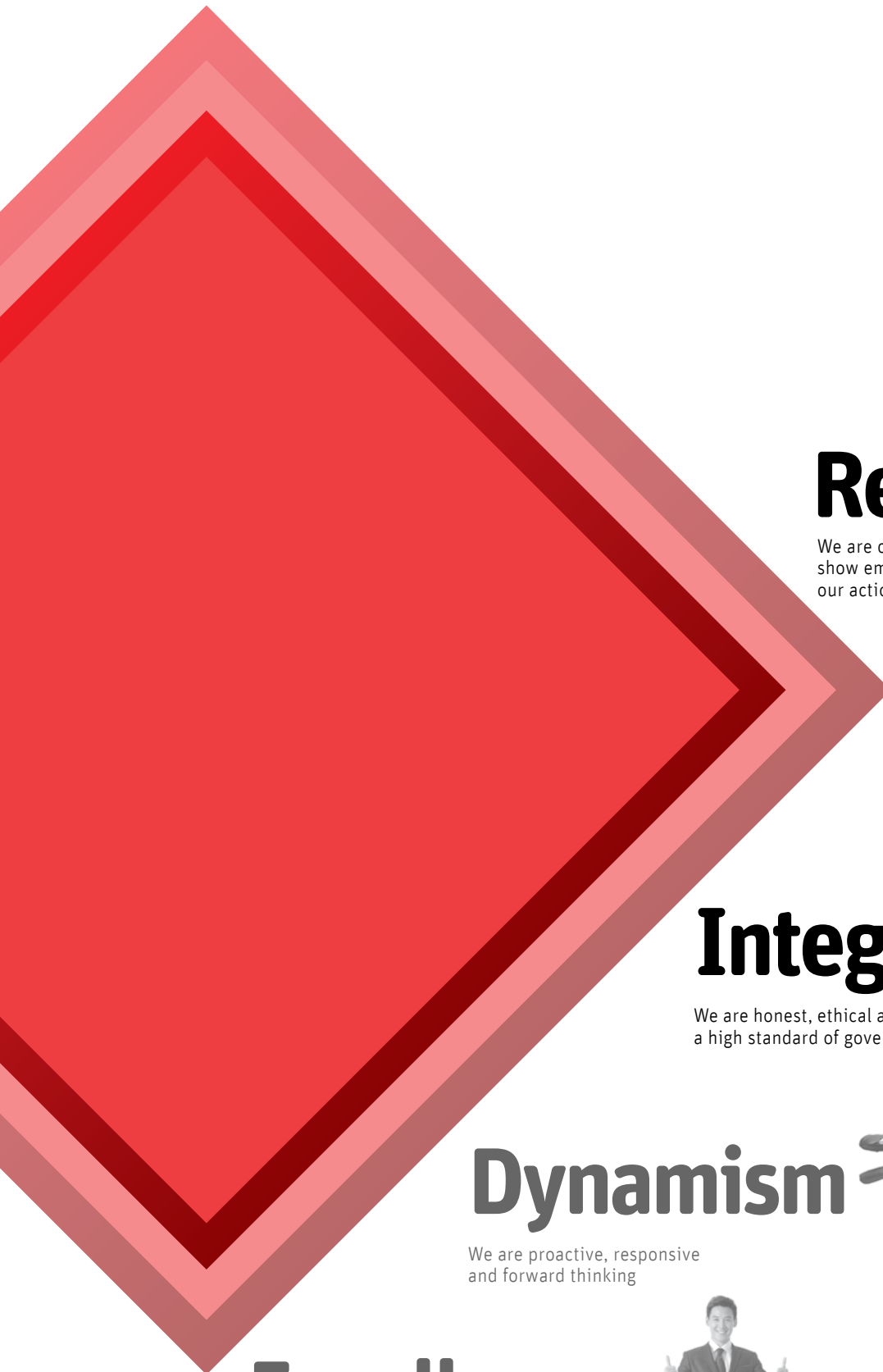


**PRIDE**

**Professionalism**

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# Respect

We are courteous, humble and we show empathy to everyone through our actions and interactions



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# PRIDE



# Professionalism

We are committed to maintain a high level of proficiency, competency and reliability in all that we do

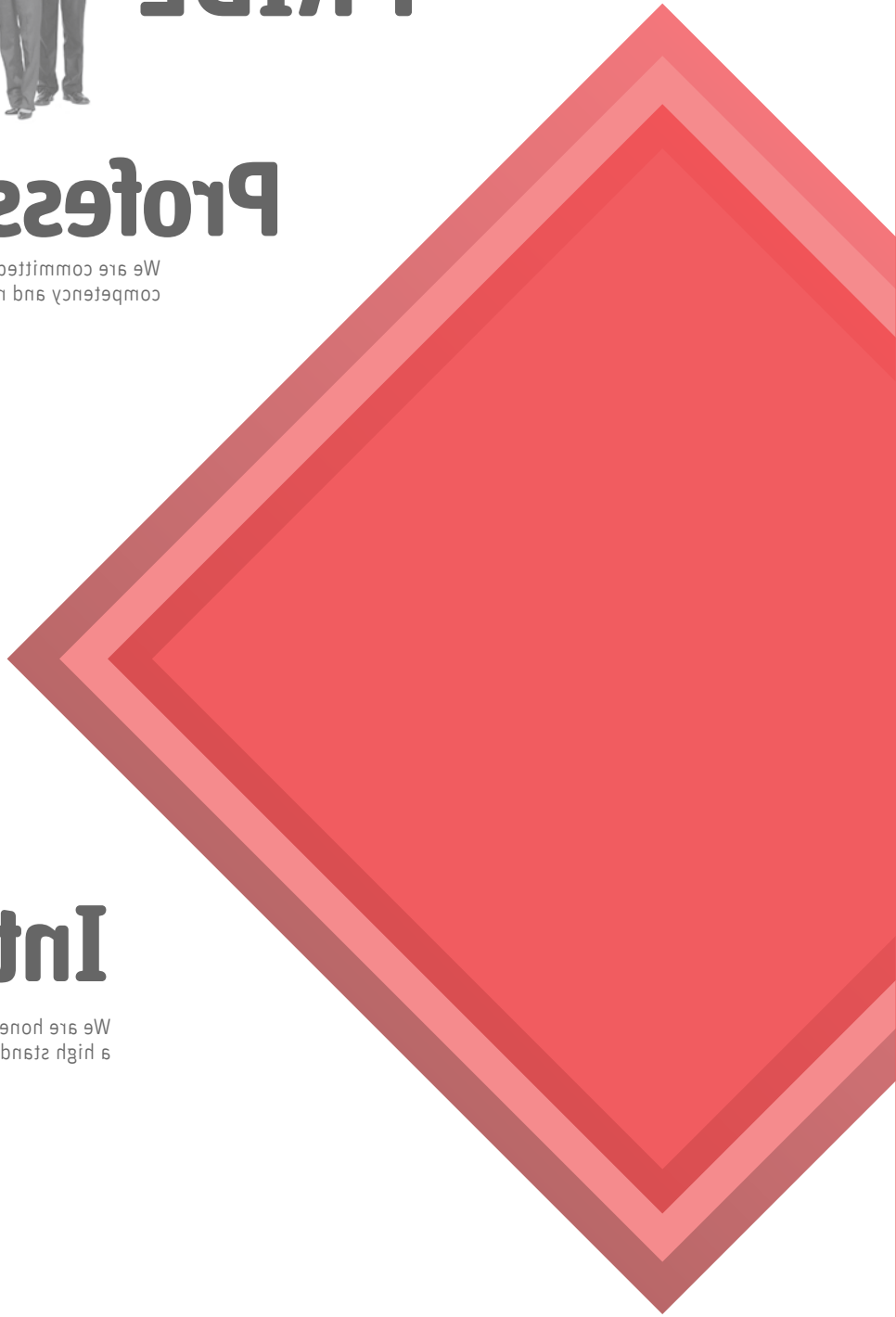
# Respect

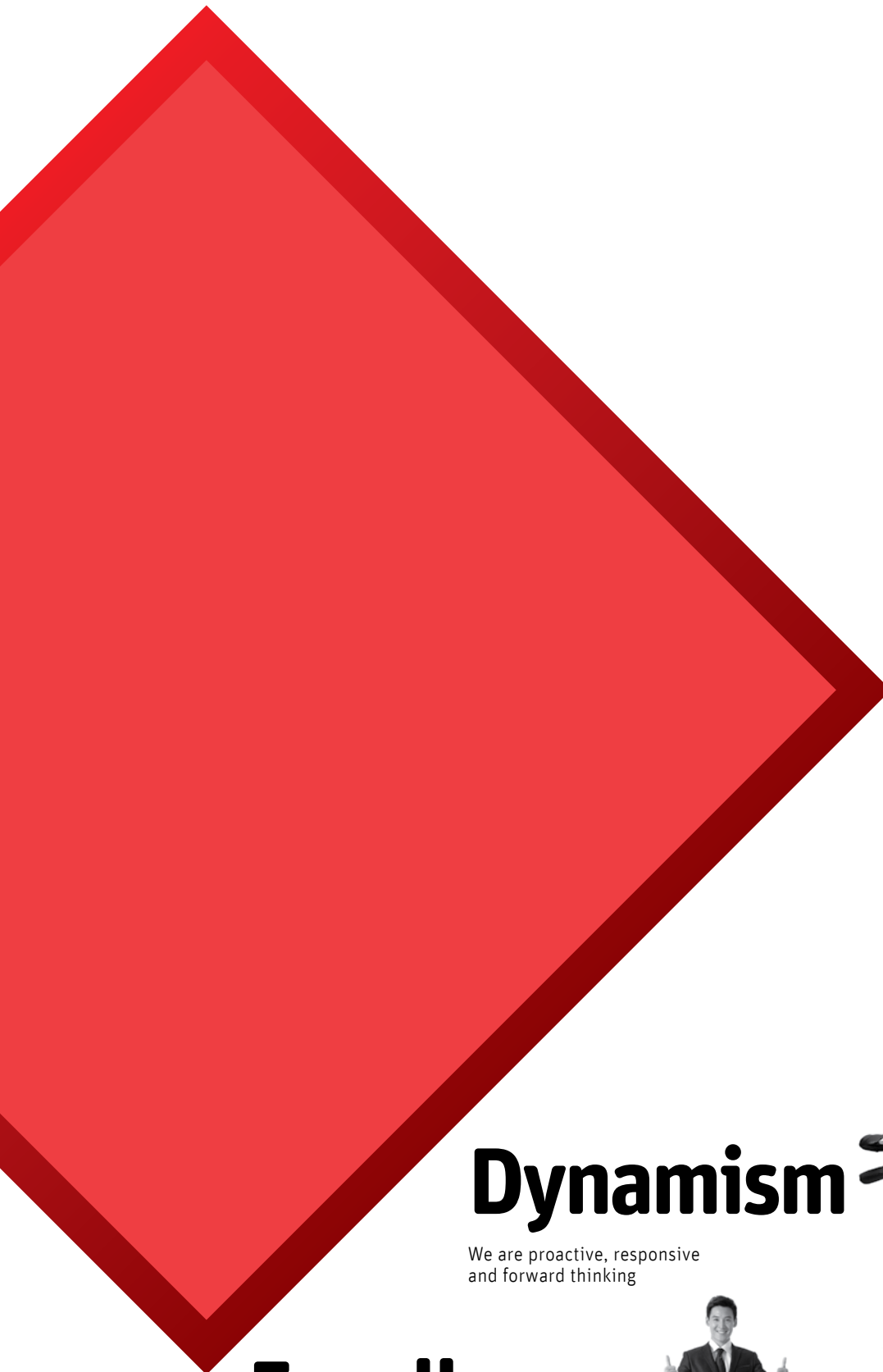
We are courteous, humble and we show empathy to everyone through our actions and interactions



# Integrity

We are honest, ethical and we uphold a high standard of governance





# Dynamism

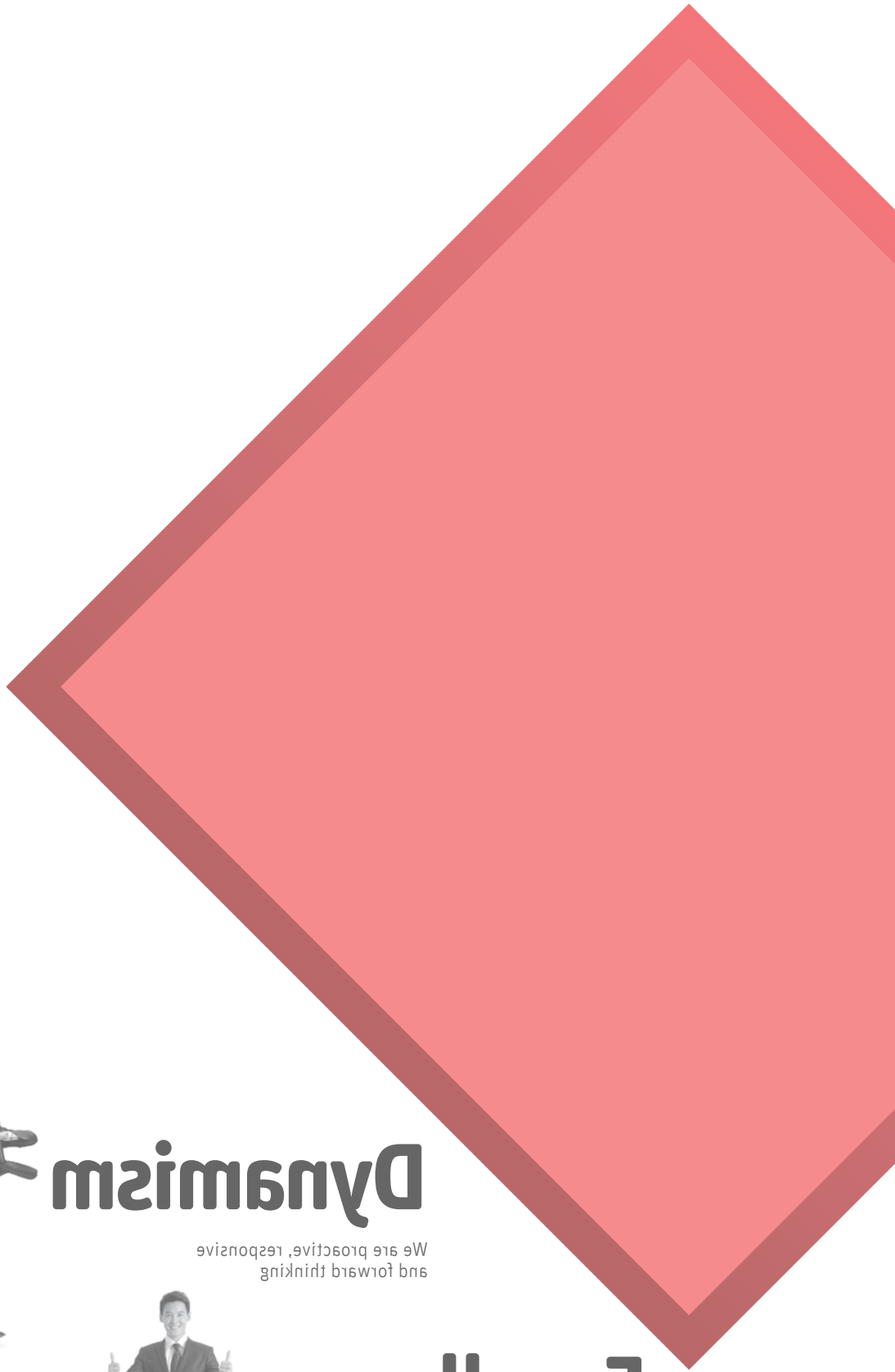
We are proactive, responsive and forward thinking



# Excellence

We will continuously achieve high standards of performance and service deliverables





# Dynamism

We are proactive, responsive  
and forward thinking



# Excellence

We will continuously achieve high standards  
of performance and service deliveries





2011



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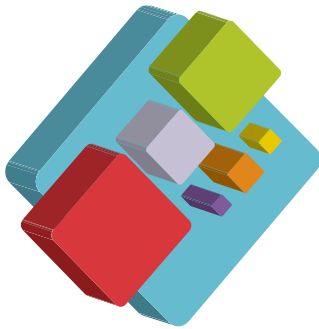


## Group Financial Highlights

	2011	2010
<b>PROFITABILITY (RM million)</b>		
Operating revenue	7,085	6,149
Operating profit before allowances	2,404	2,411
Profit before taxation	2,000	1,899
Net profit attributable to equity holders of the Company	1,502	1,420
<b>STATEMENTS OF FINANCIAL POSITION (RM million)</b>		
Total assets	152,394	129,325
Portfolio of financial assets/investments	26,302	25,017
Loans, advances and financing	94,824	81,228
Total liabilities	140,943	119,353
Deposits from customers	115,861	94,434
Shareholders' equity	11,438	9,962
Commitments and contingencies	74,161	70,522
<b>FINANCIAL RATIOS (%)</b>		
<b>Profitability Ratios</b>		
Net return on average equity	14.0	15.2
Net return on average assets	1.1	1.2
<b>Asset Quality/Loan Ratios</b>		
Gross impaired loans ratio	3.4	4.4
Gross loans to deposits ratio	84.0	88.6

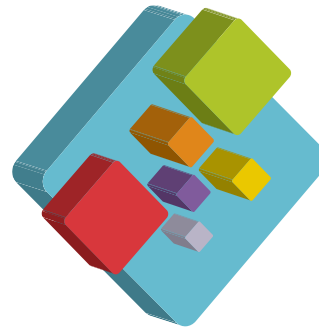
# Simplified Group Statements of Financial Position

## Assets - 2011



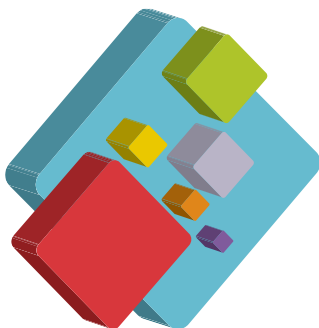
- ◆ 62.2% Loans, advances and financing
- ◆ 17.3% Financial assets/investments portfolio
- ◆ 13.4% Cash and short-term funds
- ◆ 2.2% Statutory deposits
- ◆ 0.7% Deposits and placements with banks and other financial institutions
- ◆ 0.1% Securities purchased under resale agreements
- ◆ 4.1% Other assets (including goodwill)

## Liabilities & Equity - 2011



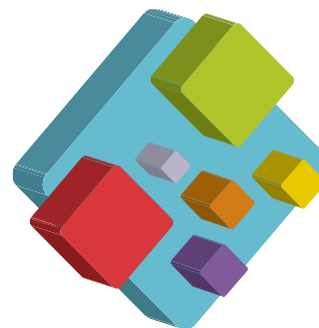
- ◆ 76.0% Deposits from customers
- ◆ 7.6% Shareholder's equity
- ◆ 6.6% Deposits and placements of banks and other financial institutions
- ◆ 2.7% Subordinated obligations and Hybrid Tier-1 capital securities
- ◆ 2.5% Bills and acceptances payable
- ◆ 2.4% Borrowings
- ◆ 2.2% Other liabilities

## Assets - 2010



- ◆ 62.8% Loans, advances and financing
- ◆ 19.3% Financial assets/investments portfolio
- ◆ 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
- ◆ 7.8% Shareholder's equity
- ◆ 3.1% Borrowings
- ◆ 3.0% Subordinated obligations and Hybrid Tier-1 capital securities
- ◆ 2.7% Bills and acceptances payable
- ◆ 2.6% Other liabilities

## Five-Year Group Financial Summary

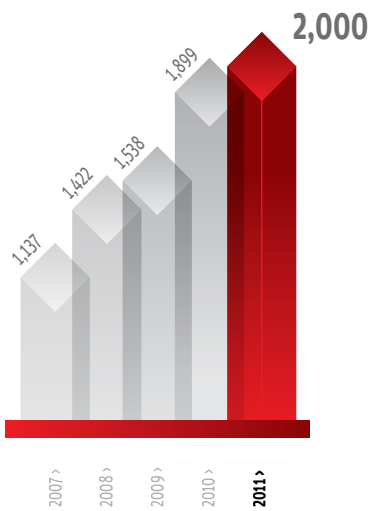
	2011	2010	2009	2008	2007
<b>RESULTS (RM million)</b>					
Profit before taxation	2,000	1,899	1,538	1,422	1,137
Net profit attributable to equity holders of the Company	1,502	1,420	1,201	1,049	713
<b>STATEMENTS OF FINANCIAL POSITION (RM million)</b>					
Total assets	152,394	129,325	115,085	104,533	105,154
Loans, advances and financing	94,824	81,228	66,923	60,596	54,555
Total liabilities	140,943	119,353	106,345	96,692	98,080
Deposits from customers	115,861	94,434	84,841	73,962	75,793
Paid-up capital	2,205	2,153	2,153	2,153	2,153
Shareholders' equity	11,438	9,962	8,708	7,814	7,048
Commitments and contingencies	74,161	70,522	67,234	60,735	56,609
<b>SHARE INFORMATION</b>					
Gross dividend per share - (sen)	25.4	26.4	22.5	19.6	13.6
Net assets per share - (RM)	5.2	4.6	4.0	3.6	3.3
Net tangible assets per share - (RM)	3.5	2.9	2.3	1.9	1.8
Basic earnings per share - (sen)	68.9	66.0	55.8	48.7	35.8
Share price - (RM)	7.48	8.72	5.30	3.90	5.85
Market capitalisation (RM million)	16,492	18,778	11,413	8,399	12,598
<b>FINANCIAL RATIOS (%)</b>					
<b>Profitability Ratios</b>					
Net return on average equity	14.0	15.2	14.5	14.1	11.9
Net return on average assets	1.1	1.2	1.1	1.0	0.7
Cost/income ratio	44.2	40.5	42.7	43.9	44.4
<b>Asset Quality/Loan Ratios</b>					
Gross loans to deposits ratio	84.0	88.6	82.1	85.4	75.0
Gross impaired loans ratio	3.4	4.4	6.7*	4.5	5.6
Loan loss coverage	73.8	67.6	63.9	90.3	71.4
<b>Ordinary Shares</b>					
Gross dividend yield	3.4	3.0	4.2	5.0	2.3
Dividend payout ratio	30.0	30.0	30.2	30.0	30.2

\* Adjusted for effect of adoption on FRS 139 in financial year 2010.

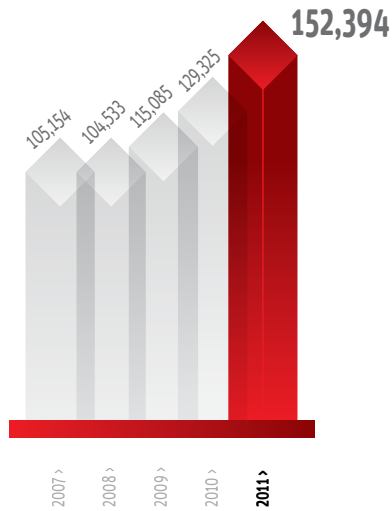
Note: Financial information prior to financial year 2010 has not been restated for the effect of the adoption of new applicable accounting standards in 2011 and 2010, except stated otherwise.

## Summary of Five-Year Group Growth

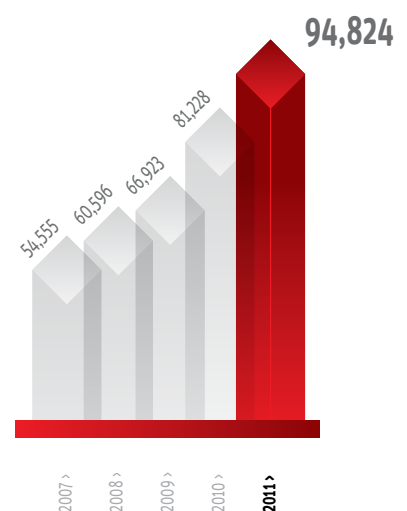
**Profit Before Taxation**  
(RM Million)



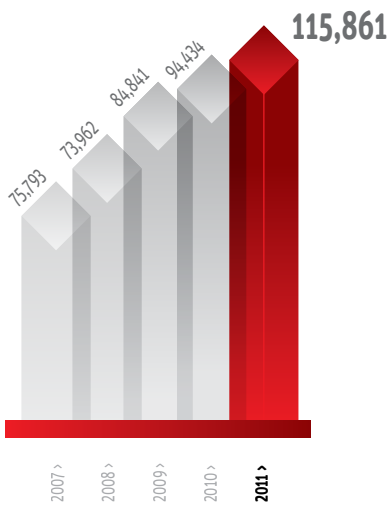
**Total Assets**  
(RM Million)



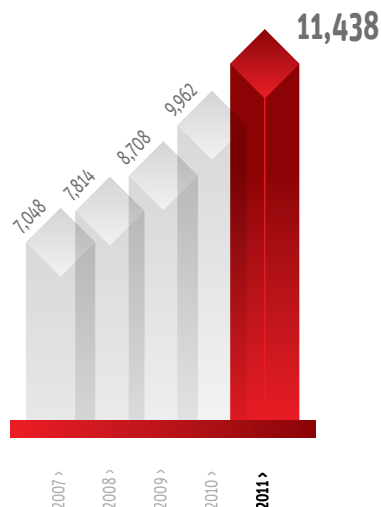
**Loans, Advances and Financing**  
(RM Million)



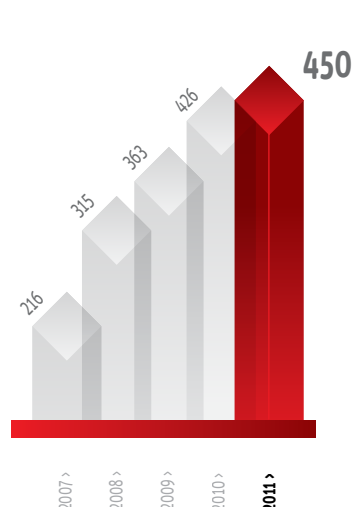
**Deposits from Customers**  
(RM Million)



**Shareholders' Equity**  
(RM Million)



**Net Dividends**  
(RM Million)

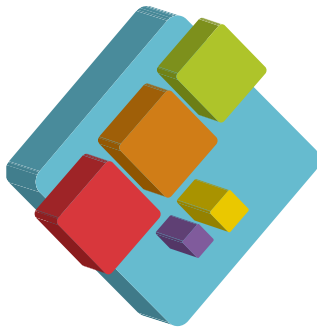


Note: Financial information prior to financial year 2010 has not been restated for the effect of the adoption of new applicable accounting standards in 2011 and 2010, except stated otherwise.

# Segmental Analysis

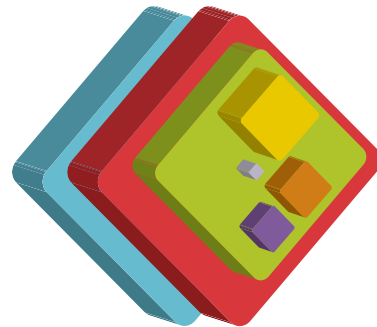
for the year ended 31 December 2011

## Operating Revenue\* By Business Segment



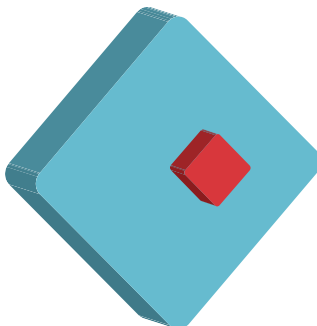
- ◆ 43.0% Retail Banking
- ◆ 17.1% Corporate and Investment Banking
- ◆ 14.9% Business Banking
- ◆ 12.3% Group Treasury
- ◆ 7.9% Islamic Banking Business
- ◆ 4.8% Global Financial Banking

## Assets Employed By Business Segment



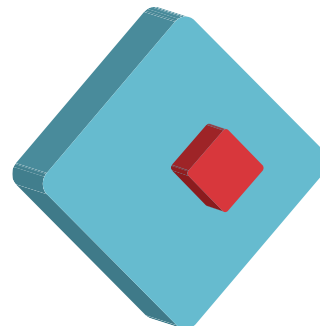
- ◆ 28.3% Retail Banking
- ◆ 28.3% Group Treasury
- ◆ 20.8% Corporate and Investment Banking
- ◆ 9.1% Islamic Banking Business
- ◆ 7.2% Business Banking
- ◆ 6.0% Global Financial Banking
- ◆ 0.3% Others

## Operating Revenue By Geographical Location



- ◆ 95.0% Malaysia
- ◆ 5.0% Overseas

## Assets Employed By Geographical Location



- ◆ 93.9% Malaysia
- ◆ 6.1% Overseas

Note

\* Exclude the revenue/expenses from Support Center and Others as per Note 43 to the financial statements.



## Group Quarterly Performance

	First Quarter	Second Quarter	2011 Third Quarter	Fourth Quarter	Year 2011
<b>FINANCIAL PERFORMANCE (RM million)</b>					
Operating revenue	1,651	1,774	1,761	1,899	7,085
Net interest income	681	702	695	709	2,787
Operating profit before allowances	590	642	543	629	2,404
Profit before taxation	512	528	492	468	2,000
Net profit attributable to equity holders of the Company	383	393	377	349	1,502
Earnings per share (sen)	17.7	18.2	17.2	15.8	68.9
Gross dividend per share (sen)					
- Interim	-	8.0	-	-	8.0
- Final (including single tier dividend)	-	-	-	17.4	17.4

	First Quarter	Second Quarter	2010 Third Quarter	Fourth Quarter	Year 2010
<b>FINANCIAL PERFORMANCE (RM million)</b>					
Operating revenue	1,408	1,446	1,617	1,678	6,149
Net interest income	637	607	714	715	2,673
Operating profit before allowances	559	564	629	659	2,411
Profit before taxation	474	448	453	524	1,899
Net profit attributable to equity holders of the Company	350	339	351	380	1,420
Earnings per share (sen)	16.2	15.8	16.3	17.7	66.0
Gross dividend per share (sen)					
- Interim	-	5.0	-	-	5.0
- Final	-	-	-	21.4	21.4

# Corporate Information

as at 29 February 2012

## 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*

**Dato' Teo Chiang Liang**  
*Independent Non-Executive Director*

**Dato' Saw Choo Boon**  
*Independent Non-Executive Director*

**Kellee Kam Chee Khiong**  
*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**

**Haji Md Ja'far Abdul Carrim**

**Choong Tuck Oon**

**Dato' Saw Choo Boon**

## GROUP NOMINATING COMMITTEE#

**Datuk Haji Faisal Siraj**  
*Chairman*

**Dato' Mohamed Khadar Merican**

**Dato' Teo Chiang Liang**

**Dato' Saw Choo Boon**

**Haji Md Ja'far Abdul Carrim**

**Choong Tuck Oon**

## GROUP REMUNERATION AND HUMAN RESOURCE COMMITTEE#

**Datuk Haji Faisal Siraj**  
*Chairman*

**Dato' Mohamed Khadar Merican**

**Dato' Teo Chiang Liang**

**Dato' Saw Choo Boon**

**Haji Md Ja'far Abdul Carrim**

**Choong Tuck Oon**

## COMPANY SECRETARIES

**Azman Shah Md Yaman**

**Ivy Chin So Ching**

*Note:*

# The committee is shared with relevant subsidiaries of the Group.

**GROUP SENIOR MANAGEMENT**

**Kellee Kam Chee Khiong**  
*Group Managing Director*

**Johari Abdul Muid**  
*Managing Director, RHB Bank Berhad*

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

**Mike Chan Cheong Yuen**  
*Officer In Charge,  
RHB Investment Bank Berhad/  
Director, Corporate Banking*

**Kong Shu Yin**  
*Managing Director,  
RHB Insurance Berhad*

**Sharifatul Hanizah Said**  
*Managing Director, RHB Investment  
Management Sdn Bhd*

**Norazzah Sulaiman**  
*Director, Group Corporate Services*

**Michael Lim Kheng Boon**  
*Director, Treasury and Transaction  
Services*

**Vince Au Yoong See Weng**  
*Director, Retail Banking (Acting)*

**Amy Ooi Swee Lian**  
*Director, Business Banking*

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

**Patrick Ho Kwong Hoong**  
*Head, Group Risk Management*

**Wong Yih Yin**  
*Chief Internal Auditor*

**Azman Shah Md Yaman**  
*Company Secretary*

**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

# RHB Capital Berhad Group Structure

as at 13 February 2012



## 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 <sup>(9)</sup>
- ◆ UMBC Sdn Bhd
- ◆ RHB Delta Sdn Bhd <sup>(9)</sup>

#### 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.
- (3) The company became a wholly-owned subsidiary of RHB Capital Berhad on 16 October 2009.
- (4) The company became a wholly-owned subsidiary of RHB Capital Berhad on 2 November 2009.
- (5) The company became a wholly-owned subsidiary of RHB Hartanah Sdn Bhd on 26 May 2010.
- (6) The company became a wholly-owned subsidiary of RHB Hartanah Sdn Bhd on 16 July 2010.
- (7) The company became a wholly-owned subsidiary of RHB Private Equity Holdings Sdn Bhd on 30 September 2010.
- (8) The company became a wholly-owned subsidiary of RHB Investment Management Sdn Bhd on 14 October 2010.
- (9) The company has commenced members' voluntary winding up on 16 February 2011.

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

## Investment Banking Group

### RHB Investment Bank Berhad

- ◆ RHB Investment Management Sdn Bhd
  - ◆ RHB Islamic Asset Management Sdn Bhd <sup>(8)</sup>
- ◆ 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*) <sup>(7)</sup>
- ◆ 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 <sup>(9)</sup>
- ◆ RHB Unit Trust Management Berhad
- ◆ Vietnam Securities Corporation (49%)

### RHB Insurance Berhad

- ◆ RHB Insurance Berhad (94.7%)

### Others

- ◆ RHB Equities Sdn Bhd <sup>(1)</sup>
  - ◆ KYB Sdn Bhd
- ◆ RHB Capital (*Jersey*) Limited
  - ◆ Rashid Hussain Securities (*Philippines*), Inc. (*Philippines*) <sup>(2)</sup>
- ◆ RHB Hartanah Sdn Bhd
  - ◆ Positive Properties Sdn Bhd <sup>(5)</sup>
  - ◆ RHB Property Management Sdn Bhd <sup>(6)</sup>
- ◆ 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 <sup>(3)</sup>
- ◆ RHB Kawal Sdn Bhd <sup>(4)</sup>

## Board of Directors

Standing from left to right:

- ◆ **TAN SRI AZLAN ZAINOL**  
Non-Independent Non-Executive Director
- ◆ **KELLEE KAM CHEE KHIONG**  
Group Managing Director
- ◆ **DATO' SAW CHOO BOON**  
Independent Non-Executive Director
- ◆ **DATO' TEO CHIANG LIANG**  
Independent Non-Executive Director



Board of Directors



Seated from left to right:

- ◆ **DATO' MOHAMED KHADAR MERICAN**  
Independent Non-Executive Chairman
- ◆ **DATUK HAJI FAISAL SIRAJ**  
Senior Independent Non-Executive Director

## Profile of the Board of Directors



### DATO' MOHAMED KHADAR MERICAN

(55 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 Berhad (“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 30 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 Pemas 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 Bank Berhad, RHB Investment Bank Berhad (Chairman), Rashid Hussain Berhad (In Members' Voluntary Liquidation), AirAsia Berhad and Astro All Asia Networks Plc.

Dato' Mohamed Khadar attended all the fourteen 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

(61 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), ASIA Ltd (Singapore) and Commonwealth Africa Investments Limited.

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



### DATUK HAJI FAISAL SIRAJ

(66 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 was a Fellow of the Institute of Chartered Accountants in England and Wales, a Member of the Malaysian Institute of Accountants and a 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 and RHB Insurance Berhad.

Datuk Faisal attended all the fourteen 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**

(61 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 thirteen out of fourteen Board of Directors' Meetings held in the financial year. He has no family relationship with any Director and/or major shareholder of RHB Capital. He has no conflict of interest with RHB Capital and has never been charged of any offence.

**DATO' SAW CHOO BOON**

(65 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, Group Remuneration and Human Resource Committee and Group Risk Management 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 the Chairman of Shell Malaysia on 1 March 2006. He was also the Vice President of 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 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 all the fourteen Board of Directors' Meetings held in 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.

**KELLEE KAM CHEE KHIONG**

(38 years of age – Malaysian)  
Group Managing Director

Kellee Kam Chee Khiong (“Mr Kellee Kam”) was appointed as the Managing Director of RHB Capital on 10 May 2011. He was subsequently appointed as the Group Managing Director of RHB Banking Group on 9 January 2012. He is also a Member of Group IT & Transformation Strategy Committee.

Mr Kellee Kam holds a Master of Arts (MA) in South East Asian Business World from the University of London, Master of Business Administration from Richmond College and Bachelor of Law with Honours from Manchester Metropolitan University.

Mr Kellee Kam commenced his career in the financial services sector with ABN Amro Bank Berhad as the Assistant Vice President in Wholesale Banking before joining Utama Banking Group Berhad in 2002 as General Manager, where he is accountable for strategic projects and investments as well as provided oversight over Corporate Finance and business development. He joined RHB Management Company Sdn Bhd in 2003 as General Manager where he successfully led the corporate finance and treasury activities of RHB. Mr Kellee Kam was subsequently appointed as the General Manager, Group Finance (Corporate Treasury) for RHB Capital. Thereafter, he was appointed as the Head, Corporate and Strategic Planning on 1 January 2007, responsible in the areas of Corporate Finance and Strategy of the Group prior to his appointment as Chief Financial Officer of RHB Capital on 1 June 2007. He was appointed Principal Officer of RHB Capital in March 2011 prior to his appointment as Managing Director of RHB Capital on 10 May 2011.

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

## Chairmen of the Key Operating Subsidiaries



## Chairmen of the Key Operating Subsidiaries



Standing from left to right:

- ◆ **PATRICK CHIN YOKE CHUNG**  
RHB Investment Management Sdn Bhd
- ◆ **HAJI MD JA'FAR ABDUL CARRIM**  
RHB Insurance Berhad
- ◆ **DATO' MOHAMED KHADAR MERICAN**  
RHB Capital Berhad/  
RHB Investment Bank Berhad
- ◆ **TAN SRI AZLAN ZAINOL**  
RHB Bank Berhad
- ◆ **HAJI KHAIRUDDIN AHMAD**  
RHB Islamic Bank Berhad

# Chairman's Statement



On behalf of the Board of Directors (the Board) it is my pleasure and privilege to present the Annual Report for RHB Capital Berhad (RHB Capital) for the financial year ended 31 December 2011.

## Dear Valued Shareholder,

I am pleased to report that despite a highly challenging operating environment, the RHB Banking Group (the Group) delivered another successive year of growth, albeit at a slower pace. We continued to inculcate positive changes throughout our businesses and strengthen our foothold in an intensely competitive marketplace. Through shoring up our people capabilities, leveraging on proposed strategic acquisitions as well as tapping innovative service platforms and technologies, we strengthened our operational capabilities, as well as bolstered our technological edge. The RHB Banking Group is today a much stronger financial services group and we are also better positioned to capitalise on market opportunities and deliver profitable growth in a sustainable manner.

## TRANSFORMATION CONTINUES TO BEAR FRUIT

### SCORE 20 enables strategic growth

In 2011, the Group continued to execute its 2010-2012 Strategic Growth Programme or SCORE 20 (Strategic, Charge Optimisation, Revenue Enhancement). Our efforts saw us focusing on six Key Focus Areas and 20 initiatives that served as drivers to strengthen operational efficiencies and improve overall performance in a holistic manner.

The Group's six Key Focus Areas call for us to:

- ◆ Build a long-term competitive advantage through expanding our distribution reach as well as strategic partnerships;
- ◆ Refine and develop new earnings sources through realigning our resources towards areas of opportunity that we have not fully tapped;
- ◆ Grow our international presence through the strengthening of our existing operations whilst expanding our reach into other countries within ASEAN;
- ◆ Build a strong domestic Islamic Bank by fully leveraging the distribution network and resources of the entire RHB Banking Group;
- ◆ Continue to improve our operational platform by building upon the foundation set by 2007's Transformation Programme to allow for more efficient and effective product and service delivery to our customers; and

- ◆ Continue to strengthen and build our human resources within the Group through active hiring, training and proactive management of our talents.

I am pleased to report that we made strong strides forward in all six Key Focus Areas in 2011 with many initiatives under SCORE 20 delivering positive benefits. Today, we are enjoying the synergistic advantages that come from being a focused, cohesive group. We are deriving cost efficiencies from having a much stronger negotiating base as well as capitalising on lower maintenance costs for common systems, processes and strategies adopted across the Group. Moreover, we are reaping the benefits of improved customer service efforts as our business operations and customer segments align with each other. As we continue to purposefully build a competitive operating platform that is sustainable yet scalable for the future, the RHB Banking Group is reinforcing its position of strength to achieve our ambition of becoming a leading multinational financial group.

### Transformation efforts pay dividends

The transformation efforts that kicked-off in 2007 are certainly paying dividends. In 2011, Group net profit more than tripled to RM1.5 billion from the RM438 million achieved in (pre-transformation) 2006. This represents a compounded annual growth rate (CAGR) of 27.9%. Over the same period, the Group's return on equity (ROE) and return on assets (ROA) improved significantly to 14.0% and 1.1% respectively in 2011 against ROE of 9.3% and ROA of 0.5% in 2006.

**For the financial year ended 31 December 2011, the RHB Banking Group registered a profit before tax (PBT) of RM2.0 billion, representing a 5.3% increase over 2010's PBT of RM1.9 billion.**

The Group also continues to be rewarded for its efforts to gain market share and grow its loans, advances and financing base, with loans, advances and financing growing by over 10% in 2008 and 2009 to 16.2% in 2011 as compared to a mere 1.2% in 2007.

The Group's performance continues to be on the uptrend, with RHB Capital's market capitalisation as at 31 December 2011 increasing dramatically by 164.5% to RM16.5 billion – more than twice the market capitalisation of RM6.2 billion as at end 2006.

#### **COMMENDABLE FINANCIAL PERFORMANCE**

For the financial year ended 31 December 2011, the RHB Banking Group registered a profit before tax (PBT) of RM2.0 billion, representing a 5.3% increase over 2010's PBT of RM1.9 billion. We also recorded net profit of RM1.5 billion, an increase of 5.7% over net profit of RM1.4 billion in 2010. The year saw earnings per share increasing to 68.9 sen against 66.0 sen in 2010. This higher PBT was a result of higher total income, lower loan loss provisioning and lower impairment loss on assets, partly offset by higher other operating expenses.

The year saw net interest income rising by 4.3% to RM2.8 billion on the back of strong loans growth of 16.2%. However, margins were affected by stiffer competition in pricing of loans and deposits, as well as the relatively lower yielding credit risk-free public sector loans and financing on book. The increase in overnight policy rate (OPR) in May 2011 and the flow-through effects



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

**“ On behalf of the Board of Directors it is my pleasure and privilege to present the Annual Report for RHB Capital Berhad for the financial year ended 31 December 2011.”**

## The Group's gross loans grew by 16.2% while its customer deposits increased by 22.7%.



of past OPR hikes in 2010, coupled with several hikes in Statutory Reserve Requirements during the year, have also contributed to the lower net interest margin.

The Group's other operating income grew by 3.7% in 2011 to RM1.1 billion, mainly due to higher net foreign exchange gains by RM111.3 million, fee based income by RM14.6 million, and card business-related income by RM8.5 million. This was partially offset by loss on revaluation of derivatives of RM105.5 million which was undertaken to economically hedge a specific portfolio of fixed rate loans and financing.

At the same time, other operating expenses rose by 16.1% due to higher personnel costs, establishment costs and marketing expenses. At a cost to income ratio of 44.2%, we continued to remain as one of the most efficient financial services group in the industry. The rise was largely due to the increase in business volume and continued investment in people, technology, customer touch points and network infrastructure which all aim to accelerate our growth momentum.

Continued improvements were made to the asset quality of the Group with the charge-off rate at 0.34% reflecting our disciplined approach to credit risk management and collection processes. The allowance for loan impairment decreased by 21.2% to RM327.5 million as a result of higher bad debts recovery and lower individual allowances. This was offset by higher collective allowances set aside in tandem with the growth relating to loans and financing assets.

Gross loans grew by RM13.6 billion or 16.2% to RM97.3 billion at 31 December 2011. The loans growth was broad-based, comprising mainly public sector lending as well as purchases relating to securities, transport vehicles and residential property. The Group's domestic loan growth rate of 15.7% continued to outpace the industry growth rate of 13.6% in 2011. The Group's domestic loans market share too improved to 9.3% from 9.1% in 2010.

As at end 2011, the Group's absolute gross impaired loans had declined by 8.7% to RM3.4 billion, while the gross impaired loans ratio had improved to 3.44% (2010: 4.39%). The new impaired loans formation ratio dropped to 0.91% from 1.30% in the preceding year.

The Group's customer deposits increased by 22.7% or RM21.4 billion to RM115.9 billion as at 31 December 2011. The Group's deposits growth momentum surpassed that of the industry of 14.3%. Our overall domestic deposits market share too improved to 8.5% as at 31 December 2011 from 7.9% the year before, while the Group's loans to deposits ratio stood at 84.0% as at 31 December 2011 as compared to 88.6% the year before.

By the year's end, the total assets of the Group had expanded by 17.8% to RM152.4 billion (2010: RM129.3 billion) driven mainly by the growth in loans and financing assets, cash and short term funds and statutory deposits. Shareholders' equity expanded further to RM11.4 billion as at 31 December 2011 (2010: RM10.0 billion), while net assets per share improved to RM5.19 (2010: RM4.63).

## PERFORMANCE BY SUBSIDIARIES

All our subsidiaries performed admirably in 2011 despite a highly competitive marketplace.

RHB Bank Berhad (RHB Bank or the Bank) continued to deliver a strong performance as the largest contributor to the Group, accounting for 94% of the Group's overall PBT. The Bank registered PBT of RM1.9 billion in 2011, up 8.4% from a year ago on the back of higher net interest income, other operating income and lower allowance for loan impairment, partially offset by higher other operating expenses. The Bank garnered ROE and ROA of 15.8% and 1.3% respectively, while its balance sheet remained strong with total assets at RM120.5 billion and shareholders' equity of RM9.6 billion as at 31 December 2011. RHB Bank also registered risk-weighted capital adequacy ratio and core capital ratio of 15.79% and 12.28% respectively as at 31 December 2011.

RHB Islamic Bank Berhad (RHB Islamic) turned in PBT of RM137.8 million for the financial year ended 31 December 2011, as compared to RM90.6 million recorded previously. The significant improvement in PBT was the result of higher net financing income on the back of strong financing growth of 44.3% and lower losses on other assets, partially offset by higher other operating expenses. So as to support the strong Islamic banking business growth, RHB Bank has made further capital investment of RM250 million into RHB Islamic during the year. RHB Islamic's total assets expanded by 72.7% to RM22.6 billion as at 31 December 2011.

RHB Investment Bank Berhad (RHB Investment) registered PBT of RM44.9 million in 2011, down 44.2% as compared to a year ago. The lower PBT was mainly due to lower net interest income and other operating income, partly offset by lower as well as higher impairment losses on financial investments. RHB Investment continued with its strategy to secure big-ticket mandates across all capital market products in 2011 and has played key roles in all of the largest deals in Malaysia in syndicated loans, mergers & acquisitions (M&A) and both debt and equity capital markets. RHB Investment ended the year with top two league table positions in Syndicated Loans and Equities Broking and top three in M&A.

RHB Insurance Berhad (RHB Insurance) recorded PBT of RM50.5 million in 2011, 22.3% lower as compared with 2010. This was largely due to higher other operating expenses and allowance for loan impairment, coupled with lower net interest income. This was, however, partially offset by higher underwriting surplus. RHB Insurance's gross premium increased by 25.4% during the financial year to reach RM383.0 million.

## GREATER SHAREHOLDER VALUE CREATION

Our shareholders have enjoyed a steady rise in dividend pay-out over the years with the Group having consistently achieved the 30% pay-out policy instituted since 2007. In view of the strong performance and our continued commitment to create shareholder value, the Board of Directors is proposing a final dividend of 11.82 sen, less tax and single tier dividend of 5.59 sen



## Chairman's Statement



amounting to RM318.7 million, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Going forward, we will strive to provide a healthy dividend income to shareholders, whilst ensuring the future capital requirements of the Group are adequately met to preserve our financial strength and fuel business growth.

#### KEY DEVELOPMENTS IN 2011

##### Strategic transactions

2011 saw Abu Dhabi Commercial Bank's (ADCB) disposal of a 24.9% equity stake in RHB Capital to Abu Dhabi investment fund, Aabar Investments. The transaction was completed in September 2011.

Our proposed acquisition of OSK Investment Bank (OSKIB), currently pending approval from Bank Negara Malaysia, marks another significant milestone towards the creation of the largest investment bank and brokerage houses in Malaysia. The proposed acquisition will accord us immediate access to the large retail broking market that will complement the Group's strong institutional broking position as well as to have access to important strategic markets in the region with long-term growth potential. The RHB Banking Group will also be able to leverage on the OSKIB Group's human capital to further expand RHB's talent bandwidth.

The proposed acquisition of PT Bank Mestika Dharma, Indonesia is currently pending Bank Indonesia's approval. We have obtained Bursa's approval for an extension till 19 April 2012 to complete the proposed RM1.3 billion rights issue.

##### Extending our influence

2011 saw us making strong inroads into the market segments we operate through extending our influence and capturing market share. Our breakthrough community banking initiative, EASY by RHB, continues to deliver simple, convenient and value-added banking to our customers. In 2011, we once again grew EASY exponentially by establishing a further 125 outlets in strategic locations. To date, there are 226 EASY outlets in Peninsular Malaysia and 10 in East Malaysia. Together, these outlets generated assets of more than RM3.3 billion in 2011, representing 3.4% of the Group's total gross loans and contributing to 3.0% of the Group's pre-provisioning profit. Going forward, we expect EASY to be a major contributor to the bank's profitability over the next two to three years.

In keeping with the advances in technology, RHB's internet and mobile banking platform was rebranded RHB Now in April 2011. Available via iPhone, iPad, J2ME symbian phones as well as Android phones and tablets, RHB Now enables customers to tap a variety of service including bill payment, fund transfer, mobile top-up and account inquiry. The last 24 months have seen the number of RHB Now users increasing by some 3.5 times. We project growth to increase by 2.5 times more from all channels by end of the year. As part of the transformation of our renewed electronic and online banking services, we launched RHB Bank@Work which offers users a complete suite of products and services.



## In 2011, we once again grew EASY exponentially by establishing a further 125 outlets in strategic locations. To date, there are 226 EASY outlets in Peninsular Malaysia and 10 in East Malaysia.

### Leveraging strategic alliances

In line with the Group's collaboration with POS Malaysia, the RHB-POS Malaysia Shared Banking Services initiative was rolled out in January 2011. This initiative expands the reach of our banking access and transaction points to underserved customers, particularly those in the rural areas across 319 selected POS Malaysia outlets. EASY by RHB kiosks are also available at selected POS Malaysia outlets nationwide that are involved in the marketing and processing of retail financial products.

### Strengthening our international footprint

We continued to strengthen our international presence in 2011. The year saw us increasing our investments in Singapore and Thailand markets by injecting some S\$350 million (RM861.2 million) in capital funds into our Singapore operations and relocating our Bangkok branch to a new location at a total investment cost of over RM2.2 million.

### Corporate Advisory

The Group also acted in the financial and advisory capacities for a number of significant deals in 2011. We were principal adviser to SapuraCrest for the RM11.9 billion acquisition by Integral Key Sdn Bhd (pertaining to the merger of SapuraCrest Petroleum Berhad and Kencana Petroleum Berhad). We also acted in the capacities of principal adviser, lead arranger and joint lead manager for Sarawak Energy Berhad's RM15 billion Sukuk Musyarakah Programme. On top of these, we served as joint principal adviser, joint managing underwriter and joint book-runner for

Bumi Armada Berhad's RM2.7 billion listing on the Main Market of Bursa Malaysia Securities Berhad.

### Capital management activities

In May 2011, RHB Bank obtained approvals from the Securities Commission for the issuance of up to USD500 million in nominal value (or its equivalent in other currencies) for the multi-currency Euro Medium Term Notes (EMTN) Programme. July 2011 saw us receiving approval for up to RM3 billion in nominal value (or its equivalent in other currencies) for the multi-currency Medium Term Note (MCMTN) Programme. The proceeds raised are to be utilised for the Group's general working capital and other corporate purposes as well as to pay back any borrowings. In October 2011, RM250 million of subordinated notes under the MCMTN Programme was issued and the funds was injected into RHB Islamic to support its strong business growth momentum.

### AWARDS AND ACCOLADES

RHB Capital and subsidiaries continued to garner an admirable number of awards and accolades in 2011 for their astute performance in several prominent areas. RHB Capital Berhad received a Merit Award – Malaysian Business and was lauded the Second Runner-up for delivering the Best Return to Shareholders at the Malaysian Business-CIMA Enterprise Governance Awards 2011 event. RHB Capital Berhad was ranked 8th for Best Investor Relations in Malaysia at the FinanceAsia Best Managed Companies Awards 2011 event.

For its RHB Now initiative, RHB Bank received the award for Best Security Initiative at the Asian Banking and Finance Retail Banking Awards 2011. The Bank was also lauded the Best Cash Management Bank in Malaysia 2011 for its RHB Reflex Online Cash Management Solution in the Asian Banker Transaction Banking Awards 2011, while its Chief Information Officer (CIO) was hailed one of the most outstanding CIOs in the ASEAN Region in 2011 for introducing innovative technology under EASY by RHB.

Easy by RHB continues to chalk up a string of awards and accolades for its innovative "un-banking" approach. EASY was acknowledged as having the Best Business Model in the Asia Pacific, the Middle East, Central Asia and Africa by the Asian Banker at the International Excellence in Retail Financial Services Awards 2011. It also received the Asia Pacific - Special Citation Award for Operational Efficiency at the Financial Insights Innovation Awards 2011 event. At the BrandLaureate Awards 2010-2011 for Product Branding event, EASY was lauded as one of the Best Brands in Financial Services (Retail Banking). At the Banking & Payment Asia Trailblazer Awards 2011, EASY received the Asia Pacific - Service Excellence Award. Finally, for its innovative brand strategy, EASY was lauded for having the Best Brand Strategy at the Advertising + Marketing Magazine Awards 2011.

Our other subsidiaries too garnered recognition for excellence in the market segments they play in. At the Asset Triple A Country Awards, RHB Investment received the accolades Islamic Deal of the Year, Best Islamic Deal (Malaysia) and Best Islamic Equity. In the Alpha South East Asia Awards, RHB Investment was accorded Best REIT Deal of the Year in Southeast Asia, Best Deal/Most Innovative Deal of the Year in Southeast Asia and Best Equity/IPO Deal of the Year in Southeast Asia. Awards from MARC and RAM were also forthcoming for RHB Investment.

## RHB Capital Berhad was lauded the Second Runner-up for delivering the Best Return to Shareholders at the Malaysian Business-CIMA Enterprise Governance Awards 2011 event, while Easy by RHB continues to chalk up a string of awards and accolades for its innovative “un-banking” approach.



On the research front, RHB Research Institute, our research arm specialising in economic, equity, and debt market research garnered a host of impressive accolades from Asiamoney. At The Edge Best Call Awards, two of the research arm's strategists were recognised for their outstanding work. For excellence on the human capital front, RHB Bank was awarded the Bronze Award for the Malaysian Employer of Choice at the 11th Malaysia HR Awards 2011, while 13 employees at RHB Bank Singapore were recognised as Exemplary Role Models at the Excellent Service Award 2011 event.

While these awards and accolades point to the fact that the RHB Banking Group is making impressive strides forward in several key areas, they also make us more determined to work harder to reinforce our position of strength.

### IMPACTFUL CORPORATE RESPONSIBILITY INITIATIVES

The Group is firmly committed to undertaking responsible corporate practices and upholding the agenda of sustainability, elements which are essential to our long-term business growth. 2011 was a landmark year for the Group's Corporate Responsibility (CR) initiatives even as we continued to undertake CR activities that created sustainable value for our stakeholders and established enduring ties with them.

Through the very successful and ever competitive Spell-It-Right (SIR) Challenge and innovative Mighty Minds Challenge, we continued to promote academic excellence and creative thinking among the younger generation. To date, close to 30,000 school children

nationwide have participated in these programmes. Another impactful initiative, the Reuniting Families - Child Safety Campaign, generated great interest and made a tangible impact during the first few months of its existence when a child was brought safely home. Since the start of the initiative in July 2011, we have held interactive road shows in the Klang Valley and Johor and will continue to raise an awareness and understanding of the all-important issue of child safety on a nationwide basis.

The Group's standalone CR report offers more detailed insights into these efforts and the other CR initiatives in areas of the Community, Workplace, Marketplace and Environment. CR will continue to remain an integral part of our activities and a priority going forward.

### MOVING FORWARD

For 2012, economic growth in the country is expected to moderate in view of the lingering Eurozone sovereign debt crisis which could worsen on the back of slow US economic growth. The Malaysian economy is likely to experience lower growth in 2012, estimated at 4.5% GDP growth as compared to 5.1% in 2011. Although a slowdown in export growth is forecasted for 2012, we nevertheless envisage the Malaysian economy will continue to be supportive of business growth. The outlook for the Malaysian banking sector is expected to remain positive given the underlying strengths of the domestic economy and the continued roll out of projects under the Government's Economic Transformation Programme (ETP) which will also open up new opportunities in the capital markets .

Despite the vagaries of a highly volatile and competitive operating environment, the Board of Directors is confident that the Group is resilient enough to weather any challenges that may come our way. We intend to build upon the strong foundations set in place and capitalise on the many opportunities available to us. We will explore opportunities to increase our market share and strengthen our leadership position in targeted markets and product segments. On the consumer banking side, our enhanced banking network and channels through EASY by RHB and POS Malaysia will provide greater reach to our retail and consumer customers, while the recently launched RHB Bank@Work will further enhance our capability to serve our customers more effectively. In addition, we will continue to focus our efforts on sustaining the momentum gained on the Islamic banking front. On the corporate and investment banking front, we will leverage our strong relationships with the public and private sectors to avail ourselves of the many opportunities that the ETP presents.

We certainly look forward to the successful completion of our proposed acquisition of the OSKIB Group and the immediate benefits that come in the way of re-enforcing our domestic market leader franchise with a complementary business fit, as well as gaining access to important regional markets with long-term growth potential. We will continue to explore other new possibilities in the area of potential partnerships and alliances. On the international

front, we are placing a top priority on completing the proposed acquisition of Bank Mestika and are looking forward to greater participation in the growing Indonesian market. At the same time, we will further strengthen our existing operations in Singapore and Thailand.

Amidst all this, we remain mindful of the uncertain operating environment and will undertake the necessary measures to mitigate risks while remaining flexible to market changes. The strengthening of credit policies and risk management practices as well as astute asset and liability management will continue to be high on our agenda. All in all, the Board remains cautiously optimistic of the Group's prospects for 2012 and beyond. Rest assured that all of the RHB Banking Group will continue to work hard to continue our growth momentum and deliver a better performance in financial year 2012.

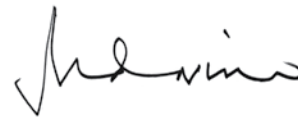
#### ACKNOWLEDGEMENTS

On behalf of the Board, I wish to convey my deep gratitude to our shareholders for your staunch support and steadfast confidence in RHB. My sincere appreciation goes to our customers, business partners and regulators for their untiring support and cooperation. My utmost gratitude also goes to our dedicated management team and staff, whose hard work and sacrifices certainly helped us make strong strides forward amidst a highly challenging business environment. Last but not least, I wish to express my utmost gratitude to my

esteemed colleagues on the Board for their astute counsel and invaluable advice.

I trust all our stakeholders will continue to place their confidence in RHB as we work hard to build upon the good momentum we have achieved. I certainly look forward to your continued support in the coming year as we work hard to take RHB up to the next level of success.

Thank you.



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

## Chairmen of Group Committees

Standing from left to right:

◆ **DATUK HAJI FAISAL SIRAJ**

◆ **DATO' MOHAMED KHADAR MERICAN**

◆ **ONG SENG PHEOW**

◆ **CHOONG TUCK OON**

◆ **DATO' SAW CHOO BOON**

◆ **HAJI KHAIRUDDIN AHMAD**



### GROUP NOMINATING COMMITTEE

Datuk Haji Faisal Siraj (Chairman)  
 Dato' Mohamed Khadar Merican  
 Dato' Saw Choo Boon  
 Dato' Teo Chiang Liang  
 Choong Tuck Oon  
 Haji Md Ja'far Abdul Carrim

### GROUP REMUNERATION AND HUMAN RESOURCE COMMITTEE

Datuk Haji Faisal Siraj (Chairman)  
 Dato' Mohamed Khadar Merican  
 Dato' Saw Choo Boon  
 Dato' Teo Chiang Liang  
 Choong Tuck Oon  
 Haji Md Ja'far Abdul Carrim

### GROUP AUDIT COMMITTEE

Ong Seng Pheow (Chairman)  
 Dato' Othman Jusoh  
 Haji Md Ja'far Abdul Carrim  
 Dato' Saw Choo Boon  
 Dato' Mohd Ali Mohd Tahir

### AUDIT COMMITTEE

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

### GROUP CREDIT COMMITTEE

Dato' Mohamed Khadar Merican (Chairman)  
 Haji Khairuddin Ahmad  
 Abdul Aziz Peru Mohamed  
 Patrick Chin Yoke Chung

### GROUP IT & TRANSFORMATION STRATEGY COMMITTEE

Choong Tuck Oon (Chairman)  
 Ong Seng Pheow  
 Dato' Mohd Ali Mohd Tahir  
 Kellee Kam Chee Khiong  
 Johari Abdul Muid

### GROUP RISK MANAGEMENT COMMITTEE

Haji Khairuddin Ahmad (Chairman)  
 Patrick Chin Yoke Chung  
 Haji Md Ja'far Abdul Carrim  
 Choong Tuck Oon  
 Dato' Saw Choo Boon

# Corporate Governance Statement

## INTRODUCTION

“Corporate governance is the process and structure used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of other stakeholders.”

*High Level Finance Committee Report 1999*

“The ‘licence to operate’ of a company invariably involves the responsibility to operate with genuine concern and understanding of interactions between sustainability and business, and to incorporate those considerations into the daily operations of the company.”

*Securities Commission Corporate Governance Blueprint 2011*

## 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 Company’s credibility and bolster our corporate reputation, it has also enhanced our shareholder value, provided assurance to investors, strengthened customers’ trust in our businesses and improved the overall RHB Banking Group’s competitive positioning.

Given the Group’s vision “to be a Leading Multi-National Financial Group” as well as the five new customer-centric core values with the acronym PRIDE (i.e. Professional, Respectful, Integrity, Dynamic and Excellence), the Board also placed an emphasis on the corporate governance, tenets of transparency, accountability, integrity and corporate performance as the prerequisites of a responsible corporate entity.

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 and Group as well as upheld the integrity of the Board and Management. RHB Banking Group’s corporate governance structure is principally based on the following:

- (i) Revised Malaysian Code on Corporate Governance (“the Code”);
- (ii) Bank Negara Malaysia’s (“BNM”) Guidelines on Corporate Governance for Licensed Institutions (“BNM’s CG Guidelines”);
- (iii) Bursa Malaysia Securities Berhad’s (“Bursa Securities”) Main Market Listing Requirements (“MMLR”) and Corporate Governance Guide (“CG Code”); and
- (iv) Minority Shareholders Watchdog Group (“MSWG”) Corporate Governance 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 and Group’s system of governance. In doing so, the Board not only pays attention to ethical conduct, value enrichment and the implementation of best practices, but also makes a significant effort to understand and manage stakeholders’ expectations. Such understanding is essential to ensure that our position and reputation as a bank 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 in the global arena.

## Corporate Governance Statement

As a testament to our strong commitment and practice of good corporate governance, RHB Banking Group was the proud recipient of numerous awards:

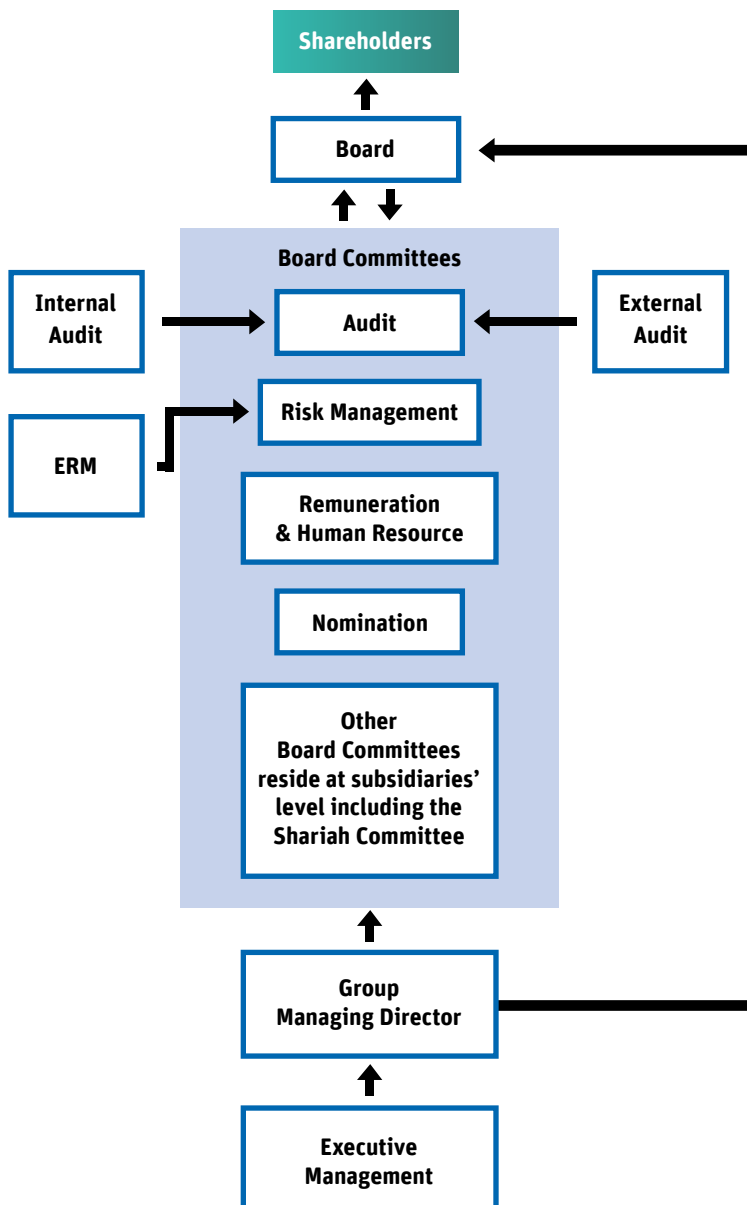
- ◆ RHB Capital Berhad - Enterprise Governance Award - Merit Malaysian Business - CIMA Enterprise Governance Awards 2011
- ◆ RHB Capital Berhad - Best Return to Shareholders - Second Runner Up Malaysian Business - CIMA Enterprise Governance Awards 2011
- ◆ RHB Capital Berhad - Best Investor Relations in Malaysia – 8th rank FinanceAsia Best Managed Companies Awards 2011 in Malaysia
- ◆ RHB Bank Berhad - RHB Now: Best Security Initiative from Asian Banking & Financial Retail Banking Awards 2011
- ◆ RHB Bank Berhad - RHB Reflex Online Cash Management: Best Cash Management Bank in Malaysia 2011 from The Asian Banker Transaction Banking Awards 2011
- ◆ RHB Bank Berhad - Easy by RHB: Asia Pacific, the Middle East, Central Asia and Africa - Best Business Model from The Asian Banker International Excellence in Retail Financial Services Awards 2011
- ◆ RHB Bank Berhad - Easy by RHB: Asia Pacific - Special Citation Award for Operational Efficiency from Financial Insights Innovation Awards 2011
- ◆ RHB Bank Berhad - Easy by RHB: Best Brands in Financial Services – Retail Banking from The BrandLaureate Awards 2010-2011 for Product Branding
- ◆ RHB Bank Berhad - Easy by RHB: Asia Pacific - Service Excellence Award from Banking & Payments Asia Trailblazer Awards 2011
- ◆ RHB Bank Berhad - Easy by RHB: Best Brand Strategy Advertising + Marketing Magazine Awards 2011
- ◆ RHB Islamic Bank Berhad – Malaysia Service To Care Award 2011 from Philip Kotler Centre for ASEAN Marketing & MarkPlus Inc.
- ◆ RHB Investment Bank Berhad – Best Country Deal from Asia Money
- ◆ RHB Investment Bank Berhad – Islamic Deal of the Year from Asset Asian Awards 2011
- ◆ RHB Investment Bank Berhad – Best Deal/Most Innovative Deal of the Year in Southeast Asia from Southeast Asia
- ◆ RHB Investment Bank Berhad – Blueprint Award – Malaysian Innovation of the Year from RAM Rating Services Berhad
- ◆ RHB Research Institute Sdn Bhd - The Edge Malaysia's Best Call Awards Top Strategist and Best Plantation Sector Call from The Edge Malaysia

The complete listing of the awards received by RHB Banking Group in 2011 and to-date is presented on pages 110 to 111 of this Annual Report.



## GOVERNANCE MODEL

RHB Banking Group's Governance Model conforms to the relevant regulatory requirements as well as best market practices. The Governance Model is continuously reviewed by the Board to ensure it remains relevant and is able to meet future challenges.



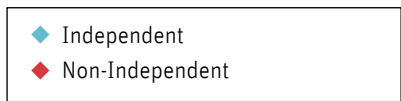
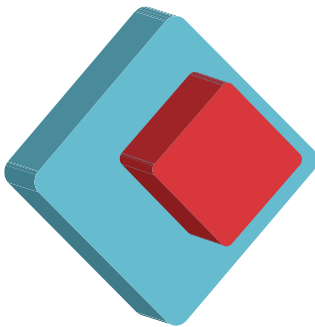
## BOARD OF DIRECTORS

### Board Composition and Balance

The Board currently has six Members, with an Independent Non-Executive Chairman, three Independent Non-Executive Directors ("NEDs"), one Non-Independent Non-Executive Director and the Group Managing Director ("Group MD"). The structure and composition of the Board comply with the MMLR of Bursa Securities, the Code as well as BNM's CG Guidelines. The number of Independent Directors exceeds the requirement that one-third of Board Members be independent as set out in the MMLR of Bursa Securities, the Code as well as BNM's CG Guidelines. The presence of the four Independent NEDs ensures there is an effective check and balance in the functioning of the Board. These Independent NEDs fulfil the criteria of independence as defined in the MMLR of Bursa Securities and BNM's CG Guidelines. They 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.

## Corporate Governance Statement

### Composition of Board



RHB Banking Group is also in the midst of identifying suitable female candidates for appointment as Directors of the Group considering that gender diversity is also one of the important attributes

of a well-functioning Board and an essential measure of good governance.

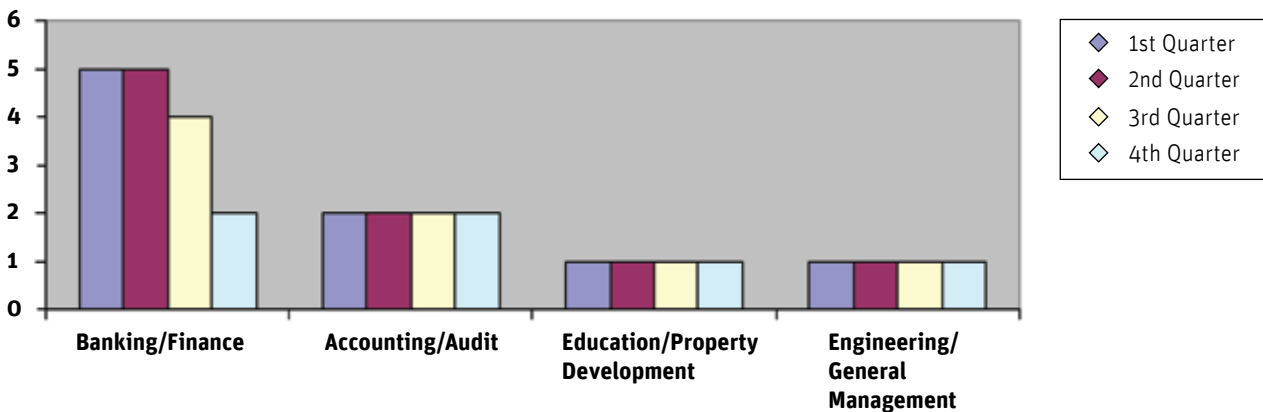
### Directors' Qualification and Experience

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 development, finance, accounting/audit, risk and general management skills that are drawn from the relevant industries that they operate in (including property development and petrol and gas businesses) and the 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 O16 to O17 of this Annual Report.

### Board's Diversification for Financial Year 2011 By Quarters

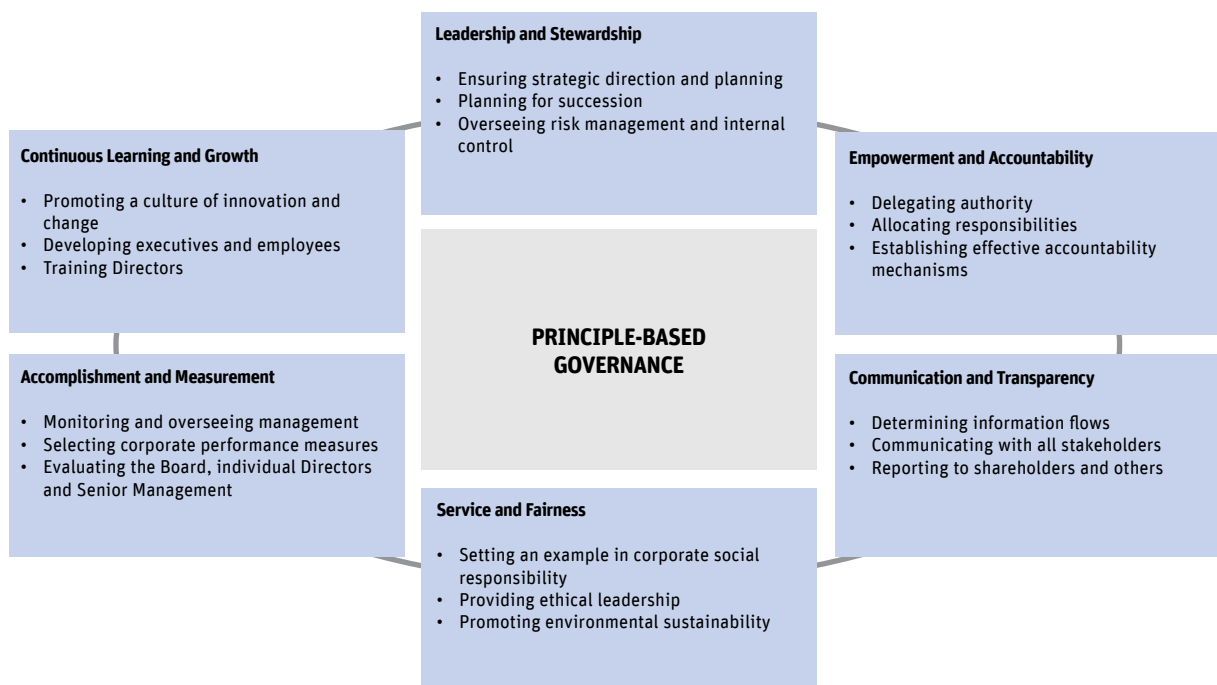




## Corporate Governance Statement

### Duties and Responsibilities of the Board

The Board recognises the importance of having the six basic principles as indicated below to form a good governance Board:



The Board is responsible for governing the business and affairs of the Company and for exercising all such powers pursuant to the Articles of Association of the Company. While carrying out their duties and responsibilities, the Board is committed to ensuring that the highest corporate governance standards are adhered to. The overall principle responsibilities of the Board are as follows:

- ◆ providing strategic leadership to the Company and the Group;
- ◆ reviewing, approving and monitoring the implementation of the Group's strategic business plans and policies;
- ◆ ensuring the Company and Group maintain an effective system of internal controls and are 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 Director 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, YBhg Dato' Mohamed Khadar Merican 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,

## Corporate Governance Statement

have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary for the proper decision making of the Board and the Company. Additionally, the Chairman has to ensure that General Meetings are conducted efficiently and in accordance with the requirement of the Companies Act 1965, and that shareholders have adequate opportunity to air their views and obtain answers to their queries.

In furtherance thereto, the Chairman also has these responsibilities:

- ◆ 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;
- ◆ to 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 and Group's performance and issues arising, to enable the Board to make sound decisions, conduct effective monitoring and provide sound advice in achieving the Company's and Group's objectives;
- ◆ to ensure that Board Committees are properly established and composed, with appropriate terms of reference;
- ◆ to ensure that all important agenda are appropriately discussed by the Board;
- ◆ to 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);

- ◆ to ensure that the Board and individual Directors fully exercise their responsibilities and adhere to applicable laws, regulations, rules, directives, policies and guidelines;
- ◆ to consider and address the developmental 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;
- ◆ to promote effective relationships and open communication between the Board and the Senior Management in relation to corporate governance and corporate performance;
- ◆ to enhance the Company's and Group's public standing and image; and
- ◆ to ensure effective relationships are maintained with all major stakeholders.

The Chairman, YBhg Dato' Mohamed Khadar Merican has over 30 years' experience in financial and general management. He is a Member of both the Institute of Chartered Accountants in England and Wales and the Malaysian Institute of Accountants. He served as an auditor and a consultant in an international accounting firm before joining a financial services group in 1986. YBhg Dato' Mohamed Khadar Merican was appointed as the Chairman of RHB Capital on 12 May 2009 and has served the Group for almost nine years.

### Group Managing Director ("Group MD")

The Group MD, Mr Kellee Kam Chee Khiong, who has extensive financial experience and knowledge (including corporate finance and business development), drives the Group's overall strategic growth towards achieving the Group's Strategic Vision and Direction. He leads the Group Senior Management in the execution of the Group's strategic initiatives. 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's integral role is to implement the policies and decisions of the Board, oversee the listed entity's operations as well as coordinate the development and execution of the Group's corporate strategies. In addition thereto, he is also responsible for the following tasks:

- ◆ to put in place initiatives that will shape the corporate direction and values of RHB Banking Group towards the achievement of a "customer-centric" corporate culture as defined in RHB Banking Group's strategy 2012 to 2025, and underpinned by the Group's PRIDE values;
- ◆ to ensure that the financial results are accurate and not misleading as well as to ensure 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;
- ◆ to ensure that the business and affairs of the Company and Group are carried out in an ethical manner and in full compliance with the relevant laws and regulations;

## Corporate Governance Statement

- ◆ to oversee the internal control systems and the risk management processes and ensure these systemised processes are appropriate and effective;
- ◆ to ensure the long term Human Capital Strategy, including succession planning and talent management programmes are in place in the interest of human capital development;
- ◆ to maintain effective relationships between the Management, the Board and other stakeholders; and
- ◆ to develop and maintain strong communication programmes and dialogue with the stakeholders.

In carrying out his tasks, the Group MD is supported by a Group Management Committee (“GMC”) which comprises the Group MD as the Chairman, the MDs of the relevant key operating subsidiaries, the Director of Corporate Strategy and the Director of Group Finance. The GMC is governed by its terms of reference and has several objectives, which include the following:

1. to discuss the strategic plan and Roadmap towards achieving the Vision and Strategic direction of the RHB Banking Group, which includes implementation updates;
2. to discuss the strategic plan and direction towards achieving a “customer-centric” corporate culture that adopts the core values of PRIDE – Professional, Respectful, Integrity, Dynamic and Excellence; which includes implementation updates;
3. to review the Group’s financial performance against set target and

measures that are being put in place to meet such targets;

4. to initiate collaborative steps and make strategic decision on matters that impact the Group’s overall strategic direction and in achieving this, to ensure optimisation of resources across the Group;
5. to discuss and monitor the implementation of the subsidiary’s strategic human capital management initiatives as approved by the Board of Directors of the Group and the Board of Directors of the respective subsidiaries;
6. to discuss, monitor and receive updates on the Group’s human capital development and retention strategy for the Group’s top 100 high-performing leaders (which includes succession planning);
7. to discuss, monitor and receive updates on the implementation of the Group’s Communications and Brand Strategy (which includes corporate responsibility);
8. to have oversight of subsidiaries’ overall state of internal control; and
9. to consider and decide on appeal cases arising out of disciplinary proceedings.

#### 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.

In discharging their responsibilities, the Independent Directors engage with the Management as well as internal and external auditors, plus participate in Board Committees within the Group. This is particularly so in the case of YBhg Dato’ Mohamed Khadar Merican who is the Chairman of the Group Credit Committee and a Member of the Group Nominating Committee and Group Remuneration and Human Resource Committee; YBhg Dato’ Saw Choo Boon who is the Chairman of the Audit Committee of RHB Capital as well as a Member of the Group Audit Committee, Group Nominating Committee, Group Remuneration and Human Resource Committee and Group Risk Management Committee; YBhg Datuk Haji Faisal Siraj who is the Chairman of the Group Nominating Committee and Group Remuneration and Human Resource Committee and a Member of the Audit Committee of RHB Capital; and YBhg Dato’ Teo Chiang Liang who is a Member of the Group Nominating Committee, Group Remuneration and Human Resource Committee and Audit Committee of RHB Capital.

YBhg Tan Sri Azlan Zainol, who has more than 29 years of experience in the financial sector, has been an effective Non-Independent Non-Executive Director of RHB Capital (representing Employees Provident Fund Board). He was appointed onto the Board on 27 July 2005. He exercises independent and broad judgement as well as provides independent opinions and constructive views on Management proposals.

## Corporate Governance Statement

### Senior Independent Non-Executive Director

The Board has appointed YBhg Datuk Haji Faisal Siraj as the Senior Independent Non-Executive Director (“SINED”), to whom concerns pertaining to the Group may be conveyed by shareholders and the public.

YBhg Datuk Haji Faisal Siraj has been an Independent Non-Executive Director of RHB Capital since 24 May 2007 and was appointed as its SINED since 2 June 2008. He was previously the Group Executive Director and a Member of the Malaysia Mining Corporation 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.

The 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.

All concerns relating to the Group can be channelled to the SINED’s email address, [faisal\\_siraj@rhbislamicbank.com.my](mailto:faisal_siraj@rhbislamicbank.com.my).

### BOARD CHARTER

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

### CODE OF ETHICS AND BUSINESS CONDUCT

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

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

The Group 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:

- ◆ ensures that the Board is kept well informed / updated on legal / regulatory requirements that affects the duties and responsibilities of Directors;
- ◆ ensures that the relevant companies within the Group comply 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;

## Corporate Governance Statement

- ◆ manages relationship with the external share registrar; and
- ◆ acts as a custodian of the Group's statutory records.

### BOARD MEETINGS AND ACCESS TO INFORMATION

Board Meetings for the ensuing financial year are scheduled in advance before the end of the current financial year so that the Directors are able to plan ahead and accommodate the next year's Board Meetings into their respective meeting schedules.

The Board meets on a monthly basis to discuss business strategy, financial performance, potential strategic acquisition and alliances, matters pertaining to compliance and governance, as well as reports on matters deliberated by Board Committees and their recommendations thereto. The Board also reviews regular management reports and information on corporate and business issues to assess performance against business targets and objectives. 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.

As part of the integrated risk management initiatives, the Board is informed of the decisions and salient issues deliberated by the Board Committees and main Management Committees through minutes of these Committees. At each Meeting, the Board also 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' Meetings, as well as on matters that require attention. This practice also applies for the rest of the entities of the Group.

To facilitate productive and meaningful deliberations, the proceedings of the Board Meetings are conducted in accordance with a structured agenda. The structured agenda together with comprehensive management reports are furnished to the Directors at least seven days prior to the scheduled Board Meeting date. This is to allow the Members of the Board to digest the issues at hand, seek clarification from the Management or the Company Secretary if required, and formulate opinions on matters to be deliberated at the meetings. Confidential papers or urgent proposals are presented and tabled at the Board Meetings as other business under the Agenda upon the consent of the Chairman being obtained. The RHB Banking Group is firmly committed to embedding technological innovation throughout the length and breadth of our organisation, especially those elements that strengthen productivity, bolster stakeholder relationships and protect our environment. We are proud to be one of the first organisations in Malaysia to embark on the use of iPADS and eBooks at Board/ Board Committee Meetings. This initiative also forms part of the Group's on-going Boardroom Modernisation Project. The benefits of circulating encrypted Board and Board Committee papers electronically and the use of iPADS in place of paper have resulted in better mobility, faster movements of the documents, cost and time savings, greater convenience, better security and a positive impact on the environment. The RHB Banking Group firmly believes that technology is integral

to the Group's business growth and as such is committed to leveraging technological innovation to elevate the competitive edge of the Group in all aspects.

Directors who are unable to attend the Board Meeting physically are allowed to participate in the deliberations and discussions via telephone or video-conferencing. All deliberations at Board Meetings, including dissenting views, are duly minuted as records of proceedings. Relevant Board's decisions are communicated to the Management within one working day from the Board's approval to enable Board decisions and directions to be executed on a timely basis. The draft minutes are circulated to the Directors and Management concerned for their review and comments before the final minutes are tabled for confirmation at the next Board Meeting. Management takes immediate action on all matters arising from the Board Meeting and updates the Board on the status of these matters at the next Board Meeting (where possible) or if deemed urgent via circulation of memorandum.

The Directors have a duty to declare immediately to the Board should they be interested in any transaction to be entered into directly and indirectly by the Company and Group. An interested Director is required to abstain from deliberations and decisions of the Board on the transaction. In the event the corporate exercise is required to be approved by the shareholders, interested Directors are required to abstain from voting in respect of their shareholdings in RHB Capital on the resolutions pertaining to the corporate proposal. They are also to ensure that persons connected to them abstain from voting on the same.

## Corporate Governance Statement

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 clarification 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 the "Standard Procedures for Directors to Have Access to Independent Advice" which lays down the procedures for Directors to seek 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.

The Board convened fourteen meetings for the financial year ended 31 December 2011. 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 (%)
YBhg Dato' Mohamed Khadar Merican	14/14	100
YBhg Tan Sri Azlan Zainol	13/14	93
YBhg Datuk Haji Faisal Siraj	14/14	100
YBhg Dato' Saw Choo Boon	14/14	100
YBhg Dato' Teo Chiang Liang	13/14	93
Mr Kellee Kam Chee Khiong <sup>1*</sup>	9/9	100

Notes:

<sup>1</sup> Appointed as the Managing Director on 10 May 2011.

\* Based on the number of Board Meetings attended since his appointment to the Board.

YBhg Dato' Tajuddin Atan, Mr Arul Kanda Kandasamy, Mr Mohamed Ali Ahmed Hamad Al Dhaheri and Encik Johari Abdul Muid resigned from the Board of RHB Capital on 31 March 2011, 10 May 2011, 30 September 2011 and 14 November 2011, respectively.

## Corporate Governance Statement

Out of fourteen Board Meetings in financial year ended 2011, one was held at our regional operations base in Singapore in conjunction with the Singapore Operations' 50th Anniversary Celebration Gala Dinner. This also enabled the Board to keep abreast with regional developments and at the same time provide more effective oversight to better understand the Group's International operations and customer needs. The Board of subsidiaries such as RHB Bank Berhad also held meetings in Bangkok where its Bangkok operation is in present.

During the financial year, a Group Board Strategy Retreat was also held in the fourth quarter to deliberate specifically on strategic aspects (including the Group's long term corporate strategies and business plans) and performance targets of the Group. During the Retreat, the Board and Senior Management of the Group collectively agreed on the Mission, Vision and Core Values as well as long term strategies.

#### **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.

While the Board is responsible for the appointment of new Directors, the Group Nominating Committee is delegated with the role of reviewing and assessing the appointments/re-appointments of Directors. For the appointment of new Directors, a thorough and comprehensive evaluation of the background, skills, knowledge and experience of the

nominee is undertaken by the Group Nominating Committee before a recommendation is made to the Board for approval. The Group Nominating Committee will also meet up with candidates, where possible. As for the re-appointment of existing Directors, the Group Nominating Committee also refers to the results of the individual assessments conducted via the Board Effectiveness Evaluation. The application for the appointment/re-appointment of Directors will be submitted to BNM for consideration once the same is approved by the Board.

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. Generally, the tenure of appointment or re-appointment of Independent Directors within the Group is for a two-year term with a maximum service tenure of ten years. Independent Directors over seventy years of age will not be eligible for appointment or re-appointment on the Board of any of the companies within the RHB Capital Group and shall retire at the next Annual General Meeting of the company concerned.

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

#### **TRAINING AND DEVELOPMENT**

All newly appointed Directors are required to attend an induction programme organised by the Management of the Group, to provide the Directors with in-depth information of the industry as well as an overview of the business operations of the Group. During the induction programme, the relevant Management will brief the newly appointed Directors on the functions and areas of responsibility of their respective divisions. This enables Directors to familiarise themselves with the operations and organisational structure of the Group. It also provides them with a platform to establish effective channels of communication and interaction with Management.

Each new Director receives a comprehensive Director's induction kit to assist them in building a detailed understanding of the Group's operations, the longer term direction and the statutory obligations. Pursuant to the requirement of Bursa Securities, the newly appointed Director is also required to attend the Mandatory Accreditation Programme ("MAP") and procure a certificate from the programme organiser approved by Bursa Securities to confirm his completion of the MAP within four months of his appointment.

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

## Corporate Governance Statement

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

- ◆ 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.

The Company Secretary facilitates the organisation of internal training programmes and Directors' attendance of external programmes, and keeps a complete record of the training received and attended by the Directors.

Conferences, seminars and training programmes attended by each Director of the Company in 2011 encompassed various topics, including the following:

Directors	Training Programmes
YBhg Dato' Mohamed Khadar Merican	Directors Duties and Governance Conference 2010
	Leadership Best Practices
	Performance Pays - The Report on Non-Executive Directors Remuneration
	FIDE July / October 2010
	Seminar on Coping with Asia's Large Capital Inflows in a Multi-Speed Global Economy
	Implementation of IRB and Management of Risk Going Forward
	Internal Capital Adequacy Assessment Process
	Strategic IT Workshop for Board of Directors and Top Management
	FIDE: Board Risk Management Committee: Managing Risk in Banks
	Anti-Money Laundering/Counter Financing of Terrorism Training for Directors
	Walkthrough for Board Members Online/Mobile, Reflex and Cards
YBhg Tan Sri Azlan Zainol	Islamic Banking and Finance Fundamentals
	Briefing by Messrs PricewaterhouseCoopers on Goods and Services Tax
	FIDE Core 2011
	Internal Capital Adequacy Assessment Process
	EPF Seminar on Investment
	Nomura Annual CEO Investment Forum
YBhg Datuk Haji Faisal Siraj	Directors Duties and Governance Conference 2010
	Performance Pays - The Report on Non-Executive Directors Remuneration
	Launch of Corporate Integrity Pledge
	Internal Capital Adequacy Assessment Process
	Strategic IT Workshop for Board of Directors and Top Management
	FIDE: Nomination/Remuneration Committee Programme
	Anti-Money Laundering/Counter Financing of Terrorism Training for Directors
	Walkthrough for Board Members Online/Mobile, Reflex and Cards



## Corporate Governance Statement

Directors	Training Programmes
YBhg Dato' Teo Chiang Liang	Performance Pays - The Report on Non-Executive Directors Remuneration
	1-day In-House Orientation Programme
	Implementation of IRB and Management of Risk Going Forward
	Launch of Corporate Integrity Pledge
	Internal Capital Adequacy Assessment Process
	The Non-Executive Director Development Series – Is It Worth The Risk?
	FIDE on Audit Committee: Building Audit Committees for Tomorrow
	Strategic IT Workshop for Board of Directors and Top Management
	Anti-Money Laundering/Counter Financing of Terrorism Training for Directors
	Walkthrough for Board Members Online/Mobile, Reflex and Cards
YBhg Dato' Saw Choo Boon	1-day In-House Orientation Programme
	Implementation of IRB and Management of Risk Going Forward
	Strategic IT Workshop for Board of Directors and Top Management
	Anti-Money Laundering/Counter Financing of Terrorism Training for Directors
	Walkthrough for Board Members Online/Mobile, Reflex and Cards
	FIDE Core 2011
	Internal Capital Adequacy Assessment Process
	Shell General Business Principles, Anti Bribery and Corruption and Anti Competition Law
	Managing Corporate Reputation in Digital Age
	Malaysia's Distinctive Corporate Governance Strategy for Boards
Mr Kellee Kam Chee Khiong	Mandatory Accreditation Programme

**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 designed to maintain cohesion of the Board, and to improve the Board's effectiveness as well as draw the Board's attention to key areas that need to be addressed.

The performance indicators on which the Board's effectiveness is evaluated are as follows:

**Part A: Board Effectiveness Assessment**

1. Board Responsibilities
2. Board Processes

3. Board Administration Tools
4. Board Composition
5. Board Conduct
6. Board Interaction and Communication
7. Chairman Evaluation
8. Chief Executive Officer Evaluation

**Part B: Board of Directors - Self / Peer Assessment**

1. Board Dynamics and Participation
2. Integrity and Independence
3. Technical Competencies
4. Recognition

**Part C: Board Committees Assessment**

1. Committee Evaluation
  - a. Structure and Processes
  - b. Accountability and Responsibilities

2. Individual Committee Members' Self / Peer Assessment Questions on attributes and quality aspects relating to:
  - a. Participation Levels and Contribution
  - b. Technical Competencies

The BEE is based on a combination of self and peer assessment methodologies performed via a customised questionnaire. To ensure integrity and independence of the appraisal process, Messrs PricewaterhouseCoopers Advisory Services Sdn Bhd (“PwCAS”) was engaged to collate and tabulate the results of the evaluation. The BEE also includes interviews with Directors by PwCAS for more in-depth analysis of results. PwCAS will discuss the detailed BEE results with the Chairman of the Board as well as the Chairman

## Corporate Governance Statement

of the Group Nominating Committee. A summarised report will be presented to the Group Nominating Committee as well as the Board of the Company to enable the Board to identify areas for improvement. The Board will then analyse the gaps and put in place appropriate measures to ensure the overall effectiveness of the Boards within RHB Banking Group.

### BOARD PROFESSIONALISM

#### Directorships in Other Companies

Pursuant to the MMLR of Bursa Securities and in ensuring that Directors' commitment, resources and time are more focused to enable them to discharge their duties effectively, each Member of the Board is to hold less than ten directorships in public listed companies and less than fifteen directorships in non-public listed companies.

#### Insider Trading

In accordance with the MMLR of Bursa Securities and the relevant provisions of the Capital Markets & Services Act 2007, Directors, key Management personnel and principal officers of RHB Banking Group are prohibited from trading in securities or any kind of property based on price sensitive information and knowledge which have not been publicly announced. Notices on the closed period for trading in RHB Capital securities are circulated to Directors, key Management personnel and principal officers of RHB Banking Group who are deemed to be privy to any price sensitive information and knowledge, in advance of whenever the closed period is applicable.

#### Directors' and Officers' ("D&O") Insurance

Directors and officers of RHB Banking Group are covered against liabilities arising from holding office as Directors, by virtue of the D&O insurance coverage.

The insurance does not, however, provide coverage in the event that a Director or a Member of Management is proven to have acted fraudulently or dishonestly. The Directors contribute towards the premium payment for this policy.

### GROUP BOARD COMMITTEES

To enable the Board to devote more time for strategic and critical matters, the Board has delegated specific responsibilities to the following Board Committees, residing either at the Company or at RHB Bank Berhad level:

#### At RHB Capital Level

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

In compliance with the requirements of the MMLR of Bursa Securities, the Company maintains its own Audit Committee i.e. the RHB Capital Audit Committee.

#### At RHB Bank Level

- ◆ **Group Audit Committee**
  - All of its members are Independent NEDs; and
  - 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**
  - All of its members are Independent NEDs; and

- Its main objective is to affirm, veto or impose additional conditions on all credits/futures broking and debts and equity underwriting applications for amounts above the defined thresholds of the Central Credit Committee, as well as to oversee the management of impaired loans/assets and monitor the recovery of impaired loans/assets.

- ◆ **Group Recovery Committee** (dissolved with effect from 31 December 2011 and the Discretionary Powers and responsibilities of the Group Recovery Committee have been vested to Group Credit Committee)
  - All of its members are Independent NEDs; and
  - Its main objective is to affirm, veto or include additional conditions on credit applications under Non-Performing Loan/Non-Performing Account 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**
  - Comprises Board members of the Group; and
  - 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 strategic transformation management.

## Corporate Governance Statement

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. On matters reserved for the Board and where Board Committees have no authority to make decisions, proposals will be submitted for Board's consideration.

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

**RHB Capital Audit Committee**

The RHB Capital Audit Committee ("RHBCAC") solely comprises Independent NEDs with financial knowledge and experience in line with the requirements of MMLR of Bursa Securities.

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 six 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 O55 to O58 of this Annual Report.

**Group Nominating Committee**

The Group Nominating Committee solely comprises Independent NEDs. Meetings of the Group Nominating Committee are held as and when required but the Group Nominating Committee often meets on monthly basis. The Group Nominating Committee met thirteen times during financial year 2011. The composition of the Group Nominating Committee and the attendance of the members at meetings held in 2011 are as follows:

Name of Directors	Attendance at Meetings
YBhg Datuk Haji Faisal Siraj (Independent Non-Executive Director/Chairman)	13/13 (100%)
YBhg Dato' Mohamed Khadar Merican (Independent Non-Executive Director)	13/13 (100%)
YBhg Dato' Saw Choo Boon (Independent Non-Executive Director)	13/13 (100%)
YBhg Dato' Teo Chiang Liang (Independent Non-Executive Director)	11/13 (85%)
Mr Choong Tuck Oon <sup>1#</sup> (Independent Non-Executive Director)	1/1 (100%)
Tuan Haji Md Ja'far Abdul Carrim <sup>1#</sup> (Independent Non-Executive Director)	1/1 (100%)
Previous Member: Encik Johari Abdul Muid <sup>2*</sup> (Non-Independent Non-Executive Director)	8/12 (67%)

Notes:

<sup>1</sup> Appointed as a Member on 14 November 2011.

<sup>2</sup> Ceased as a Member on 14 November 2011.

# Based on the number of meetings attended since his appointment as a Member in 2011.

\* Based on the number of meetings attended during his tenure of appointment in 2011.

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

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

## Corporate Governance Statement

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

### Group Remuneration and Human Resource Committee

The Group Remuneration and Human Resource Committee solely comprises Independent NEDs. Meetings of the Group Remuneration and Human Resource Committee are held as and when required but the Group Remuneration and Human Resource Committee often meets on monthly basis. The Committee met fourteen times during financial year 2011.

The composition of the Group Remuneration and Human Resource Committee and the attendance of the members at meetings held in 2011 are as follows:

Name of Directors	Attendance at Meetings
YBhg Datuk Haji Faisal Siraj (Independent Non-Executive Director/Chairman)	14/14 (100%)
YBhg Dato' Mohamed Khadar Merican (Independent Non-Executive Director)	14/14 (100%)
YBhg Dato' Saw Choo Boon (Independent Non-Executive Director)	14/14 (100%)
YBhg Dato' Teo Chiang Liang (Independent Non-Executive Director)	12/14 (86%)
Mr Choong Tuck Oon <sup>1#</sup> (Independent Non-Executive Director)	2/2 (100%)
Tuan Haji Md Ja'far Abdul Carrim <sup>1#</sup> (Independent Non-Executive Director)	2/2 (100%)
Previous Member: Encik Johari Abdul Muid <sup>2*</sup> (Non-Independent Non-Executive Director)	9/12 (75%)

Notes:

<sup>1</sup> Appointed as a Member on 14 November 2011.

<sup>2</sup> Ceased as a Member on 14 November 2011.

<sup>#</sup> Based on the number of meetings attended since his appointment as a Member in 2011.

<sup>\*</sup> Based on the number of meetings attended during his tenure of appointment in 2011.

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.

## Corporate Governance Statement

**Group Risk Management Committee**

The Group Risk Management Committee comprises solely Independent NEDs.

The Committee met thirteen times during financial year 2011.

The composition of the Committee and the attendance of the members at meetings held in 2011 are as follows:

<b>Name of Directors</b>	<b>Attendance at Meetings</b>
Tuan Haji Khairuddin Ahmad (Independent Non-Executive Director/Chairman)	13/13 (100%)
Mr Patrick Chin Yoke Chung (Independent Non-Executive Director)	12/13 (92%)
Tuan Haji Md Ja'far Abdul Carrim (Independent Non-Executive Director)	13/13 (100%)
Mr Choong Tuck Oon (Independent Non-Executive Director)	13/13 (100%)
YBhg Dato' Saw Choo Boon <sup>#</sup> (Independent Non-Executive Director)	2/2 (100%)
Previous Member: Encik Johari Abdul Muid <sup>2*</sup> (Non-Independent Non-Executive Director)	9/11 (82%)

Notes:

<sup>1</sup> Appointed as a Member on 14 November 2011.

<sup>2</sup> Ceased as a Member on 14 November 2011.

<sup>#</sup> Based on the number of meetings attended since his appointment as a Member in 2011.

\* Based on the number of meetings attended during his tenure of appointment in 2011.

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

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

**Group Shariah Committee**

Apart from the above Board Committees, the Group has also established its Group Shariah Committee, which is housed at RHB Islamic Bank Berhad. The Group Shariah Committee 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 ("NSAC"), where relevant, on any Shariah matters which have not been resolved or endorsed by NSAC.

**Other Management Committees**

Apart from the above Board Committees, the Group has established Management Committees to assist the Board and Management in managing the Group's businesses, activities and operations. Among the major Management Committees are:

- Group Management Committee
- Group Assets and Liabilities Committee
- Central Credit Committee
- Group Business Continuity Management Steering Committee
- Management Committees at the relevant subsidiary-level
- Management Audit Committees at the relevant subsidiary-level
- Executive Management Committees at the Regional Operations-level

## Corporate Governance Statement

### DIRECTORS' REMUNERATION

In setting the remuneration of the NEDs, RHB Banking Group has established a common reference (incorporating the NEDs' Remuneration Framework) at levels which will enable the Group to effectively attract and retain Directors with the relevant experience and expertise required for the stewardship of the Group. For the NEDs, the level of remuneration reflects the level of responsibilities undertaken by the particular NED concerned within the Company and 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.

This reference is also aimed at applying the overall guiding principles in respect of the remuneration of NEDs in ensuring that the remuneration levels are commensurate with the responsibilities, risks and time commitment of Boards/ Board Committees, based on the adopted tiering system.

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

#### (i) Annual Fees

The NEDs are entitled to 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 Group has also established a remuneration framework for key Senior Management. The remuneration

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

In order to remain competitive and consistent with the culture, objective and strategy of the Group, the remuneration framework of the NEDs are reviewed periodically to ensure that they remain competitive with the market. In 2011, the Group undertook a review of NEDs' remuneration to ensure that the remuneration is commensurate with responsibilities, risks and time commitment of NEDs. The proposed revised NEDs' remuneration pertaining to Directors' fees will be tabled at the forthcoming Annual General Meeting for shareholders' approval.

## Corporate Governance Statement

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 2011) are as follows:

	<b>Fees<sup>#</sup></b>	<b>Allowance</b>	<b>Salary, bonus and other remuneration</b>	<b>Benefits -in-kind</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group MD*</b>					
Mr Kellee Kam Chee Khiong <sup>1</sup>	-	-	711	13	724
YBhg Dato' Tajuddin Atan <sup>2</sup>	-	-	3,059	6	3,065
<b>Total (MDs)</b>	<b>-</b>	<b>-</b>	<b>3,770</b>	<b>19</b>	<b>3,789</b>
<b>NEDs</b>					
YBhg Dato' Mohamed Khadar Merican	281	213	-	31	525
YBhg Tan Sri Azlan Zainol	280	37	-	32	349
YBhg Datuk Haji Faisal Siraj	260	167	-	31	458
YBhg Dato' Saw Choo Boon	160	156	-	-	316
YBhg Dato' Teo Chiang Liang	160	125	-	-	285
Encik Johari Abdul Muid <sup>3</sup>	226	193	-	-	419
Mr Mohamed Ali Ahmed Hamad Al Dhaheri <sup>4</sup>	134	24	-	-	158
Mr Arul Kanda Kandasamy <sup>5</sup>	85	20	-	-	105
<b>Total (NEDs)</b>	<b>1,586</b>	<b>935</b>	<b>-</b>	<b>94</b>	<b>2,615</b>

## Notes:

<sup>#</sup> Subject to shareholders' approval.

<sup>1</sup> Appointed on 10 May 2011.

<sup>2</sup> Resigned on 31 March 2011.

<sup>3</sup> Resigned on 14 November 2011.

<sup>4</sup> Resigned on 30 September 2011.

<sup>5</sup> Resigned on 10 May 2011.

## 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 uphold transparency and accountability with all stakeholders apart from ensuring regulatory reporting requirements are met.

The Group places strong emphasis on 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. Financial information is supplied continuously in annual reports, quarterly results, press releases as well as announcements to Bursa Securities.

RHB Capital disseminates its annual report, together with an executive summary, to its shareholders in hardcopy

## Corporate Governance Statement

media. The executive summary highlights the Group's key financials, aiming to facilitate shareholders' easy access to such key information. All shareholder information is available electronically as soon as they are announced and published. For ease of reference, all relevant information on corporate and financial developments is posted on the Investor Relations section of the Group's corporate website at [www.rhb.com.my](http://www.rhb.com.my).

The Group engages with shareholders and investors through Annual General Meetings ("AGM") and Extraordinary General Meetings ("EGM"). The AGM and EGM are the primary platforms for direct two-way interaction between the shareholders, Board and Management of the Group. These platforms also ensure transparency is adhered to, as shareholders' approval is required on all material issues including, but not limited to, the election and appointment of Directors, material mergers, acquisitions and divestments exercises, as well as the appointment of auditors and dividend payments. 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.

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' reports.

At the 16th AGM held on 6 April 2011, the Principal Officer (now the Group MD) of RHB Banking Group presented a comprehensive review of the RHB

Banking Group's performance for the financial year 2010 and outlined the key focus areas and targets of the Group for the financial year 2011.

At the EGM held on 6 April 2011, the Company sought shareholders' approval for the proposed dividend reinvestment plan ("DRP") that provides the shareholders of RHB Capital with the option of electing to reinvest their cash dividend in new ordinary shares of RM1.00 each in RHB Capital ("Proposed DRP"). A detailed presentation on the Proposed DRP was made to the shareholders providing greater understanding on the said proposal.

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

### Release of Annual Reports and Quarterly Financial Results

Annual Reports	Date of Issue/ Release
Annual Report 2010	15 March 2011
2011 Quarterly Results	Date of Issue/ Release
First Quarter	24 May 2011
Second Quarter	24 August 2011
Third Quarter	29 November 2011
Fourth Quarter	28 February 2012

### Investor Relations

The investor relations' function is growing as it plays an important role in RHB Banking Group's corporate governance framework. With the Group's visibility escalating, the investor

relations team increased its efforts to engage constantly with investors. As part of best investor relations practice, RHB Banking Group seeks to provide accurate, consistent and timely information about the Group, including its 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.

### Quarterly Results

In conjunction with the announcement and publication of quarterly financial results to Bursa Securities, the Group conducted one analyst briefing and three tele-conferences in 2011. These briefings and tele-conferences become the platform for the Group's Management ("Management") to brief the investment community on the Group's financial performance, communicate its business strategy and provide updates on the progress of the Group's current business initiatives. The investment community is given the opportunity to raise questions or seek clarifications during these sessions while the Group obtains valuable feedback in return. Presentation slides are publicly available and can be downloaded from the corporate website for a better understanding of the Group.

### Meetings and Tele-Conferences

Management regularly holds one-on-one meetings as well as hosts tele-conferences with analysts, fund managers and shareholders.



### Conferences and Visits to “Easy by RHB”

Management continues to participate regularly in local and international conferences. It is at these events that Management updates participants on the Group’s strategies, operations and initiatives.

In 2011, the Group completed two investment conferences covering Singapore and Hong Kong. Regular “Easy by RHB” outlet tours were conducted to showcase the operations of the Group’s simple, fast and paperless community banking services.

### Investor Relations Activities in 2011

	Number attended/hosted	Number of investors met
Investor conferences	2	49
Direct one-on-one meetings	68	269
Tele-conferences hosted	14	143

### Primary Contact for Investor Relations Matters

Ms Yap Choi Foong  
Head, Investor Relations  
Email: cfyap@rhb.com.my

## 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 MMLR. The Chairman’s Statement on pages 020 to 027 of this Annual Report provides an overview of the Company and the Group’s financial performance for the financial year 2011.

A Directors’ Responsibility Statement for the Annual Audited Financial Statements of the Company and the Group is set out on page 129 of this Annual Report.

### Internal Control

The Board has overall responsibility for the Group’s internal control systems that include financial and operational controls, risk management, and compliance with laws and regulations as well as internal policies and procedures. The size and complexity of the Group’s operations necessitate the managing of a wide and diverse spectrum of risks. The Group’s system of internal control that is in place is designed to manage rather than eliminate the risk of failure to achieve the business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board considers that the Group’s risk management framework and system of internal control maintained by the Management, and which was in place throughout the financial year and up to and as of the date of this report, is adequate to safeguard the shareholders’ investment and the Group’s assets.

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 051 to 054 of this Annual Report.

### Relationship with External Auditors

The Board maintains a formal and transparent professional relationship with the External Auditors via the Audit Committee. The role of the Audit Committee in relation to the External Auditors is disclosed in the Audit Committee Report set out on pages 055 to 058 of this Annual Report.

### Related Party Transactions

The Group has put in place a Policy on Related Party Transaction Review Process which serves as a guide for reviewing and reporting of all related party transactions. All related party transactions are reviewed by Group Legal before any submission is made to the Audit Committee for deliberation.

Details of these transactions are set out under Note 42 to the Financial Statements on pages 212 to 217 of this Annual Report.

## Corporate Governance Statement

### Whistle-Blowing Policy

The Group has also adopted a whistle-blowing policy in strengthening its governance practice. The policy will provide employees with accessible avenue to report on suspected fraud, corruption, dishonest practices or other similar circumstances. This policy is to encourage the reporting of such matters in good faith, with the confidentiality of the person making such reports being protected from reprisal, in the best possible manner. For the current year under review, two complaints pursuant to the Whistle Blowing Policy were received and both were investigated and pursued accordingly based on the requirement of the Policy.

The Group's internal control issues are administered by the following persons:-

- (i) Puan Fazlina Mohamed Ghazalli  
Head, Group Legal  
Email: fazlina.ghazalli@rhb.com.my
- (ii) Ms Wong Yih Yin  
Chief Internal Auditor  
Email: wong\_yih\_yin@rhbbank.com.my

### COMPLIANCE WITH THE CODE

The Board is satisfied that the Company and Group have complied with the principles and best practices outlined in the Code as at 31 December 2011.

RHB Banking Group has mapped its current corporate governance practices with Securities Commission Malaysia Corporate Governance Blueprint 2011 ("SC Blueprint") and identified relevant gaps thereto. The Board is pleased to report that the Group is generally in compliance with the SC Blueprint.

This Statement of Corporate Governance was approved by the Board of Directors on 31 January 2012.

### 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 2011.

#### 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 2011 to 31 December 2011.

# Statement on Internal Control

## 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 Main Market 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.

## 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.

Management continuously assists the Board in the implementation of approved policies and procedures on risk and control for application/adherence across the Group, and ensure that such policies and procedures are being continuously reviewed in order to meet the changing financial landscape.

## KEY INTERNAL CONTROL PROCESSES

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

- ◆ **Risk Management Framework**  
The risk management process seeks to identify, measure, monitor and control risk. It also seeks to ensure that risk exposures are adequately managed and that the expected returns compensate the risks taken. This is all the more important given that the risks within the industry we operate in continually change

and evolve. This process is regularly reviewed by the Board through its Group Risk Management Committee which ensures the proper management of risks and takes the appropriate measures to mitigate any identified weaknesses in the control environment.

The Group Risk Management Committee provides oversight of the Group’s overall risk management. 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 (“GCC”), Group Recovery Committee (“GRC”), Group IT and Transformation Strategy Committee, and Group Basel Committee. The GRC was dissolved on 31 December 2011 and that the Discretionary Powers and responsibilities held by the GRC have been incorporated into the Terms of Reference of GCC.

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

## Statement on Internal Control

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

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

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

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

## Statement on Internal Control

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.

◆ **Central Management Committee**

The Central Management Committee (“CMC”), comprising key management personnel of the Group and chaired by the Managing Director of RHB Bank Berhad, manages the Group’s strategic direction and provides

strategic guidance to the Strategic Business Groups (“SBG”) and Strategic Functional Groups (“SFG”). Being a forum where all strategic and operational matters are discussed, the CMC meets regularly and special meetings are convened to discuss urgent issues.

◆ **Authority Limits**

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

◆ **Internal Policies and Procedures**

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

There is clear procedure for investment 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 Capital Management**

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

## Statement on Internal Control

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 upon joining the Group.

◆ **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 Main Market 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 2011

### Activities of the Audit Committee

During the financial year ended 31 December 2011 ("year"), a total of six (6) Audit Committee ("Committee") meetings were held. The Committee comprises the following members and details of attendance of each member at the Committee meetings held during the year are as follows:

Composition of the Committee	Attendance at Meetings
1. Dato' Saw Choo Boon (Chairman / Independent Non-Executive Director)	6 /6 (100%)
2. Datuk Haji Faisal Siraj (Member / Senior Independent Non-Executive Director)	6 /6 (100%)
3. Dato' Teo Chiang Liang (Member / Independent Non-Executive Director)	6 /6 (100%)

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 Revised Non-Audit Fees Policy and non-audit services rendered by the external auditors and the related fees;
- ◆ Evaluated the performance of the external auditors and made the necessary recommendations to the Board for consideration in relation to their appointment and audit fees;
- ◆ Reviewed and approved the annual internal audit plan to ensure adequacy of scope and coverage of the identified auditable areas including staffing requirements;
- ◆ Reviewed the status of completion of the internal audit plan, the internal audit reports, audit recommendations made and the management's response to such recommendations as well as actions taken to improve the system of internal controls and procedures;
- ◆ Reviewed the minutes of meetings of the Group Audit Committee of RHB 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; and
- ◆ Tabled the minutes of each Committee meeting to the Board for notation, and for further direction by the Board, where necessary.

## Audit Committee Report

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

### (a) Banking and Finance

- ◆ Internal Capital Adequacy Assessment Process (ICAAP)
- ◆ Implementation of Internal Ratings Based Standards and Management of Risk Going Forward
- ◆ Anti-Money Laundering / Counter Financing of Terrorism Training for Directors
- ◆ ICAAP Training Session
- ◆ Strategic IT Workshop for Board of Directors and Top Management
- ◆ Walkthrough for Board Members – Online / Mobile, Reflex and Cards
- ◆ BNM Financial Institutions Director Education Program (FIDE) Core 2011

### (b) Board and Corporate Governance

- ◆ Board IT Governance & Risk Management : Breaking the Technology Code
- ◆ Launch of Corporate Integrity Pledge
- ◆ The Non-Executive Director Development Series – Is it worth the Risk?
- ◆ FIDE on Audit Committee : Building Audit Committees for tomorrow
- ◆ FIDE : Nomination / Remuneration Committee Programme

### Internal Audit Function

The Group has an in-house group internal audit function which is guided by its Group Internal Audit Charter and reports to the Committee of the Company and the Group Audit Committee of RHB 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 cost incurred for the group internal audit function for the year was RM20.6 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 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.

## Audit Committee Report

### 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 expected returns compensates for 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 the risk management going towards loss minimisation and protection against losses which may occur through, principally, the failure of effective checks and balances in the organisation, as well as deficiencies in risk management culture.

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

- (iii) Institutionalisation of a risk focused organization;
- (iv) Alignment of risk management to business strategies; and
- (v) Optimisation of risk adjusted economic and financial returns.

## OVERARCHING RISK MANAGEMENT PRINCIPLES

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

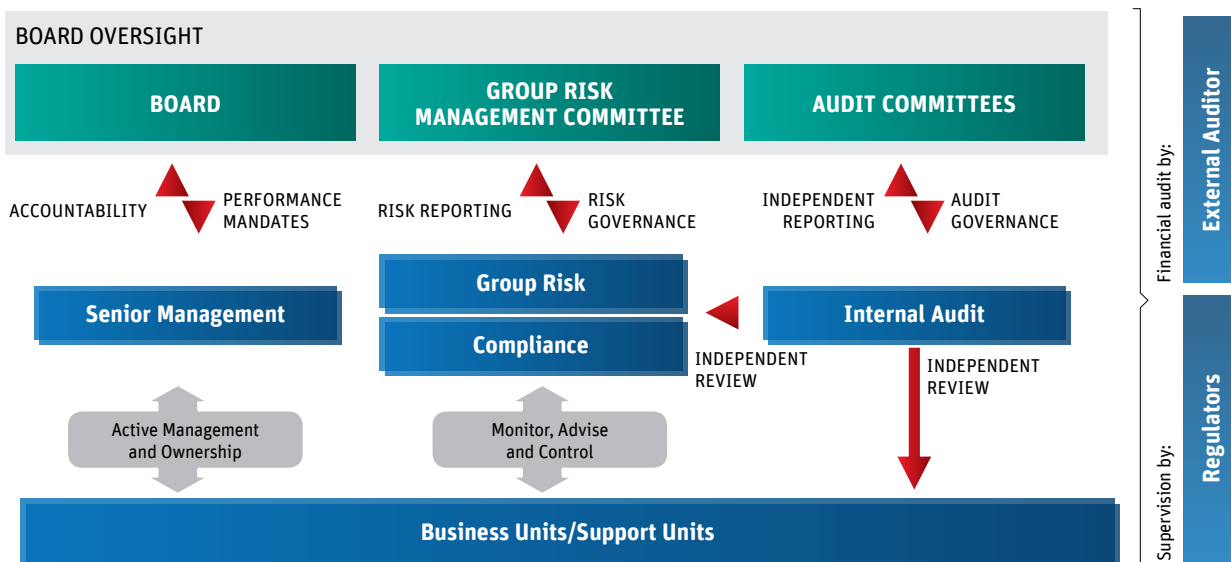
- (i) Risk governance from the Boards of Directors of companies in the Group;
- (ii) Clear understanding of risk management ownership;

### 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 oversight responsibilities which is depicted in the accompanying diagram:

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



## Risk Management Statement

### Group Risk Management Committee (GRMC)

The RHB Banking Group has established a 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 for areas pertaining to risk management. In 2011, the GRMC met on a monthly basis and significant improvement has been gained in the

enhancement of risk management practices in the Group.

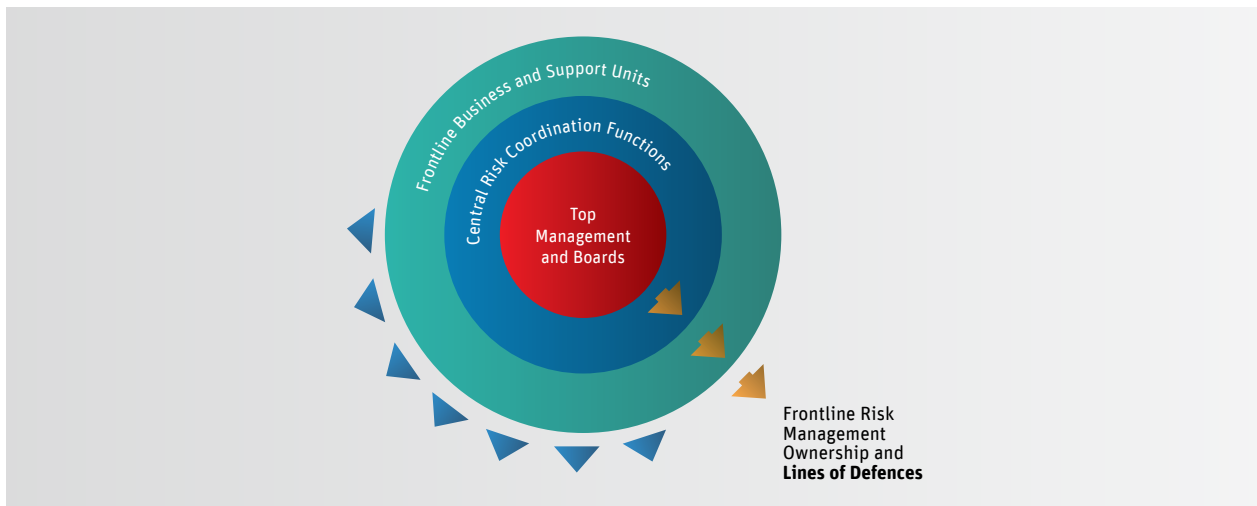
A Risk Management Committee is also established at RHB Islamic Bank to focus on the risk management issues of the Islamic Bank, particularly in relation to risk issues unique to Islamic finance. This has promoted the achievement of the intended objectives of enhancing the risk management of the Group's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

### Principle 2

#### Clear understanding of risk management ownership

Risk management processes are a collective responsibility and 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 established across the Group and is outlined as follows:

### Risk Management Ownership and lines of defence



### Principle 3

#### Institutionalisation of a risk-focused organization

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

- (i) Strengthening of the central risk coordination functions, and

- (ii) Continuous reinforcing of a risk and control environment within the Group.

#### Central Risk Coordination Functions

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

The **Risk Management** function in the Group reports to the Head of Group

Risk Management. Among the roles and responsibilities of the Head are:

- ◆ Facilitating the setting of the strategic direction and overall policy on management and control of risk of the Banking Group;
- ◆ Ensuring industry best practice risk management disciplines are adopted across the Group, including the setting of risk management parameters and risk underwriting models;

## Risk Management Statement

- ◆ 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 impacts on the Banking Group; and
- ◆ Administering the delegation of discretionary powers to management personnel within the Group.

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

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

#### Principle 4

##### Alignment of risk management to business strategies

The Group's risk management framework is to align the Group's business strategy to risk strategy, and vice versa. This is typically articulated through the Group's annual business and financial budgetary plan, which is progressively facilitated by the integration of risk measures in economic capital management.

#### Principle 5

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

The medium to long-term strategy and principle of risk management of the Group is to deepen the integration of economic capital management within the Group. 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 transactional level, credit underwriting standards are dictated in approved credit risk policies (which are developed for the assurance of asset quality that are in line with the Group's risk appetite). Industry best practices are instilled in the continual updating of credit risk policies.

##### Risk Models

In model development efforts, the internal ratings based (IRB) standards of the Basel II capital accord are applied whereby internal obligor and facilities rating models are developed. The exceptions are sub-portfolios for which sufficient historical data is unavailable for use in modeling or for which statistical modeling is impractical given the nature of the business. In these cases, generic models or standard prudential underwriting policies and rules are applied. In addition, independent validations of the risk models are performed in compliance to Basel II IRB standards.

##### Economic Returns Framework

The Group has also implemented an economic returns or 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 or profit rate sensitivities, and (ii) methodologies to compute credit risk premiums in accordance with expected returns or 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 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 monitored. Stress-testing is applied in ascertaining the susceptibility of and extent to which the Banking Group's financials and earnings are affected by prospective changes in market interest rates or profit rates,

## Risk Management Statement

key risk drivers or scenarios. Market risk measures include conventional risk quantification methodologies such as risk factor sensitivity analysis and value-at-risk (VaR) measures.

In addition, the Banking Group has established interest rate or profit rate risk management policy which provides for the governance of interest rate or rate of return. Interest rate or 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 or profit rate risk hedges.

### LIQUIDITY RISKS

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

### OPERATIONAL RISKS

Each business and support unit of the Group owns and is responsible for

understanding the operational risks inherent in its products, activities, processes and systems. They are aided in this function by the central risk coordination units which include the operational risk management function, the compliance function and the internal audit function.

### Operational Risk Management Framework

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

- ◆ Analysis and Enhancement - The Banking Group has implemented a Basel II compliant operational risk management information technology system to support its workflow and analytical capabilities.
- ◆ Education and Awareness - This is aligned with the principle and requirement that the front-line business and support units of the Group are, by nature of their direct involvement in interfacing with customers and in operating the business, responsible for managing operational risk and acting as the first line of defense against operational losses.
- ◆ Monitoring and Intervention – 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 Banking Group has developed and implemented a Reputational Risk Management Framework. The key elements for management of reputational risk include:

- ◆ Prompt and effective communication with all stakeholders.
- ◆ Strong and consistent enforcement of controls relating to governance, business compliance and legal compliance.
- ◆ Continuous monitoring of threats to reputation.
- ◆ Ensuring ethical practices throughout the organization.
- ◆ 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

## Risk Management Statement

- ◆ Shariah Compliance Risk arising from potential non-compliance with Shariah rules and principles in the Bank's operations as well as problems of legal uncertainty in interpreting and enforcing Shariah contracts.

### CAPITAL MANAGEMENT AND BASEL II

The infrastructural implementations that has been completed has enabled the Group 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 capabilities for improvements in the use and adoption of the advanced approaches of the Basel II capital accord. In June 2010, RHB Bank obtained BNM's approval to apply the Internal Ratings Based (IRB) Approach for Credit Risk.

### 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 level of cash and cash equivalents to meet its 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 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 annually and are in line with strategies set by the GRMC.
- ◆ 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.

## Risk Management Statement

### For Interest Rate Risk:

- ◆ The ALCO monitors the balance sheet position and assesses it for profit and loss impacts arising from sensitivity to interest rate movements.
- ◆ The ALCO also sets and reviews limits on the level of mismatch of interest rate re-pricing that may be undertaken. Likewise, fixed rate assets, especially long term assets, are subject to various limit parameters.

### Liquidity risk

ALCO plays a fundamental role in the asset or 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.

The banking subsidiaries' liquidity framework is subject to periodic stress tests and the results are reviewed to ensure 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 various initiatives:

- (i) The banking subsidiaries abide by a Board-approved Group credit policy which supports the development of a strong credit culture with the

objectives of maintaining a diversified portfolio that addresses credit risk, and mitigates concern for unexpected losses. Market best practices are incorporated into this policy.

- (ii) The banking subsidiaries ensure 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 is the senior management committee that approves and renews loans or facilities and the Group Credit Committee sanctions credits beyond established pre-defined 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. Clients' accounts are reviewed at regular intervals and weakening credits are transferred to Loan Recovery for more effective management.
- (iv) Counterparty, industry and product exposure limits or directions are set and monitored with the aim of managing concentration risk in response to market changes and external events.



## Risk Management Statement

- (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 the more advanced Basel II approaches by implementing key programme components which includes (i) enhancing the economic returns using established 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 risk based pricing and funds transfer pricing has been developed, which also enables RHB Bank in meeting the requirements of the Basel II Accord Internal Ratings Based Approach.

#### Operational risk

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

RHB Banking Group uses an operational risk management system. This system has integrated applications for supporting the entire operational risk management process for loss event data collection and management, loss event analysis, assessment and monitoring of the quality of the internal control system, risk

scenario analysis and risk measurement, comprehensive reporting of operational risks and internal control quality and tracking of risk mitigation and, control improvement actions. This system facilitates capabilities for the Advanced Measurement Approach of the Basel II Framework in the future.

RHB Banking Group has a Business Continuity Management ('BCM') programme for its major critical business operations and activities at the Head Office, data centre, and branches locations. The BCM programme is subject to regular testing to ensure efficacy, reliability and functionality.

RHB Banking Group continually refines and strengthens existing policies, procedures and internal controls measures; conduct internal reviews, compliance monitoring, and 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 appropriate approving authority structure for the extension of trading or credit limits. Within 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.

## Risk Management Statement

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 trading limit structure for dealer's representatives and clients are in place and in line with the 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 is beyond acceptable risk tolerance level.
- ◆ An internal policy on suspension of clients from trading once their accounts are overdue. Clients' losses are reviewed daily and recovery action initiated as and when appropriate.

### Interest rate risk

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

### Liquidity and cash flow risk

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

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

### 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 "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.

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

### Internal Capital Adequacy Assessment Process ('ICAAP')

In line with BNM's guidelines on ICAAP, the Group has embarked on implementing ICAAP with the objective to forge strong alignment between risk and capital. Capital adequacy shall be assessed in

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

relation to risk profile and strategies will be put in place to maintain appropriate capital levels. An implementation plan and roadmap has been established and regular updates are submitted to the GRMC.

# Compliance Statement

## OVERVIEW

As governance and regulatory requirements in the financial industry continues unabated, 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 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") remain 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:

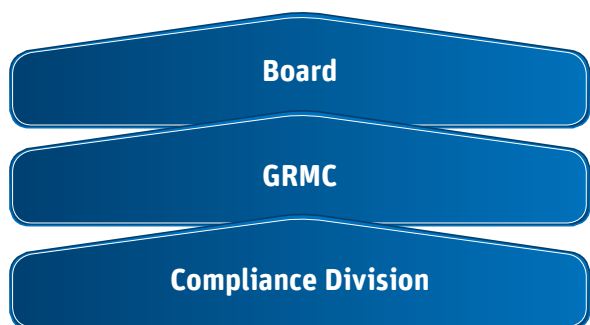
- to be the most compliant banking group;
- to enable business growth and compliance;
- to ensure zero-tolerance for regulatory breaches; and
- to minimise operational losses.

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.



## 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 GRMC to carry out the effective oversight of the Group’s compliance activities and provide the direction for appropriate risk management and mitigation actions.

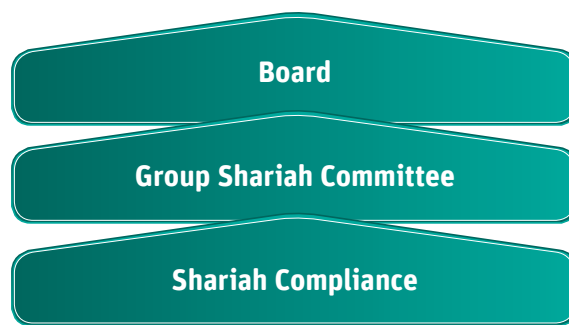
The Compliance Division is responsible for developing and maintaining the Group Compliance Framework. This forms the foundation from which policies and procedures are designed to manage compliance risk.

### 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 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.



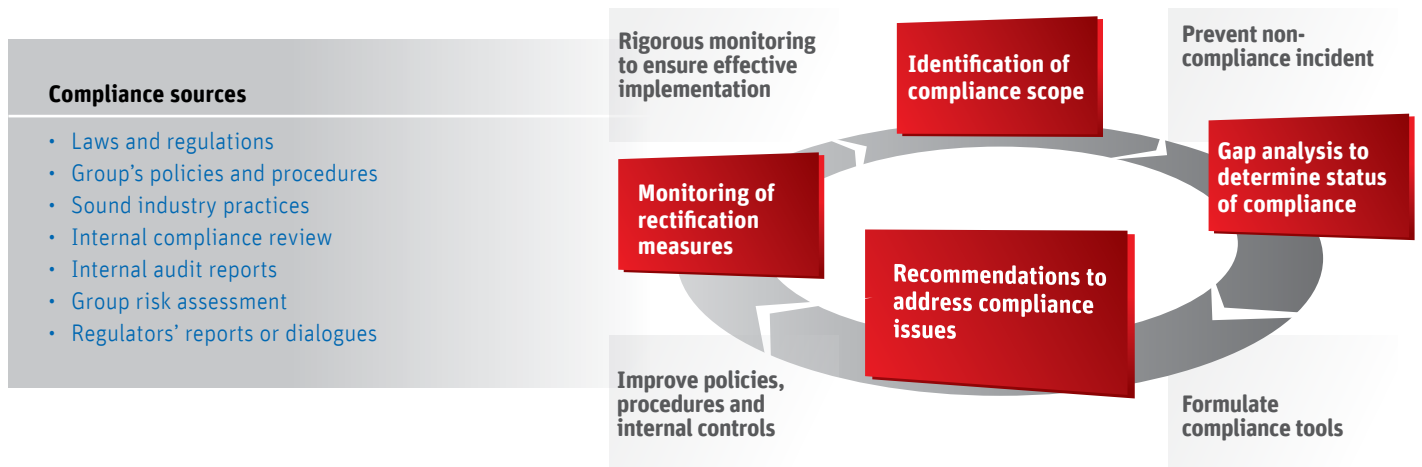
### SCOPE OF COMPLIANCE

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 nationwide, the Regional Internal Control Oversight (RICO) Team was set-up to assist branches in managing internal control compliance and risk issues. The RICO Team also assists 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 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.



## Compliance Statement

### KEY INITIATIVES

The year 2011 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:



#### 1. Infusing Best Practices

A comprehensive set of policies and procedures that institutionalise right from wrong is integral in 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, through 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 or 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 is 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 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 RICO Team, whose members are based regionally but reports directly to the Compliance Division, conducts onsite branch reviews of key control activities and highlights significant non-compliance issues to enable better management of compliance risk at the branches.

## Compliance Statement

The Compliance Division also embarked on issuing regulatory alerts on an as-and-when basis to enable and assist business and operating units to respond to regulatory requirements in a speedy manner. Where industry feedback is sought from regulators, reminders are issued to relevant business or operating units to ensure that the Group provides meaningful feedback for the betterment of the financial industry sector.

### 5. Education and Awareness

Effective knowledge management is a key challenge in ensuring that staff of the Group are aware of the risk issues surrounding their activities and are able to manage them accordingly in the course of carrying out their duties. To this end, Compliance Division organized a Fraud Awareness Week with an aim to increase awareness amongst staff and our customers on the various modus operandi of frauds and scams. Senior representatives from Bank Negara Malaysia, Polis DiRaja Malaysia, Suruhanjaya Syarikat Malaysia and Deloitte & Touche were invited to speak at our fraud forum and they shared interesting anecdotes and provided insightful perspectives on fraud. Other activities that took place included exhibition panels with posters and brochures on fraud, booths with interactive and educational games, courtesy of CyberSecurity, distribution of button badges and many more. For branches and centres that are located outside Klang Valley, information on fraud was disseminated remotely by downloading of videos to branches with LCD panels as well as conducting web seminars (webinars).

To inculcate a compliance culture, the Compliance Newsletter is issued every month to all staff of the Group. The newsletter highlights compliance events around the world and repercussions of non-compliances such as fines, penalties or even jail-time. This serves as a platform for lessons learnt to ensure incidences of non-compliance and malpractice of similar nature 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 advising 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 creation of awareness 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.

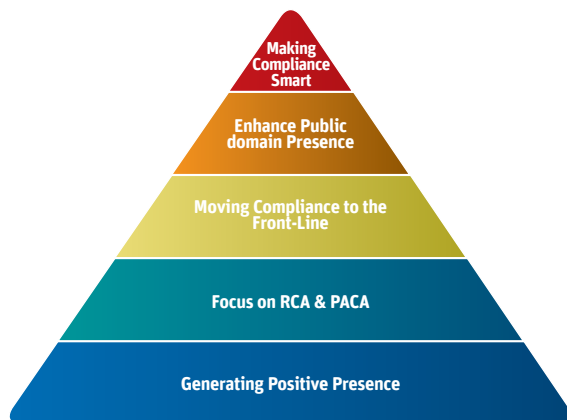
The AML/CFT measures continue to focus on ensuring the effectiveness of reporting by all business and operating units to Compliance Division. AML/CFT self-compliance assessments continue to provide an avenue for the Compliance Division to gauge the understanding of business and operating units on AML/CFT 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 continuous quest to infuse best practices on compliance, the Group had implemented an AML System to automate AML processes to enhance overall productivity and operational efficiencies.

## Compliance Statement

### VALUE OF COMPLIANCE

The five-pronged strategy as detailed in the previous pages 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 Board 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 takes an uncompromising stance if such trust is breached.

The Group’s focus on RCA and PACA 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 also enhance our corporate image as a respectable organisation and ultimately, increase brand and shareholder value.

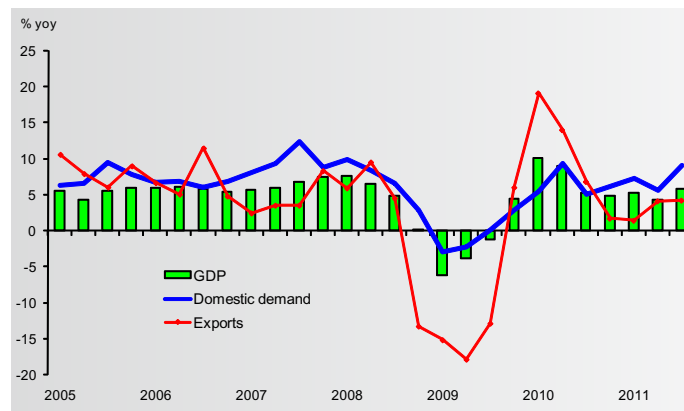


# Review of the Malaysian Economy

## More Moderate Economic Growth In 2010, Domestic Demand Remained Resilient

The Malaysian economy bounced back to chart a stronger growth of 5.2% yoy in 1Q 2011, underpinned mainly by stronger domestic demand (see Chart 1) particularly from public and private consumption. The former was due to higher spending on emoluments and supplies and services, while the latter was supported by favourable labour market conditions and high commodity prices. Real exports, on the other hand, weakened during the quarter, on the back of sluggish exports of manufactured goods. The economy, however, slowed down sharply to 4.3% yoy in the 2Q, affected by earthquake and tsunami that struck Japan in March, causing a major disruption to the global supply chain, particularly automotive parts. This was made worse by a sharp contraction in mining output, as a major oil field suffered a production problem. The issue was subsequently resolved in May and together with the receding impact from Japan's earthquake disruption to the global supply chain, the economy bounced back to record a growth of 5.8% yoy in the 3Q. The economic growth was reinforced by a surge in public consumption, on the back of higher spending on emoluments and supplies & services as well as bonus payment to civil servants, and a pick-up in consumer spending during the quarter. However, the rebound was temporary and economic growth weakened in the 4Q, given deepening sovereign debt crisis in the Eurozone and a disappointingly slow US economic growth. As a whole, the economy slowed down to 5.1% in 2011, from +7.2% in 2010, due to slowing real export growth but supported by resilient domestic demand (see Table 1).

**Chart 1: More moderate economic growth but domestic demand remained resilient**



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

	2010	2011	2012f
	% yoy		
<b>Consumption</b>			
Public sector	0.5	16.8	7.8
Private sector	6.5	6.9	5.8
<b>Gross Fixed Capital Formation</b>			
Public sector	2.8	7.1	4.5
Private sector	17.7	5.0	4.7
<b>Aggregate Domestic Demand</b>			
Exports of Goods & Services	9.9	3.7	3.6
Imports of Goods & Services	15.1	5.4	4.8
<b>GDP</b>			
	<b>7.2</b>	<b>5.1</b>	<b>4.5</b>

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

## Review of the Malaysian Economy

### Manufacturing, Construction And Services Growth Weakened, While Mining output Contracted

In line with a slowdown in export growth, the manufacturing sector expanded at a slower pace of 4.5% in 2011, after a strong rebound to +11.4% in 2010 (see Table 2). Similarly, construction growth weakened to around 3.5% in 2011, after slowing down to 5.1% in 2010, as the Government's stimulus spending ended in mid-2010. The economic growth was also dampened by a sharp decline in mining output, as a major oil field suffered a production problem in the 2Q. The growth in the services sector, however, sustained at 6.8% in 2011 (+6.8% in 2010), supported by resilient domestic demand. The overall real GDP growth was also supported by a pick-up in agriculture production to 5.6% in 2011, from +2.1% in 2010, on the back of a recovery in the production of palm oil and a pick-up in rubber output.

### Widening Current Account Surplus In The Balance of Payments

The surplus of the current account in the balance of payments (BOP) widened to RM75.9bn in January-September 2011, from a surplus of RM64.3bn in the corresponding period of 2010. This was mainly on account of a larger surplus in the merchandise trade account and smaller deficits in the income account and current transfers. These were, however,

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

	2010	2011 % yoy	2012f
<b>Real Gross Domestic Product</b>	<b>7.2</b>	<b>5.1</b>	<b>4.5</b>
Agriculture, forestry & fishing	2.1	5.6	2.0
Mining & quarrying	0.2	-5.7	2.0
Manufacturing	11.4	4.5	4.2
Construction	5.1	3.5	4.8
Services	6.8	6.8	5.5

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

**Table 3. Balance Of Payments**

	2010	2011 RMbn	2012f
Current Account	88.1	97.9	99.7
(% of GNI)	(11.9)	(11.8)	(11.4)
Goods	134.7	149.4	150.9
Services	1.7	-8.4	-7.5
Income	-26.5	-22.1	-23.2
Current transfers	-21.8	-21.1	-20.5
Capital account	-0.2	-0.2	0.0
Financial account	-19.8	15.5	-26.0
Errors & omissions	-70.7	-18.5	-25.0
Overall balance	-2.6	94.8	48.7
Outstanding reserves*	328.7	423.4	472.1
(US\$)*	106.5	133.6	144.9

\* As at end-period

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

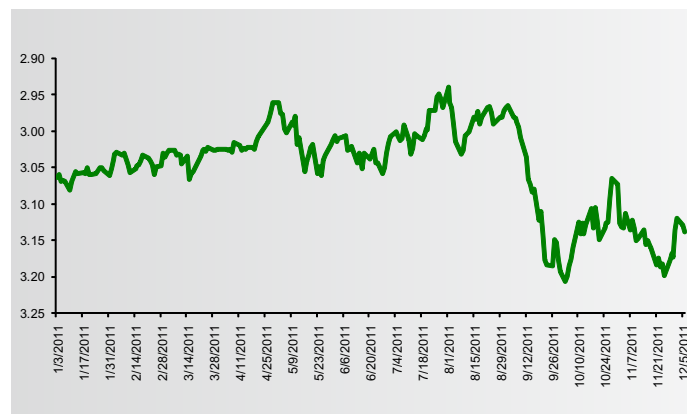
## Review of the Malaysian Economy

offset partially by a deficit in the services account during the period. For 2011 as a whole, the current account surplus recorded a larger surplus of RM97.9bn or 11.8% of gross national income (GNI), compared with a surplus of RM88.1bn or 11.9% of GNI in 2010 (see Table 3). This, coupled with a net inflow of capital in the financial account during the year and smaller errors and omissions, led to a surplus of RM94.8bn in the overall balance of payments estimated for 2011, compared with a deficit of RM2.6bn in 2010. Despite the surplus, the ringgit's movement was volatile, appreciating against the US dollar on a trend basis in the first eight months of the year, but started to weaken more significantly since September. After a brief recovery in October, it fell back in November - December and depreciated by 3.1% against the US dollar (see Chart 2), as foreign portfolio funds reversed into outflow due to a deepening Eurozone debt crisis. The weaker ringgit was in tandem with movements of regional currencies such as Singapore dollar, baht, peso and rupiah, which depreciated against the US dollar during the period.

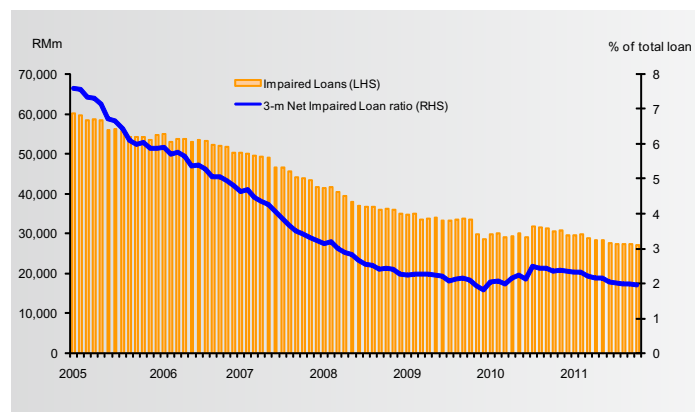
### Resilient Loan Growth With Robust Monetary Expansion

The banking system's loan growth moderated to 12.8% yoy in November, after rising to a four-month high of +13.8% in September and compared with +13.4% in August. Overall loan growth was resilient, but likely to moderate in the months ahead, as the Central Bank has stepped up its efforts to manage the rise in household debt and as economic growth slows. In line with resilient private sector demand for loans and inflow of foreign portfolio capital, the growth of the broader monetary aggregate, M3, hit a three-year high of 12.5% yoy in September, before easing to +12.4% in November. Separately, the net impaired loan ratio of the banking system eased marginally to 1.9% of total net loans in November, after holding stable at 2.0% for the last four consecutive months and compared with 2.3% recorded in January-February 2011, pointing to an improvement in asset quality (see Chart 3).

**Chart 2 : Ringgit is weakening of late due to Eurozone's debt crisis and outflow of short-term capital**

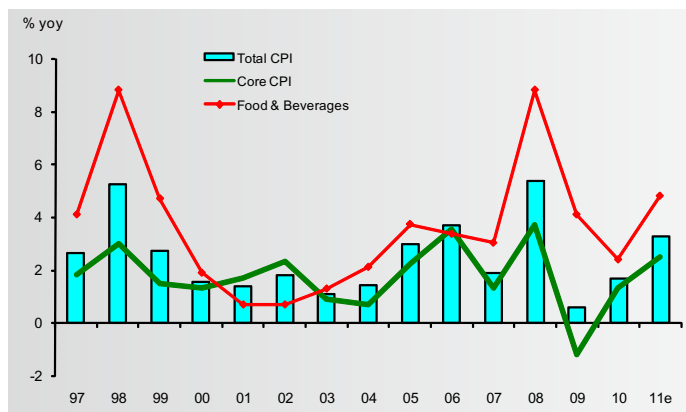


**Chart 3 : Banking System Net Impaired Loan Ratio improving**



## Review of the Malaysian Economy

**Chart 4: Inflation picked up in 2011**



### Higher Food Prices And Headline Inflation Rate

The headline inflation will likely hit 3.3% in 2011, compared with +1.7% in 2010 (see Chart 4), on account of both higher food prices and the core inflation rate. The former was in tandem with rising commodity and food prices in the early part of the year. The latter was due to the reduction in subsidies resulting in upward adjustments in retail petrol prices for RON97 and power tariff as well as gas supply to industries. Already, food and non-alcoholic beverage prices grew at a faster pace of 4.7% yoy in January-November, compared with +2.4% in 2010. Similarly, the core inflation rate rose by 2.5% yoy in January-November, compared with +1.3% in 2010. This was on account of higher transportation costs, which rose by 4.6% in January-November, compared with +1.6% in 2010. Similarly, the costs of utilities, healthcare, recreation services and education as well as prices of furniture and home appliances and charges at restaurants also picked up.

### Higher Interest Rates Up To First Half 2011, Room For Rate Cuts In 2012

The Central Bank raised the Overnight Policy Rate (OPR) by 25 basis points to 3.00% on 5 May, marking it the first interest rate hike since July 2010, on the back of rising inflationary pressure and elevated levels of commodity and fuel prices. Since then, the Central Bank shifted its focus from inflation to growth, following a deepening sovereign debt crisis in the Eurozone and a slow recovery in the US economy. Indeed, the monetary policy easing could be on the cards as economic activity in the advanced economies is being weighed down by heightened market volatility and lower confidence, amid rising policy uncertainties. We expect the Central Bank to cut its OPR by 25-50 basis points in 1H 2012, if global economic conditions continue to deteriorate.

## Outlook for 2012

### Slower Economic Growth In Prospects

The global economy will likely experience a protracted slow growth on the back of a deepening sovereign debt crisis in the Eurozone. As it stands, the Eurozone debt crisis has spread from peripheral to core economies in the bloc, i.e. Italy, France and Germany. As reflected in the major economic indicators, Eurozone economy has started to contract in November and it will likely be compounded by deepening austerity drives by the Eurozone governments to contain the sovereign debt crisis in the months ahead. As a result, the Eurozone economy is increasingly likely to fall into a recession in 2012. At the same time, the US economic growth is likely to remain disappointingly slow given the high unemployment situation and a moribund housing market. Whilst economic growth in Japan will be lifted by the reconstruction of disaster-affected areas, China is already experiencing slowing growth with its manufacturing industry falling into a contraction in November. Under such circumstances, Malaysia being small, open and export-dependent, will not be spared and likely experience slowing export growth in 2012.

On the home front, domestic demand will likely be more resilient, albeit facing softening growth as well in 2012, on account of more moderate increases in consumer spending and investment activities. The consumer spending will be supported by high savings, rising consumerism and favourable labour market conditions. Investment, on the other hand, will likely be supported by the implementation of the Economic Transformation Programme (ETP) projects. As a whole, the economy is envisaged to slow down more significantly to 4.5% in 2012, from +5.1% in 2011.

# Continuing Our Commitment to Human Capital Development

## GROUP HUMAN CAPITAL INITIATIVES IN 2011

Human capital is regarded as the essence in the growth and sustainability of any business. Recognising its importance and with the aim to be a leading financial services provider in Asia, we at the RHB Banking Group persists in our efforts to continuously develop and engage our people.

In 2011, embarking on the Human Resource (“HR”) Strategic Initiatives 2011-2015, the Group focused on a few critical initiatives revolving around people-agenda with the same priority and tenacity as we pursue business excellence.

As at 30th November 2011, the RHB Banking Group has a total headcount of 11,299 full-time employees and to meet the growing demands of the Group’s business and operations, we have an on-going rigorous recruitment exercise to attract talent and high performers. In 2011 alone, the Group had successfully grown our workforce strength by approximately 5% to cater to business growth.

A measure of our success in the employability market was rewarded recently when the Group was ranked at no. 68 of the Top 100 Malaysia Leading Graduate Employers for year 2011. With this acclaimed recognition by the labour market, it is a clear indication that the Group’s HR Strategic Initiatives in the focus area of employment branding and market competitiveness are heading in the right direction.

However, realising the challenges to remain attractive and competitive in this war for talent in an ever increasing competitive market, our HR Strategic Initiatives will need to continue to evolve to be more innovative and forward-thinking in providing its HR solutions to meet the business needs.

## MAXIMISING HUMAN CAPITAL: CAPITALISING ON EMPLOYEE ENGAGEMENT AND ALIGNING EMPLOYEE PERFORMANCE TO ACHIEVE ORGANISATIONAL GOALS

The Group’s HR Strategic Initiatives 2011-2015 developed in late 2010, to fully support the Group’s business strategies in achieving the organisational goal, has been the guiding principle in all our human capital initiatives throughout this year and shall continue to lead and drive our efforts to attract, retain and develop our people; especially the high potential employees.

The HR Strategic Initiatives clearly identifies the crucial elements of people, processes and the external environment and most importantly isolates specific requirements affecting these elements. These elements were then translated into four clear strategic objectives which in turn were supported by seven key focus areas which are best described in the diagram illustrated below:-

## Human Resource (“HR”) Strategic Initiatives 2011 – 2015

Since the last quarter of 2010 and throughout this year, the Group’s Human Resource team has been diligently pursuing pertinent action plans in the seven key focus areas with the sole purpose of building a strong foundation by developing innovative HR products, establishing and refining HR processes and enhancing HR value added services for execution throughout the Group. This is also part of the action plan in creating the RHB Banking Group as an employment brand within the industry.



Figure 1 : HR Strategic Initiatives 2011 - 2015

## Continuing Our Commitment to Human Capital Development

### Achievements in 2011 and Moving Forward

#### Competitive Advantage

In our endeavours to gain competitive advantage, the RHB Banking Group has successfully implemented a competitive job grading structure across the organisation involving a massive job evaluation project to cater for employee integration and mobilisation within the Group. Complementing the new job grading structure, a standard salary structure design that is competitive to the industry salary benchmark was also established across the Group in May 2011.

However, there is still much work to be done in this area in order to remain competitive and forward thinking. To this end, efforts to harmonise our benefits and obtain a standard terms and conditions of employment across the different entities within the Group is already underway and expected to be completed sometime in 2012.

Supplementing the benefit harmonisation exercise, a plan to establish a viable reward system that will enhance the retention of key and critical personnel is currently being reviewed. This will include the establishment of several short-term and long-term incentive schemes.

#### Performance Management

A Performance Driven Culture is important in our competitive business environment. However, the Group needs to consciously ensure a high performance organisation without compromising on our Core Values as a way of work life. We need, in the

longer term, to align our work behaviour to the Group's Core Values in creating a dynamic, progressive and high performing organisation with a positive work culture.

With this end in mind, a more balanced performance management system was established in 2011 where behavioural i.e. Living Up to Core Values, leadership and development measurements were incorporated as part of the KPIs and performance appraisal for each employee. Periodic refresher classes were conducted throughout the year to continuously educate managers and supervisors.

Over the next few years, a systematic HR Masterclass roadshow covering all business units across the regions will be conducted continuously in our bid to educate and coach people managers in the various disciplines. These include areas such as managing employee performance effectively including managing poor performers, high potential employees and improving employee engagement.

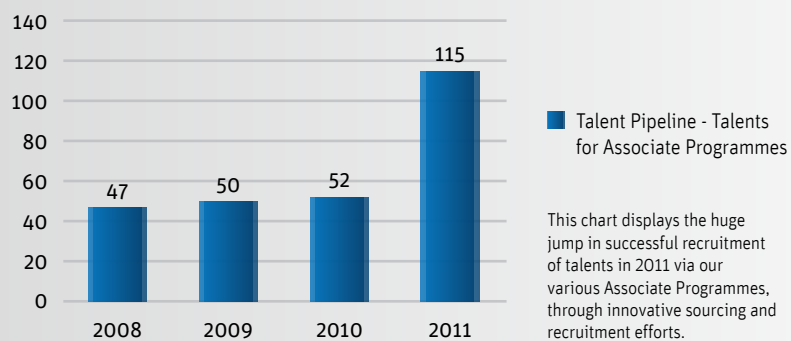
#### Talent and Succession

The focus area of Employment Branding, saw the establishment of a structured Succession Planning framework for existing key positions and critical incumbents across the RHB Banking Group and the Group's Talent Management Framework.

To ensure the sustainability of the Group's business and the availability of talented leaders in 2011, one of the critical areas we looked into was for RHB to "grow its own timber". As such, the development of successors list, high potential successors and identification of talents from the masses became a high priority. Current bench strength and readiness level of leadership pipeline were measured.

The Talent Management Framework established in third quarter of 2011, was built to completely support the attraction, retention and development of talents. It will include initiatives encompassing the full employee life-cycle and experience

Talent Pipeline - Talents for Associate Programmes



## Continuing Our Commitment to Human Capital Development

during employment within the Group, of which some have been set in motion.

These initiatives amongst others currently cover and will include talent attraction, strategic partnerships with institutions of higher learning, selection of and hiring for potential, effective on-boarding and integration, talent and leadership development, as well as professional accreditation.

These initiatives, the enhancement of the existing Associate Programmes to be more robust, dynamic and competitive with customised development approaches, together with the nationwide positioning of RHB as an employer of choice among fresh graduates, attracted almost three times as many young talents as compared to previous years.

Subsequent assessments and development of successors will be implemented accordingly in future to ensure the smooth and successful execution of the Succession Plan and Talent Management.

### Manpower

In positioning to become the “Employer of Choice”, we have introduced or enhanced numerous action plans in the areas of talent acquisition and manpower management such as a more rigorous recruitment, affiliations with universities, flagship learning programmes and review of operation structure in resourcing activities for better service delivery throughout 2011. These will continue to be executed and reviewed accordingly.



In addition to an enhanced Associate Programme, we have developed and established a structured on-boarding programme for new recruits which provides recruits with the best experience, while effectively easing them into their new roles. To further improve RHB's employment branding among fresh

graduates, a strategic partnership between RHB and GTI Media was forged to organise a first-of-its-kind GradMalaysia Race. This race is participated by graduate students of top universities in Malaysia, where its winners will be enrolled in the RHB Management Associate Programme 2012.

Further review and enhancement to the process and materials are on-going and will be implemented to complement the on-boarding program.

### Learning and Development

In the area of learning and development, we focused on providing a continuous learning environment via the establishment of a standard approach in the identification of employees learning and development needs, as well as Leadership Development Programmes for Successors and Talents. In 2011, our commitment to develop our employees resulted in huge investments in such trainings as product knowledge, technical and soft skills, service quality, local and overseas leadership programmes and many others.

## Continuing Our Commitment to Human Capital Development

We will continue to identify high potential talents and engage them in high quality learning experiences from renowned institutions locally and abroad. To support the development, we are also creating an employee development roadmap which would benefit in the areas of careers and succession planning.

Currently, we have also set the platform to introduce e-learning modules for the training and development needs of the business units. The implementation is expected to be fully completed in 2012.



### Culture and Engagement

In this focus area which also aims at providing a more continuous positive experience for existing staff and also new recruits, the Group has in this past year focused on offering a steady stream of work-life balance activities. These activities promote fun while embedding teamwork, better working relationship, fostering harmony and retaining an

engaged and unified workforce. Such activities include the RHB Unity Games, RHB Idol, Staff Dinner, Sports Carnival, Open Futsal Championship and numerous others. Also in 2011, RHB, for the first time ever, collaborated with Malaysian Institute of Management (MIM) to organise the RHB Business Management Games 2011, an online business simulation game that exposes participants to real-life business scenarios in a fun and risk-free environment.



In building a culture of high performance, it is reassuring to note that the RHB Banking Group has successfully conducted its first Employee Engagement Survey. This has provided our employees with an avenue for feedback. With this, the Group is able to assess our employee engagement levels in support of recent years' initiatives as well as providing focus on priority issues and assisting in identification of future engagement initiatives.

### Organisation Effectiveness

Throughout 2011, it was imperative that we focus on achieving operational and organisational effectiveness to ensure a stable and conducive environment that will maximise the success of future initiatives and promote business growth. To this end, we have improved the workforce capacity in meeting business cost management and ventilation of employees via strategic capacity planning and separation schemes in the month of June and July of 2011.

HR performance and effectiveness shall continue to be enhanced to meet the demands of the organisation's workforce and more importantly towards meeting



## Continuing Our Commitment to Human Capital Development

the Group's business strategy. Another implementation of process improvement and automation, including cost management of benefit expenses provided the Group with ample opportunities for a significant cost reduction. Such implementations like conversion of reimbursable benefits to cash allowance resulted in increased efficiency and paper cost reduction. Automation in some HR processes with business, for example, leave monitoring had since become more operationally efficient.

The Group as a whole has also established a current Occupational Safety and Health (OSH) framework to meet regulatory requirements and ensure a safe and conducive working environment for our employees.

### **Having the End in Mind**

In totality and in all the endeavours we have embarked on and will introduce, operational finesse and efficiency are always at the forefront of all our action plans to ensure that opportunities for process improvements and organisational effectiveness are correctly identified and capitalised upon. To sustain performance and stimulate growth in a dynamic and challenging environment, the RHB Banking Group will need to continue to place great emphasis on human capital development by effectively carrying out our strategic initiatives that are aligned and in support of our objective to be a leading financial services provider in Asia.

## Group Senior Management

Standing from left to right:

- ◆ **PATRICK HO KWONG HOONG**  
*Head, Group Risk Management*
- ◆ **MIKE CHAN CHEONG YUEN**  
*Officer In Charge, RHB Investment Bank/  
Director, Corporate Banking*
- ◆ **KONG SHU YIN**  
*Managing Director,  
RHB Insurance Berhad*

- ◆ **AMY OOI SWEE LIAN**  
*Director, Business Banking*
- ◆ **WONG YIH YIN**  
*Chief Internal Auditor*

Seated from left to right:

- ◆ **MICHAEL LIM KHENG BOON**  
*Director, Treasury and  
Transaction Services*
- ◆ **KELLEE KAM CHEE KHIONG**  
*Group Managing Director*



## Group Senior Management

Standing from left to right:

- ◆ **NORAZZAH SULAIMAN**  
*Director, Group Corporate Services*
- ◆ **SHARIFATUL HANIZAH SAID**  
*Managing Director, RHB Investment Management Sdn Bhd*
- ◆ **VINCE AU YOONG SEE WENG**  
*Director, Retail Banking (Acting)*
- ◆ **AZAHARIN ABD LATIFF**  
*Director, Human Resource Management (Acting)*
- ◆ **AZMAN SHAH MD YAMAN**  
*Company Secretary*

Seated from left to right:

- ◆ **JOHARI ABDUL MUID**  
*Managing Director, RHB Bank Berhad*
- ◆ **HAJI ABD RANI LEBAI JAAFAR**  
*Managing Director, RHB Islamic Bank Berhad*



## Overview : Business and Operations



**Kellee Kam**  
Group Managing Director  
RHB Banking Group

**" Our position of strength today is owing to the strong foundations we have laid under our transformation initiatives. As a result of these efforts, the Group is today one of the fastest growing financial institutions in Malaysia. "**

### INTRODUCTION

The year 2011 was both a challenging and fruitful year for the RHB Banking Group. We faced the challenges of a volatile global economy impacted by the Eurozone crisis, a weakened securities market, structural changes within our industry as well as heightened competition. While all of these challenges contributed to a tough operating environment in which it was difficult to grow market share, we were able to weather these challenges to emerge a more resilient entity.

2011 was also the year in which we made strong strides forward on the operational front to emerge a stronger banking institution. We made concerted efforts to strengthen our people and operational capabilities as well as extend our reach through leveraging innovative service platforms and technologies. Overall, we made good progress to end the year with positive growth momentum. All credit goes to the dedicated team at RHB who stood their ground and rose up to meet the year's challenges head on.

Our position of strength today is owing to the strong foundations we have laid under our transformation initiatives. As a result of these efforts, the Group is today one of the fastest growing financial institutions in Malaysia. The Group's performance continues to be on the uptrend, with RHB Capital's market capitalisation as at 31 December 2011 increasing dramatically by 164.5% to RM16.5 billion – more than twice the market capitalisation of RM6.2 billion as at end 2006.

In 2011, the Group continued to extend its domestic reach via a variety of touch points. By the end of 2011, we had grown the total number of self-service terminals (SSTs) comprising ATMs, CDMs and

## Overview : Business and Operations

cheque deposits machines to 2,112 SSTs from a total of 1,646 SSTs in 2010. As at 31 December 2011, our distribution network comprised 187 full-fledged domestic conventional bank branches, 12 Islamic bank branches, 9 overseas branches, 235 Easy by RHB outlets and 319 RHB-POS Shared Banking Service outlets. We also had 470,000 and 29,000 users respectively tapping our internet banking and mobile banking platforms.

As a Group, we continue with our efforts to distinguish ourselves from other industry players through leveraging private and public sector relationships as well as enhancing our network and channels. Initiatives like Easy by RHB and the RHB-POS Shared Banking Service outlets are certainly helping us make strong inroads on the domestic front. Our RHB Bank@Work initiative which accords corporate customers a complete suite of products and services under our renewed electronic and online banking platform is also taking off. Going forward, we will focus on tapping our robust and expanding network to generate further asset and liability growth.

Pending the approval of our proposed acquisition of OSK Investment Bank (OSKIB), we are on the verge of becoming one of Malaysia's largest investment banks and brokerage houses with immediate access to key regional markets. Currently some 95% of our business is in Malaysia. This merger will enable the regionalisation of the Group's platform with our footprint extended to Indonesia, Cambodia, Hong Kong and China on top of our existing operations in Singapore, Thailand and Vietnam.

2011 saw us making good strides forward in the way of strengthening our internal structures and processes. As

part of our efforts to intensify collection and recovery efforts, we undertook vigorous asset and liability management activities, enhanced credit and risk management practices as well as ensured disciplined capital management. To strengthen our governance measures, we enhanced our anti-money laundering policies, refined Basel II implementation, commenced planning the roadmap for ICAAP and prepared for the introduction of Basel III.

In line with our efforts to improve risk management within the Group, we made additional investments into systems as well as asset and liability management and fund transfer policy mechanisms. On the people development front, we completed the harmonisation and realignment of job grading in April 2011 as well as implemented a formal succession planning programme to develop capable leaders from within the Group.

In early 2012, the Group adopted a "new" set of customer-centric values under the acronym PRIDE i.e. Professionalism, Respectful, Integrity, Dynamism and Excellence. These core values call for all at RHB to deliver a superior customer experience by inculcating the core values of PRIDE within our work culture and DNA. PRIDE must resonate intuitively with RHB's workforce if we are to be a success.

Going forward, the RHB Banking Group's transformation journey is set to continue even as we prepare to enhance our domestic capabilities and expand our international footprint through several strategic developments. We envisage that the next few years will be an exciting period of growth for the Group as we expand our market and brand presence in key markets. In view of the Group's aspiration to be a leading

multi-national financial services group, the expansion of our international footprint will remain a priority. To this end, we remain open to exploring M&A opportunities where there is a strategic fit and where it adds value to our shareholders.

As the Group moves forward into 2012, we are doing so with more clarity and a renewed sense of purpose. We are focused on achieving all our key performance targets and have put the building blocks in place to ensure the delivery of profitable and sustainable growth. We will also continue to purposefully build a competitive operating platform that is sustainable yet scalable for the future.

We present here an overview of our key operating entities, RHB Bank Berhad, RHB Islamic Bank Berhad, RHB Investment Bank Berhad and RHB Insurance Berhad.

#### **Kellee Kam**

*Group Managing Director  
RHB Banking Group*

## Overview : Business and Operations

## RHB Bank



### Retail Banking

The retail banking sector in Malaysia has been enjoying healthy growth over the last three years. From a macroeconomic perspective, loans growth continues at approximately 10% per annum. Household debt to GDP remains a challenge and actually rose to about 77% as of 2009, although the impaired loans ratio for the industry has been declining. In terms of competition, more banks are now focusing on the consumer or retail segments. In addition, margins are compressing with more players and more activity in the retail banking space. The number of credit cards continues to decline since the introduction of a service tax levy and 2011 saw a further decline of about 4%.

Amidst this backdrop, RHB's Retail Banking arm comprising consumer banking, cards and unsecured lending, auto finance, asset backed financing as well as bancassurance activities,

delivered exceptionally strong growth. The Retail Banking business registered PBT, assets and deposits growth of 24.0%, 16.5% and 14.7% respectively in 2011. Though Retail Banking faced margin compression in terms of pricing, we were able to address this through appropriate and effective risk-based pricing. This in essence allowed us to select those segments that we wanted to remain strong in while providing us the discipline to focus on our loyal customers and strengthen existing relationships via appropriate cross-selling programmes, products and segments. The result was very encouraging as reflected in our growth and leadership in core assets and segments.

We are also pleased to report that Retail Banking growth outpaced industry growth in relation to the core products and segments. Residential Loans and ASB registered 21.1% growth against industry growth of 12.2%. As attractive

deposit products continued to be developed and packaged competitively in line with increased competition among financial institutions to grow deposits, we registered a higher growth rate of 16.5% for total consumer deposits in comparison to the industry's 11.6%.

Personal Financing grew by 61.6% as compared to the industry's 19.1% mainly as a result of proactive and effective cross selling programmes via the telesales channel. The market share for debit card international spending too continued to grow with RHB Bank registering higher growth of 76.44% as compared to the industry average of 45.10%.

The year saw the number of Easy by RHB outlets expanding from 111 outlets nationwide in 2010 to 235 outlets nationwide at the end of 2011. Leveraging on RHB's strategic tie-ups with TESCO, POS Malaysia and the LRT operators, Easy by RHB outlets are now found in

## Overview : Business and Operations



**Johari Abdul Muid**  
Managing Director



The retail banking sector in Malaysia has been enjoying healthy growth over the last three years. From a macroeconomic perspective, loans growth continues at approximately 10% per annum.

all TESCO stores, strategic locations of POS Malaysia outlets and LRT locations. This innovative community banking platform has made a huge impact on RHB's business with rapid assets growth of RM2.1 billion in 2011. By leveraging the Easy platform, personal financing and ASB financing assets contribution to total Retail Bank assets increased from 3.4% to 4.7% in 2011 and from 9.5% to 15.3% respectively in 2011.

2011 also saw a number of new products and services launched under the various business sections. These included the Step Up Fixed Deposit (FD) and Unitised FD products, the Platinum Credit Card and Travel Money product re-launches, five new bancassurance products and the Premier Banking re-launch supported by four new investment linked products. We also introduced RHB Now, a mobile banking platform for ATM, debit and credit cards using a single ID access across all mobile platforms including

IOS, Symbian and Android devices. With this new innovative product, our customers are now able to send money instantly to anyone across the globe by just using their email address, mobile phone or PayPal top up. They can also enjoy shopping around the world using RHB debit and credit cards with exclusive deals at RHB Walmart. Moreover, they can pay multiple bills from more than 700 participating merchants and partners. Our tie-up with Tokio Marine and Goldman Sachs too is enabling us to offer a wider range of bancassurance and wealth management products to our customers. On the customer front, Retail Banking improved in overall customer satisfaction and loyalty scores and registered a 9% improvement over the previous year's scores. We achieved this through careful monitoring of customer service touch point performance indicators. We also embarked on various business process re-engineering initiatives using Lean Six Sigma methodology to increase efficiency and quality in fulfilling customer needs. In addition, Retail Banking has earmarked existing key branches to be used as Role Model Branches. These selected branches have been accorded enhanced customer service touch points benchmarks and will serve as the basis for inculcating best practices throughout all our other branches. In addition to this, the Internet Banking Service Centre and Cash Management Helpdesk were centralised at the Customer Care Centre with extended service hours.

RHB's Retail Banking business continues to hold the No. 3 spot with over 2,000 SSTs nationwide providing greater convenience to customers. We have also taken steps to improve the management of customer telephone enquiries by migrating calls from our branches and auto finance centres to a centrally managed call centre. By end 2011, a total of 36 branches and centres had been fully migrated.

Retail Banking will continue to drive sustainable growth by expanding our customer base in the affluent segment as well as tapping the internet banking platform to increase overall revenue contribution. We will focus on the premier banking segment and wealth management activities, increase our customer base via RHB Now, continue to leverage on the success of RHB EASY's simple and fast banking with additional outlets in strategic and underserved locations, as well as focus on deposits growth to provide a lower-cost, more sustainable form of liquidity.

## Overview : Business and Operations

# RHB Bank

## THE EASY REVOLUTION

### Fulfilling a need

Upon the RHB Banking Group kick-starting its transformation efforts in 2007, it was decided that if we were to truly build a sustainable competitive advantage, we had to create something that was so unique it would cause ripples in the marketplace and stand the test of time. Seeing that some 70% of the population in Malaysia comprised the underserved mass market segment, we came up with the idea of creating a totally new banking concept to serve this untapped market's needs. This platform would need to leverage on an innovative, low-cost and highly efficient business model to deliver a readily accessible, superior value and distinctive customer service experience to the mass segment. Any products that we offered this segment had to be easily understood, relevant and attractive, while the customer banking experience had to be simple and convenient.

The reality at that time was that most branch models were not designed to serve the mass customer market but were instead focusing on the middle income to high net worth individuals. The adoption of such a ground breaking concept focusing on a low-cost, cutting edge technology-driven customer experience for the mass market had never been undertaken before. Nevertheless, having gone through extensive re-engineering, we decided to roll out Easy by RHB via two standalone pilot outlets in Taman Sri Gombak and Senawang. And we have never looked back since.

### Banking simplified

For the mass market customer, Easy by RHB means a totally hassle-free, simplified banking experience. All anyone has to do is walk into an Easy outlet, use their national registration identity card or MyKad to apply for

any of the six available products, sign up and leave in just under 10 minutes with not only an approved application but with cash in hand as well. For Personal Financing, Easy's ability to offer a paperless application process and instant approvals is owing to an innovative technological platform that RHB is leveraging to drive instantaneous transactions with minimal human intervention. This 10-minute banking experience is something that has never been heard of or done before in the industry.

In addition, all Easy outlets are situated in highly visible high-traffic areas such as LRT mass transit stations, POS Malaysia offices and Tesco supermarkets close to the community. Set up as a seven-day banking facility, Easy offers extended operating hours beyond traditional banking hours as well as convenient and hassle free access. On top of this, Easy is readily accessible via electronic and self-service channels such as ATMs, Cash Deposit Machines and Self Service Phone Banking.

### Other unique features

The Easy by RHB platform accords mass market segment customers a value added customer experience and innovative features typically only available before to higher-income segments. Easy's suite of simple and affordable financial products also comes at a reasonable price given its product features and service levels.

To date, the suite of Easy products includes an instant-approval and disbursement personal loan; an instant debit card that allows immediate use for retail purchases or spend; a customised savings package that encourages saving; a personal accident and life insurance plan; as well as Amanah Saham Berhad (ASB) financing. Easy customers also get to participate in various campaigns and promotions.

The Easy platform also taps a variety of technologies and leverages on the biometrics security features of MyKad to deliver a truly unique customer experience.

### From then till now

In the beginning, RHB faced many internal and external challenges in rolling out Easy. In introducing the concept internally, we had to challenge many internal long-standing assumptions and legacy workflows, plus change the way we approached our processes to ensure the delivery of direct and instantaneous solutions. In addition, while we worked to streamline and create instant processes with minimal human intervention, we also had to ensure there were no additional risks or compromise to our internal controls. In all this, we had to keep the need to deliver a unique customer experience at the forefront of all decision making.

Once we got past these hurdles, we faced the challenge of executing the whole business model. How were we to turn this idea into a reality as well as meet the very ambitious target of opening 240 outlets in 24 months? Moreover, how were we to man these outlets with over 1,000 qualified and competent staff? As with any sizeable organisation, this required a lot of engagement and buy-in from several parties before the whole of RHB was able to understand the need for change and the new way of doing business.

On the external front, we had to ensure that this differentiated customer experience would make a significant impact in the marketplace and establish Easy as a bank of choice. To ensure we generated the desired awareness in the marketplace, we designed a comprehensive brand building and communication strategy with consistent communication across all touch



## Overview : Business and Operations

points. In addition, we developed local area, community and neighbourhood engagement programmes with Easy staff to introduce the Easy by RHB concept. The three main unique selling propositions that were communicated from the beginning were that the Easy platform only required a MyKad; that it was a paperless application; and that decisions were made on-the-spot.

Needless to say, the initial customer responses to Easy were very encouraging. According to an independent ACORN Customer Satisfaction Study, 9 in 10 Easy customers were satisfied with the products and services offered and were willing to recommend Easy to their family and friends. The acceptance of Easy has exceeded all expectations as the 90% satisfaction rate is something that is unheard of in the banking industry. Currently Easy customers are typically between 25 and 35 years of age and have household incomes ranging between RM1,000 and RM5,000. Going forward, we are looking to expand these demographics.

#### Extending RHB's reach

To date, no other Malaysian bank is able to replicate Easy's paperless, transparent, on-the-spot 10 minute banking experience. The first-mover advantage in rolling out this new banking concept to the underserved mass market segment is certainly paying off handsomely. Via Easy, RHB has been able to rapidly expand its branch distribution network via low cost channels to reach and serve a wider base of consumers including those in areas which lack comprehensive banking facilities. As at end December 2011, there were a total of 235 Easy outlets nationwide comprising 225 outlets in Peninsular Malaysia and another 10 outlets in East Malaysia. Together, these outlets contributed more than RM 3.3 billion in assets in 2011, representing 3.4% of the Group's total

gross loans and contributing to 3.0% of Group's pre-provisioning profit. And this number is expected to grow.

Moreover, leveraging on RHB's strategic partnerships, particularly with TESCO, POS Malaysia and RapidKL, Easy by RHB outlets are now found in all TESCO stores, some 50 POS Malaysia outlets and 25 LRT locations. Easy by RHB has definitely made an impact on RHB's banking business with rapid growth and contribution to retail banking. By leveraging the Easy platform, personal financing and ASB financing assets contribution to total Retail Bank assets increased from 3.4% to 4.7% in 2011 and from 9.5% to 15.3% respectively in 2011.

#### Recognition for Easy

Easy by RHB is not only an exciting new phenomenon within the banking industry in Malaysia but it is a concept that is talked about in international banking circles as well. A host of awards and accolades bear testament to the waves Easy has been making in the marketplace since its launch. In 2010, Easy was awarded an Effie, a global marketing and communication award for its concept of "unbanking" or banking in an unconventional manner. In the same year, the Share Guide Association of Malaysia awarded Easy the Best Process Innovation Award.

In 2011, Easy was acknowledged as having the Best Business Model in the Asia Pacific, the Middle East, Central Asia and Africa by the *Asian Banker* at the International Excellence in Retail Financial Services Awards 2011 event. Easy also received the Asia Pacific - Special Citation Award for Operational Efficiency at the Financial Insights Innovation Awards 2011 event. Easy was lauded one of the Best Brands in Financial Services (Retail Banking) at the BrandLaureate Awards 2010-2011 for Product Branding. At the Banking

& Payments Asia Trailblazer Awards 2011, Easy received the Asia Pacific - Service Excellence Award. Finally, for its innovative brand strategy, Easy received the accolade "the Best Brand Strategy" at the Advertising + Marketing Magazine Awards 2011 event.

#### Easy banking is here to stay

Moving forward, as Easy by RHB expands to more underdeveloped areas outside the Klang Valley, access to network and technology infrastructure as well as the ability to recruit and source for the right talent in large numbers will become major challenges. However, given that Easy's current performance is very much in line with our business expectations, RHB will continue to maintain the sustainability of this highly innovative and successful concept in retail banking with on-going investments in technology and people.

The impact Easy has had in the way of exceeding customer expectation and motivating staff is something unique in the industry. We believe that by looking to the many experiences and lessons learnt over the past two years, we can take the customer experience up to the next level given the high levels of energy, enthusiasm and motivation displayed by our dedicated Easy organisation. We will also look to expand Easy's product offering by incorporating other value added services as well as deposit and transactional products. Social media may also feature strongly in our suite of offerings as it will provide greater reach and serve customer needs in a more engaging manner.

Easy by RHB is here to stay and we expect this innovative banking platform to be a major contributor to RHB's profitability in the next two to three years.

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# RHB Bank



## Business Banking

Business banking posted a strong PBT increase of RM87.0 million or 35% from the preceding year. This is largely attributable to steps put in place by management to further strengthen the asset quality portfolio and loan recoveries made during the year. The impairment loans ratio for Business Banking continued to improve further with the gross impaired loans ratio for 2011 ending at 5.4%. This was an improvement over 2010's gross impaired loans ratio of 7.3%.

Business Banking embarked on a deposits-led approach which saw the business achieve a double digit increase of 14% in its deposits base. Business Banking continues to focus on the small and medium enterprise (SME) space through its BizPower programme which

enables lending and participation in government schemes. As a result of an enhanced lending offering in early 2011, we achieved significant traction by doubling new bookings volume in comparison to the preceding year. As for the Bank's participation in the new Working Capital Guarantee Scheme (10MP WCGS), RHB has demonstrated its commitment to SMEs by being one of the top three lenders under the scheme.

RHB Bank was also the first financial institution (FI) to partner the Credit Guarantee Corporation for its Enhancer Direct Scheme for an exclusive RM200 million portfolio. Enhancer Direct is a guarantee scheme evaluated and approved by the CGC and available exclusively through RHB Bank. We see this as a good opportunity to reach out to SMEs by providing the necessary

financing in a segment that is currently underserved.

For the sixth consecutive year, RHB Bank was named a recipient of the Sahabat SMI Award by the SMI Association of Malaysia. RHB Bank has been actively participating in and sponsoring various small and medium industries (SMI) road shows as well as product awareness programmes and financing workshops nationwide. The SME Recognition Award series is supported and evaluated by an independent auditor, Grant Thornton, which recognises outstanding home-grown SMIs.



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RHB is also the exclusive FI partner to SME Corporation Malaysia under the Ministry of International Trade and Industry (MITI). The collaboration sees us supporting developmental activities and showcase events for SMIs as well as the annual Enterprise 50 awards programme for the top 50 enterprising home grown companies.

We have been involved with SMEs and SMIs for the last 10 years and together with other Development Financial Institutions (DFIs) and government agencies will continue to support their initiatives with our comprehensive range of banking facilities.

Overview : Business and Operations

# RHB Bank



## Corporate Banking

Following the implementation of the Government's Economic Transformation Programme (ETP) and the liberalisation of financial services, RHB's Corporate Banking arm experienced increased competition from the proliferation of new players and the rollout of innovative products and services in various industry segments. While this was challenging on both the asset and liability ends of the balance sheet which led to a compression in net interest margin, Corporate Banking turned in sustained profits with low non-performing loans in 2011.

Leveraging on numerous market opportunities for continued growth, the Corporate Banking business saw a noteworthy 12.7% improvement in loans and advances that's well supported

by a 24.3% growth in deposits. This resulted in a loan to deposit ratio that was well within the industry average. Funding for several landmark corporate exercises in the areas of infrastructure and manufacturing as well as property development all contributed to the year's performance. Having successfully lead-arranged and completed a total syndicated loans amounting to RM9.8 billion (USD3.3 billion) in Ringgit equivalent, RHB Bank was ranked second on the Bloomberg Syndicated Loans - Malaysia Loans Mandated Lead Arranger Table in 2011.

Corporate Banking has set its sights on becoming a trusted banker to RHB's valued clientele and will prioritise customer satisfaction whilst it works to produce returns that are consistent with what the top quartile of the industry is

producing. To set itself apart from the competition, the Corporate Banking team has embedded proactive risk management processes within its work culture and is advocating close internal collaboration at all levels. This certainly helps in promoting strong teamwork, innovative processes and a robust product offering.

Going forward, the business will further entrench its position in the domestic market by having a deeper understanding of the risks and returns framework. It will also embark on regional coverage to deliver more sophisticated solutions with higher returns. For 2012, Corporate Banking will maintain its focus in improving asset quality and broadening its customer base apart from being active in the syndications market.



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# RHB Bank



## Transaction Banking

Our Transaction Banking business, comprising trade services, payments and cash management as well as financial institutions operations, was set up two years ago to develop RHB Bank's transaction banking capability, grow the business and expand it regionally. Transaction banking has become a new area of growth for the local and locally incorporated foreign banks with many reorganising their overall structures so that they can focus on fee income generating activities from transaction banking. In the past one year, competition has been rife with more banks ramping up their capabilities as well as offering bundled products and services to capture a greater share of the transaction banking fee income market.

In 2011, our Transaction Banking arm posted 29% growth in terms of the number of transactions processed and registered more than 25.1 million transactions. It also grew the value of its transactions by 16% to RM3,968 billion. Key growth (in terms of the number of transactions processed) came from cash management activities which grew by more than 34%. The year also saw fee income from transaction banking activities growing by 17% and contributing to some 30% of the fee income generated by the Bank's domestic operations. Transaction Banking's PBT also improved by 17.6% as the business focused on cost and efficiency management to improve its bottom line. Meanwhile trade financing assets grew by 3.6%,

exceeding the industry's 1.9% growth rate. Fee income from trade activities continued to be the key contributor making up more than 80% of Transaction Banking's activities. This was followed by FI payments and cash management activities which comprised 12% and 6% of transaction banking activities respectively.

To achieve our vision of becoming "The Preferred Banking Choice for Transaction Banking", we set our sights on implementing four strategic thrusts. The first thrust will see it providing customers easy and secure access to transaction banking activities via a single online channel for trade services, payments and cash management activities. This



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will enable our customers to access the Bank's entire transaction banking product suite from a single access point to better manage their working capital requirements. By leveraging an integrated platform, customers can execute payments and collect proceeds with the aim of maximising the returns on their excess cash flow.

The second thrust will see the implementation of an integrated distribution platform and expanded reach which will not only improve proximity to customers but equip Transaction Banking's sales team with the relevant skills, market information as well as the necessary products and services to

provide professional and value added advisory services. At the same time, the sales team will identify cross-selling opportunities. The third strategic thrust involves establishing Transaction Banking as a centre of excellence with highly qualified, internationally certified staff who are operationally empowered to provide a high quality service in the quickest manner possible. The final strategic thrust will see development of a high-performance culture by inculcating action-oriented, entrepreneurial-minded staff who are passionate about their work.

In 2011, Transaction Banking implemented some key initiatives to differentiate itself from its competitors. The business

obtained ISO 9001:2008 certification for RHB's Global Trade Centre (the central trade processing centre for the country). This has provided a framework by which Transaction Banking can manage the quality of service and operations in a more efficient manner. In conjunction with this, two key Transaction Banking Sales and Services (TBSS) Hubs in the Klang Valley, namely our Kuala Lumpur and Shah Alam TBSS hubs, were also accorded ISO 9001:2008 certification. RHB's valued customers now have the assurance that their transactions will be processed within a high quality service environment.

Transaction Banking also rolled out several innovative and value added services

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# RHB Bank

over the course of the year. RHB was the first within the cash management segment to introduce new features and services via the Reflex Cash Management initiative incorporating the eDividend service with eDividend Reinvestment Plan and eDividend service for Real-Estate Investment Trust (REIT) with Dividend Reinvestment Plan.

RHB's Transaction Banking business was also the first to provide a valued added business tool to our customers to obtain updated market information on more than 180 countries. This initiative is allowing customers to explore global trade flows by product; search for new counter parties; review documentation requirements by country and product; as well as anticipate sales prices and all-in landed costs; with access to custom duties and taxes by product and country. The tool aims to give our customers a better understanding of global trade so that they can make informed business strategies and

undertake planning that will enhance their business and revenue.

Other initiatives in 2011 included an end-to-end service via Bank@Work which is a value-added employee benefits package that increases a company's staff retention with reduced and discounted personal financing rates and extra privileges. By connecting Reflex to the Bank's loan products, loan repayment amounts are automatically deducted from the salaries of our clientele's staff. Other innovative products included the Virtual Account solution for companies that received frequent electronic payments from multiple distributors; Straight-Through Foreign Telegraphic Transfer (FTT) Processing with improved turnaround time and minimal processing errors; email alerts to customers for export collection transactions; and Chinese Yuan (CNY) remittances services for trade and general payment in line with liberalisation of CNY by the Chinese Government.

The year also saw Transaction Banking capitalising on its strong distribution channel to reach out to the Bank's customers. Aside from tapping the 8 Regional Transaction Banking Hubs with its 36 TBSS, the business also maximised the use of over 35 Corporate/Commercial Banking Centres and 180 retail branches to market transaction banking product and services. Product specialists across the country too were on hand to provide the necessary support and expertise. At the same time, customers had access to our ISO-certified customer call centre which provides guidance on any matters relating to the cash management operational system.

As a result of its innovative transaction banking activities over 2011, RHB Bank was nominated the Best Cash Management Bank in Malaysia by the *Asian Banker*. RHB Bank was also nominated the top provider of CNY trade with residents as per a BNM report, while we maintained



## Overview : Business and Operations

a 12% share of the trade financing assets market. Another key achievement for the year was being selected as one of two local panel banks for the Petronas Group of Companies to support their trade financing and services requirement.

2012 will see the business focusing on developing a transaction banking business model for overseas branches in the region. Among the key areas that have been identified are trade payments and cash management activities. To move forward in these areas, we will leverage the capabilities of the Transaction Banking Head Office in terms of product development, marketing and system capabilities. Going forward, Transaction Banking will enhance service delivery via a continuous process improvement programme and the introduction of new value added services. The business will also roll out a supply chain financing programme as part of its efforts to build a stronger collaborative relationship with

customers. At the same time, Transaction Banking will continue to work with RHB's Business Banking arm to strengthen the Bank's relationship with SMEs while working towards becoming the SME partner bank for transaction banking.

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# RHB Bank



## Global Financial Banking

Our Global Financial Banking arm embarked on a number of initiatives in the international arena in 2011 as part of the Group's strategy of enhancing and expanding its regional presence. 2011 saw the business injecting S\$350 million (RM861.2 million) in capital funds into our Singapore operations bringing RHB's total capital commitment in Singapore to date to S\$620 million (RM1.5 billion). The RHB brand was also strengthened in the international arena following the launch of 15 Bureau de Change (BDC) counters in Changi Airport, the launch of our online internet banking platform as well as the introduction of a new banking branch

concept and new Premier Banking centre. In conjunction with RHB's 50th anniversary of business in Singapore, Global Financial Banking undertook several corporate responsibility (CR) initiatives to strengthen RHB's ties with the island nation. The year saw RHB lending support to football development in Singapore by partnering with the Football Association of Singapore as well as strengthening educational development through the RHB - The Straits Times National Spelling Championship.

In Thailand, RHB Thailand was reorganised and restructured as well as relocated to new branch premises

in Bangkok at the All Seasons Place. In addition, Global Banking redefined its business plan to focus on greater product diversification and strengthened its credit and marketing efforts to better serve our customers. In support of business expansion activities for the Treasury business and to provide seamless integration across the Group, a new Treasury system is being rolled out for the Thailand operations. As part of RHB Thailand's CR efforts, it contributed donations to the flood victims through the Malaysian-Thai Chamber of Commerce (MTCC) and was involved in voluntary works at the Bang Bua Tong and Rangsit areas of Bangkok.



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RHB Brunei has been building up its consumer and SME financing activities as well as growing its fee based business with an emphasis on government transactions. Moving forward, RHB Brunei will continue to bolster its team strength, upgrade its IT system and network, as well as introduce new income streams such as remittance activities.

RHB also hopes to grow its operation in Vietnam in the near future by applying for a foreign bank branch license. At the same time, the Vietnam operations will increase its customer base via active networking with local and Malaysian clientele operating in Vietnam.

The acquisition plan for PT Bank Mestika Dharma, Indonesia is currently pending Bank Indonesia's approval. As of December 2011, we have resubmitted all relevant documents to Bank Indonesia. We have also obtained Bursa's approval for an extension up till 19 April 2012 to complete the proposed RM1.3 billion rights issue.

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# RHB Bank



## Group Treasury

RHB's Group Treasury, both conventional and Islamic, continues to be an active player in the domestic financial market and has upheld its Principal Dealer Status in the bond market for more than a decade as it proactively supports market trading and development activities. To holistically meet the business, hedging and investment needs of individual and corporate customers of the Group, Group Treasury continues to offer a comprehensive range of retail, hedging, investment and structured products.

The Group's Treasury business contributes about 32% towards the Group's total customer deposits with total assets growing by 19.1% in 2011 and its PBT by 10%.

As market conditions continue to remain uncertain and challenging, Group Treasury will primarily focus on sources of stable income such as interest income and customer-driven business lines. The prospect of an Overnight Policy Rate (OPR) cut in the first half of 2012 will present trading opportunities, while

balance sheet expansion in the second half of 2012 especially when the market corrects (i.e. yield pick-up on fixed income instruments) presents another sound opportunity. Going forward, one of the key objectives will be to manage the cost and mix of liabilities.

Group Treasury will continue to build on customer-service initiatives to further strengthen customer relationships. It will identify financial requirements and provide advisory services and product solutions in order to better



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meet customers' needs. Riding on the RHB Banking Group's local and regional presence, Group Treasury will also be expanding its resources to key targeted locations as well as overseas branches to strengthen our market presence and improve revenue potential. We have already initiated the ground work to migrate the various treasury systems to a single treasury platform for the Bank, Investment, Islamic, Singapore and Labuan treasuries and plans are underway to include the Bangkok treasury in 2012. The implementation

of a single treasury platform would pave the way for better synergy and common operational practices as well as improved efficiencies in terms of maintenance and dealing with vendors.

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# Islamic Banking



The Islamic banking sector experienced strong growth of more than 20% in 2011 in line with Bank Negara Malaysia's (BNM) Financial Sector Master Plan. However, competition has intensified given that there are 16 local and foreign Islamic banks operating in Malaysia. Although the market is saturated it is envisaged that Islamic finance activities will capture some 40% of the market share by 2020.

Despite the challenges and constraints of a difficult operating environment that included management and staff changes, RHB Islamic Bank Berhad (RHB Islamic) set out on a capability and capacity building mission to strengthen its human capital as well as bolster its Shariah governance, technological infrastructure and other operational elements.

As a result of these efforts, RHB Islamic recorded commendable PBT growth of 52% to RM137.8 million as compared to PBT of RM90.6 million in 2010. The

significant improvement in PBT was the result of higher net financing income on the back of strong financing growth of 44% and lower financing impairment allowances partially offset by higher other operating expenses. RHB Islamic's total assets grew to RM22.6 billion, an increase of 73% as compared to RM13.1 billion in 2010, while deposits grew by 72% to RM17.0 billion as compared to RM9.9 billion in 2010. RHB Islamic's Retail segment contributed 50% of financing assets, Corporate and Investment Banking contributed 42%, while Transaction Banking was a major contributor to fee based income.

Our Islamic Banking arm's 12 branches continue to leverage on the Group's branch network and display the green RHB Islamic signage at all RHB branches to generate more awareness. To extend our reach, we continue to sell new products at the Easy by RHB outlets. In 2011, we introduced the Ar Rahn pawn-broking concept at our Kota Bharu, Kuala

Terengganu and Bangi branches. RHB Islamic is one of the first full-fledged Islamic bank in Malaysia to offer the Ar Rahn product and we will eventually implement this across all our branches to meet the demands of the fast growing gold pawn-broking market. To improve the visibility of RHB Islamic and promote our services, we introduced the Bank on Wheels which visits mosques and local markets or pasar tani. I am also pleased to note that our Transaction Banking activities remain relatively strong and we continue to develop greater links with the public sector.

To enhance the customer experience, we have improved our customer complaints handling mechanism so that every complaint is attended to within a 24-hour period. This is helping to create stronger ties between RHB Islamic and its customers while helping inculcate a service-orientated culture within the organisation. We are also happy to note that our customer service delivery levels are now on par with that of the Group.

## Overview : Business and Operations



**Haji Abd Rani Lebai Jaafar**  
Managing Director



## The Islamic banking sector experienced strong growth of more than 20% in 2011 in line with Bank Negara Malaysia's (BNM) Financial Sector Master Plan.

Another growth area for RHB Islamic is seen from the Islamic Treasury segment. The Division is intensifying its wholesale deposit (both MYR and foreign currency) customer and counterparty base to support RHB Islamic's expansion going forward. With the introduction of the International Islamic Liquidity Management Corporation (IILM), RHB Islamic is ready to expand its footing in the international market through strong liquidity management and product expertise. FX and product innovation will be the key drivers for the Division.

In 2011, we undertook several technological and product innovation initiatives and aligned these with the Group's IT strategy to provide a greater competitive edge. Our efforts included the migration of the Auto Finance/Hire Purchase business from the Integrated Computerised Bank Account platform to the Microlink Integrated Banking System. We also leveraged the Group's IT

infrastructure, particularly the internet banking platform and call centre to drive communications.

In 2011, RHB Islamic received several awards and accolades. Some of our key achievements included the Malaysia Service to Care Award 2011 from the Philip Kotler Centre for ASEAN Marketing & MarkPlus Inc. and the Asian Banker Award for Cash Management. We were also recognised for our role in financing the Government's RM2.1 billion housing loan scheme.

One of the key issues that the Islamic finance sector is facing is the shortage of good talent. With the planned opening of two mega banks in the near future, industry resources are expected to be in short supply. This is something that we are proactively working to address. In terms of our human capital development and succession planning efforts, we recognise the need to have suitably qualified personnel to manage our Islamic banking products and services. Our ambition is to retain the best talent in the Islamic finance sector by building the capability of our people.

To this end, RHB Islamic is supporting development and training programmes such as the Certificate in Law (CIL) which is collaboration with International Islamic University Malaysia. We are also collaborating with INCEIF (the global university of Islamic finance) on the

Certified Islamic Financial Professional (CIFP) programme, while a Shariah Certification Programme (SCP) is being organised in-house by our Shariah Unit and Learning and Human Capital Development team.

Moving into 2012, RHB Islamic will continue to strengthen its domestic banking operations and business development activities. We will place a greater focus on fee based businesses and will develop Contract Financing Schemes in support of the Government's ETP. In line with the Financial Sector Blueprint 2011-2020, Malaysia is well positioned to take advantage of developments to bolster its capabilities and become an Islamic financial hub. In lieu of this, we have set our sights on enhancing our operational processes, technological prowess and business model.

To instil a high performance culture within our organisation we are leveraging the Groups' new core values PRIDE and incorporating this into an internal programme called Hijrah - Good to Great. This will help RHB Islamic shape its own core culture. Going forward, we will work to strengthen our capabilities and capacity to regionalise our products and services so as to retain our existing clients and attract new ones. The future bodes well for us.

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# RHB Investment Bank



2011 was a challenging year for RHB Investment Bank Berhad (RHB Investment) due to volatility in global market conditions led by the unresolved euro debt crisis and a slowdown in the Malaysian economy. On top of this, RHB Investment faced an increasingly competitive environment.

Against this backdrop, RHB Investment posted a lower PBT of RM37.9 million compared to RM89.5 million in the previous year. The reduction in PBT was mainly attributable to contraction in net interest income (NII), which contracted in 2011 by approximately 50% following on from the spill-over effect of the OPR increases in 2010. This resulted in a reduced net interest income margin for 2011. A reduction in the average portfolio size throughout most of 2011

as a response to market conditions also adversely impacted the level of interest income.

The uncertainty in the global financial markets also impacted Advisory Fees and Treasury Gains (both realised and unrealised), both of which recorded lower levels compared to 2010. The reduction in Advisory Fees contributed to 21% of PBT shortfall, whilst Treasury Gains contributed 26%. In addition to this, RHB Investment made RM35.8 million impairment provisions on financial investments available-for-sale.

The key contributors to RHB Investment's overall performance for 2011 continued to be the three core businesses, namely Equities Broking, Investment Banking and Treasury. Equities Broking and

Investment Banking remain the core focus of RHB Investment, with Treasury playing a significant role in supporting the overall group in terms of liquidity and investment portfolio management as well as a distribution channel for the debt capital market business.

Although the subsidiaries within the investment banking group do not contribute materially, they are still considered key growth areas with complementary and ancillary strengths to the core business of the group. There are also strong linkages between the Investment Banking business and RHB Bank's Corporate Banking arm, with a significant portion of the advisory fees generated being derived from Corporate Banking-related activities.



## Overview : Business and Operations



**Mike Chan Cheong Yuen**  
Officer In Charge



2011 was a challenging year for RHB Investment Bank Berhad (RHB Investment) due to volatility in global market conditions led by the unresolved euro debt crisis and a slowdown in the Malaysian economy.

Several key developments occurred in 2011. On the downside, RHB Investment saw the resignation of its Managing Director and a number of key personnel. On a more positive note, RHB Investment continued to secure big-ticket mandates across all capital market products in 2011. We played key roles in most of the major deals in Malaysia last year in syndicated loans, mergers & acquisitions (M&A) and both debt and equity capital markets. RHB Investment ended the year with Top 2 league table positions in Syndicated Loans and Equities Broking and Top 3 in M&A based on market share.

In Equities Broking, RHB Investment was ranked the No. 2 stockbroker in Malaysia with an 8% market share in 2011. We retained our leading market position in

Direct Market Access (DMA) and were the first in Malaysia to offer integrated Multi-Market Trading (MMT) on the Singapore and US stock exchanges last year. The launch of MMT activities on the Hong Kong and Indonesia stock exchanges are targeted for the first quarter of 2012. RHB Investment will continue with its expansion strategy to have a presence in key regions in Malaysia from 2012.

Following the successful completion of the biggest M&A exercise in 2010, RHB Investment was involved in another major M&A exercise in 2011 as the Principal Adviser to SapuraCrest Petroleum Berhad in the acquisition by Integral Key Sdn Bhd and subsequent merger with Kencana Petroleum Berhad. The transaction which was valued at RM11.85 billion created Malaysia's

biggest listed oilfield service provider and the world's fifth largest. The deal had also garnered accolades from Alpha Southeast Asia for being the "Best Deal" and "Most Innovative Deal of the Year in Southeast Asia."

In equity fund raising, RHB Investment was involved in another landmark transaction as Joint Principal Adviser and Joint Bookrunner in the RM2.67 billion initial public offering (IPO) of Bumi Armada Berhad. This deal was the largest IPO in Malaysia and second in Southeast Asia last year. To date, this transaction has won several regional awards, including Alpha Southeast Asia's "Best Equity/IPO Deal of the Year in Southeast Asia" and The Edge Malaysia's "Best Initial Public Offering" award.

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RHB Investment was also involved in the country's key debt programmes launched in 2011. We were Principal Adviser and Lead Arranger in the RM15 billion Sukuk Musyarakah Programme by Sarawak Energy Berhad and Joint Lead Arranger in the RM10 billion Islamic MTN Programme by Aman Sukuk Berhad.

In syndicated loans, RHB Investment Bank participated in four out of the top five syndicated loan deals in Malaysia in 2011. We were Mandated Lead Arrangers in the syndicated loans for PLUS Malaysia Sdn Bhd (RM13.6 billion), Astro Malaysia Holdings Sdn Bhd (RM3.01 billion), Pembinaan BLT Sdn Bhd (RM2.465 billion) and Jana Pendidikan Malaysia Sdn Bhd (RM1.54 billion).

The market continues to value the research views given by RHB Investment's subsidiary RHB Research Institute Sdn Bhd (RHB Research). In 2011, RHB Research was ranked No. 1 in the Asiamoney Poll in Macroeconomics while in The Edge Malaysia's Best Call Awards, RHB Research won the "Top Strategist" and "Best Call for Plantations Sector" awards.

In 2011, RHB Islamic Asset Management Sdn Bhd (RHBIAM), a new wholly-owned subsidiary of RHB Investment Management (RHBIM), commenced investment operations. The establishment of RHBIAM is in line with the Government's aspiration of making Malaysia an Islamic financial hub by focusing on the Islamic asset

management business. RHBIAM's responsibilities include the management of Shariah compliant products and investment portfolios.

2011 also saw RHBIM launching a number of products in Retail and Wholesale funds as well as direct mandates for investments in specific IPOs. The RHB-GS BRIC Equity Fund, launched in January 2011, was the first co-branded fund from RHBIM and Goldman Sachs Asset Management following the official announcement of the two firms' strategic collaboration in early December 2010. This was followed by the launch of the RHB-GS US Equity Fund, the second in the series of co-branded funds. The Goldman Sachs US Equity Portfolio, which is the target

## Overview : Business and Operations

fund for the RHB-GS US Equity Fund, is a USD1 billion fund with a proven track record since 2006 and is ranked in the first quartile by Morningstar since its inception.

The year also saw the launch of the RHB Dynamic Oil-Gold Capital Protected Fund. This three-year capital protected fund enables investors to invest in two key commodities that have the potential to perform in both bullish and bearish markets. Among the other funds launched were the RHB Islamic Enhanced Cash Fund, RHB Islamic Income Plus Fund 2 and the RHB Islamic Income Plus Fund 4. As part of its investment management services, RHBIM also provides IPO mandates to clients to participate in IPO offerings.

The outlook for 2012 remains healthy. RHB Investment is confident that capital market activities will remain active given the Government's commitment towards implementing the ETP. The rollout of ETP projects will support corporate loan growth, spur financing growth in the debt and equity markets, as well as generate more M&A opportunities. RHB Investment will continue with our efforts to attract and retain quality talent as we recognise the importance of the right people with the right skills if we are to deliver profitable and sustainable growth.

## Overview : Business and Operations

# Insurance



The year 2011 was a very challenging one for the Insurance sector even as a number of M&As were rolled out and new takaful licenses were issued, all of which led to competition intensifying. The industry's Malaysian Motor Insurance Pool (MMIP) which had been operating at a breakeven point until the last few years too faced some losses affecting industry players. Nevertheless, on the whole, the Insurance sector registered strong growth of approximately 8% with some 45% of the market premiums coming from motor insurance. Fire and Motor tariffs remaining fixed and provided some price stability to the market.

Amidst this backdrop RHB Insurance Berhad (RHB Insurance) recorded a 25% growth in gross premiums in 2011. Our combined ratio of 87% (including MMIP losses) fared better than the industry's

90% combined ratio (excluding MMIP losses). We were fortunate that the performance of our non-Motor segments registered profitable growth that enabled us to cushion the impact of MMIP-related losses. Our underwriting and investment profits contributed PBT of RM50 million.

As part of our transformation efforts, we have formulated new strategies to drive operational and business performance. 2011 saw our distribution channels being streamlined into four main segments i.e. insurance agents; bank referrals (be it from commercial or corporate banking activities); brokers; and bancassurance. Our heads of distribution oversee these business segments and undertake business development activities. As a result of these teams' focussed efforts, we are experiencing strong growth and high business margins.

We pride ourselves on the excellent risk selection and underwriting capabilities of our people which have resulted in superior underwriting margins in comparison to the industry. Going forward, we will continue to place much emphasis in this area by adopting more sophisticated risk selection and pricing models, particularly on the Motor and Personal insurance fronts. In addition, we will also share with our customers the latest risk improvement and loss prevention technologies to further improve the claims ratios.

To maintain our competitive edge in this extremely challenging industry, we have turned to technological and product innovation initiatives to keep us ahead. We are in the midst of enhancing a dedicated insurance system and will leverage this capability to shorten product delivery in terms of policy

## Overview : Business and Operations



**Kong Shu Yin**  
Managing Director

## Amidst this backdrop RHB Insurance Berhad (RHB Insurance) recorded a 25% growth in gross premiums in 2011.

issuance and claim services. Scheduled to be in place in 2012, the enhanced system will enable us to issue policies instantaneously. We will also utilise the system to improve claims turnaround time, monitor performance of adjustors and enhance customer service. Plans are in the pipeline to tap business intelligence software to identify new opportunities, reduce operational costs and foster better integration with our business partners.

In the area of corporate governance, while RHB Insurance has looked to the Group's internal audit and risk management resources for support, we plan to form a dedicated team to handle insurance risk as the risk management framework for insurance differs from that of the Bank. We also need to ensure that sufficient checks and balances are in place within the Group's insurance arm to adequately manage enterprise risk.

In the area of human capital development and succession planning, we are implementing specific development paths for our staff to ensure their skill sets are fully developed. We will ensure our product managers are trained to ensure optimum professionalism and will work to identify successors for key positions. Even as skilled talent is being courted by new industry players, it is essential that we create a rewarding work environment for our employees.

Going forward, we will maintain a 25% gross premium growth target without sacrificing the quality of the business underwritten. To maintain our edge amidst the intensely competitive insurance landscape, we will continue with proven strategies like agency recruitment and development. We believe we have the right business strategies in place and will continue to focus on the four business segments we have identified. In addition, RHB Insurance will work to create greater brand awareness of our products and services to the public.

The Group's internet and mobile channels also present opportunities which we will explore when the market opens up and tariffs are removed. As part of the new motor cover framework to address the structural issues within the motor insurance sector, BNM has

announced measures to improve the claims settlement process in the motor insurance sector. After some 33 years of inertia, the public and the motor insurance operators stand to benefit from the implementation of gradual premium rebalancing. The new motor cover framework will take effect from 2012 to 2015. The gradual increase in premium will be spread over four years. It is envisaged that the motor tariff will be removed in 2016, upon which time insurance companies will be free to fix their own premium pricing based on their own cost structure and operational efficiencies. Aside from this, we will focus on creating new products like trade Credit Insurance. Presently we are one of the few companies in the country that are able to offer this product which will take off in 2012.

In terms of geographical expansion, RHB Insurance will continue to look at the domestic market for the immediate future to grow organically. Our ambition is to be among the top 10 players in the short-term, but over time, we will explore opportunities abroad. Indonesia and Thailand offer good potential as we move in line with developments at the Group level. Going forward, we will embrace the Group's new core values and enhance our customer service delivery and product quality measures to grow profitably.

## Awards & Recognition



### RHB Banking Group

- **Malaysia HR Awards 2011**  
Employer of Choice Award  
Bronze Award
- **Malaysia's 100 Leading Graduate Employers 2011**  
GTI Media

### RHB Capital Berhad

- **Merit Award**  
Malaysian Business-CIMA Enterprise Governance Awards 2011
- **Best Return to Shareholders - Second Runner Up**  
Malaysian Business-CIMA Enterprise Governance Awards 2011
- **Best Investor Relations in Malaysia – 8<sup>th</sup> rank**  
FinanceAsia Best Managed Companies Awards 2011 - Malaysia

### RHB Bank Berhad

- **Easy by RHB**
  - **The Asian Banker International Excellence in Retail Financial Services Awards 2011**  
Best Business Model  
Asia Pacific, the Middle East, Central Asia and Africa
  - **Financial Insights Innovation Awards 2011**  
Special Citation Award for Operational Efficiency, Asia Pacific
  - **The BrandLaureate Awards 2010-2011**  
Best Brands in Financial Services – Retail Banking
  - **Banking & Payments Asia Trailblazer Awards 2011**  
Service Excellence Award, Asia Pacific
  - **Advertising + Marketing Magazine Awards 2011**  
Best Brand Strategy

#### Business Banking

- **Sahabat SME Award 2011**  
SMI Association of Malaysia

#### Global Markets & Transaction Services

- **Best Cash Management Bank in Malaysia 2011**  
The Asian Banker Transaction Banking Award 2011

#### RHB Now

- **Asian Banking and Finance Retail Banking Awards 2011**  
Best Security Initiative

### RHB Investment Bank Berhad

#### Islamic Finance News Awards

- **IPO/Equity Deal of the Year**  
Bumi Armada's RM2.67 Billion Initial Public Offering  
Joint Managing Underwriter

#### Asiamoney

- **Best Country Deal**  
Bumi Armada's RM2.67 Billion Initial Public Offering  
Joint Managing Underwriter

#### The Asset Triple A Awards

- **Islamic Deal of the Year**  
Cagamas Berhad's RM1 Billion Sukuk Al-Amanah Li Al-Istithmar (Sukuk ALIm)  
Joint Lead Manager

- **Best Islamic Deal, Malaysia**  
Cagamas Berhad's RM1 Billion Sukuk Al-Amanah Li Al-Istithmar (Sukuk ALIm)  
Joint Lead Manager

- **Best Islamic Equity**  
Petronas Chemicals Group's RM14.8 Billion Initial Public Offering  
Joint Underwriter (Retail Offering)

- **Best Deal/Most Innovative Deal of the Year in Southeast Asia**  
SapuraCrest Petroleum-Kencana Petroleum's RM11.85 Billion M&A  
Joint Sellside Financial Adviser

## Awards &amp; Recognition



- **Best Equity/IPO Deal of the Year in Southeast Asia**  
Bumi Armada's USD888 Million Initial Public Offering  
Joint Managing Underwriter

#### The Edge Malaysia

- **Deal of the Year – Best Initial Public Offering**  
Bumi Armada's USD888 Million Initial Public Offering  
Joint Managing Underwriter
- **Deal of the Year – Best Corporate Finance/Privatisation (Notable Mention)**  
Privatisation of PLUS Expressways Bhd by PLUS Malaysia Sdn Bhd (owned by UEM Group Bhd) and the Employees Provident Fund

#### Malaysian Rating Corporation

- **Top Lead Managers Award (Issue Value) – No. 3**

#### Rating Agency Malaysia

- **Blueprint Award – Malaysian Innovation Of the Year Malaysia**  
Cagamas Berhad's RM1 Billion Sukuk Al-Amanah Li Al-Istithmar (Sukuk ALIm)  
Joint Lead Manager

- **Lead Manager Award (Programme Value) - 2<sup>nd</sup> Place**
- **Lead Manager Award Islamic (Programme Value) - 2<sup>nd</sup> Place**
- **Lead Manager Award (No. of Issues) - 3<sup>rd</sup> Place**

#### RHB Research Institute Sdn Bhd

##### The Edge Malaysia

- **The Edge Malaysia - Best Call Awards Malaysia**  
Top Strategist – Lim Chee Sing  
Best Plantation Sector Call – Hoe Lee Leng

##### Asiamoney

- **Asiamoney Polls**  
Best Local Brokerage, 5<sup>th</sup> Place  
Best Analyst – Lim Chee Sing, 5<sup>th</sup> Place  
Macroeconomics, 1<sup>st</sup> Place  
Strategy, 2<sup>nd</sup> Place  
Consumer Services, 3<sup>rd</sup> Place  
Most Independent Research Brokerage, 5<sup>th</sup> Place

#### RHB Investment Management

- **The Asset Benchmark Research**  
One of the Most Astute Investors in the Asian Currency Bonds for 2011
- **The Edge-Lipper Malaysia Fund Awards 2011**  
Best Bond Malaysian Ringgit - Islamic Fund  
Period ending Dec 31, 2010:3-years  
RHB Islamic Bond Fund
- **2010 Failaka Islamic Fund Award**  
Best Malaysian Sukuk ( 10-year)  
RHB Islamic Bond Fund

#### RHB Islamic Bank Berhad

- **Malaysia Service to Care Award 2011**  
Philip Kotler Centre for ASEAN Marketing & MarkPlus Inc.

# Calendar of Significant Corporate Events 2011



11 January 2011

**RAM ANNUAL BOND CONFERENCE 2011**

RHB Investment Bank is the premier partner for the RAM Annual Bond Conference 2011



17 January 2011

**OFFICIAL LAUNCH OF THE RHB-GS BRIC EQUITY FUND**

RHB Investment Management officially launches the RHB-GS BRIC Equity Fund, the first co-branded fund following a strategic collaboration with Goldman Sachs Asset Management



16 February 2011

**BUSINESS BANKING CUSTOMERS APPRECIATION DINNER**

RHB Bank's Business Banking holds its Customers Appreciation Dinner for Central Region



11 March 2011

**AUTO FINANCE DEALERS APPRECIATION NIGHT 2011**

The Finance Business Division recognises and rewards its top dealers at the Dealers Appreciation Night Dinner 2010



20-28 April 2011

**MINGGU SAHAM AMANAH MALAYSIA (MSAM) 2011**

RHB Banking Group participates in the annual Minggu Saham Amanah Malaysia 2011 in Ipoh, Perak organised by Permodalan Nasional Berhad



28-30 April 2011

**LAUNCH OF AR RAHNU**

RHB Islamic's newly appointed Managing Director, Haji Abd Rani Lebai Jaafar launches its Shariah-based products, Ar Rahnun at the RHB Islamic Bank Fiesta in the East Coast



## Calendar of Significant Corporate Events 2011



11 May 2011

**RHB INVESTMENT BANK & RHB ISLAMIC BANK WITH NU SENTRAL SDN BHD**

RHB Investment Bank (Sole Principal Adviser & Lead Arranger) and RHB Islamic Bank (Facility Agent) arrange for a RM600 million Islamic Medium Term Notes (IMTN) Programme for NU Sentral Sdn Bhd, a joint-venture company between Malaysian Resources Corporation Berhad (MRCB) and Pelaburan Hartanah Berhad (PHB)



16 May 2011

**RHB BANK & RHB ISLAMIC BANK WITH SYARIKAT PERUMAHAN NEGARA BERHAD ON SKIM RUMAH PERTAMAKU**

RHB Bank is among the first banks to sign a Memorandum of Understanding for the "Skim Rumah Pertamaku" with Syarikat Perumahan Negara Berhad to enable more Malaysians to purchase quality and affordable homes



20-22 May 2011

**MALAYSIA TOURISM FAIR 2011**

RHB Bank's Travel Money is the official card for Malaysian Tourism Fair 2011. It is organised by the National Tourism Council Malaysia, endorsed and supported by Tourism Malaysia, with the primary objective to promote Malaysia as a tourism destination



1 June 2011

**OFFICIAL INAUGURATION OF THE RHB BANK'S BANGKOK BRANCH IN THAILAND**

The official inauguration of the branch with ribbon cutting ceremony by Miss Pimpa Thawarayut, Assistant Governor, Financial Institutions Policy Group, Bank of Thailand

## Calendar of Significant Corporate Events 2011



14 June 2011

### THE SOUND OF MUSIC - THE MUSICAL : COCKTAIL RECEPTION & PREMIERE SHOW

The RHB Banking Group is the exclusive presenter of the biggest musical event of the year, "The Sound of Music - The Musical". The Premiere is graced by Her Majesty The Raja Permaisuri Agong Tuanku Nur Zahirah



17 June 2011

### PERODUA MOTORCADE 2011

A motorcade named the "Perodua Myvi, Lagi Best Convoy" which consists of Perodua Myvi vehicles make its way to the RHB Bank to allow potential customers to inspect the new Myvi Lagi Best model more closely



24-26 June 2011

### AGENCY ANNUAL CONVENTION 2010

RHB Insurance holds its Agency Annual Convention 2010



30 June 2011

### LAUNCH OF BUMI ARMADA BERHAD'S PROSPECTUS

RHB Investment Bank is the Joint Principal Adviser, Joint Bookrunner and Joint Managing Underwriter for Bumi Armada Berhad's listing on the Main Board of the FTSE Bursa Malaysia Kuala Lumpur Composite Index



22 July 2011

### ASSET BASED FINANCE VENDORS' APPRECIATION DINNER

The Asset Based Finance Business Division of the RHB Bank pays tribute to its top vendors at the Vendors Appreciation Night Dinner 2010

Calendar of Significant Corporate Events 2011



28 July 2011

**LAUNCH OF JEJAK RASUL 2011**

RHB Islamic Bank is the proud sponsor of Media Prima's Jejak Rasul 2011, launched by YB Dato' Sri Anifah Aman, Minister of Foreign Affairs Malaysia.



22 August 2011

**OFFICIAL OPENING OF THE RHB BANK'S BUREAU DE CHANGE TENDER**

Official opening of the RHB Bank's Bureau de Change Tender at Changi Airport, Singapore



12 September 2011

**RHB BANKING GROUP'S CORPORATE HARI RAYA AIDILFITRI OPEN HOUSE 2011**

The Group holds its Hari Raya Aidilfitri Corporate Open House 2011



Calendar of Significant Corporate Events 2011



5 October 2011

**RHB BANK BERHAD & CREDIT GUARANTEE CORPORATION BERHAD SIGNING CEREMONY – MEMORANDUM OF UNDERSTANDING ON ENHANCER DIRECT**

A strategic tie-up, “ENHANCER DIRECT” between RHB Bank Berhad and Credit Guarantee Corporation Malaysia Berhad (CGC) is launched to enable small and medium enterprises (SMEs) to enjoy better access to financing



27 October 2011

**OFFICIAL OPENING OF THE RHB BANK SINGAPORE’S PREMIER BANKING CENTRE**

RHB Bank Singapore introduces a new banking branch concept as well as its new Premier Banking Centre at its Cecil Street branch, in conjunction with its 50th Anniversary



28 October 2011

**RHB BANK SINGAPORE’S 50<sup>th</sup> ANNIVERSARY CELEBRATION**

Graced by the Guest-of-Honour, Mr Tharman Shanmugaratnam, Singapore’s Deputy Prime Minister, Minister of Finance & Manpower and Chairman of the Monetary Authority of Singapore, RHB Bank commemorates its 50<sup>th</sup> anniversary in Singapore with a celebratory gala dinner at the Shangri-La Hotel



## Calendar of Significant Corporate Events 2011



9 November 2011

**OFFICIAL OPENING OF THE RHB BANKING GROUP, TAMAN MELAKA RAYA**

The relocation from Kota Melaka to Jalan Merdeka, Taman Melaka Raya enables the customers of RHB Bank and RHB Investment Bank to enjoy a Commercial Banking Business Centre, RHB Investment Bank, Regional Transaction Banking and Corporate Banking all under one roof



18 November 2011

**ENTERPRISE 50 2011**

The RHB Banking Group has been the main partner for the Enterprise 50 since 2001 together with Telekom Malaysia Berhad, Celcom Axiata Berhad, Business Times and Media Prima for the annual award programme, organised by SME Corporation Malaysia and Deloitte Malaysia that recognises the achievements of Malaysia's enterprising small and medium companies. This cordial relationship has accorded exclusivity to RHB Bank to be the only Commercial Bank to sponsor the event



24 November 2011

**RHB BANKING GROUP PLATINUM & PREMIER BANKING CUSTOMERS CHRISTMAS COCKTAIL**

An exclusive in-store event at the Swiss Watch Gallery to reward and convey RHB's appreciation towards RHB Infinite, Platinum card base and Premier Banking customers



8 December 2011

**SME RECOGNITION AWARD 2011**

The RHB Banking Group has been named as the recipient of the Sahabat SMI Award for the 7th consecutive year at the SMI Recognition Award, organised by SMI Association of Malaysia, primarily to recognise & celebrate the outstanding achievement of our home grown SMEs

## Analysis of The Financial Performance

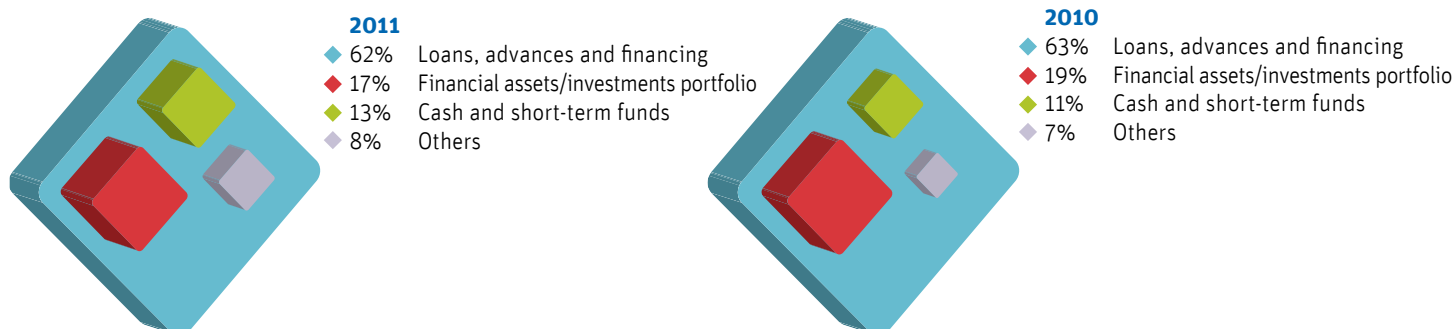
The following management discussion should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2011 of RHB Capital Berhad and its subsidiary companies.

### ANALYSIS OF THE STATEMENTS OF FINANCIAL POSITION

#### Total Assets

The Group's total assets stood at RM152.4 billion as at 31 December 2011, an increase of 17.8% over the previous financial year. The increase was mainly due to higher net loans, advances and financing and coupled with higher cash and short term funds. Net loans, advances and financing remain as the largest component of the total assets at 62.2% (2010: 62.8%).

#### Assets Mix Analysis



#### Cash and Short Term Funds and Deposits and Placements with Banks and Other Financial Institutions

The Group's cash and short-term funds increased by RM5.6 billion (38.0%) to RM20.4 billion in 2011, while deposits and placements with banks and other financial institutions increased by RM0.1 billion (10.7%) to RM1.1 billion recorded in 2011.

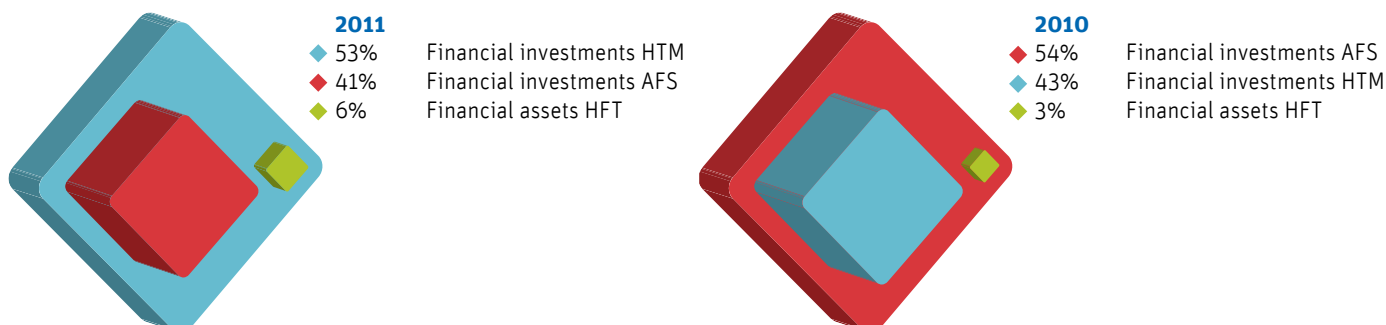
#### Securities Purchased Under Resale Agreements

The securities purchased under resale agreements were lower by RM134.1 million (48.5%) to RM142.3 million as at 31 December 2011 mainly due to lower Malaysian Government Securities purchased under resale agreement with Bank Negara Malaysia.

#### Financial Assets/Investments Portfolio

The Group's financial assets/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 held-to-maturity (HTM) which made up 53.6% of the portfolio as at end of December 2011, followed by financial investments available-for-sale (AFS) (40.7%) and financial assets held for trading (HFT) (5.7%) respectively.

#### Financial Assets/Investments Mix



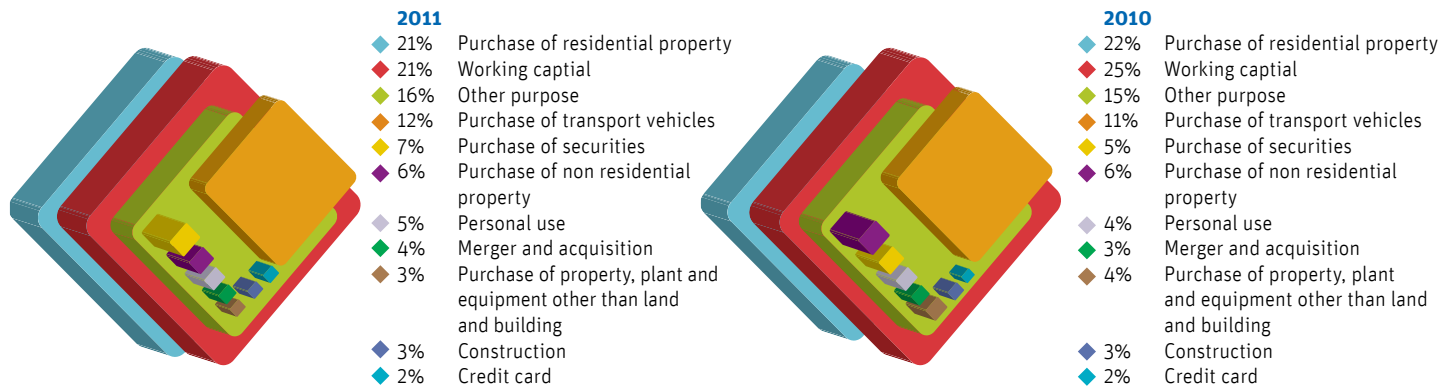
Compared to 31 December 2010, the Group's financial investments held-to-maturity expanded by 29.7% mainly due to higher holding of securities related to Malaysian government.

## Analysis of The Financial Performance

**Loans, Advances and Financing**

Gross loans, advances and financing grew by RM13.6 billion (16.2%) to reach RM97.3 billion as at 31 December 2011. The loans growth was broad-based, comprising mainly purchase of securities, purchase of transport vehicles, lending to public sector and purchase of residential property.

Lending to individuals recorded a growth of RM7.4 billion (20.3%), in particular to cater for purchase of transport vehicles, purchase of securities, purchase of residential property and credit cards, and accounted for 45.1% of the Group's total gross loans, advances and financing. Lending to the government and statutory bodies recorded an increase by RM1.9 billion (21.1%) and represented 11.5% of the Group's total gross loans, advances and financing as at the end of December 2011.

**Loans by Purpose**

The Group's domestic loans grew by 15.7%, continue to outpace that of the industry of 13.6%. Domestic loans market share improved to 9.3% from 9.1% as at 31 December 2010.

Absolute gross impaired loans declined by 8.7% to RM3.4 billion, and gross impaired loans ratio improved to 3.44% from 4.39% in December 2010. New impaired loans formation ratio reduced to 0.91% from 1.30% a year ago.

**Total Liabilities and Equity**

Total liabilities increased by RM21.6 billion (18.1%) to RM140.9 billion in 2011, mainly due to the increase in deposits from customers.

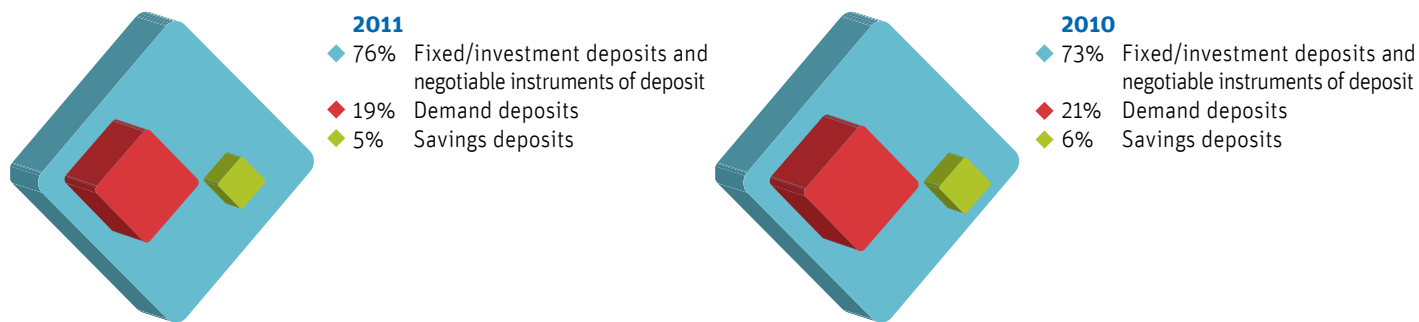
Shareholders equity increased by RM1.5 billion (14.8%) to RM11.4 billion as at 31 December 2011. The increase was largely due to current year's net profit attributable to equity holders of the Company of RM1.5 billion, partly offset by net dividend payments of RM476.8 million made during the financial year.

## Analysis of The Financial Performance

### Deposits from Customers

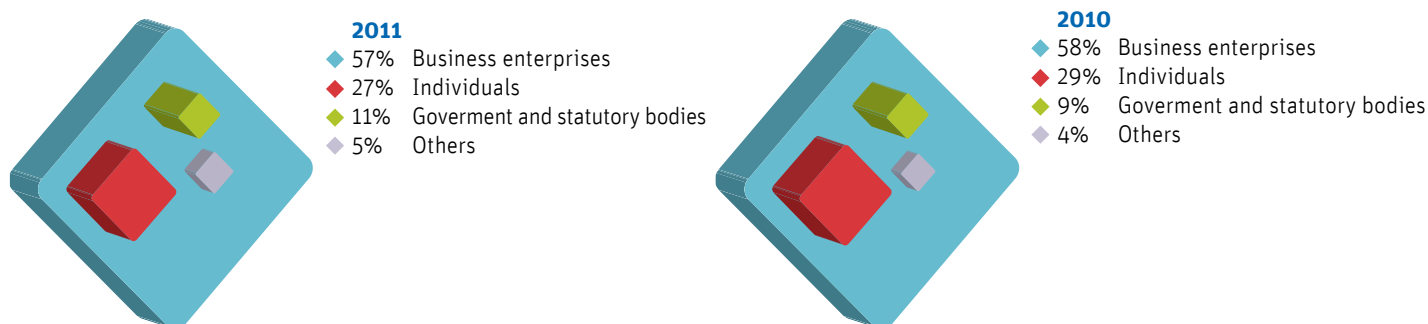
Customers deposits grew 22.7% to reach RM115.9 billion as at 31 December 2011. The Group's deposits growth momentum was higher than that of the industry which grew at 14.3%. Overall domestic deposits market share improved to 8.5% from 7.9% as at 31 December 2010. The Group's liquidity remained healthy with loans to deposits ratio stood at 84.0% as at 31 December 2011.

### Customer Deposits - By Type



Deposits from business enterprises increased by RM11.2 billion (20.6%) whilst deposits from, government and statutory bodies increased by RM4.3 billion (51.2%).

### Customer Deposits - By Customer





## Analysis of The Financial Performance

**Borrowings**

Borrowings decreased by RM0.5 billion (11.3%) to RM3.6 billion as at 31 December 2011 mainly due to repayments made during the year.

**Subordinated Obligations**

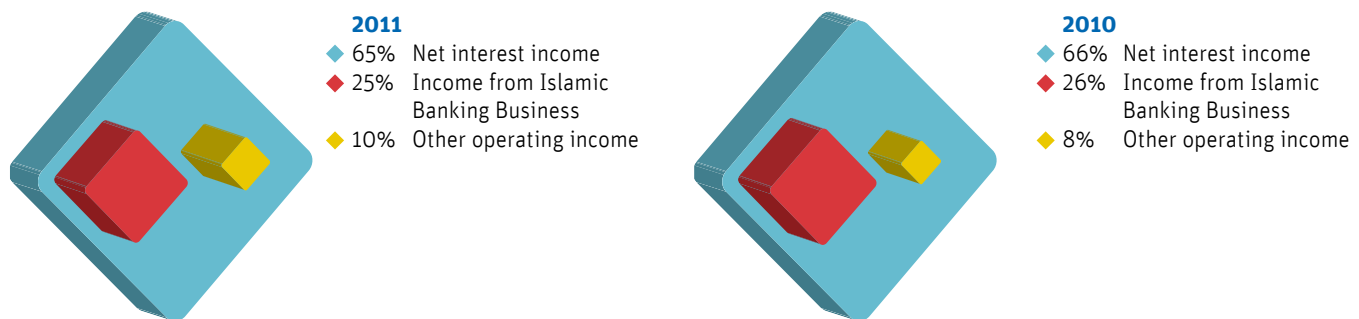
As at 31 December 2011, Subordinated Obligations increased by RM0.3 billion (7.7%) mainly due to issuance of RM250.0million nominal value Subordinated Notes.

**Capital Adequacy**

As at 31 December 2011, RHB Bank remained strongly capitalised with a risk weighted capital ratio of 15.79% and core capital ratio of 12.28%. RHB Islamic Bank Berhad's risk weighted capital ratio and core capital ratio as at end 2011 were at 13.95% and 12.65% respectively while RHB Investment Bank Berhad's risk weighted capital ratio and core capital ratio stood at 41.37% and 33.97% respectively.

**ANALYSIS OF THE INCOME STATEMENTS**

The major components of income are net interest income, income for Islamic Banking Business and other operating income.

**Net Interest Income**

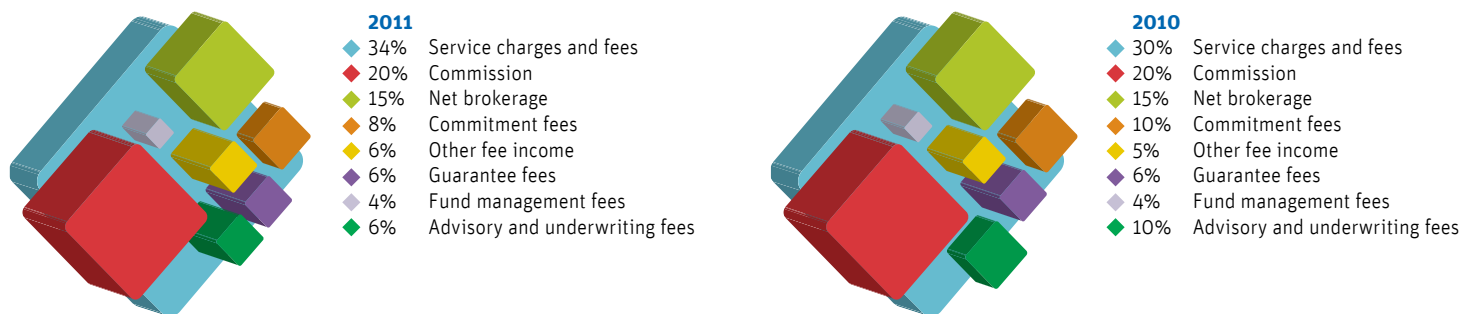
Net interest income grew by 4.3% to RM2.8 billion on the back of a strong loans and financing assets growth of 16.2%, it was however, partly offset by lower margin arising from persistent competition in loans and deposits pricing, and the credit risk free public sector loans and financing on book. The increase in overnight policy rate ("OPR") in May 2011 and the flow through effects of past OPR hikes in 2010, coupled with several increases in Statutory Reserve Requirement during the year have also contributed to the lower net interest margin.

## Analysis of The Financial Performance

### Other Operating Income

Other operating income grew by 3.7% to RM1,081.5 million, mainly due to higher net foreign exchange gains and higher service charges and fees, partially offset by higher revaluation loss on derivatives which was undertaken to economically hedge a specific portfolio of fixed rate loans and financing, and a lower market related income.

### Fee Income Mix



### Income from Islamic Banking Business

Income from Islamic Banking Business increased significantly to RM438.9 million, up 31.5% from a year ago. This was mainly due to higher net profit income on the back of strong Islamic financing growth by 44.3% and higher net gains on disposal of financial assets/investments portfolio.

### Other Operating Expenses

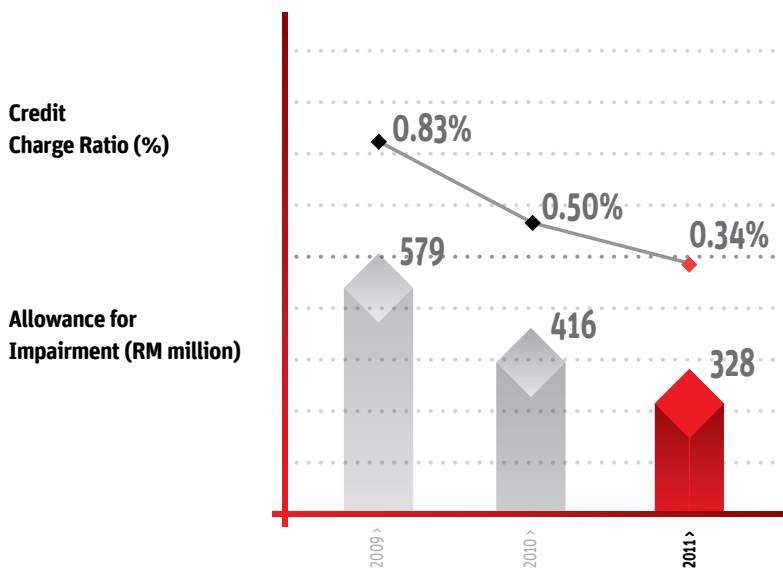
Other operating expenses rose 16.1% year-on-year to RM1,903.3 million mainly due to higher personnel costs, establishment costs and marketing expenses. The increase was largely attributable to the continuous investment into human capital, technology and infrastructure to support the Group's expanding business volume and franchise, higher marketing expenses was also incurred so as to promote the "RHB" brand of products and services.

	2011	2010	Variance	
	RM'000	RM'000	RM'000	%
Personnel costs	1,182,381	960,765	221,616	23.1%
Establishment costs	380,664	356,450	24,214	6.8%
Marketing expenses	145,883	131,590	14,293	10.9%
Administration & general expenses	194,358	190,843	3,515	1.8%
	1,903,286	1,639,648	263,638	16.1%

## Analysis of The Financial Performance

**Allowance for impairment on loans, financing and other losses**

Asset quality remained healthy as a result of our disciplined approach in credit risk management and collection processes. Allowances for loan impairment decreased by RM88.1 million (21.2%) to RM327.5 million, with lower individual allowances and higher bad debts recovery, offset by higher collective allowances set aside in tandem with robust loans and financing assets growth.

**Impairment Losses on Other Assets**

Impairment losses on other assets decreased by RM19.3 million (20.0%) to RM77.3 million due to lower impairment charged on securities during the financial year 2011.

## Ethics, Integrity And Trust

### ETHICS, INTEGRITY AND TRUST

One fundamental principle governs the good banking practices and corporate governance activities of the employees and officers of the RHB Banking Group – that ethics and business are inseparable. Our business objectives are guided by the highest ethical standards and are in full compliance with all the regulations, guidelines, rules and best practices issued by Malaysian regulators, principally Bank Negara Malaysia, the Securities Commission Malaysia and Bursa Malaysia.

These regulations and guidelines form part of the Group's Code of Ethics and Conduct (the Code) which clearly lays down the expected business practices demanded from each and every employee of our organisation. Forming the cornerstone on which ethics, integrity and trust are built upon and instilled across the Group, the Code covers a wide array of areas including the following areas:

#### CONFLICT OF INTEREST

The Group does not condone any form of conflict of interest be it personal, financial or family interest that could in any way keep the individual from acting in the best interests of the Group and which may compromise the interest of the Group, its shareholders and clients. To this end, all employees are required to refrain from any activity which may result in any conflict or potential conflict of interest. The Group requires each and every employee to make full and frank disclosure should they encounter any situation which may be deemed as a situation of conflict. Any actual or potential conflict of interest must be reported to the Group Management as soon as it is recognised.

### MISUSE OF POSITION AND INFORMATION

The Group prohibits any form of misuse of power and authority to gain personal mileage, pecuniary or otherwise, which includes accepting gifts from customers or potential customers. All information obtained during the course of employment must be treated with utmost care and strict confidentiality in line with the Banking and Financial Institutions Act 1989 and the recently enacted Personal Data Protection Act 2010.

### MONEY LAUNDERING AND TERRORISM FINANCING

The implementation of appropriate anti-money laundering and counter financing of terrorism (AML/CFT) measures are vital to 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

In recognising that our customers are our most valuable assets, much emphasis is placed in providing high quality services. Every employee is expected to maintain a high level of professionalism to ensure customer satisfaction. To this end, employees are expected to engage openly with customers on any queries about the banking policies and procedures of the Group.

Whilst the attainment of business goals is our primary objective, the Group believes that no goal is attainable without practising and maintaining high standards of business ethics as well as emphasising integrity and trust. The Group believes that the Code is integral to the implementation of good banking practices and will act as a guide and constant reminder to all employees of the personal conduct expected of them in the discharge of their duties.

# Financial Statements

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## Directors' Report

The directors submit herewith their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2011.

### 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

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit before taxation	2,000,128	266,254
Taxation	(496,470)	(71,537)
Net profit for the financial year	<u>1,503,658</u>	<u>194,717</u>

### DIVIDENDS

The dividends paid by the Company since 31 December 2010 were as follows:

	<b>RM'000</b>
In respect of the financial year ended 31 December 2010:	
Final dividend of 21.38% less 25% tax paid on 20 May 2011	<u>345,310</u>
In respect of the financial year ended 31 December 2011:	
Interim dividend of 8.00% less 25% tax paid on 15 November 2011	<u>131,515</u>

The shareholders' of the Company have been granted an option by the Board of Directors to elect the entire portion of the above mentioned final dividend and interim dividend into new ordinary shares of RM1.00 each in the Company in accordance with Dividend Reinvestment Plan ('DRP') as disclosed in Note 49(b) to the financial statements.

The reinvestment rate subsequent to the completion of the DRP for the abovementioned final dividend and interim dividend was 84.17% and 63.20% respectively.

At the forthcoming Annual General Meeting, a final gross dividend in respect of the current financial year of 11.82% less 25% tax amounting to RM195,537,177 and single-tier dividend of 5.59% amounting to RM123,289,823 will be proposed for shareholders' approval. These financial statements do not reflect these final dividends which will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2012 when approved by the shareholders.

Subject to the relevant regulatory approvals being obtained and shareholders' approval on the renewal of the DRP at the forthcoming Annual General Meeting, the Board of Directors, in its absolute discretion, recommends that the shareholders' of the Company be given an option to elect to reinvest the entire proposed final dividend into new ordinary shares of RM1.00 each in the Company in accordance with the DRP.

### RESERVES AND PROVISIONS

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

## Directors' Report (continued)

**ISSUE OF SHARES**

During the financial year, the Company increased its issued and paid up share capital from:

- (a) RM2,153,474,695 to RM2,191,916,339 via the issuance of 38,441,644 new ordinary shares of RM1.00 each arising from the DRP relating to the final dividend of 21.38% less 25% tax in respect of the financial year ended 31 December 2010 on 23 May 2011; and
- (b) RM2,191,916,339 to RM2,204,818,717 via the issuance of 12,902,378 new ordinary shares of RM1.00 each arising from the DRP relating to the interim dividend of 8.00% less 25% tax in respect of the financial year ended 31 December 2011 on 16 November 2011.

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

**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.

## Directors' Report (continued)

### CHANGE OF CIRCUMSTANCES

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

### ITEMS OF AN UNUSUAL NATURE

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

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

Significant events during the financial year are disclosed in Note 49 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	
Datuk Haji Faisal Siraj	
Dato' Teo Chiang Liang	
Dato' Saw Choo Boon	
Kellee Kam Chee Khiong	(appointed on 10 May 2011)
Dato' Tajuddin Atan	(resigned on 31 March 2011)
Arul Kanda Kandasamy	(resigned on 10 May 2011)
Mohamed Ali Ahmed Hamad Al Dhaheri	(resigned on 30 September 2011)
Johari Abdul Muid	(resigned on 14 November 2011)

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

Pursuant to Article 84 of the Company's Articles of Association, Kellee Kam Chee Khiong retires at the forthcoming Annual General Meeting of the Company and being eligible, offers himself for re-election.

### 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:

As at	Number of ordinary shares of RM1.00 each			
	As at 1.1.2011	DRP	Sold	31.12.2011
<b>The Company</b>				
Dato' Mohamed Khadar Merican				
- Direct	59,770	1,733	-	61,503

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' Report (continued)

**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 32 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 the Group and the Company, the directors are collectively responsible in ensuring that these financial statements are drawn up in accordance with 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.

It is the responsibility of the directors to ensure that the financial reporting of the Group and the Company present a true and fair view of the state of affairs of the Group and the Company as at 31 December 2011 and of the financial results and cash flows of the Group and of the Company for the financial year ended 31 December 2011.

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 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 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 278 of the financial statements.

**BUSINESS REVIEW 2011**

The year 2011 remains a challenging year for the banking sector amidst a challenging external environment due to continued weakness in the US and on-going debt crisis in the European economies. Despite the challenging environment, the Malaysian economy registered a stable growth due to stronger domestic demand. The robust domestic demand was driven by an expansion in both household and business spending as well as higher public sector expenditure. The domestic financial system remained resilient amidst a weaker global operating environment, and continued to support well the domestic economy. The monetary stance taken by Bank Negara Malaysia is consistent with the assessment of heightened uncertainties arising from global developments that have created greater downside risks to growth. The Overnight Policy Rate ('OPR') was raised by 25 basis points during the year to 3.00% and remains supportive of economic activity.

The Group continued to build strength and further enhances the competitiveness of its franchise in 2011. The community banking services, 'EASY by RHB' launched in 2009 remains a key focus area for growth with 'EASY' outlets growing from 110 outlets in 2010 to 236 outlets by end 2011 with assets growth of RM2.1 billion during the financial year. The rebranded and fully integrated internet and mobile banking 'RHB Now' has further enhanced customers experience and provided convenient banking services to our customers.

On the international front, RHB Singapore won the three year tender awarded by Changi Airport Group, Singapore to operate 15 currency exchange counters in the Singapore Airport. In addition, our Singapore operations received several accolades for its best customer services e.g 'Best Customer Experience Management of the Year Award' by APCSC Hong Kong and 'Singapore Quality Class' by SPRING Singapore during the year. In order to cater for further expansion in our Singapore operations, an additional capital fund of SGD350 million was injected into the branch in October 2011.

## Directors' Report (continued)

### BUSINESS REVIEW 2011 (CONTINUED)

The Group continued to build on the demand for Islamic financial services and RHB Islamic Bank Berhad ('RHB Islamic'), focusing on building market share and launched new products such as the Ar-Rahnu-i. So as to cater for further business expansion of Islamic financial services, an additional RM250 million in capital was injected into RHB Islamic in 2011. RHB Islamic's total assets expanded by 73% to RM22.6 billion and it achieved a pre-tax profit of RM137.8 million.

RHB Investment Bank Berhad ('RHB Investment Bank') continued with its strategy to secure big-ticket mandates across all capital market products in 2011. RHB Investment Bank played key roles in all of the largest deals in Malaysia last year in syndicated loans, mergers & acquisitions ('M&A') and both debt and equity capital markets. RHB Investment Bank ended the year with Top 2 league table positions in Syndicated Loans and Equities Broking and Top 3 in M&A based on market share.

On the heels of successfully completing the biggest M&A exercise in 2010, that of the RM23 billion privatisation of PLUS Expressways Berhad, RHB Investment Bank was again involved in another large M&A exercise in 2011. RHB Investment Bank was Principal Adviser to Sapura Crest Petroleum Berhad in the acquisition by Integral Key Sdn Bhd and subsequent merger with Kencana Petroleum Berhad. The transaction which was valued at RM11.85 billion created Malaysia's biggest and the world's fifth largest listed oilfield service provider. The deal had also won Alpha Southeast Asia's 'Best Deal' and 'Most Innovative Deal of the Year in Southeast Asia'.

In equity fund raising, RHB Investment Bank was involved in another landmark transaction as Joint Principal Adviser and Joint Bookrunner in the RM2.67 billion initial public offering ('IPO') of Bumi Armada Berhad. This deal was the largest IPO in Malaysia and the second largest in Southeast Asia last year. To date, this transaction has won several regional awards, including Alpha Southeast Asia's 'Best Equity/IPO Deal of the Year in Southeast Asia' and The Edge Malaysia's 'Best Initial Public Offering'.

RHB Investment Bank was also involved in the country's two largest debt programmes launched in 2011. It was the Principal Adviser and Lead Arranger in the RM15 billion Sukuk Musyarakah Programme by Sarawak Energy Berhad and Joint Lead Arranger in the RM10 billion Islamic MTN Programme by Aman Sukuk Berhad.

In syndicated loans, RHB Investment Bank participated in four out of the Top five largest syndicated loan deals in Malaysia in 2011. It was Mandated Lead Arrangers in the syndicated loans for PLUS Malaysia Sdn Bhd (RM13.6 billion), Astro Malaysia Holdings Sdn Bhd (RM3.01 billion), Pembinaan BLT Sdn Bhd (RM2.465 billion) and Jana Pendidikan Malaysia Sdn Bhd (RM1.54 billion).

In equities broking, RHB Investment Bank was ranked the No. 2 stockbroker in Malaysia with an 8% market share in 2011. It retained its leading market position in Direct Market Access ('DMA') and was the first in Malaysia to offer integrated Multi-Market Trading ('MMT') on the Singapore and US stock exchanges. RHB Investment Bank will continue with its expansion strategy to have presence in key regions in Malaysia from 2012.

The market continues to value the research views given by RHB Research Institute Sdn Bhd ('RHB Research'). In 2011, RHB Research was ranked No. 1 in the Asiamoney Poll in Macroeconomics while in The Edge Malaysia's Best Call Awards, RHB Research won Top Strategist and Best Call for Plantations Sector.

On 29 September 2011, the Company announced the application to Bank Negara Malaysia ('BNM') for approval to commence negotiations with OSK Investment Bank Berhad, OSK Holdings Berhad ('OSKH') and the major shareholders of OSKH for a possible merger of businesses ('Proposed Merger Negotiations') and submission to BNM was made on 11 January 2011.

On 29 December 2011, the Company announced the resubmission of our application to Bank Indonesia for the proposed acquisition of PT Bank Mestika Dharma ('Bank Mestika'), Indonesia.

The above two proposed merger and acquisition, upon completion, will create the largest broker in Malaysia and reinforces our aspiration to be a meaningful regional player for our commercial and investment banking businesses.

Notwithstanding the challenging operating environment, the Group has continued to perform satisfactorily with higher profitability and strong balance sheet growth.

## Directors' Report (continued)

**BUSINESS STRATEGY AND PROSPECTS 2012**

The global economic environment remains fragile driven by the Eurozone's sovereign debt crisis, the Malaysian economy is expected to register lower growth in 2012, estimated at 3.7% GDP growth as compared to 5.1% in 2011.

We expect the Malaysian banking sector to remain resilient given the strong fundamentals. The Group is committed in our drive to continuously build our core businesses and develop leadership positions in targeted markets and product segments.

The Group will focused on concluding our proposed acquisitions of PT Bank Mestika Dharma in Indonesia and OSK Investment Bank, which when completed, will provide us access to all the key South East Asian markets and move us closer to realising our regionalisation aspirations.

Barring unforeseen circumstances, the Group expect to record a satisfactory performance for the financial year 2012.

**RATINGS BY RATING AGENCIES**

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

<b>Agencies</b>	<b>Date accorded</b>	<b>Ratings</b>
<b>RHB Bank Berhad ('RHB Bank')</b>		
RAM Rating Services Berhad ('RAM')	November 2011	Long Term Financial Institution Rating – AA2 Short Term Financial Institution Rating – P1
Standard & Poor's	December 2011	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
Moody's Investors Service	November 2011	Long Term Bank Deposits Rating – A3 Short Term Bank Deposits Rating – P-1 Bank Financial Strength – D
<b>RHB Investment Bank Berhad ('RHB Investment Bank')</b>		
RAM	November 2011	Long Term Financial Institution Rating – AA2 Short Term Financial Institution Rating – P1
<b>RHB Islamic Bank Berhad ('RHB Islamic Bank')</b>		
RAM	December 2011	Long Term Financial Institution Rating – AA2 Short Term Financial Institution Rating – P1

## Directors' Report (continued)

**RATINGS BY RATING AGENCIES (CONTINUED)****Description of the ratings accorded****(a) RAM****(i) Long term financial institution rating**

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

**(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.

**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**  
CHAIRMAN

**KELLEE KAM CHEE KHIONG**  
MANAGING DIRECTOR

Kuala Lumpur  
29 February 2012

# Statements of Financial Position

as at 31 December 2011

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>ASSETS</b>					
Cash and short-term funds	2	20,358,496	14,754,516	27,528	346,009
Securities purchased under resale agreements		142,291	276,407	-	-
Deposits and placements with banks and other financial institutions	3	1,133,213	1,023,526	919	891
Financial assets held-for-trading	4	1,501,758	772,254	-	-
Financial investments available-for-sale	5	10,706,781	13,374,857	-	-
Financial investments held-to-maturity	6	14,093,909	10,869,550	-	-
Loans, advances and financing	7	94,823,514	81,228,093	-	-
Clients' and brokers' balances	8	232,676	421,127	-	-
Other assets	9	691,965	589,156	154,199	153,347
Derivative assets	10	237,658	310,905	-	-
Amounts due from subsidiaries	11	-	-	18,188	35,787
Statutory deposits	12	3,282,559	459,554	-	-
Tax recoverable		232,957	129,371	90,476	113,009
Deferred tax assets	13	17,598	261,105	-	-
Investments in subsidiaries	14	-	-	8,691,602	8,691,602
Investments in a joint venture	15	24,956	25,044	-	-
Property, plant and equipment	16	1,106,503	1,023,170	635	757
Goodwill	17	3,806,860	3,806,860	-	-
<b>TOTAL ASSETS</b>		<b>152,393,694</b>	<b>129,325,495</b>	<b>8,983,547</b>	<b>9,341,402</b>

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

Statements of Financial Position  
as at 31 December 2011 (continued)

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	18	115,860,584	94,433,828	-	-
Deposits and placements of banks and other financial institutions	19	10,031,575	10,066,157	-	-
Bills and acceptances payable		3,764,155	3,536,140	-	-
Clients' and brokers' balances	20	562,393	610,360	-	-
Other liabilities	21	1,582,693	1,527,724	3,315	4,611
Derivative liabilities	10	248,188	253,704	-	-
Recourse obligation on loans sold to Cagamas Berhad (‘Cagamas’)		1,161,814	818,503	-	-
Amounts due to subsidiaries	11	-	-	8,626	6,146
Taxation liabilities		5,748	172,595	-	-
Deferred tax liabilities	13	6,598	4,514	45	25
Borrowings	22	3,603,334	4,064,323	3,147,101	3,597,762
Subordinated obligations	23	3,515,747	3,264,284	-	-
Hybrid Tier-1 Capital Securities	24	600,558	600,393	-	-
<b>TOTAL LIABILITIES</b>		140,943,387	119,352,525	3,159,087	3,608,544
Share capital	25	2,204,819	2,153,475	2,204,819	2,153,475
Reserves	26	9,233,566	7,808,682	3,619,641	3,579,383
		11,438,385	9,962,157	5,824,460	5,732,858
Non-controlling interests		11,922	10,813	-	-
<b>TOTAL EQUITY</b>		11,450,307	9,972,970	5,824,460	5,732,858
<b>TOTAL LIABILITIES AND EQUITY</b>		152,393,694	129,325,495	8,983,547	9,341,402
<b>COMMITMENTS AND CONTINGENCIES</b>	39	74,161,318	70,521,648	-	-

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

# Income Statements

For The Financial Year Ended 31 December 2011

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Interest income	27	5,564,328	4,772,001	2,472	1,246
Interest expense	28	(2,776,995)	(2,098,777)	(144,361)	(145,663)
Net interest income/(expense)		2,787,333	2,673,224	(141,889)	(144,417)
Other operating income	29	1,081,499	1,043,307	434,257	593,674
		3,868,832	3,716,531	292,368	449,257
Income from Islamic Banking business	30	438,918	333,762	-	-
		4,307,750	4,050,293	292,368	449,257
Other operating expenses	31	(1,903,286)	(1,639,648)	(26,114)	(18,630)
Operating profit before allowances		2,404,464	2,410,645	266,254	430,627
Allowance for impairment on loans, financing and other losses	33	(327,486)	(415,572)	-	-
Impairment losses on other assets	34	(77,277)	(96,588)	-	(683)
		1,999,701	1,898,485	266,254	429,944
Share of results of an associate		-	12	-	-
Share of results of a joint venture		427	792	-	-
Profit before taxation		2,000,128	1,899,289	266,254	429,944
Taxation	35	(496,470)	(470,744)	(71,537)	(108,508)
Net profit for the financial year		1,503,658	1,428,545	194,717	321,436
Attributable to:					
- Equity holders of the Company		1,501,539	1,420,258	194,717	321,436
- Non-controlling interests		2,119	8,287	-	-
		1,503,658	1,428,545	194,717	321,436
Earnings per share (sen)					
- Basic	36	68.9	66.0	-	-

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 2011

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Net profit for the financial year		1,503,658	1,428,545	194,717	321,436
Other comprehensive income/(loss):					
Currency translation differences		18,022	(68,600)	-	-
Financial investments available-for-sale ('AFS')					
- Unrealised net gain on revaluation		166,914	180,131	-	-
- Net transfer to income statements on disposal or impairment		(86,934)	(84,805)	-	-
Gain on fair valuation of property arising from acquisition of a subsidiary	45(b)	-	20,265	-	-
Income tax relating to components of other comprehensive income	37	(20,215)	(24,771)	-	-
Other comprehensive income, net of tax		77,787	22,220	-	-
Total comprehensive income for the financial year		1,581,445	1,450,765	194,717	321,436
Total comprehensive income attributable to:					
- Equity holders of the Company		1,579,343	1,442,423	194,717	321,436
- Non-controlling interests		2,102	8,342	-	-
		1,581,445	1,450,765	194,717	321,436

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 2011

Group	Attributable to equity holders of the Company										Total equity RM'000
	Share capital RM'000	Share premium RM'000	Reserve funds RM'000	Other reserves RM'000	AFS reserves RM'000	Translation reserves RM'000	Retained profits RM'000	Sub-total RM'000	Non-controlling interests RM'000		
Balance as at 1 January 2011	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	
Net profit for the financial year	-	-	-	-	-	-	1,501,539	1,501,539	2,119	1,503,658	
Currency translation differences	-	-	-	-	-	18,022	-	18,022	-	18,022	
Financial investments AFS:	-	-	-	-	166,904	-	-	166,904	10	166,914	
- Unrealised net gain on revaluation	-	-	-	-	(86,901)	-	-	(86,901)	(33)	(86,934)	
- Net transfer to income statements on disposal or impairment	-	-	-	-	(20,221)	-	-	(20,221)	6	(20,215)	
Income tax relating to components of other comprehensive income	-	-	-	-	59,782	18,022	-	77,804	(17)	77,787	
Other comprehensive income, net of tax	-	-	-	-	59,782	18,022	-	77,804	(17)	77,787	
Total comprehensive income	-	-	-	-	59,782	18,022	1,501,539	1,579,343	2,102	1,581,445	
Transfer in respect of statutory requirements	-	-	412,640	-	-	-	(412,640)	-	-	-	
Ordinary dividends	-	-	-	-	-	-	(476,825)	(476,825)	(993)	(477,818)	
Shares issued pursuant to DRP	51,344	322,366	-	-	-	-	-	373,710	-	373,710	
Balance as at 31 December 2011	2,204,819	2,674,459	3,016,604	27,815	213,654	(58,832)	3,359,866	11,438,385	11,922	11,450,307	

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 2011 (continued)

Group	Attributable to equity holders of the Company										Total equity RM'000
	Share capital RM'000	Share premium RM'000	Reserve funds RM'000	Other reserves RM'000	AFS reserves RM'000	Translation reserves RM'000	Retained profits RM'000	Sub-total RM'000	Non-controlling interests RM'000		
Balance as at 1 January 2010	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 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	-	-	-	20,265	-	-	-	20,265	-	20,265	
Income tax relating to components of other comprehensive income	-	-	-	(1,013)	(23,739)	-	-	(24,752)	(19)	(24,771)	
Other comprehensive income/(loss), net of tax	-	-	-	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	-	-	-	-	-	-	(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 2011 (continued)

<b>Company</b>	<b>Note</b>	<b>Share capital RM'000</b>	<b>Non-distributable Share premium RM'000</b>	<b>Distributable Retained profits RM'000</b>	<b>Total RM'000</b>
Balance as at 1 January 2011		2,153,475	2,352,093	1,227,290	5,732,858
Net profit for the financial year		-	-	194,717	194,717
Ordinary dividends	38	-	-	(476,825)	(476,825)
Shares issued pursuant to DRP	25	51,344	322,366	-	373,710
Balance as at 31 December 2011		2,204,819	2,674,459	945,182	5,824,460
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	38	-	-	(362,591)	(362,591)
Balance as at 31 December 2010		2,153,475	2,352,093	1,227,290	5,732,858

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 2011

Group	2011 RM'000	2010 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,000,128	1,899,289
Adjustments for:		
Allowance for impairment on loans, financing and other losses	659,931	577,029
Property, plant and equipment		
- depreciation	100,052	98,951
- impairment loss	-	24,945
- gain on disposal	(5,057)	(6,841)
- written off	27	10
Impairment loss on financial investments AFS and held-to-maturity	77,411	68,138
Accretion of discounts for borrowings and subordinated obligations	9,547	4,690
Share of results of associate	-	(12)
Share of results of a joint venture	(427)	(792)
Interest income from financial assets held-for-trading, financial investments AFS and held-to-maturity	(858,726)	(857,401)
Investment income from financial assets held-for-trading, financial investments AFS and held-to-maturity	(128,378)	(110,333)
Net gain arising from sale/redemption of financial assets held-for-trading and financial investments AFS and held-to-maturity	(146,302)	(129,729)
Unrealised loss/(gain) on revaluation of financial assets held-for-trading and derivatives	65,686	(77,194)
Unrealised foreign exchange gain	(11,095)	(21,310)
Accretion of discount less amortisation of premium-net	(23,323)	46,093
Gross dividend income from financial assets held-for-trading, financial investments AFS and held-to-maturity	(25,566)	(10,843)
Operating profit before working capital changes	1,713,908	1,504,690
(Increase)/decrease in operating assets:		
Securities purchased under resale agreements	140,182	1,317,803
Deposits and placements with banks and other financial institutions	(109,687)	1,195,744
Financial assets held-for-trading	(644,988)	138,880
Loans, advances and financing	(14,252,820)	(14,823,650)
Clients' and brokers' balances	188,451	(171,460)
Other assets	(81,335)	244,561
Statutory deposits	(2,823,005)	(149,398)
	(17,583,202)	(12,247,520)

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 2011 (continued)

Group	Note	2011 RM'000	2010 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)</b>			
Increase/(decrease) in operating liabilities:			
Deposits from customers		21,426,756	9,592,763
Deposits and placements of banks and other financial institutions		(34,582)	2,650,132
Bills and acceptances payable		228,015	(266,382)
Clients' and brokers' balances		(47,967)	208,503
Other liabilities		56,595	(215,385)
Recourse obligation on loans sold to Cagamas		343,311	(350,323)
		21,972,128	11,619,308
Cash generated from operations		6,102,834	876,478
Taxation paid		(600,494)	(453,834)
Taxation refunded		59,591	2,230
Net cash generated from operating activities		5,561,931	424,874
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net purchase of financial investments AFS and held-to-maturity		(459,407)	(3,945,083)
Purchase of property, plant and equipment		(180,787)	(143,111)
Interest received from financial assets held-for-trading, financial investments AFS and held-to-maturity		861,639	729,590
Investment income received from financial assets held-for-trading, financial investments AFS and held-to-maturity		118,314	104,438
Proceeds from disposal of property, plant and equipment		5,523	15,693
Dividend income received from financial assets held-for-trading, financial investments AFS and held-to-maturity		25,548	10,483
Acquisition of subsidiaries	45(b)&(c)	-	(37,861)
Acquisition of additional interest in a subsidiary	45(a)	-	(45,125)
Net cash generated from/(used in) investing activities		370,830	(3,310,976)
Proceeds from issuance of subordinated notes		250,000	1,005,000
Proceeds from shares issued pursuant to DRP		373,710	-
Drawdown of borrowings		263,250	560,210
Repayment of borrowings		(737,941)	(235,135)
Dividends paid to equity holders of the Company		(476,825)	(362,591)
Dividends paid to non-controlling interests in a subsidiary		(993)	(770)
Net cash (used in)/generated from financing activities		(328,799)	966,714
Net increase/(decrease) in cash and cash equivalents		5,603,962	(1,919,388)
Cash and cash equivalents at the beginning of the financial year		14,754,516	16,673,904
Cash and cash equivalents at the end of the financial year		20,358,478	14,754,516
Cash and cash equivalents comprise the following:			
Cash and short-term funds	2	20,358,496	14,754,516
Overdrafts	22(c)	(18)	-
		20,358,478	14,754,516

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

Statements of Cash Flows  
For The Financial Year Ended 31 December 2011 (continued)

Company	Note	2011 RM'000	2010 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		266,254	429,944
Adjustments for:			
Interest expense		144,361	145,663
Unrealised foreign exchange loss/(gain)		49	(648)
Property, plant and equipment			
- depreciation		220	158
- gain on disposal		(91)	-
Impairment loss on other assets		-	683
Dividend income		(434,215)	(593,026)
Interest income		(2,472)	(1,246)
Operating loss before working capital changes		(25,894)	(18,472)
Increase in deposits and placements with banks and other financial institutions		(38)	(31)
Decrease/(increase) in inter-company balances		21,346	(34,476)
Increase in other assets		(896)	(434)
Decrease in other liabilities		(1,296)	(1,430)
Cash used in operations		(6,778)	(54,843)
Taxation refunded		59,570	-
Net cash generated from/(used in) operating activities		52,792	(54,843)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividend income received from subsidiaries		325,661	445,270
Interest income received		1,209	409
Purchase of property, plant and equipment		(98)	(585)
Acquisition of additional interest in a subsidiary	45(a)	-	(45,125)
Proceeds from disposal of property, plant and equipment		91	-
Net cash generated from investing activities		326,863	399,969

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 2011 (continued)

Company	Note	2011 RM'000	2010 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)</b>			
Drawdown of borrowings		280,290	620,100
Repayment of borrowings		(724,650)	(187,300)
Interest expense paid		(150,679)	(168,888)
Dividends paid to equity holders of the Company		(476,825)	(362,591)
Proceeds from shares issued pursuant to DRP		373,710	-
Net cash used in financing activities		(698,154)	(98,679)
Net (decrease)/ increase in cash and cash equivalents		(318,499)	246,447
Cash and cash equivalents at the beginning of the financial year		346,009	99,562
Cash and cash equivalents at the end of the financial year		27,510	346,009
Cash and cash equivalents comprise the following:			
Cash and short-term funds	2	27,528	346,009
Overdrafts	22(c)	(18)	-
		27,510	346,009



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

For The Financial Year Ended 31 December 2011

## A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial statements of the Group and the Company have been prepared 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 relevant 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 2011 are as follows:

- Revised FRS 1 'First-time adoption of FRS'
- Revised FRS 3 'Business Combinations'
- Revised FRS 127 'Consolidated and Separate Financial Statements'
- Amendments to FRS 7 'Financial Instruments: Disclosures – Improving Disclosures About Financial Instruments'
- Amendments to FRS 1 'First-time Adoption of FRS'
- Amendments to FRS 132 'Financial Instruments: Presentation - Classification of Rights Issues'
- IC Interpretation 4 'Determining Whether An Arrangement Contains a Lease'
- IC Interpretation 17 'Distributions of Non-cash Assets to Owners'
- Amendments to IC Interpretation 9 'Reassessment of Embedded Derivatives'
- Improvements to FRSs (2010)

The adoption of the above standards, amendments to published standards and interpretations to existing standards does not give rise to any material financial impact to the Group and the Company.

## Summary of Significant Accounting Policies And Critical Accounting Estimates And Assumptions For The Financial Year Ended 31 December 2011 (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

On 19 November 2011, the MASB formally announced that Malaysian reporting entities would be required to comply with the new International Financial Reporting Standards ('IFRS') compliant framework, Malaysian Financial Reporting Standards ('MFRS') for financial years commencing on or after 1 January 2012.

For reporting periods commencing 1 January 2012, the Group and the Company will be adopting the new IFRS-compliant framework, MFRS. The Group and the Company are required to prepare an opening balance sheet and restate comparative information retrospectively as if the requirements of MFRSs have always been applied by the Group and the Company from transition date of 1 January 2011. MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standards' (MFRS 1) provides certain mandatory exceptions and optional exemptions for first time adoption of MFRS.

In the planning stage, the Group and the Company have completed their review of the MFRS requirements. Critical conversion issues were identified and methodologies were designed to resolve these issues. The Group and the Company are now progressing to the implementation of the identified changes and will complete this process prior to the release of the interim results for the financial period ending 31 March 2012. The Group and the Company have not finalised the financial impact of the adoption of MFRS.

##### (i) Financial year beginning on/after 1 January 2012

MFRS 139 'Financial Instruments: Recognition and Measurement' (effective from 1 January 2012) Bank Negara Malaysia has removed the transitional provision for banking institutions on collective evaluation of loan impairment assessment and loan loss provisioning to comply with MFRS 139 requirements. Exposures not individually known to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred, but not identified yet. The required loan loss allowances is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

The revised MFRS 124 'Related Party Disclosures' (effective from 1 January 2012) simplifies the definition of a related party. It clarifies its intended meaning and eliminates inconsistencies from the definition.

The revised MFRS 124 removes the exemptions to disclose transaction between government related entities and the government, and all other government related entities. The following new disclosures are now required for government related entities:

- (i) the name of the government and the nature of their relationship;
- (ii) the nature and amount of each individually significant transactions; and
- (iii) the extent of any collectively significant transactions, qualitatively or quantitatively need to be disclosed.

Amendment to MFRS 112 'Income Taxes' (effective from 1 January 2012) introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. MFRS 112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in MFRS 140 'Investment Property'. As a result of the amendments, IC Interpretation 121 'Income Taxes - Recovery of Revalued Non-depreciable Assets' will no longer apply to investment properties carried at fair value. The amendments also incorporate into MFRS 112 the remaining guidance previously contained in IC Interpretation 121 which is withdrawn.

Summary of Significant Accounting Policies And Critical Accounting Estimates And Assumptions  
For The Financial Year Ended 31 December 2011 (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)**

**(i) Financial year beginning on/after 1 January 2012 (continued)**

IC Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective from 1 July 2011) provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit or loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in profit or loss.

Amendment to MFRS 1 'First Time Adoption on Fixed Dates and Hyperinflation' (effective from 1 January 2012) includes two changes to MFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to MFRSs', thus eliminating the need for entities adopting MFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to MFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with MFRSs after a period when the entity was unable to comply with MFRSs because its functional currency was subject to severe hyperinflation.

Amendment to MFRS 7 'Financial Instruments: Disclosures on Transfers of Financial Assets' (effective from 1 January 2012) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

Amendment to MFRS 101 'Presentation of Items of Other Comprehensive Income' (effective from 1 January 2012) requires entities to separate items presented in OCI in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

## Summary of Significant Accounting Policies And Critical Accounting Estimates And Assumptions For The Financial Year Ended 31 December 2011 (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)

##### (ii) Financial year beginning on/after 1 January 2013

MFRS 9 'Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities' (effective from 1 January 2013) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ('FVTPL'). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income ('OCI'). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

MFRS 10 'Consolidated Financial Statements' (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 'Consolidated and Separate Financial Statements' and IC Interpretation 112 'Consolidation – Special Purpose Entities'.

MFRS 11 'Joint Arrangements' (effective from 1 January 2013) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

MFRS 12 'Disclosures of Interests in Other Entities' (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 'Investments in associates'. It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

MFRS 13 'Fair Value Measurement' (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 'Financial Instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial instruments.

The revised MFRS 127 'Separate Financial Statements' (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

Summary of Significant Accounting Policies And Critical Accounting Estimates And Assumptions  
For The Financial Year Ended 31 December 2011 (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)**

**(ii) Financial year beginning on/after 1 January 2013 (continued)**

The revised MFRS 128 'Investments in Associates and Joint Ventures' (effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.

**(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. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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 MASB 21 'Business Combinations';
- internal group reorganisations, as defined in MASB 21, consolidated on/after 1 April 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.

## Summary of Significant Accounting Policies And Critical Accounting Estimates And Assumptions For The Financial Year Ended 31 December 2011 (continued)

### A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (2) Basis of consolidation (continued)

##### (a) Subsidiaries (continued)

The Group has taken advantage of the exemption provided by MASB 21, FRS 3 and FRS 3 (revised) 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 de-consolidated from the date that control ceases.

The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in profit or loss. Refer to accounting policy Note 4 on goodwill.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to the Group or Company. Non-controlling interest is measured either at fair value or proportionate share of the acquiree's identifiable net assets at the acquisition date, determined on a case by case basis. At the end of a reporting period, non-controlling interest consists of the amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

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.

All material inter-company and intra-group transactions and balances are 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.

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 2011 (continued)

### A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (2) Basis of consolidation (continued)

##### (a) Subsidiaries (continued)

###### Change in accounting policy

The Group has changed its accounting policy on business combinations and accounting for non-controlling interest when it adopted the revised FRS 3 'Business Combinations' and FRS 127 'Consolidated and Separate Financial Statements'.

Previously, contingent consideration in a business combination was recognised when it is probable that payment will be made. Acquisition-related costs were included as part of the cost of business combination. Any non-controlling interest in the acquiree was measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group was accounted for as a revaluation.

The Group has applied the new policies prospectively to transactions occurring on or after 1 January 2011. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to the subsidiary which is recognised in profit or loss attributable to the parent.

##### (b) Transaction with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests, where such transaction occurred after control has already been obtained and they do not result in loss of control, as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is deducted from equity. For disposals to non-controlling interests, the differences between any proceeds received and the relevant share of non-controlling interests are also recognised in equity.

###### Change in accounting policy

Previously, the Group applied a policy of treating transactions with non-controlling interest as transactions with parties external to the Group. Accordingly, disposals resulted in gains or losses and purchases resulted 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. The Group has applied this policy prospectively to transactions occurring on or after 1 January 2011.

##### (c) Jointly controlled entities

Jointly controlled entities 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 jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. Equity accounting involves recognising the Group's share of the post-acquisition results of jointly controlled entities in profit or loss, and its share of post-acquisition changes in other comprehensive income. The cumulative post-acquisition changes are adjusted against the cost of investment and include goodwill on acquisition, less accumulated impairment loss.

Where necessary, in applying the equity method, adjustments are made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with those of the Group.

## Summary of Significant Accounting Policies And Critical Accounting Estimates And Assumptions For The Financial Year Ended 31 December 2011 (continued)

### A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (2) Basis of consolidation (continued)

##### (d) Associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. Equity accounting involves recognising the Group's share of its associates' 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 changes are adjusted against the cost of investment and include goodwill on acquisition, less accumulated impairment loss.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its shares of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

##### (e) Changes in ownership interests

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. This fair value is the fair value on initial recognition as a financial asset in accordance with FRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

##### Changes in accounting policy

The Group has changed its accounting policy prospectively for transactions occurring on or after 1 January 2011 with non-controlling interests and transactions involving the loss of control, joint control or significant influence when it adopted the revised FRS 127 'Consolidated and Separate Financial Statements'. The revisions to FRS 127 contained consequential amendments to FRS 128 'Investments in Associates' and FRS 131 'Interests in Joint Ventures'.

Previously when the Group ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost on initial measurement as a financial asset in accordance with FRS 139.

#### (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 is recognised in profit or loss.



## Summary of Significant Accounting Policies And Critical Accounting Estimates And Assumptions For The Financial Year Ended 31 December 2011 (continued)

### A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (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 (inclusive of impairment losses recognised in a previous interim period) is not reversed. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold. Refer to accounting policy Note 24 on impairment of non-financial assets.

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.

#### (5) Financial assets

##### (a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, financial investments available-for-sale and financial investments 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 7.

##### (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 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.

##### (iv) 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.

##### (b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the settlement 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.

## Summary of Significant Accounting Policies And Critical Accounting Estimates And Assumptions For The Financial Year Ended 31 December 2011 (continued)

### A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (5) Financial assets (continued)

##### (c) Subsequent measurement – gain and loss

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. Dividend income on financial investments available-for-sale equity instruments is recognised in profit or loss when the Group's right to receive payment 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.

Loans and receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the loans and receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

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

##### (e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

##### (f) Determination on fair value

The fair value of financial instruments traded in active markets are based on quoted market prices at the end of the reporting date. The quoted market prices used for financial assets held by the Group are the current bid prices. If the market for a financial assets is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, net book value and option pricing models refined to reflect the issuer's specific circumstances.

## Summary of Significant Accounting Policies And Critical Accounting Estimates And Assumptions For The Financial Year Ended 31 December 2011 (continued)

### A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (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) 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 re-measured 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.

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).

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

For The Financial Year Ended 31 December 2011 (continued)

### A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (7) Derivative financial instruments and hedge accounting (continued)

##### (b) Cash flow hedge (continued)

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.

#### (8) Foreclosed properties

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

#### (9) 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.

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 ½%
Renovations and improvements	7.5% to 20%
Computer equipment and software	20% to 33 ½%
Furniture, fittings and equipment	7.5% to 20%
Motor vehicles	20% to 25%

\* The remaining period of the lease ranges from 7 to 882 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. There are no material adjustments arising from the review that would render disclosure in the financial statements.

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.

## Summary of Significant Accounting Policies And Critical Accounting Estimates And Assumptions For The Financial Year Ended 31 December 2011 (continued)

### A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (10) Financial liabilities

The Group's and the Company's holding in financial liabilities is in financial liabilities at fair value through profit or loss (including financial liabilities held-for-trading and those that are designated at fair value) and other financial liabilities at amortised cost. All financial liabilities are derecognised when extinguished.

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

Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss and are subsequently re-measured at their fair values. Changes in fair values of financial liabilities at fair value through profit or loss are recognised in profit and loss in the period in which the changes arise.

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 7.

##### (b) Other financial liabilities measured at amortised cost

Other financial liabilities are initially recognised at fair value plus transaction costs. Subsequently, other financial liabilities are re-measured at amortised cost using the effective interest rate.

Other financial liabilities measured at amortised cost are deposits from customers, deposits and placements of banks and other financial institutions, 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 and other financial liabilities.

#### (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 profit or loss 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 2011 (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 profit or loss 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.

#### (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 and the Company have a present legal or constructive obligation, as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

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

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

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

#### (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.

## Summary of Significant Accounting Policies And Critical Accounting Estimates And Assumptions For The Financial Year Ended 31 December 2011 (continued)

### A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (16) Financial guarantee contracts

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 issuance 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 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 and the Company do not recognise a contingent liability but disclose their 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 and the Company. The Group and the Company do not recognise contingent assets but disclose their existence where inflows of economic benefits are probable, but not virtually certain.

#### (18) Share capital

##### (a) Classification

Ordinary shares are classified as equity. Other shares, if issued, are classified as equity and/or liability according to the economic substance of the particular instrument.

##### (b) Share issue cost

Incremental costs directly attributable to the issue of new shares or options are deducted against share premium account.

##### (c) Dividend distribution

Distributions to holders of an equity instrument are debited directly to equity, net of any related income tax benefit and the corresponding liability is recognised in the period in which the shareholders' right to receive the dividends are established or the dividends are approved.

## Summary of Significant Accounting Policies And Critical Accounting Estimates And Assumptions For The Financial Year Ended 31 December 2011 (continued)

### A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (19) Cash and cash equivalents

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

The statement 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.
- (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. The 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. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.



## Summary of Significant Accounting Policies And Critical Accounting Estimates And Assumptions For The Financial Year Ended 31 December 2011 (continued)

### A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (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.

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.

## Summary of Significant Accounting Policies And Critical Accounting Estimates And Assumptions For The Financial Year Ended 31 December 2011

### A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (21) Impairment of financial assets (continued)

##### (a) Assets carried at amortised cost (continued)

###### 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.

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.

#### (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.

## Summary of Significant Accounting Policies And Critical Accounting Estimates And Assumptions For The Financial Year Ended 31 December 2011

### A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (22) General insurance (Continued)

##### **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.

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 the income statement.

Gains or losses on buying reinsurance are recognised in the 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.

## Summary of Significant Accounting Policies And Critical Accounting Estimates And Assumptions For The Financial Year Ended 31 December 2011

### A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (22) General insurance (continued)

##### **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.

#### (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, the 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 or 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 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 2011

### 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.

The current income tax charge or 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 on 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 the 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.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### (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 Group and 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 2011

### 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 statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the date 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 financial 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 to and assessing performance of the operating segments of an entity. The Group has determined that Central Management Committee as its chief operating decision-maker.

### 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 2011

## 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 29 February 2012.

## 2 CASH AND SHORT-TERM FUNDS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and balances with banks and other financial institutions	1,402,481	984,020	614	399
Money at call and deposit placements maturing within one month	18,956,015	13,770,496	26,914	345,610
	20,358,496	14,754,516	27,528	346,009

Included in the cash and short-term funds are monies held in trust for clients and remisers:

	Group	
	2011 RM'000	2010 RM'000
Cash and balances with banks and other financial institutions	80,838	30,832
Money at call and deposit placements maturing within one month	315,385	212,878
	396,223	243,710

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Licensed banks	947,631	931,141	919	891
Licensed investment banks	115,505	92,385	-	-
Licensed Islamic banks	70,077	-	-	-
	1,133,213	1,023,526	919	891

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

### 3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

Included in deposits and placements with licensed banks are:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deposits pledged to licensed banks	-	120	-	-

### 4 FINANCIAL ASSETS HELD-FOR-TRADING

	Group	
	2011 RM'000	2010 RM'000
<b>At fair value</b>		
Money market instruments:		
Malaysian government securities	21,119	-
Malaysian government investment issues	144,220	45,621
BNM monetary notes	808,374	366,768
Negotiable instruments of deposits	-	51,502
Singapore government treasury bills	275,519	119,367
Thailand government bonds	-	10,216
Khazanah bonds	53,767	-
Wakala global sukuk	16,495	-
<u>Quoted securities:</u>		
<b>In Malaysia</b>		
Shares	67,981	69,896
Unit trusts	3,451	1,059
<b>Outside Malaysia</b>		
Shares	2,524	2,457
<u>Unquoted securities:</u>		
<b>In Malaysia</b>		
Private debt securities	108,308	105,368
	<b>1,501,758</b>	<b>772,254</b>



Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

**5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE ('AFS')**

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
Money market instruments:		
Malaysian government securities	1,666,771	4,520,680
Malaysian government investment issues	2,907,749	3,080,615
Cagamas bonds	82,056	591,416
Khazanah bonds	12,638	11,984
Negotiable instruments of deposits	-	108,163
Bankers acceptances and Islamic accepted bills	-	93,868
Singapore government securities	232,275	128,445
Singapore government treasury bills	73,155	26,258
Thailand government bonds	85,870	112,140
1 Malaysia sukuk	291,592	86,032
Wakala global sukuk	115,164	-
<u>Quoted securities:</u>		
<b>In Malaysia</b>		
Corporate loan stocks	15,434	15,408
Shares	4,503	4,310
<b>Outside Malaysia</b>		
Shares	23	17
<u>Unquoted securities:</u>		
<b>In Malaysia</b>		
Private debt securities	4,384,508	3,910,065
Shares	406,680	360,862
Corporate loan stocks	127,875	129,634
Unit trusts	278,883	168,495
Redeemable Convertible Preference Shares	15,130	13,980
<b>Outside Malaysia</b>		
Private debt securities	5,901	11,921
Corporate loan stocks	574	564
	<b>10,706,781</b>	<b>13,374,857</b>

As at 31 December 2011, the carrying value of financial investments available-for-sale, which was transferred from financial assets held-for-trading in previous financial years amounted to RM580,456,000 (2010: RM1,512,298,000).

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

### 6 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group	
	2011 RM'000	2010 RM'000
<b>At amortised cost</b>		
Money market instruments:		
Malaysian government securities	2,814,685	2,993,642
Malaysian government investment issues	3,304,614	1,371,160
Cagamas bonds and Cagamas Mudharabah bonds	1,963,279	773,645
Khazanah bonds	63,418	52,631
Negotiable instruments of deposits	1,005,545	1,103,432
Singapore government securities	123,462	120,730
Thailand government securities	240,210	223,230
Sukuk (Brunei) Incorporation	53,682	23,873
Singapore government treasury bills	-	9,549
Bankers' acceptances	271,632	-
Wakala global sukuk	203,078	-
<u>Unquoted securities:</u>		
<b>In Malaysia</b>		
Private debt securities	3,207,217	2,420,343
Corporate loan stocks	56,283	81,107
Bonds	883	883
Prasarana bonds	990,911	1,860,387
<b>Outside Malaysia</b>		
Private debt securities	19,063	18,520
Structured notes	-	32,564
	14,317,962	11,085,696
Accumulated impairment losses	(224,053)	(216,146)
	<b>14,093,909</b>	<b>10,869,550</b>

As at 31 December 2011, the carrying value of financial investments held-to-maturity, which was transferred from financial assets held-for-trading in previous financial years amounted to RM19,063,000 (2010: RM26,038,000). The fair value of these financial investments at 31 December 2011 is RM20,643,000 (2010: RM27,350,000).

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

## 7 LOANS, ADVANCES AND FINANCING

	Group	
	2011 RM'000	2010 RM'000
<b>At amortised cost</b>		
Overdrafts	5,692,203	6,092,693
Term loans/financing		
- housing loans/financing	20,048,347	18,277,357
- syndicated term loans/financing	2,923,017	2,033,985
- hire-purchase receivables	12,946,664	10,956,570
- lease receivables	116,243	146,399
- other term loans/financing	42,945,799	33,530,820
Bills receivable	1,644,601	1,507,021
Trust receipts	382,657	343,170
Claims on customers under acceptance credits	4,740,650	4,632,725
Staff loans/financing	316,813	350,587
Credit/charge cards receivables	1,780,088	1,644,995
Revolving credits	3,757,981	4,193,922
Gross loans, advances and financing	97,295,063	83,710,244
Allowance for impaired loans, advances and financing		
- individual impairment allowance	(813,086)	(855,782)
- collective impairment allowance	(1,658,463)	(1,626,369)
Net loans, advances and financing	94,823,514	81,228,093

Included in term loans are housing loans sold to Cagamas with recourse amounting to RM1,161,814,000 (2010: RM818,503,000).

	Group	
	2011 RM'000	2010 RM'000
(i) By type of customer:		
Domestic non-bank financial institutions		
- others	937,008	315,707
Domestic business enterprises		
- small medium enterprises	11,526,250	11,044,473
- others	23,974,436	22,141,219
Government and statutory bodies	11,148,102	9,204,927
Individuals	43,863,302	36,474,819
Other domestic entities	10,651	8,324
Foreign entities	5,835,314	4,520,775
	97,295,063	83,710,244

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

**7 LOANS, ADVANCES AND FINANCING (CONTINUED)**

	Group	
	2011 RM'000	2010 RM'000
(ii) By geographical distribution:		
In Malaysia	92,738,540	80,067,443
Outside Malaysia		
- Singapore operations	4,211,647	3,191,218
- Thailand operations	232,363	297,308
- Brunei operations	112,513	154,275
	97,295,063	83,710,244
(iii) By interest/profit rate sensitivity:		
Fixed rate		
- housing loans/financing	1,611,848	1,523,367
- hire-purchase receivables	12,946,664	10,956,595
- other fixed rate loans/financing	16,523,187	14,207,886
Variable rate		
- base lending/financing rate plus	38,671,366	32,736,627
- cost-plus	23,119,640	19,946,768
- other variable rates	4,422,358	4,339,001
	97,295,063	83,710,244
(iv) By purpose:		
Purchase of securities	6,981,579	4,007,645
Purchase of transport vehicles	11,736,487	9,567,623
Purchase of landed property:		
- residential	20,518,413	18,841,064
- non-residential	5,277,215	4,761,379
Purchase of property, plant and equipment other than land and building	3,237,824	3,336,170
Personal use	4,951,590	3,535,354
Credit card	1,780,088	1,644,995
Purchase of consumer durables	43,477	54,295
Construction	3,024,166	2,593,596
Working capital	20,317,631	20,693,990
Merger and acquisition	4,200,239	2,432,562
Other purpose	15,226,354	12,241,571
	97,295,063	83,710,244

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group	
	2011 RM'000	2010 RM'000
(v) By remaining contractual maturities:		
Maturing within one year	30,817,572	28,641,800
One year to three years	6,144,125	4,692,466
Three years to five years	10,377,475	10,023,354
Over five years	49,955,891	40,352,624
	97,295,063	83,710,244
(vi) Impaired loans, advances and financing		
(a) Movements in impaired loans, advances and financing:		
Balance as at the beginning of the financial year	3,672,175	4,637,568
Classified as impaired	3,711,482	3,881,193
Reclassified as non-impaired	(2,823,223)	(2,789,193)
Amount recovered	(609,133)	(961,325)
Amount written off	(604,997)	(1,084,148)
Exchange difference	4,802	(11,920)
Balance as at the end of the financial year	3,351,106	3,672,175
(b) By purpose:		
Purchase of securities	86,656	83,475
Purchase of transport vehicles	262,927	241,331
Purchase of landed property:		
- residential	1,037,375	1,163,245
- non-residential	197,116	251,257
Purchase of property, plant and equipment other than land and building	142,397	203,251
Personal use	72,931	90,835
Credit card	89,000	78,954
Purchase of consumer durables	1,989	2,983
Construction	235,040	174,628
Working capital	1,200,665	1,370,284
Other purpose	25,010	11,932
	3,351,106	3,672,175

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

7 LOANS, ADVANCES AND FINANCING (Continued)

	Group	
	2011 RM'000	2010 RM'000
(vi) Impaired loans, advances and financing (continued)		
(c) By geographical distribution:		
In Malaysia	3,254,540	3,516,560
Outside Malaysia		
- Singapore operations	66,581	127,892
- Thailand operations	22,440	22,371
- Brunei operations	7,545	5,352
	3,351,106	3,672,175
(d) Movements in allowance for impaired loans, advances and financing:		
<b>Individual impairment allowance</b>		
Balance as at the beginning of the financial year	855,782	1,351,202
Allowance made	139,376	256,823
Amount recovered	(27,289)	(73,709)
Amount written off	(155,738)	(672,014)
Exchange difference	955	(6,520)
Balance as at the end of the financial year	813,086	855,782
<b>Collective impairment allowance</b>		
Balance as at the beginning of the financial year	1,626,369	1,614,354
Allowance made	740,820	677,250
Amount recovered	(196,685)	(258,287)
Amount written off	(513,619)	(403,105)
Exchange difference	1,578	(3,843)
Balance as at the end of the financial year	1,658,463	1,626,369

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

## 8 CLIENTS' AND BROKERS' BALANCES

Clients' and brokers' balances are stated net of individual and collective impairment allowance of RM9,309,000 (2010: RM7,478,000) and RM240,000 (2010: RM357,000) respectively.

	Group	
	2011 RM'000	2010 RM'000
Movements in impairment allowances are as follows:		
<b>Individual impairment allowance</b>		
Balance as at the beginning of the financial year	7,478	8,061
Allowance made/(written back)	1,888	(583)
Amount recovered	(57)	-
Balance as at the end of the financial year	9,309	7,478
<b>Collective impairment allowance</b>		
Balance as at the beginning of the financial year	357	221
Allowance (written back)/made	(117)	136
Balance as at the end of the financial year	240	357

## 9 OTHER ASSETS

		Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Other debtors, deposits and prepayments	(a)	417,075	322,193	41,684	40,832
Reinsurance assets	(b)	162,375	154,448	-	-
Deposit for proposed acquisition of PT Bank Mestika Dharma	(c)	112,515	112,515	112,515	112,515
		691,965	589,156	154,199	153,347

(a) Other debtors, deposits and prepayments of the Group are stated net of allowance for doubtful debts of RM8,081,000 (2010: RM6,374,000).

Included in other debtors, deposits and prepayments of the Group and the Company is a deposit of RM32,800,000 (2010: RM32,800,000) paid by the Company pursuant to the sale and purchase agreement dated 7 November 2000 between Carta Bintang Sdn Bhd ('CBSB') and the Company for the sale and purchase of 60 million shares in SJ Securities Sdn Bhd ('SJ Securities') as disclosed in Note 48(b).

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

**9 OTHER ASSETS (CONTINUED)**

(b) Reinsurance assets

	Group	
	2011 RM'000	2010 RM'000
Claims liabilities (Note 21(a)(i))	111,261	113,929
Premium liabilities (Note 21(a)(ii))	51,114	40,519
	162,375	154,448

(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 PT Bank Mestika Dharma as disclosed in Note 49(a).

**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 statement 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	
	2011 RM'000	2010 RM'000
Derivative assets	237,658	310,905
Derivative liabilities	(248,188)	(253,704)
	(10,530)	57,201

	Group		
	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
<b>2011</b>			
Foreign exchange related contracts:			
- forwards/swaps	13,763,434	87,912	(65,341)
- options	123,118	276	(230)
- cross-currency interest rate swaps	1,439,860	19,078	(16,518)
Interest rate related contracts:			
- swaps	18,662,064	130,392	(166,099)
		237,658	(248,188)



Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

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

	Contract or underlying principal amount RM'000	Group	
		Year-end positive fair value RM'000	Year-end negative fair value RM'000
<b>2010</b>			
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)

**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 RM3,282,459,000 (2010: RM459,454,000) relating to the banking subsidiaries which are maintained with BNM in compliance with Section 26 (2)(c) of the Central Bank of Malaysia Act, 2010, 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 (2010: 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 2011.

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (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	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deferred tax assets	17,598	261,105	-	-
Deferred tax liabilities	(6,598)	(4,514)	(45)	(25)
	11,000	256,591	(45)	(25)
Deferred tax assets				
- settled more than 12 months	(32,331)	209,953	-	-
- settled within 12 months	49,929	51,152	-	-
Deferred tax liabilities				
- settled more than 12 months	(1,302)	(816)	-	-
- settled within 12 months	(5,296)	(3,698)	(45)	(25)
	11,000	256,591	(45)	(25)

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

**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
<b>2011</b>								
Balance as at the beginning of the financial year		(44,477)	(51,249)	266,750	15,760	59,779	10,028	256,591
Transfer (to)/from income statements	35	(15,728)	-	(222,491)	36	10,819	1,671	(225,693)
Transfer to equity		-	(20,215)	-	-	-	-	(20,215)
Exchange difference		-	-	-	317	-	-	317
Balance as at the end of the financial year		(60,205)	(71,464)	44,259	16,113	70,598	11,699	11,000
<b>2010</b>								
Balance as at the beginning of the financial year		(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	35	(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

Deferred tax assets have not been recognised on the following amounts 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	
	2011 RM'000	2010 RM'000
Unabsorbed tax losses carried forward	1,384,120	1,383,256
Unabsorbed capital allowances carried forward	25,028	24,611
	1,409,148	1,407,867

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

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

Company	Property, plant and equipment	
	2011 RM'000	2010 RM'000
Balance as at the beginning of the financial year	(25)	19
Transfer to income statement (Note 35)	(20)	(44)
Balance as at the end of the financial year	(45)	(25)

## 14 INVESTMENTS IN SUBSIDIARIES

Company	Company	
	2011 RM'000	2010 RM'000
Unquoted shares in Malaysia companies, at cost	9,021,049	9,021,049
Unquoted shares in companies outside Malaysia, at cost	7,167	7,167
Accumulated impairment losses	9,028,216 (336,614)	9,028,216 (336,614)
	8,691,602	8,691,602

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest		Principal activities
			2011 %	2010 %	
RHB Bank Berhad	Malaysia	3,318,085,121	100	100	Commercial banking and finance business
RHB Islamic Bank Berhad	Malaysia	773,424,002	100	100	Islamic banking
RHB Bank (L) Ltd	Malaysia	USD54,000,000	100	100	Offshore banking
RHB International Trust (L) Ltd	Malaysia	USD40,000	100	100	Offshore trust company
RHB Corporate Services Sdn Bhd	Malaysia	150,000	100	100	Corporate secretarial services
RHB Capital Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	100	100	Nominee services for Malaysian beneficial shareholders
RHB Capital Nominees (Asing) Sdn Bhd	Malaysia	10,000	100	100	Nominee services for foreign beneficial shareholders
RHB Investment Ltd <sup>1</sup>	Singapore	S\$19,000,000	100	100	Property investment and rental
Banfora Pte Ltd <sup>1</sup>	Singapore	S\$25,000,000	100	100	Property investment and rental

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

**14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)**

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest		Principal activities
			2011 %	2010 %	
RHB Bank Nominees Pte Ltd <sup>1</sup>	Singapore	S\$100,000	100	100	Nominee services
RHB Leasing Sdn Bhd	Malaysia	10,000,000	100	100	Leasing
RHB Trade Services Limited <sup>2</sup>	Hong Kong	HK\$2	100	100	Processing of letters of credit reissuance favouring Hong Kong beneficiaries
RHB Capital Properties Sdn Bhd	Malaysia	21,800,000	100	100	Property investment
Utama Assets Sdn Bhd	Malaysia	2,300,000	100	100	Property investment
RHB Investment Bank Berhad	Malaysia	263,646,000	100	100	Investment banking
RHB Merchant Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	100	100	Nominee services for Malaysian beneficial shareholders
RHB Merchant Nominees (Asing) Sdn Bhd	Malaysia	10,000	100	100	Nominee services for foreign beneficial shareholders
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	Malaysia	4,000,000	100	100	Islamic asset management services and management of Islamic unit trust funds
RHB Research Institute Sdn Bhd	Malaysia	500,000	100	100	Research services
RHB Private Equity Holdings Sdn Bhd	Malaysia	25,000,002	100	100	Investment holding

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

## 14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest		Principal activities
			2011 %	2010 %	
RHB Private Equity Management Ltd	Malaysia	USD 1	100	100	Investment advisor, investment consultant and other ancillary services only for private funds
RHB Private Equity Fund Ltd	Cayman Islands	USD10,001	100	100	Investment company
RHB Insurance Berhad	Malaysia	100,000,000	94.7	94.7	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	Malaysia	23,192,000	100	100	Property investment
RHB Property Management Sdn Bhd	Malaysia	500,000	100	100	Property management
RHB Equities Sdn Bhd <sup>3</sup>	Malaysia	20,000,000	100	100	Equity related services
RHB Capital (Jersey) Limited	Jersey, Channel Islands	GBP4,012	100	100	Investment holding
RHB Kawal Sdn Bhd	Malaysia	1,500,000	100	100	Security services
<b>RHB Capital Berhad's dormant subsidiaries</b>					
Rashid Hussain Securities (Philippines) Inc <sup>1,5</sup>	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

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest		Principal activities
			2011 %	2010 %	
<b>RHB Bank's dormant subsidiaries</b>					
UMBC Sdn Bhd	Malaysia	499,999,818	100	100	Dormant
RHB Delta Sdn Bhd <sup>4</sup>	Malaysia	175,000,000	100	100	Dormant
Utama Gilang Sdn Bhd <sup>4</sup>	Malaysia	800,000,000	100	100	Dormant
<b>RHB Investment Bank's dormant subsidiaries</b>					
RHB Excel Sdn Bhd	Malaysia	200,000,000	100	100	Dormant
RHB Progressive Sdn Bhd	Malaysia	13,500,000	100	100	Dormant
RHB Marketing Services Sdn Bhd <sup>4</sup>	Malaysia	100,000	100	100	Dormant
RHB Unit Trust Management Berhad	Malaysia	5,000,000	100	100	Dormant

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 With effect from 1 July 2001, the company's activities relate primarily to recovery of outstanding debts.
- 4 The Company has commenced member's voluntary winding up on 16 February 2011.
- 5 The company has ceased operations effective from the close of business on 10 December 2001.

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

### 15 INVESTMENTS IN A JOINT VENTURE

	Group	
	2011 RM'000	2010 RM'000
Share of net assets of a joint venture	24,956	25,044

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

	Group	
	2011 RM'000	2010 RM'000
Income	1,529	1,593
Expenses	(970)	(765)
Taxation	(132)	(36)
Net profit for the year	427	792
Non-current assets	14,377	14,423
Current assets	10,704	10,749
Current liabilities	(125)	(128)
Net assets	24,956	25,044

There are no capital commitments or contingent liabilities relating to the Group's interest in the joint venture entity as at 31 December 2011.

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest		Principal activities
			2011 %	2010 %	
Vietnam Securities Corporation	Vietnam	VND 135 billion	49	49	Stock-broking and corporate finance advisory



Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

16 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land		Leasehold Land		Buildings	Renovations and improvements	Computer equipment and software	Furniture, fittings and equipment	Motor vehicles	Total
	RM'000	Less than 50 years RM'000	50 years or more RM'000	RM'000						
<b>2011</b>										
<b>Cost</b>										
Balance as at the beginning of the financial year	203,116	1,426	123,236	491,990	277,352	991,219	245,846	16,448	2,350,633	
Additions	-	-	-	-	69,053	100,727	9,948	1,059	180,787	
Disposals	-	-	-	(614)	-	(194)	(146)	(1,700)	(2,654)	
Written off	-	-	-	-	(1,200)	(15,109)	(4,715)	(43)	(21,067)	
Exchange difference	33	-	2,152	1,141	282	508	193	18	4,327	
Reclassifications	-	-	-	-	108	-	(108)	-	-	
Balance as at the end of the financial year	203,149	1,426	125,388	492,517	345,595	1,077,151	251,018	15,782	2,512,026	
<b>Accumulated depreciation</b>										
Balance as at the beginning of the financial year	-	680	5,334	124,287	161,141	767,412	222,448	13,649	1,294,951	
Charge for the financial year	-	35	456	9,839	12,129	68,214	8,473	906	100,052	
Disposals	-	-	-	(313)	-	(166)	(146)	(1,563)	(2,188)	
Written off	-	-	-	-	(1,200)	(15,106)	(4,691)	(43)	(21,040)	
Exchange difference	-	-	11	327	70	428	365	17	1,218	
Reclassifications	-	-	-	-	163	-	(163)	-	-	
Balance as at the end of the financial year	-	715	5,801	134,140	172,303	820,782	226,286	12,966	1,372,993	
<b>Accumulated impairment loss</b>										
Balance as at the beginning of the financial year	-	-	-	2,966	-	29,546	-	-	32,512	
Exchange difference	-	-	-	18	-	-	-	-	18	
Balance as at the end of the financial year	-	-	-	2,984	-	29,546	-	-	32,530	
Net book value as at the end of the financial year	203,149	711	119,587	355,393	173,292	226,823	24,732	2,816	1,106,503	

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land		Leasehold Land		Buildings	Renovations and improvements	Computer equipment and software	Furniture, fittings and equipment	Motor vehicles	Total
	RM'000	Less than 50 years RM'000	50 years or more RM'000	RM'000						
<b>2010</b>										
<b>Cost</b>										
Balance as at the beginning of the financial year	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	
<b>Accumulated depreciation</b>										
Balance as at the beginning of the financial year	-	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	
<b>Accumulated impairment loss</b>										
Balance as at the beginning of the financial year	-	-	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 2011 (continued)

**16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

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

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
<b>At cost</b>	<b>RM'000</b>	<b>RM'000</b>
Renovations	72,578	18,280
Computer equipment and software	47,836	13,689
	120,414	31,969

<b>Company</b>	<b>Computer equipment and software RM'000</b>	<b>Furniture, fittings and equipment RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Renovations RM'000</b>	<b>Total RM'000</b>
<b>2011</b>					
<b>Cost</b>					
Balance as at the beginning of the financial year	609	620	1,607	375	3,211
Additions	97	-	-	1	98
Disposals	(22)	-	(357)	-	(379)
Balance as at the end of the financial year	684	620	1,250	376	2,930
<b>Accumulated depreciation</b>					
Balance as at the beginning of the financial year	437	577	1,147	293	2,454
Charge for the financial year	87	15	107	11	220
Disposals	(22)	-	(357)	-	(379)
Balance as at the end of the financial year	502	592	897	304	2,295
Net book value as at the end of the financial year	182	28	353	72	635

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

**16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Company	Computer equipment and software RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
<b>2010</b>					
<b>Cost</b>					
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
<b>Accumulated depreciation</b>					
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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Accumulated depreciation and impairment loss</b>				
Balance as at the beginning of the financial year	1,327,463	1,246,563	2,454	2,324
Balance as at the end of the financial year	1,405,523	1,327,463	2,295	2,454

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

**17 GOODWILL**

	Group	
	2011 RM'000	2010 RM'000
Balance as at the beginning of the financial year	3,806,860	3,786,218
Acquisition of subsidiaries	-	4,718
Acquisition of additional interest in a subsidiary	-	15,924
Balance as at the end of the financial year	3,806,860	3,806,860

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

	Group	
	2011 RM'000	2010 RM'000
<b>CGU</b>		
Corporate and Investment Banking	778,339	778,339
Retail Banking	1,001,017	1,001,017
Business Banking	398,844	398,844
Group Treasury	1,366,164	1,366,164
Islamic Banking	258,571	258,571
Others	3,925	3,925
	3,806,860	3,806,860

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 or forecasts approved by directors covering a four-year (2010: four-year) period. Cash flows beyond the four-year period are assumed to grow at 3.0% (2010: 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.

The following are the other assumptions used in determining the recoverable amount of each CGU within the business segment:

	Discount rate	
	2011 %	2010 %
<b>CGU</b>		
Corporate and Investment Banking	8.8	6.4
Retail Banking	8.8	6.0
Business Banking	8.7	6.3
Group Treasury	8.8	6.4
Islamic Banking	8.7	6.3
Others	8.7	6.3

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.

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

### 18 DEPOSITS FROM CUSTOMERS

	Group	
	2011 RM'000	2010 RM'000
(i) By type of deposits		
Demand deposits	21,435,927	19,523,082
Savings deposits	6,359,910	5,832,118
Fixed/investment deposits	87,946,325	68,829,333
Negotiable instruments of deposits	118,422	249,295
	115,860,584	94,433,828
(ii) By type of customer		
Government and statutory bodies	12,738,623	8,424,043
Business enterprises	65,868,672	54,623,226
Individuals	31,171,620	27,507,468
Others	6,081,669	3,879,091
	115,860,584	94,433,828
(iii) By maturity structure of fixed/investment deposits and negotiable instruments of deposits		
Due within six months	71,800,822	58,855,201
Six months to one year	14,779,575	9,744,919
One year to three years	1,440,291	449,560
Three years to five years	44,059	28,948
	88,064,747	69,078,628

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

	Group	
	2011 RM'000	2010 RM'000
Licensed banks	6,173,594	5,228,464
Licensed investment banks	423,382	153,442
Licensed Islamic banks	73,654	-
BNM	1,273,358	2,197,885
Other financial institutions	2,087,587	2,486,366
	10,031,575	10,066,157

### 20 CLIENTS' AND BROKERS' BALANCES

Included in clients' and brokers' balances are clients' trust balances held by a subsidiary in trust of RM367,401,000 (2010: RM262,007,000).

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

**21 OTHER LIABILITIES**

Note	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Other creditors and accruals	826,194	841,486	1,361	2,218
General insurance contract liabilities (a)	433,933	379,176	-	-
Short term employee benefits	163,241	150,461	1,954	2,393
Lessee deposits	54,756	65,050	-	-
Prepaid instalments	79,774	77,670	-	-
Remisiers' trust deposits	9,306	10,016	-	-
Amount due to Danaharta (b)	1,804	1,796	-	-
Amount payable for creation of units due to fund	13,685	2,069	-	-
	<b>1,582,693</b>	<b>1,527,724</b>	<b>3,315</b>	<b>4,611</b>

	Group	
	2011 RM'000	2010 RM'000
(a) General insurance contract liabilities		
Claims liabilities	281,748	257,751
Premium liabilities	152,185	121,425
	<b>433,933</b>	<b>379,176</b>

**Group**

	Gross RM'000	Reinsurance RM'000	Net RM'000
<b>2011</b>			
Claims reported by policyholders	205,379	(89,524)	115,855
Incurred but not reported claims ('IBNR')	76,369	(21,737)	54,632
Claims liabilities (i)	281,748	(111,261)	170,487
Premium liabilities (ii)	152,185	(51,114)	101,071
Total	<b>433,933</b>	<b>(162,375)</b>	<b>271,558</b>

**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	<b>379,176</b>	<b>(154,448)</b>	<b>224,728</b>

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

**21 OTHER LIABILITIES (CONTINUED)**

(a) General insurance contract liabilities (continued)

**Group****(i) Claims liabilities****2011**

	<b>Gross RM'000</b>	<b>Reinsurance RM'000</b>	<b>Net RM'000</b>
Balance as at beginning of the financial year	257,751	(113,929)	143,822
Claims incurred in current accident year	184,549	(43,484)	141,065
Adjustment to claims incurred in prior accident year			
- case reserve	(28,292)	10,385	(17,907)
- IBNR	6,593	4,566	11,159
Claims paid during the financial year	(138,853)	31,201	(107,652)
Balance as at end of the financial year	<b>281,748</b>	<b>(111,261)</b>	<b>170,487</b>

**2010**

Balance as at beginning of the financial year	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 financial year	(122,985)	26,431	(96,554)
Balance as at end of the financial year	<b>257,751</b>	<b>(113,929)</b>	<b>143,822</b>

**(ii) Premium liabilities****2011**

Balance as at beginning of the financial year	121,425	(40,519)	80,906
Premium written for the financial year	382,997	(125,843)	257,154
Premium earned during the financial year	(352,237)	115,248	(236,989)
Balance as at end of the financial year	<b>152,185</b>	<b>(51,114)</b>	<b>101,071</b>

**2010**

Balance as at beginning of the financial year	109,191	(34,557)	74,634
Premium written for the financial year	305,370	(90,162)	215,208
Premium earned during the financial year	(293,136)	84,200	(208,936)
Balance as at end of the financial year	<b>121,425</b>	<b>(40,519)</b>	<b>80,906</b>

(b) Amount due to Danaharta

The amount due to Danaharta mainly comprises collections in respect of 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 2011 (continued)

**22 BORROWINGS**

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Unsecured:					
Revolving credits	(a)	706,225	724,422	747,067	815,449
Term loans:					
RM Term loans	(b(i))	800,780	800,807	1,062,725	1,062,581
USD Term loans	(b(ii))	759,020	819,362	-	-
Overdrafts	(c)	18	-	18	-
RM600 million 6 years Serial Fixed Rate Bonds	(d)	-	310,238	-	310,238
RM350 million Fixed Rate Bonds	(e)	355,908	354,111	355,908	354,111
RM150 million 7 years Commercial Papers/Medium Term Notes	(f)	-	74,000	-	74,000
RM1.1 billion 7 years Commercial Papers/Medium Term Notes	(g)	981,383	981,383	981,383	981,383
		3,603,334	4,064,323	3,147,101	3,597,762
Schedule repayment of borrowings:					
Within one year		1,768,521	1,496,088	1,966,101	1,765,712
One year to three years		1,037,050	1,682,477	831,000	1,482,050
Three years to five years		556,050	550,428	350,000	350,000
Over five years		241,713	335,330	-	-
		3,603,334	4,064,323	3,147,101	3,597,762

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 RM706,225,000 (2010: RM724,422,000) and RM747,067,000 (2010: RM815,449,000) respectively, which bear interest at rates ranging from 3.50% to 4.40% (2010: 2.63% 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 3.4% to 4.0% (2010: 3.4% to 3.72%) and 3.89% to 4.11% (2010: 2.73% to 3.89%) per annum respectively.

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

**22 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 rate range from 0.86% to 0.90% (2010: 0.78% to 1.11%) 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 ranges from 0.80% to 0.82% (2010: 0.70% to 1.03%) 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 ranges from 1.25% to 1.30% per annum (2010: 1.25% to 1.40% per annum).

**(c) Overdrafts (unsecured)**

The unsecured overdrafts bear interest at rates 6.8% per annum in 2011.

**(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. The fixed rate bonds have been fully settled during the current financial year.

**(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.

**(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. The commercial paper has been fully redeemed during the current financial year.

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

## 22 BORROWINGS (CONTINUED)

### (g) RM1.1 billion 7 years Commercial Papers/Medium Term Notes ('CP/MTN Programme')

The Company issued the following Commercial Papers under the CP/MTN Programme, where the Company has the option to roll over or fully settled the borrowings:

Issuance date	Nominal value RM'million	Next roll-over date	2011 Coupon rate (per annum)	2010 Coupon rate (per annum)
8 July 2010	75.0	8 July 2011	3.65%	3.20%
30 September 2010	120.0	31 March 2012	3.75%	3.35%
11 November 2011	75.0	12 June 2012	3.65%	3.35%

The commercial papers of RM75.0 million issued on 8 July 2010 were fully settled during the current financial year.

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.

## 23 SUBORDINATED OBLIGATIONS

		Group	
		2011 RM'000	2010 RM'000
5.0% RM1,300 million Tier II Subordinated Notes 2007/2017	(a)	1,305,699	1,305,699
5.5% RM700 million Tier II Subordinated Notes 2007/2022	(a)	703,375	703,375
5.3% RM200 million Tier II Subordinated Notes 2007/2017	(b)	200,581	200,639
5.5% RM45 million Tier II Subordinated Notes 2008/2018	(c)	45,488	45,488
5.0% RM700 million Tier II Subordinated Notes 2010/2020	(d)	705,945	706,137
5.6% RM300 million Tier II Subordinated Notes 2010/2025	(d)	302,854	302,946
4.25% RM250 million Tier II Subordinated Notes 2011/2021	(e)	251,805	-
		3,515,747	3,264,284

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

**23 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, 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 have a tenure of 15 years from the date of first issue. During the tenure of the Sub-Note Programme, RHB Investment Bank may issue Sub-Notes with maturities ranging from 10 to 15 years and callable after a minimum period of 5 years from date of issue.

The Sub-Notes constitute direct unsecured obligations of RHB Investment Bank, subordinated in right and priority of payment, to the extent and in the manner provided in the terms of the Sub-Notes, to all deposit liabilities and other liabilities of RHB Investment Bank except all other present and future unsecured and subordinated obligations of RHB Investment Bank which by their terms rank *pari passu* in right of priority of payment with or subordinate to the Sub-Notes. The Sub-Notes will in the event of the winding-up or liquidation of RHB Investment Bank, be subordinated in right of payments to the claims of the depositors and all other creditors of RHB Investment Bank other than claimants in respect of RHB Investment Bank's unsecured and subordinated obligations which by their terms rank *pari passu* in right of and priority of payment with or subordinated to the Sub-Notes.

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

The coupon for the Sub-Notes are 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.

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

## 23 SUBORDINATED OBLIGATIONS (CONTINUED)

### (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 are 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.

### (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 comprise:

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

### (e) 4.25% RM250 million Tier II Subordinated Notes 2011/2021

On 31 October 2011, RHB Bank issued RM250.0 million nominal value of Subordinated Notes, being part of RM3.0 billion in nominal value of Subordinated Notes and/or Senior Notes under a Multi-Currency Medium Term Note Programme. The RM250.0 million in nominal value is as follows:

Tranche	Principal RM'million	Maturity Date	Interest Rate	Interest Payment
2011/2021	250	29 October 2021 (Callable on 2016)	4.25% per annum chargeable to 29 October 2021	Accrued and payable semi-annually in arrears

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

## 24 HYBRID TIER-1 CAPITAL SECURITIES

		Group	
		2011 RM'000	2010 RM'000
RM370 million Hybrid Tier-1 Capital Securities due in 2039, callable with step-up in 2019	(a)	377,542	374,769
RM230 million Hybrid Tier-1 Capital Securities due in 2039, callable with step-up in 2019	(b)	223,016	225,624
		600,558	600,393

- (a) On 31 March 2009, RHB Bank 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 bear 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 bear 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.

## 25 SHARE CAPITAL

	Company	
	2011 RM'000	2010 RM'000
Ordinary shares of RM1.00 each		
Authorised:		
Balance as at the beginning/end of the financial year	5,000,000	5,000,000
Issued and fully paid:		
Balance as at the beginning of the financial year	2,153,475	2,153,475
Shares issued under the DRP:		
- Issued on 23 May 2011 (Note (a))	38,442	-
- Issued on 16 November 2011 (Note (b))	12,902	-
Balance as at the end of the financial year	2,204,819	2,153,475

During the financial year, the Company increased its issued and paid up share capital from:

- (a) RM2,153,474,695 to RM2,191,916,339 via the issuance of 38,441,644 new ordinary shares of RM1.00 each arising from the DRP relating to the final dividend of 21.38% less 25% tax in respect of the financial year ended 31 December 2010 on 23 May 2011; and
- (b) RM2,191,916,339 to RM2,204,818,717 via the issuance of 12,902,378 new ordinary shares of RM1.00 each arising from the DRP relating to the interim dividend of 8.00% less 25% tax in respect of the financial year ended 31 December 2011 on 16 November 2011.

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

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

26 RESERVES

		Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Retained profits	(a)	3,359,866	2,747,792	945,182	1,227,290
Share premium	(b)	2,674,459	2,352,093	2,674,459	2,352,093
Reserve funds	(c)	3,016,604	2,603,964	-	-
AFS reserves	(d)	213,654	153,872	-	-
Translation reserves	(e)	(58,832)	(76,854)	-	-
Other reserves		27,815	27,815	-	-
		9,233,566	7,808,682	3,619,641	3,579,383

- (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 net dividends of approximately RM195,500,000 (2010: RM672,400,000) and RM184,700,000 (2010: RM183,000,000) respectively out of its retained profits as at 31 December 2011.

- (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 investments 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 2011 (continued)

## 27 INTEREST INCOME

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Loans, advances and financing	4,360,990	3,648,803	-	-
Money at call and deposits and placements with banks and other financial institutions	331,854	297,233	1,154	273
Securities purchased under resale agreements	5,510	6,857	-	-
Financial assets held-for-trading	21,468	19,913	-	-
Financial investments available-for-sale	362,258	365,091	-	-
Financial investments held-to-maturity	475,000	418,858	-	-
Others	7,248	15,246	1,318	973
	5,564,328	4,772,001	2,472	1,246
Of which:				
Interest income accrued on impaired loans, advances and financing	19,674	25,433	-	-

## 28 INTEREST EXPENSE

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deposits and placements of banks and other financial institutions	199,545	129,101	-	-
Deposits from customers	2,138,315	1,522,873	-	-
Borrowings	137,808	143,365	144,361	145,663
Subordinated obligations	170,180	151,476	-	-
Hybrid Tier-1 Capital Securities	45,035	44,950	-	-
Recourse obligation on loans sold to Cagamas	32,424	52,022	-	-
Others	53,688	54,990	-	-
	2,776,995	2,098,777	144,361	145,663



Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

**29 OTHER OPERATING INCOME**

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Fee income</b>				
Service charges and fees	191,262	166,876	-	-
Commission	112,175	110,620	-	-
Net brokerage	87,796	83,353	-	-
Commitment fees	49,910	52,896	-	-
Guarantee fees	36,482	35,572	-	-
Unit trust fee income	3,196	1,190	-	-
Corporate advisory fees	11,985	16,604	-	-
Underwriting and arrangement fees	19,064	34,481	-	-
Fund management fees	20,127	24,345	-	-
Other fee income	36,652	28,084	-	-
	568,649	554,021	-	-
<b>Net gain arising from financial assets held-for-trading</b>				
- net gain on disposal	47,604	39,119	-	-
- unrealised gain on revaluation	2,045	8,847	-	-
- gross dividend income	3,660	2,348	-	-
	53,309	50,314	-	-
<b>Net (loss)/gain on revaluation of derivatives</b>	(65,848)	39,643	-	-
<b>Net gain arising from financial investments available-for-sale</b>				
- net gain on disposal	66,839	79,159	-	-
- gross dividend income	21,906	8,450	-	-
	88,745	87,609	-	-
<b>Net gain on arising from financial investments held-to-maturity</b>				
- net gain on redemption	3,906	3,644	-	-
- gross dividend income	-	45	-	-
	3,906	3,689	-	-
<b>Gross dividend income from subsidiaries</b>	-	-	434,215	593,026

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

### 29 OTHER OPERATING INCOME (CONTINUED)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Other income</b>				
Foreign exchange gain/(loss)				
- realised	287,642	166,143	-	-
- unrealised	11,095	21,310	(49)	648
Insurance underwriting surplus before management expenses	64,035	60,440	-	-
Net gain on disposal of property, plant and equipment	5,057	6,841	91	-
Rental income	3,150	2,822	-	-
Other operating income	54,876	47,064	-	-
Other non-operating income	6,883	3,411	-	-
	432,738	308,031	42	648
	1,081,499	1,043,307	434,257	593,674

### 30 INCOME FROM ISLAMIC BANKING BUSINESS

	Group	
	2011 RM'000	2010 RM'000
Income derived from investment of depositors' fund	772,437	492,413
Income derived from investment of shareholders' fund	63,848	53,685
	836,285	546,098
Transfer to Profit Equalisation Reserve	(2,725)	(201)
	833,560	545,897
Income attributable to depositors	(394,642)	(212,135)
	438,918	333,762
Of which:		
Financing income earned on impaired financing and advances	13,904	7,119

### 31 OTHER OPERATING EXPENSES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Personnel costs</b>				
Salaries, bonus, wages and allowances	914,366	765,860	10,475	9,022
Defined contribution plan	138,927	115,511	1,725	1,437
Other staff related costs	129,088	79,394	2,054	1,469
	1,182,381	960,765	14,254	11,928

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

**31 OTHER OPERATING EXPENSES (CONTINUED)**

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Establishment costs</b>				
Property, plant and equipment				
- depreciation	100,052	98,951	220	158
- written off	27	10	-	-
Information technology expenses	113,882	112,436	3	11
Repair and maintenance	23,675	20,253	189	224
Security and escorting expenses	35,861	28,345	34	35
Rental of premises	61,308	44,158	1,196	1,151
Water and electricity	24,263	20,708	111	71
Rental of equipment	9,399	9,901	31	46
Insurance	2,973	13,043	3	2
Others	9,224	8,645	-	-
	380,664	356,450	1,787	1,698
<b>Marketing expenses</b>				
Dealers' handling and warranty fees	-	62	-	-
Advertisements and publicity	76,570	56,678	1,502	637
Sales commission	23,731	9,959	-	-
Others	45,582	64,891	358	274
	145,883	131,590	1,860	911
<b>Administration and general expenses</b>				
Auditors' remuneration				
(i) Audit				
Statutory audit				
- Malaysia	1,886	1,878	175	175
- Overseas	570	554	-	-
Limited review	275	275	-	-
Other audit related	265	180	-	-
(ii) Non-audit				
- Malaysia	2,643	823	1,891	63
- Overseas	296	98	-	-
Communication expenses	101,493	83,865	350	325
Legal and professional fee	10,448	15,058	4,676	2,572
Others	76,482	88,112	1,121	958
	194,358	190,843	8,213	4,093
	1,903,286	1,639,648	26,114	18,630

Included in the personnel costs of the Group are the Managing Directors' remuneration (excluding estimated monetary value of benefits-in-kind) totalling RM3,770,000 (2010: RM2,211,000) as disclosed in Note 32.

Included in the administration and general expenses of the Group and Company are other directors' remuneration (excluding estimated monetary value of benefits-in-kind) totalling RM2,521,000 (2010: RM2,325,000) and RM876,000 (2010: RM791,000) respectively as disclosed in Note 32.

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

## 32 DIRECTORS' REMUNERATION

	Group			
	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
<b>2011</b>				
<b>Group Managing Director</b>				
Dato' Tajuddin Atan (resigned on 31 March 2011)	659	6	2,400	3,065
<b>Managing Director</b>				
Kellee Kam Chee Khiong (appointed on 10 May 2011)	711	13	-	724
	1,370	19	2,400	3,789
<b>2010</b>				
<b>Group Managing Director</b>				
Dato' Tajuddin Atan	1,531	23	680	2,234

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

	Company			
	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
<b>2011</b>				
<b>Managing Director</b>				
Kellee Kam Chee Khiong (appointed on 10 May 2011)	711	13	-	724

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

**32 DIRECTORS' REMUNERATION (CONTINUED)**

	←----- Group -----→				←----- Company -----→			
	Benefits-in-kind (based on an estimated monetary				Benefits-in-kind (based on an estimated monetary			
	Fees RM'000	value) RM'000	Others RM'000	Total RM'000	Fees RM'000	value) RM'000	Others RM'000	Total RM'000
<b>2011</b>								
<b>Non-executive Directors</b>								
Dato' Mohamed Khadar Merican	281	31	213	525	100	31	37	168
Tan Sri Azlan Zainol	280	32	37	349	80	-	19	99
Datuk Haji Faisal Siraj	260	31	167	458	80	-	55	135
Dato' Saw Choo Boon	160	-	156	316	80	-	73	153
Dato' Teo Chiang Liang	160	-	125	285	80	-	53	133
Arul Kanda Kandasamy (resigned on 10 May 2011)	85	-	20	105	28	-	8	36
Mohamed Ali Ahmed Hamad Al Dhaheri (resigned on 30 September 2011)	134	-	24	158	60	-	12	72
Johari Abdul Muid (resigned on 14 November 2011)	226	-	193	419	69	-	42	111
	1,586	94	935	2,615	577	31	299	907

	←----- Group -----→				←----- Company -----→			
	Benefits-in-kind (based on an estimated monetary				Benefits-in-kind (based on an estimated monetary			
	Fees RM'000	value) RM'000	Others RM'000	Total RM'000	Fees RM'000	Others RM'000	Total RM'000	
<b>2010</b>								
<b>Non-executive Directors</b>								
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 on 19 May 2011)	44	-	72	116	23	33	56	
	1,368	54	957	2,379	477	314	791	

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

**33 ALLOWANCE FOR IMPAIRMENT ON LOANS, FINANCING AND OTHER LOSSES**

	Group	
	2011 RM'000	2010 RM'000
Allowance for impaired loans and financing:		
- Individual impairment allowance made	112,087	183,114
- Collective impairment allowance made	544,135	418,963
Impaired loans and financing recovered	(332,445)	(182,786)
Allowance made/(write back) for impairment on other assets	3,709	(3,719)
	327,486	415,572

**34 IMPAIRMENT LOSSES ON OTHER ASSETS**

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Charge for the financial year				
- financial investments available-for-sale	79,618	94,701	-	-
- financial investments held-to-maturity	12,265	23,902	-	-
- property, plant and equipment	-	24,945	-	-
- foreclosed properties	19	510	-	-
- investments in subsidiaries	-	-	-	138,912
	91,902	144,058	-	138,912
Reversal for the financial year				
- financial investments available-for-sale	(9,820)	(18,126)	-	-
- financial investments held-to-maturity	(4,652)	(8,437)	-	-
- property, plant and equipment	-	(20,577)	-	-
- foreclosed properties	(153)	(330)	-	-
- waiver of intercompany balances	-	-	-	(138,229)
	(14,625)	(47,470)	-	(138,229)
	77,277	96,588	-	683

**35 TAXATION**

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Income tax based on profit for the financial year				
- Malaysian income tax	545,905	524,812	68,750	108,439
- Overseas tax	2,022	3,001	-	-
Deferred tax (Note 13)	(45,457)	(68,232)	20	44
	502,470	459,581	68,770	108,483
(Over)/under provision in respect of prior years				
- Taxation	(277,151)	11,163	2,767	25
- Deffered tax	271,151	-	-	-
	496,470	470,744	71,537	108,508

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

**35 TAXATION (CONTINUED)**

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Current tax</b>				
Current year	547,927	527,813	68,750	108,439
(Over)/under provision in respect of prior years	(277,151)	11,163	2,767	25
	270,776	538,976	71,517	108,464
<b>Deferred tax</b>				
Origination and reversal of temporary differences	(35,879)	(68,232)	20	44
Reversal of previously recognised deferred tax assets	261,573	-	-	-
	225,694	(68,232)	20	44
	496,470	470,744	71,537	108,508

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	
	2011 %	2010 %	2011 %	2010 %
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	0.7	0.1	-	-
Non taxable income	(0.6)	(0.2)	-	-
Non allowable expenses	1.6	0.9	0.9	0.2
Recognition of deferred tax on unabsorbed tax losses not previously recognised	-	(0.5)	-	-
Reversal of temporary differences recognised in prior years	13.5	-	-	-
Utilisation of unabsorbed business losses brought forward previously not recognised	-	(0.5)	-	-
(Over)/under provision in respect of prior years	(13.9)	0.6	1.0	-
Other temporary differences not recognised in prior years	(1.5)	(0.6)	-	-
	24.8	24.8	26.9	25.2

	Group	
	2011 RM'000	2010 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

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

**36 EARNINGS PER SHARE ('EPS')**

## (a) Basic earnings per share

Basic EPS is calculated by dividing the net profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the financial year.

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Net profit attributable to equity holders	1,501,539	1,420,258
Weighted average number of ordinary shares in issue ('000)	2,178,587	2,153,475
Basic EPS (sen)	68.9	66.0

## (b) Diluted earnings per share

The diluted EPS of the Group is calculated by dividing the net profit attributable to equity holders of the Company for the financial year ended 31 December 2011 by the weighted average number of ordinary shares in issue and adjusted for the number of shares that could have been issued under the DRP as detailed in Note 49 (b).

In the diluted EPS calculation, it has been assumed that 100% of the electable portion of the proposed final dividend payment under the DRP will be exercised into new ordinary shares of RM1.00 each in the Company. The new shares will be issued at an assumed price which is equivalent to the 5-day volume weighted average price of the Company's shares as at 31 December 2011 after applying a discount of not more than 10%. These calculations serve to determine the number of dilutive shares to be added to the weighted average ordinary shares in issue for the purpose of computing the dilution. No adjustment has been made to the net profit attributable to the equity holders of the Company for the financial year ended 31 December 2011.

The dilution effect on the basic EPS arising from the DRP is estimated to be immaterial. As a result, the diluted EPS is equal to the basic EPS for the financial year ended 31 December 2011.

Other than the above, there were no other dilutive potential ordinary shares outstanding as at 31 December 2011.



Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

**37 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME**

	Group					
	Before Tax RM'000	2011 Tax expenses RM'000	Net of tax amount RM'000	Before Tax RM'000	2010 Tax Benefits RM'000	Net of tax amount RM'000
Financial investments AFS						
- Fair value gain on revaluation, net of transfer to income statement	79,980	(20,215)	59,765	95,326	(23,758)	71,568
Gain on fair valuation of property arising from acquisition of a subsidiary	-	-	-	20,265	(1,013)	19,252
	79,980	(20,215)	59,765	115,591	(24,771)	90,820

**38 ORDINARY DIVIDENDS**

Dividends declared or proposed during the financial year are as follows:

	Group and Company			
	2011		2010	
	Gross dividend per share %	Amount of dividends, net of tax/ single tier RM'000	Gross dividend per share %	Amount of dividends, net of tax RM'000
<b>Ordinary shares</b>				
Interim dividend – 2011/2010	8.00%	131,515	5.00%	80,755
Proposed final dividend – 2011/2010	17.41%	318,827	21.38%	345,310
	25.41%	450,342	26.38%	426,065

At the forthcoming Annual General Meeting, a final gross dividend in respect of the current financial year of 11.82% less 25% tax amounting to RM195,537,177 and single-tier dividend of 5.59% amounting to RM123,289,823 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 2012 when approved by the shareholders.

Subject to the relevant regulatory approvals being obtained and shareholders' approval on the renewal of the DRP at the forthcoming Annual General Meeting, the Board of Directors, in its absolute discretion, recommends that the shareholders' of the Company be given an option to elect to reinvest the entire proposed final dividend into new ordinary shares of RM1.00 each in the Company in accordance with the DRP.

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

### 38 ORDINARY DIVIDENDS (CONTINUED)

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

	Group and Company			
	2011	2010	2011	2010
	Gross dividend per share %	Amount of dividends, net of tax RM'000	Gross dividend per share %	Amount of dividends, net of tax RM'000
<b>Ordinary shares</b>				
Interim dividend – 2011/2010	8.00%	131,515	5.0%	80,755
Final dividend - 2010/2009	21.38%	345,310	17.45%	281,836
	29.38%	476,825	22.45%	362,591

### 39 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	2011			2010		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes	1,507,861	1,437,755	1,217,657	2,366,972	2,301,345	2,575,444
Transaction-related contingent items	2,190,162	1,070,872	870,820	1,905,733	929,964	963,854
Short term self-liquidating trade-related contingencies	902,010	178,398	97,424	825,269	162,953	125,968
Obligations under underwriting agreements	329,500	164,750	125,500	206,762	103,381	44,300
Other assets sold with recourse and commitments with certain drawdown	-	-	-	4,718	4,718	-
Irrevocable commitments to extend credit						
- maturity not exceeding one year	10,214,616	1,978,589	1,316,754	31,965,921	1,582,218	955,370
- maturity exceeding one year	25,028,693	5,197,837	3,604,762	4,492,386	1,302,303	1,079,919
Foreign exchange-related contracts						
- less than one year	13,558,443	377,570	175,414	14,267,825	306,554	157,387
- one year to less than five years	1,767,969	536,076	296,040	1,183,447	564,225	300,962
Interest rate-related contracts						
- less than one year	4,325,536	9,854	2,843	2,676,825	11,996	3,173
- one year to less than five years	13,651,528	356,432	113,262	9,980,957	316,358	77,240
- more than five years	685,000	67,359	17,992	530,000	50,241	10,048
Commodity contracts						
- less than one year	-	-	-	17,628	-	-
Others	-	-	-	97,205	-	-
	74,161,318	11,375,492	7,838,468	70,521,648	7,636,256	6,293,665

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

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

### 39 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 ('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 the 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.

### 40 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	
	2011 RM'000	2010 RM'000
<b>Rental of premises</b>		
Within one year	29,651	32,307
Between one to five years	36,799	27,364
More than five years	1,694	2,252
	68,144	61,923

### 41 CAPITAL COMMITMENTS

	Group	
	2011 RM'000	2010 RM'000
Capital expenditure for property, plant and equipment:		
- authorised and contracted for	72,783	71,673
- authorised but not contracted for	130,741	103,668
	203,524	175,341
Proposed acquisition of PT Bank Mestika Dharma (refer to Note 49(a))	1,050,611	1,050,611
	1,254,135	1,225,952

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

### 42 RELATED PARTY TRANSACTIONS

(a) Related parties and relationships

The related parties of, and their relationship with the Company, are as follows:

Related parties	Relationship
Subsidiaries of the Company as disclosed in Note 14	Subsidiaries
Key management personnel	The key management personnel of the Group and the Company consists of: <ul style="list-style-type: none"> <li>- All directors of the Company and its key subsidiaries</li> <li>- RHB Capital Group Central Management Committee members</li> </ul>
Related parties of key management personnel (deemed as related to the Company)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

(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.

With effect from 3 December 2010, EPF ceased to be the immediate and ultimate holding body of the Company. All transactions with EPF and its subsidiaries subsequent to 3 December 2010 are not deemed as related parties transactions or balances.

All transactions and balances with EPF in the previous financial year have been classified as related parties transactions or balances with the former immediate and ultimate holding body.

Other related parties of the Group in the previous financial year comprise of transactions or balances with EPF's subsidiaries.

Transactions or balances with newly acquired subsidiaries during the financial year are reported as related party transactions or balances from the date the Group and the Company are deemed to have control over the subsidiaries.

Other related parties of the Company comprise of transactions or balances with the Company's subsidiaries.

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

**42 RELATED PARTY TRANSACTIONS (CONTINUED)**

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

<b>Group</b>	<b>Key management personnel RM'000</b>
<b>2011</b>	
<b>Income</b>	
Interest on loans, advances and financing	112
Fees on loans, advances and financing	2
Insurance premium	100
Management fees	1
	215
<b>Expenses</b>	
Interest on deposits from customers	422
Other expenses	6
	428
<b>Amount due from</b>	
Loans, advances and financing	2,850
<b>Amount due to</b>	
Deposits from customers	31,770
Clients' and brokers' balances	3
	31,773

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

## 42 RELATED PARTY TRANSACTIONS (CONTINUED)

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

<b>Group</b>	<b>Former immediate and ultimate holding body RM'000</b>	<b>Key management personnel RM'000</b>	<b>Other related parties RM'000</b>
<b>2010</b>			
<b>Income</b>			
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
Management fees	-	80	-
Brokerage fees	13,270	4	-
Fund management fees	3,669	-	-
	16,939	179	60,979
<b>Expenses</b>			
Interest on deposits from customers	65,816	386	2,398
Other expenses	-	30	-
	65,816	416	2,398
<b>Amount due from</b>			
Loans, advances and financing	-	2,670	-
Other assets	-	2	-
	-	2,672	-
<b>Amount due to</b>			
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 2011 (continued)

**42 RELATED PARTY TRANSACTIONS (CONTINUED)**

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

<b>Company</b>	<b>Subsidiary companies RM'000</b>
<b>2011</b>	
<b>Income</b>	
Interest on deposits and placements with other financial institutions	1,125
Other income	1,318
	2,443
<b>Expenses</b>	
Interest on borrowings	12,604
Rental of premises	998
Legal and professional fees	3,050
Property management fees	16
Security service fees	34
Personnel costs	29
Other expenses	93
	16,824
<b>Amount due from</b>	
Cash and short-term funds	27,486
Inter-company balances	18,188
	45,674
<b>Amount due to</b>	
Inter-company balances	8,626
Borrowings	302,787
	311,413

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

### 42 RELATED PARTY TRANSACTIONS (CONTINUED)

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

<b>Company</b>	<b>Subsidiary companies RM'000</b>	<b>Other related parties RM'000</b>
<b>2010</b>		
<b>Income</b>		
Interest on deposits and placements with other financial institutions	234	-
Other income	973	-
	1,207	-
<b>Expenses</b>		
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
<b>Amount due from</b>		
Cash and short-term funds	345,925	-
Inter-company balances	35,787	-
	381,712	-
<b>Amount due to</b>		
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 2011 (continued)

#### 42 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Short-term employee benefits				
- fees	1,586	1,368	577	477
- salary and other remuneration	25,950	20,126	3,688	3,395
- benefits-in-kind	206	192	73	42
	27,742	21,686	4,338	3,914

The above includes directors' remuneration as disclosed in Note 32.

Approved limit on loans, advances and financing for key management personnel

	Group	
	2011 RM'000	2010 RM'000
	7,897	6,883

#### 43 SEGMENT REPORTING

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.

For the current financial year, 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.

Investment banking provides services for advisory, fund raising in the structuring and issuance of debt securities and capital market instruments, corporate and debt restructuring, mergers and acquisitions, private placements, underwriting and structuring of bilateral lending, project financing, loans syndication, infrastructure financing, initial public offerings of equity related instruments, private placements and underwriting. This segment also covers facilities for equity share trading in local and foreign markets, share margin financing, futures broking products and services, custodian and nominees services, investment cash management and unit trust funds.

(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, general insurance and investment products.

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

### 43 SEGMENT REPORTING (CONTINUED)

- (i) For the current financial year, the Group's business segments can be organised into the following main segments reflecting the Group's internal reporting structure (continued):

(c) Business Banking

Business Banking caters to funding or lending needs to small and medium sized enterprises.

(d) Group Treasury

Group Treasury 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.

(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 and services tailored to the specific needs in foreign countries. Currently, the Group has established foreign operations in Singapore, Thailand and Brunei.

(g) Support Center and Others

Support Center and Others comprise of results from other business segments in the Group (nominee services, property investment and rental, dormant operations and other related financial services), funding center of the commercial banking subsidiary and investment holding company, whose results are not material to the Group and therefore do not render separate disclosure in the financial statements and thus, have been reported in aggregate.

The business segment results are prepared based on the Group's internal management reporting, which reflects 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.

In line with the revision in the Group's internal management reporting framework during the financial year, the significant modification or revision on the basis of preparation and measurement of segment results are as follows:

- Excluding the results of funding center from 'Group Treasury' segment; and
- Allocation of head office and back office support cost, which were previously classified as unallocated cost, to the respective business segments.

Following the change in the composition of the reportable segments, the Group has restated the corresponding items of segment information for the previous financial year.

During the financial year, no one group of related customers accounted for more than 10% of the Group's revenue.



## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

### 43 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

2011	Corporate and Investment Banking	Retail Banking	Business Banking	Group Treasury	Islamic Banking business	Global Financial Banking	Support Center and Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Segment assets</b>								
Investments in a joint venture	31,496,244	42,780,775	10,827,108	42,740,862	13,675,266	9,045,978	476,934	151,043,167
Tax recoverable								24,956
Deferred tax assets								232,957
Unallocated assets								17,598
Total assets								1,075,016
								152,393,694
<b>Segment liabilities</b>								
Taxation liabilities	20,771,583	31,165,601	6,644,953	58,338,994	6,455,327	6,539,750	9,242,610	139,158,818
Deferred tax liabilities								5,748
Unallocated liabilities								6,598
Total liabilities								1,772,223
								140,943,387
<b>Other segment items</b>								
Capital expenditure	12,574	119,808	32,557	3,743	3,929	6,942	1,234	180,787

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

43 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

2010	Corporate and Investment Banking		Retail Banking		Business Banking		Group Treasury		Islamic Banking Business		Global Financial Banking		Support Center and Inter-segment Others elimination		Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	796,305	1,645,533	662,567	593,550	267,548	186,487	(101,697)	-	4,050,293							
Inter-segment revenue	14,085	14,411	-	13,213	(9,167)	2,711	24,683	(59,936)	-							
Segment revenue	810,390	1,659,944	662,567	606,763	258,381	189,198	(77,014)	(59,936)	4,050,293							
Overhead expenses	(272,222)	(711,671)	(326,237)	(88,220)	(133,305)	(112,345)	(55,584)	59,936	(1,639,648)							
including:																
Depreciation of property, plant and equipment	(8,810)	(55,765)	(12,371)	(3,882)	(8,371)	(4,050)	(5,702)	-	(98,951)							
Allowance (made)/writeback 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	561,574	665,612	249,842	431,883	32,752	89,420	(132,598)	-	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							

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

### 43 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

2010	Corporate and Investment Banking		Retail Banking		Business Banking		Group Treasury		Islamic Banking Business		Global Financial Banking		Support Center and Others		Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Segment assets</b>															
Investments in a joint venture	27,635,657	36,728,049	10,596,481	35,871,671	9,108,128	7,672,544	443,903	128,056,433							
Tax recoverable								25,044							
Deferred tax assets								129,371							
Unallocated assets								261,105							
Total assets								853,542							129,325,495
<b>Segment liabilities</b>															
Taxation liabilities	16,775,470	25,044,310	5,956,125	49,854,514	4,077,048	6,379,387	9,994,018	118,080,872							
Deferred tax liabilities								172,595							
Unallocated liabilities								4,514							
Total liabilities								1,094,544							119,352,525
<b>Other segment items</b>															
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 2011 (continued)

#### 43 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.

	<b>Revenue RM'000</b>	<b>Segment assets RM'000</b>	<b>Capital expenditure RM'000</b>
<b>2011</b>			
Malaysia	4,092,730	143,170,898	173,845
Outside Malaysia	215,020	9,222,796	6,942
	<b>4,307,750</b>	<b>152,393,694</b>	<b>180,787</b>
<b>2010</b>			
Malaysia	3,865,199	121,465,386	139,696
Outside Malaysia	185,094	7,860,109	3,415
	<b>4,050,293</b>	<b>129,325,495</b>	<b>143,111</b>

#### 44 CAPITAL ADEQUACY RATIO

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

The capital ratios of RHB Bank are computed based on BNM's Guidelines on Risk Weighted Capital Adequacy Framework: IRB Approach for Credit Risk, Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk ('Basel II').

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 2011 (continued)

**44 CAPITAL ADEQUACY RATIO (CONTINUED)**

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

	<b>RHB Bank<sup>#</sup></b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Tier I capital</b>		
Paid-up ordinary share capital	3,318,085	3,318,085
Hybrid Tier-1 Capital Securities	597,475	597,227
Share premium	8,563	8,563
Retained profits	3,338,769	2,492,142
Other reserves	3,042,860	2,673,342
	<b>10,305,752</b>	<b>9,089,359</b>
Less:		
Deferred tax assets	(62,951)	(265,300)
Goodwill	(905,519)	(905,519)
Total Tier I capital	<b>9,337,282</b>	<b>7,918,540</b>
<b>Tier II capital</b>		
Subordinated obligations	3,250,000	3,000,000
Collective impairment allowance <sup>^</sup>	376,254	263,786
Total Tier II capital	<b>3,626,254</b>	<b>3,263,786</b>
Less:		
Investments in subsidiaries	(872,656)	(622,656)
Excess of total expected loss over total eligible provision under the IRB Approach	(178,986)	(199,127)
Other deduction <sup>*</sup>	(3,787)	(3,190)
Eligible Tier II Capital	<b>2,570,825</b>	<b>2,438,813</b>
Total capital base	<b>11,908,107</b>	<b>10,357,353</b>
<b>Capital adequacy ratios</b>		
Before deducting proposed dividends:		
Core capital ratio	12.76%	10.79%
Risk-weighted capital adequacy ratio	16.27%	14.11%
After deducting proposed dividends:		
Core capital ratio	12.28%	10.46%
Risk-weighted capital adequacy ratio	15.79%	13.79%

# 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 subsidiary company, RHB Bank (L) Ltd.

<sup>^</sup> 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.

<sup>\*</sup> 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 2011 (continued)

**44 CAPITAL ADEQUACY RATIO (CONTINUED)**

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

	<b>RHB Islamic Bank</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Tier I capital</b>		
Paid-up ordinary share capital	773,424	523,424
Other reserve	280,411	231,484
Retained profits	271,298	222,371
	1,325,133	977,279
Less:		
Deferred tax assets	(9,105)	(33,269)
Total Tier I capital	1,316,028	944,010
<b>Tier II capital</b>		
Collective impairment allowance <sup>^</sup>	135,113	103,037
Total Tier II Capital	135,113	103,037
Less:		
Other deduction*	(24)	(102)
Eligible Tier II Capital	135,089	102,935
Total capital base	1,451,117	1,046,945
<b>Capital adequacy ratios</b>		
Before deducting proposed dividends:		
Core capital ratio	12.65%	12.23%
Risk-weighted capital adequacy ratio	13.95%	13.56%
After deducting proposed dividends:		
Core capital ratio	12.65%	12.23%
Risk-weighted capital adequacy ratio	13.95%	13.56%

<sup>^</sup> 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 2011 (continued)

### 44 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	<b>RHB Investment Bank</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Tier I capital</b>		
Paid-up ordinary share capital	263,646	263,646
Other reserve	278,549	278,549
Retained profits	53,198	93,912
	595,393	636,107
Less:		
Deferred tax assets	(3,365)	(1,315)
Goodwill	(159,280)	(159,280)
Total Tier I capital	432,748	475,512
<b>Tier II capital</b>		
Subordinated obligations	216,374	237,756
Collective impairment allowance	893	1,117
Total Tier II capital	217,267	238,873
Less:		
Investments in subsidiaries	(84,970)	(84,970)
Investments in a joint venture	(21,463)	(27,399)
Securitisation exposures subject to deductions <sup>#</sup>	(7,781)	(1,086)
Other deduction*	(440)	(336)
Eligible Tier II Capital	102,613	125,082
Total capital base	535,361	600,594
<b>Capital adequacy ratios</b>		
Before deducting proposed dividends:		
Core capital ratio	36.43%	32.47%
Risk-weighted capital adequacy ratio	45.07%	41.02%
After deducting proposed dividends:		
Core capital ratio	33.97%	27.69%
Risk-weighted capital adequacy ratio	41.37%	33.85%

\* 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.

<sup>#</sup> Pursuant to Risk-Weighted Capital Adequacy Framework (Basel II - Risk Weighted Assets Computation), banking institutions that retain their own-originated securitisation positions rated below investment grade must deduct all of such exposures from its regulatory capital.

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

**44 CAPITAL ADEQUACY RATIO (CONTINUED)**

	<b>RHB Bank Risk-Weighted Assets RM'000</b>	<b>RHB Islamic Risk-Weighted Assets RM'000</b>	<b>RHB Investment Bank Risk-Weighted Assets RM'000</b>
<b>2011</b>			
The breakdown of risk-weighted assets by various categories of risk are as follows:			
(i) Credit risk	64,345,943	9,226,700	658,111
(ii) Market risk	1,884,914	565,103	126,884
(iii) Operational risk	6,939,645	608,028	402,937
Total risk-weighted assets	73,170,502	10,399,831	1,187,932
<b>2010</b>			
The breakdown of risk-weighted assets by various categories of risk are as follows:			
(iv) Credit risk	65,571,292	7,124,858	887,428
(v) Market risk	1,232,084	30,513	161,901
(vi) Operational risk	6,559,217	566,538	414,976
Total risk-weighted assets	73,362,593	7,721,909	1,464,305

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

**45 ACQUISITION OF SUBSIDIARIES**

In the previous financial year, the Group and the Company acquired additional equity interest in the following companies:

- (a) Acquisition of additional 15.2% equity interest, not already owned by the Group and the Company, in its general insurance subsidiary, RHB Insurance Berhad for cash consideration of RM45,125,000. The transaction was completed on 30 September 2010, and the goodwill arising from consolidation was RM15,924,000.
- (b) Acquisition by RHB Hartanah Sdn Bhd ('RHB Hartanah'), a wholly-owned subsidiary of the Company, of the remaining 50% equity interest in Positive Properties Sdn Bhd ('Positive Properties') not already owned by RHB Hartanah for a cash consideration of RM35,130,642. Positive Properties became a wholly-owned subsidiary of RHB Hartanah, a wholly-owned subsidiary of the Company, with effect from 26 May 2010. Previously, Positive Properties was an associate of the Group.

The effect of the acquisition on the Group was as follows:

	<b>Group 2010 RM'000</b>
<b>At date of acquisition:</b>	
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

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

#### 45 ACQUISITION OF SUBSIDIARIES (CONTINUED)

In the previous financial year, the Group and the Company acquired additional equity interest in the following companies (continued):

- (c) Acquisition by RHB Hartanah, a wholly-owned subsidiary of the Company, 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) for a cash consideration of RM5,412,841. RHBPM became a wholly-owned subsidiary of RHB Hartanah with effect from 16 July 2010.

The effect of the acquisition on the Group was as follows:

	<b>Group 2010 RM'000</b>
<b>At date of acquisition:</b>	
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)
	5,381
Fair value of net assets acquired at the date of acquisition	31
	5,412
Total purchase consideration	(1,869)
Less: Cash and cash equivalents in subsidiary acquired	(1,869)
	3,543

#### 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:

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

### 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

#### RHB CAPITAL BERHAD

##### Liquidity risk

The Company manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all repayment and funding requirements are met. The Company's cash flows is reviewed regularly to ensure that it has sufficient level of cash and cash equivalents to meet its working capital requirements and is able to settle its commitments when they fall due.

##### Interest rate risk

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

#### BANKING SUBSIDIARIES:

#### RHB BANK, 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 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 Committee ('GRMC') and the Group Risk Management function ('GRM function'), is responsible for identifying principal risks and ensuring that there is an ongoing process to continuously manage the the banking subsidiaries risks actively.

The GRMC provides oversight and management of all risks. The GRM function is independent and reports directly to this Committee. The GRM function assists the GRMC and Board in formulating risk related policies, advises the Board on the risk impact of business strategies, and reviews compliance by the management to the risk policy framework that is approved by the Board.

The GRMC comprises non-executive directors with at least five (5) members. Members of the GRMC are directors who are exclusively non-executive in all of their directorships within the RHB Banking Group.

Overriding objectives of the GRMC:

- (i) To provide oversight and governance of risks of the RHB Banking Group ('Group');
- (ii) To oversee senior management's activities in managing credit, market, liquidity, operational, legal and other risks and to ensure that the risk management process of each entity in the Group is in place and functioning;
- (iii) To deliberate and make recommendations to the Board of each relevant entity within the Group in respect of risk management matters of the respective entities.

The primary responsibility for managing risks, however, rests with business managers. They are best equipped to ensure that risk management and control are 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 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 2011 (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 of applicable laws and regulatory requirements.

To counter the following business risks that the banking subsidiaries, the GRMC has put in place the following:

##### **Market Risk**

- A framework of risk policies, measurement methodologies and limits, as approved by the Board, controls financial market activities as well as identifies potential risk areas to mitigate any adverse effects from market volatility.
- The GRM function plays an independent role in the monitoring and assessing of risk exposures and reports independently to the GRMC.
- Risk measurement techniques and stress testing are applied to the Bank's portfolio on a regular basis.
- For Currency Risk:
  - Approved overall position limits are applied for foreign exchange spot trading portfolio. Trading loss limits are imposed on each trading desk. The levels of these exposures (including off-balance sheet items), by overall total for both intra-day and overnight positions, are monitored daily for compliance with the approved limits. These limits are reviewed regularly and are in line with strategies set by the GRMC.
  - 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 Group Asset and Liability Committee ('ALCO') monitors the balance sheet position and assesses it for profit and loss impacts arising from sensitivity to interest rate movements.
  - The ALCO also sets and reviews limits on the level of mismatch of interest rate re-pricing that may be undertaken. Likewise, fixed rate assets, especially long term assets, are subject to various limit parameters.

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (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**

##### **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.
- The banking subsidiaries' liquidity framework is subject to periodic stress tests and the results are reviewed to ensure constant compliance with BNM's Liquidity Framework.
- The banking subsidiaries' have established a Group Liquidity Policy Statement. In addition, plans to manage any potential adverse liquidity incidences have also been put in place; and can be implemented on a timely basis so that appropriate actions can be taken to remedy any unexpected market developments.

##### **Credit Risk**

- The banking subsidiaries abide to the Board approved credit policy which supports the development of a strong credit culture with the objectives of maintaining a diversified portfolio that addresses credit risk, and mitigates concern for unexpected losses. Market best practices are incorporated into this policy.
- The banking subsidiaries also ensures that processes are in place before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being evaluated by an independent credit evaluation and management function. The Central Credit Committee and the Group Credit Committee sanction credits beyond established prudential threshold. The adherence to the discretionary powers sanctioned by the Board is monitored by the Central Compliance function.
- A risk rating system is used to categorize the risk of individual credits. 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 Berhad has obtained BNM's approval to apply the Internal Ratings Based ('IRB') approach for credit risk, whereby more advanced Basel II approaches and key program components are implemented, which includes (i) enhancing the economic returns of RHB Bank using established 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 III requirements of the Basel II Accord Internal Ratings Based Approach.



Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (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 bank subsidiaries have a 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 audit to prevent and minimise unexpected losses.

##### **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 shareholders' requirements and expectations. The Group's capital management policy is focused on optimising value for its shareholders.

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (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 and Basel II**

The infrastructure implementations that had been completed has yielded significant benefits to the Group 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 capabilities for improvement in the use and adoption of the advanced approaches of the Basel II capital accord. In June 2010, RHB Bank obtained BNM's approval to apply the Internal Ratings Based ('IRB') approach for Credit Risk.

(b) Financial instruments by category

<b>Group</b>	<b>Loans and receivables RM'000</b>	<b>Assets at fair value through the profit and loss RM'000</b>	<b>Available- for-sale RM'000</b>	<b>Held-to- maturity RM'000</b>	<b>Total RM'000</b>
<b>2011</b>					
Cash and short-term funds	20,358,496	-	-	-	20,358,496
Securities purchased under resale agreements	142,291	-	-	-	142,291
Deposits and placements with banks and other financial institutions	1,133,213	-	-	-	1,133,213
Financial assets held-for-trading	-	1,501,758	-	-	1,501,758
Financial investments available-for-sale	-	-	10,706,781	-	10,706,781
Financial investments held-to-maturity	-	-	-	14,093,909	14,093,909
Loans, advances and financing	94,823,514	-	-	-	94,823,514
Clients' and brokers' balances	232,676	-	-	-	232,676
Other financial assets	594,453	-	-	-	594,453
Derivative assets	-	237,658	-	-	237,658
<b>Total</b>	<b>117,284,643</b>	<b>1,739,416</b>	<b>10,706,781</b>	<b>14,093,909</b>	<b>143,824,749</b>

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Group	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities RM'000	Total RM'000
	<b>2011</b>		
Deposits from customers	-	115,860,584	115,860,584
Deposits and placements of banks and other financial institutions	-	10,031,575	10,031,575
Bills and acceptances payable	-	3,764,155	3,764,155
Clients' and brokers' balances	-	562,393	562,393
Other financial liabilities	-	1,277,051	1,277,051
Derivative liabilities	248,188	-	248,188
Recourse obligation on loans sold to Cagamas	-	1,161,814	1,161,814
Borrowings	-	3,603,334	3,603,334
Subordinated obligations	-	3,515,747	3,515,747
Hybrid Tier-1 Capital Securities	-	600,558	600,558
Total	248,188	140,377,211	140,625,399

Group	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
	<b>2010</b>				
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 financial 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

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

### 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

<b>Group</b>	<b>Liabilities at fair value through the profit and loss RM'000</b>	<b>Other financial liabilities RM'000</b>	<b>Total RM'000</b>
<b>2010</b>			
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 financial 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
<b>Total</b>	<b>253,704</b>	<b>118,524,712</b>	<b>118,778,416</b>

<b>Company</b>	<b>Loans and receivables</b>	
	<b>2011 RM'000</b>	<b>2010 RM'000</b>
Cash and short-term funds	27,528	346,009
Deposits and placements with banks and other financial institutions	919	891
Other financial assets	165,842	146,344
<b>Total</b>	<b>194,289</b>	<b>493,244</b>

	<b>Other financial liabilities</b>	
	<b>2011 RM'000</b>	<b>2010 RM'000</b>
Other financial liabilities	3,315	4,611
Borrowings	3,147,101	3,597,762
<b>Total</b>	<b>3,150,416</b>	<b>3,602,373</b>

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (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:

Group	Non-trading book							Non- interest sensitive RM'000	Trading book RM'000	Total RM'000
	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	Over 3 years RM'000			
Cash and short-term funds	18,960,807	-	-	-	-	-	1,397,689	-	20,358,496	
Securities purchased under resale agreements	142,291	-	-	-	-	-	-	-	142,291	
Deposits and placements with banks and other financial institutions	-	1,089,302	37,781	4,793	-	-	1,337	-	1,133,213	
Financial assets held-for-trading	-	-	-	-	-	-	-	1,501,758	1,501,758	
Financial investments available-for-sale	566,221	849,593	1,017,415	84,300	870,344	6,548,607	770,301	-	10,706,781	
Financial investments held-to-maturity	419,386	1,595,889	762,388	683,390	2,761,715	7,973,584	(102,443)	-	14,093,909	
Loans, advances and financing - performing	50,712,632	7,245,963	4,128,155	1,993,928	7,728,951	21,974,162	160,166	-	93,943,957	
- non-performing	-	-	-	-	-	-	879,557	-	879,557	
Clients' and brokers' balances	78,346	-	-	-	-	-	154,330	-	232,676	
Other assets	-	-	-	-	-	148	691,817	-	691,965	
Derivative assets	-	-	-	-	-	-	-	237,658	237,658	
Statutory deposits	-	-	-	-	-	-	3,282,559	-	3,282,559	
Tax recoverable	-	-	-	-	-	-	232,957	-	232,957	
Deferred tax assets	-	-	-	-	-	-	17,598	-	17,598	
Investments in a joint venture	-	-	-	-	-	-	24,956	-	24,956	
Property, plant and equipment	-	-	-	-	-	-	1,106,503	-	1,106,503	
Goodwill	-	-	-	-	-	-	3,806,860	-	3,806,860	
<b>TOTAL ASSETS</b>	<b>70,879,683</b>	<b>10,780,747</b>	<b>5,945,739</b>	<b>2,766,411</b>	<b>11,361,010</b>	<b>36,496,501</b>	<b>12,424,187</b>	<b>1,739,416</b>	<b>152,393,694</b>	

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (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):

Group	Non-trading book							Non-interest sensitive	Trading book	Total
	Up to 1 month	> 1-3 months	> 3-6 months	> 6-12 months	> 1-3 years	Over 3 years	RM'000			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>2011</b>										
Deposits from customers	54,153,600	13,749,496	10,924,724	15,863,982	441,722	48,042	20,679,018	-	115,860,584	
Deposits and placements of banks and other financial institutions	5,077,348	2,734,568	1,643,535	122,797	295,944	111,678	45,705	-	10,031,575	
Bills and acceptances payable	1,297,300	1,650,120	594,172	6,515	-	-	216,048	-	3,764,155	
Clients' and brokers' balances	-	-	-	-	-	-	562,393	-	562,393	
Other liabilities	-	-	-	-	-	-	1,582,693	-	1,582,693	
Derivative liabilities	-	-	-	-	-	-	-	248,188	248,188	
Recourse obligation on loans sold to Cagamas	30,745	-	-	130,076	500,000	500,000	993	-	1,161,814	
Taxation liabilities	-	-	-	-	-	-	5,748	-	5,748	
Deferred tax liabilities	-	-	-	-	-	-	6,598	-	6,598	
Borrowings	14,400	1,545,800	491,438	348,777	831,000	350,000	21,919	-	3,603,334	
Subordinated obligations	-	-	-	1,500,000	45,000	1,950,000	20,747	-	3,515,747	
Hybrid Tier-1 Capital Securities	-	-	-	-	-	592,475	8,083	-	600,558	
<b>TOTAL LIABILITIES</b>	<b>60,573,393</b>	<b>19,679,984</b>	<b>13,653,869</b>	<b>17,972,147</b>	<b>2,113,666</b>	<b>3,552,195</b>	<b>23,149,945</b>	<b>248,188</b>	<b>140,943,387</b>	
Total equity	-	-	-	-	-	-	11,438,385	-	11,438,385	
Non-controlling interests	-	-	-	-	-	-	11,922	-	11,922	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>60,573,393</b>	<b>19,679,984</b>	<b>13,653,869</b>	<b>17,972,147</b>	<b>2,113,666</b>	<b>3,552,195</b>	<b>34,600,252</b>	<b>248,188</b>	<b>152,393,694</b>	
On-balance sheet interest sensitivity gap	10,306,290	(8,899,237)	(7,708,130)	(15,205,736)	9,247,344	32,944,306	-	-	-	
Off-balance sheet interest sensitivity gap	1,392,548	1,323,924	(934,322)	1,508,050	(2,101,547)	(1,175,517)	-	-	-	
<b>TOTAL INTEREST SENSITIVITY GAP</b>	<b>11,698,838</b>	<b>(7,575,313)</b>	<b>(8,642,452)</b>	<b>(13,697,686)</b>	<b>7,145,797</b>	<b>31,768,789</b>	<b>-</b>	<b>-</b>	<b>-</b>	

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (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):

Group	Non-trading book										Total	
	Up to 1 month	> 1-3 months	> 3-6 months	> 6-12 months	> 1-3 years	Over 3 years	Non- interest sensitive	Trading book	RM'000	RM'000		RM'000
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	-	-	310,905	-	589,156
Derivative assets	-	-	-	-	-	-	-	-	-	-	-	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
<b>TOTAL ASSETS</b>	<b>58,426,147</b>	<b>9,011,315</b>	<b>4,004,692</b>	<b>4,920,803</b>	<b>10,094,553</b>	<b>32,262,013</b>	<b>9,522,813</b>	<b>1,083,159</b>	<b>1,083,159</b>	<b>129,325,495</b>		





Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (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	Non-trading book										Total
	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	RM'000		
<b>2011</b>											
Cash and short-term funds	26,887	-	-	-	-	-	641	-	-	-	27,528
Deposits and placements with banks and other financial institutions	-	356	394	158	-	-	11	-	-	-	919
Other assets	-	-	-	-	-	-	154,199	-	-	-	154,199
Amounts due from subsidiaries	-	-	-	-	-	-	18,188	-	-	-	18,188
Tax recoverable	-	-	-	-	-	-	90,476	-	-	-	90,476
Investments in subsidiaries	-	-	-	-	-	-	8,691,602	-	-	-	8,691,602
Property, plant and equipment	-	-	-	-	-	-	635	-	-	-	635
<b>TOTAL ASSETS</b>	<b>26,887</b>	<b>356</b>	<b>394</b>	<b>158</b>	<b>-</b>	<b>-</b>	<b>8,955,752</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,983,547</b>
Other liabilities	-	-	-	-	-	-	3,315	-	-	-	3,315
Amounts due to subsidiaries	-	-	-	-	-	-	8,626	-	-	-	8,626
Deferred tax liabilities	-	-	-	-	-	-	45	-	-	-	45
Borrowings	297,770	1,103,220	194,250	348,777	831,000	350,000	22,084	-	-	-	3,147,101
<b>TOTAL LIABILITIES</b>	<b>297,770</b>	<b>1,103,220</b>	<b>194,250</b>	<b>348,777</b>	<b>831,000</b>	<b>350,000</b>	<b>34,070</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,159,087</b>
Total equity	-	-	-	-	-	-	5,824,460	-	-	-	5,824,460
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>297,770</b>	<b>1,103,220</b>	<b>194,250</b>	<b>348,777</b>	<b>831,000</b>	<b>350,000</b>	<b>5,858,530</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,983,547</b>
On-balance sheet interest sensitivity gap	(270,883)	(1,102,864)	(193,856)	(348,619)	(831,000)	(350,000)	-	-	-	-	-
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL INTEREST SENSITIVITY GAP</b>	<b>(270,883)</b>	<b>(1,102,864)</b>	<b>(193,856)</b>	<b>(348,619)</b>	<b>(831,000)</b>	<b>(350,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (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	Non-trading book							Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
	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			
<b>2010</b>										
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
Amounts 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
<b>TOTAL ASSETS</b>	<b>345,540</b>	<b>346</b>	<b>382</b>	<b>153</b>	<b>-</b>	<b>-</b>	<b>8,994,981</b>	<b>-</b>	<b>-</b>	<b>9,341,402</b>
Other liabilities	-	-	-	-	-	-	4,611	-	-	4,611
Amounts 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
<b>TOTAL LIABILITIES</b>	<b>1,516,950</b>	<b>140,900</b>	<b>306,750</b>	<b>468,050</b>	<b>785,000</b>	<b>350,000</b>	<b>40,894</b>	<b>-</b>	<b>-</b>	<b>3,608,544</b>
Total equity	-	-	-	-	-	-	5,732,858	-	-	5,732,858
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,516,950</b>	<b>140,900</b>	<b>306,750</b>	<b>468,050</b>	<b>785,000</b>	<b>350,000</b>	<b>5,773,752</b>	<b>-</b>	<b>-</b>	<b>9,341,402</b>
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	-	-	-	-	-	-	-	-	-	-
<b>TOTAL INTEREST SENSITIVITY GAP</b>	<b>(1,171,410)</b>	<b>(140,554)</b>	<b>(306,368)</b>	<b>(467,897)</b>	<b>(785,000)</b>	<b>(350,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (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 2011.

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 rate/profit 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 +/-100 basis point ('bps') (+/-50 bps for FY 2010) parallel shift in the interest rate.

	<b>Group</b>		<b>Company</b>	
	<b>Impact on profit after tax RM'000</b>	<b>Impact on equity RM'000</b>	<b>Impact on profit after tax RM'000</b>	<b>Impact on equity RM'000</b>
<b>2011</b>				
+100 bps	(3,088)	(287,994)	(9,654)	-
-100 bps	4,321	307,647	9,654	-
<b>2010</b>				
+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 100 bps interest rate (50 bps for FY 2010) 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 2011 (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.

	<b>Group Impact on profit after tax RM'000</b>
<b>2011</b>	
+5%	17
-5%	(17)
<b>2010</b>	
+5%	114
-5%	(114)

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (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 become 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) 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
	13,057,280	7,301,216	-	-	-	-	-	20,358,496
	142,291	-	-	-	-	-	-	142,291
	-	-	1,090,576	37,846	4,791	-	-	1,133,213
	71,688	18,368	485,195	635,015	-	291,492	-	1,501,758
	511,962	305,230	886,350	1,038,216	85,301	7,879,722	-	10,706,781
	38,407	398,766	1,658,735	789,372	682,380	10,526,249	-	14,093,909
	2,092,933	5,243,140	5,261,805	3,335,409	2,665,868	76,224,359	-	94,823,514
	162,873	69,803	-	-	-	-	-	232,676
	59,470	20,800	9,445	41,245	135,690	87,390	337,925	691,965
	6,581	17,739	25,347	22,327	19,093	146,571	-	237,658
	-	-	-	-	-	-	3,282,559	3,282,559
	-	-	-	-	-	-	232,957	232,957
	-	-	-	-	-	-	17,598	17,598
	-	-	-	-	-	-	24,956	24,956
	-	-	-	-	-	-	1,106,503	1,106,503
	-	-	-	-	-	-	3,806,860	3,806,860
<b>TOTAL ASSETS</b>	<b>16,143,485</b>	<b>13,375,062</b>	<b>9,417,453</b>	<b>5,899,430</b>	<b>3,593,123</b>	<b>95,155,783</b>	<b>8,809,358</b>	<b>152,393,694</b>

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (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) based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8 (continued):

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
<b>2011</b>								
<b>LIABILITIES</b>								
Deposits from customers	47,756,705	26,772,733	13,852,792	11,032,942	15,952,504	492,908	-	115,860,584
Deposits and placements of banks and other financial institutions	2,011,746	3,086,462	2,743,671	1,658,788	123,286	407,622	-	10,031,575
Bills and acceptances payable	440,433	989,178	1,761,761	572,783	-	-	-	3,764,155
Clients' and brokers' balances	393,675	168,718	-	-	-	-	-	562,393
Other liabilities	115,385	194,748	79,744	84,680	451,960	388,857	267,319	1,582,693
Derivative liabilities	5,986	21,301	24,910	12,205	10,209	173,577	-	248,188
Recourse obligation on loans sold to Cagamas	30,745	-	-	993	130,076	1,000,000	-	1,161,814
Taxation liabilities	-	-	22	-	-	-	5,726	5,748
Deferred tax liabilities	-	-	-	-	-	-	6,598	6,598
Borrowings	-	16,456	1,126,808	216,501	400,290	1,843,261	18	3,603,334
Subordinated obligations	-	-	-	20,747	1,300,000	2,195,000	-	3,515,747
Hybrid Tier-1 Capital Securities	-	-	7,542	541	-	592,475	-	600,558
<b>TOTAL LIABILITIES</b>	<b>50,754,675</b>	<b>31,249,596</b>	<b>19,597,250</b>	<b>13,600,180</b>	<b>18,368,325</b>	<b>7,093,700</b>	<b>279,661</b>	<b>140,943,387</b>
Total equity	-	-	-	-	-	-	11,438,385	11,438,385
Non-controlling interest	-	-	-	-	-	-	11,922	11,922
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>50,754,675</b>	<b>31,249,596</b>	<b>19,597,250</b>	<b>13,600,180</b>	<b>18,368,325</b>	<b>7,093,700</b>	<b>11,729,968</b>	<b>152,393,694</b>

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (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	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
<b>2010</b>								
<b>ASSETS</b>								
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
<b>TOTAL ASSETS</b>	<b>12,346,840</b>	<b>10,999,903</b>	<b>7,990,012</b>	<b>3,877,524</b>	<b>5,401,761</b>	<b>82,716,102</b>	<b>5,993,353</b>	<b>129,325,495</b>

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (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 2011 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8 (continued):

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
<b>2010</b>								
<b>LIABILITIES</b>								
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 liabilities	-	-	-	-	-	-	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
<b>TOTAL LIABILITIES</b>	<b>42,502,903</b>	<b>24,908,512</b>	<b>22,547,259</b>	<b>10,011,877</b>	<b>11,054,398</b>	<b>7,984,089</b>	<b>343,487</b>	<b>119,352,525</b>
Total equity	-	-	-	-	-	-	9,962,157	9,962,157
Non-controlling interests	-	-	-	-	-	-	10,813	10,813
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>42,502,903</b>	<b>24,908,512</b>	<b>22,547,259</b>	<b>10,011,877</b>	<b>11,054,398</b>	<b>7,984,089</b>	<b>10,316,457</b>	<b>129,325,495</b>



Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (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 2011 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8 (continued):

Company	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
<b>2011</b>								
Cash and short-term funds	10,808	16,720	-	-	-	-	-	27,528
Deposits and placements with banks and other financial institutions	-	-	357	402	160	-	-	919
Other assets	-	-	-	-	-	-	154,199	154,199
Amounts due from subsidiaries	-	-	-	-	-	-	18,188	18,188
Tax recoverable	-	-	-	-	-	-	90,476	90,476
Investments in subsidiaries	-	-	-	-	-	-	8,691,602	8,691,602
Property, plant and equipment	-	-	-	-	-	-	635	635
<b>TOTAL ASSETS</b>	<b>10,808</b>	<b>16,720</b>	<b>357</b>	<b>402</b>	<b>160</b>	<b>-</b>	<b>8,955,100</b>	<b>8,983,547</b>
Other financial liabilities	-	-	-	-	-	-	3,315	3,315
Amounts due to subsidiaries	-	-	-	-	-	-	8,626	8,626
Deferred tax liabilities	-	-	-	-	-	-	45	45
Borrowings	-	300,010	1,113,092	195,754	348,777	1,189,450	18	3,147,101
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>300,010</b>	<b>1,113,092</b>	<b>195,754</b>	<b>348,777</b>	<b>1,189,450</b>	<b>12,004</b>	<b>3,159,087</b>
Total equity	-	-	-	-	-	-	5,824,460	5,824,460
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>-</b>	<b>300,010</b>	<b>1,113,092</b>	<b>195,754</b>	<b>348,777</b>	<b>1,189,450</b>	<b>5,836,464</b>	<b>8,983,547</b>

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (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) based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8 (continued):

Company	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
<b>2010</b>								
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
Amounts 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
<b>TOTAL ASSETS</b>	<b>35,128</b>	<b>310,881</b>	<b>347</b>	<b>389</b>	<b>155</b>	<b>-</b>	<b>8,994,502</b>	<b>9,341,402</b>
Other financial liabilities	-	-	-	-	-	-	4,611	4,611
Amounts 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
<b>TOTAL LIABILITIES</b>	<b>46,354</b>	<b>1,482,159</b>	<b>148,111</b>	<b>310,641</b>	<b>475,497</b>	<b>1,135,000</b>	<b>10,782</b>	<b>3,608,544</b>
Total equity	-	-	-	-	-	-	5,732,858	5,732,858
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>46,354</b>	<b>1,482,159</b>	<b>148,111</b>	<b>310,641</b>	<b>475,497</b>	<b>1,135,000</b>	<b>5,743,640</b>	<b>9,341,402</b>

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

**46 FINANCIAL RISK MANAGEMENT (CONTINUED)**

(e) Liquidity risk (continued)

The following table presents the cash outflows for the Group's and 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.

<b>Group</b>	<b>Up to 1 month RM'000</b>	<b>1 to 6 months RM'000</b>	<b>6 to 12 months RM'000</b>	<b>1 to 3 years RM'000</b>	<b>3 to 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>2011</b>							
Deposits from customers	74,599,931	24,813,687	16,675,571	442,514	55,764	-	116,587,467
Deposits and placements of banks and other financial institutions	5,102,743	4,432,730	127,929	303,266	113,301	-	10,079,969
Bills and acceptances payable	1,429,610	2,334,545	-	-	-	-	3,764,155
Clients' and brokers' balances	562,393	-	-	-	-	-	562,393
Other financial liabilities	282,821	77,457	131,329	298,263	337,036	150,145	1,277,051
Derivative liabilities							
- Gross settled derivatives							
- Inflow	(2,810,661)	(2,588,172)	(317,603)	(128,905)	6,700	2,472	(5,836,169)
- Outflow	2,832,200	2,628,808	328,443	149,417	2,062	671	5,941,601
- Net settled derivatives	7,808	24,503	30,069	66,753	20,960	2,245	152,338
Recourse obligation on loans sold to Cagamas	33,953	36,313	162,798	607,316	470,845	-	1,311,225
Borrowings	26,367	1,398,916	438,165	1,125,080	582,725	246,874	3,818,127
Subordinated obligations	-	89,500	1,589,501	248,088	1,088,724	1,097,300	4,113,113
Hybrid Tier-1 Capital Securities	-	22,394	22,394	89,575	89,575	827,261	1,051,199
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>82,067,165</b>	<b>33,270,681</b>	<b>19,188,596</b>	<b>3,201,367</b>	<b>2,767,692</b>	<b>2,326,968</b>	<b>142,822,469</b>

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

### 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk (continued)

The following table presents the cash outflows for the Group's and 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).

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
<b>2010</b>							
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 financial 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
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>67,536,376</b>	<b>32,845,676</b>	<b>11,021,886</b>	<b>4,525,062</b>	<b>2,752,133</b>	<b>2,351,206</b>	<b>121,032,339</b>

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

Group	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
<b>2011</b>			
Direct credit substitutes	358,640	1,149,221	1,507,861
Transaction-related contingent items	337,401	1,852,761	2,190,162
Short-term self-liquidating trade-related contingencies	617,510	284,500	902,010
Obligations under underwriting agreements	208,500	121,000	329,500
Irrevocable commitments to extend credit	10,214,616	25,028,693	35,243,309
<b>TOTAL COMMITMENT AND CONTINGENCIES</b>	<b>11,736,667</b>	<b>28,436,175</b>	<b>40,172,842</b>

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

#### 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk (continued)

The following table presents the cash outflows for the Group's and 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).

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

Group	Less		
	than 1 year RM'000	Over 1 year RM'000	Total RM'000
<b>2010</b>			
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	31,965,921	4,492,386	36,458,307
Others	97,205	-	97,205
<b>TOTAL COMMITMENT AND CONTINGENCIES</b>	<b>37,367,862</b>	<b>4,492,386</b>	<b>41,860,248</b>

Undrawn loan commitments are recognised at activation stage and include 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.

Company	Up to	1 to 6	6 to 12	1 to 3	3 to 5	Over	Total
	1 month RM'000	months RM'000	months RM'000	years RM'000	years RM'000	5 years RM'000	
<b>2011</b>							
Other financial liabilities	3,315	-	-	-	-	-	3,315
Amounts due to subsidiaries	8,626	-	-	-	-	-	8,626
Borrowings	305,410	1,359,819	381,909	903,655	366,800	-	3,317,593
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>317,351</b>	<b>1,359,819</b>	<b>381,909</b>	<b>903,655</b>	<b>366,800</b>	<b>-</b>	<b>3,329,534</b>
<b>2010</b>							
Other financial liabilities	4,611	-	-	-	-	-	4,611
Amounts due to subsidiaries	6,146	-	-	-	-	-	6,146
Borrowings	1,517,824	499,593	518,345	887,054	383,600	-	3,806,416
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>1,528,581</b>	<b>499,593</b>	<b>518,345</b>	<b>887,054</b>	<b>383,600</b>	<b>-</b>	<b>3,817,173</b>

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

### 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk at the statement of financial position is the amounts on the statement 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:

<b>Group</b>	<b>2011</b> <b>RM'000</b>	<b>2010</b> <b>RM'000</b>
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds (exclude cash in hand)	19,667,155	14,161,297
Securities purchased under resale agreements	142,291	276,407
Deposits and placements with banks and other financial institutions	1,133,213	1,023,526
Financial assets and investments portfolios (exclude shares)		
- Held-for-trading	1,427,802	698,842
- Available-for-sale	10,001,562	12,827,193
- Held-to-maturity	14,093,909	10,869,550
Loans, advances and financing	94,823,514	81,228,093
Clients' and brokers' balances	232,676	421,127
Other financial assets	594,453	467,193
Derivative assets	237,658	310,905
	<b>142,354,233</b>	<b>122,284,133</b>
Credit risk exposure relating to off-balance sheet items:		
Commitments and contingencies	40,172,842	41,860,248
Total maximum credit risk exposure	<b>182,527,075</b>	<b>164,144,381</b>

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

#### 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit risk (continued)

(i) Maximum exposure to credit risk (continued)

<b>Company</b>	<b>2011 RM'000</b>	<b>2010 RM'000</b>
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds (exclude cash in hand)	27,528	346,009
Deposits and placements with banks and other financial institutions	919	891
Amounts due from subsidiaries	18,188	35,787
Other financial assets	147,654	146,344
Total maximum credit risk exposure	194,289	529,031

(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 accepts 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.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing and clients' brokers' balances are 58.2% and 87.0% respectively. The financial effect of collateral held for the remaining on-balance sheet assets are insignificant.

(iii) Credit quality

The Group assesses 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.

(a) Loans, advances and financing

<b>Internal ratings</b>	<b>Description</b>
- 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').

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

### 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Credit risk (continued)

(iii) Credit quality (continued)

(a) Loans, advances and financing (continued)

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

Loans, advances and financing are summarised as follows:

	Group	
	2011 RM'000	2010 RM'000
Neither past due nor impaired	88,021,416	74,934,414
Past due but not impaired	5,922,541	5,103,655
Individually impaired	3,351,106	3,672,175
Gross loans, advances and financing	97,295,063	83,710,244
Less: Individual impairment allowance	(813,086)	(855,782)
Collective impairment allowance	(1,658,463)	(1,626,369)
Net loans, advances and financing	94,823,514	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	
	2011 RM'000	2010 RM'000
Investment Grade	55,908,171	50,657,075
Lower Investment Grade	8,925,966	5,924,441
Non-investment Grade	1,036,899	8,003,925
Non-rated	22,150,380	10,348,973
Neither past due nor impaired	88,021,416	74,934,414

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.



Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

**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:

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Past due up to 30 days	1,972,442	1,322,560
Past due 31 to 60 days	2,736,127	2,621,829
Past due 61 to 90 days	1,213,972	1,159,266
Past due but not impaired	<b>5,922,541</b>	<b>5,103,655</b>

(iii) Impaired loans, advances and financing

Loans, advances and financing that are individually determined to be impaired are as follows:

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Individually impaired loans	<b>3,351,106</b>	<b>3,672,175</b>

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (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, other financial assets and investments portfolios, clients' and brokers' balance, derivative assets and other financial assets

Short term-funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, other financial assets and investments portfolios, clients' and brokers' balance and derivative assets are summarised as follows:

Group	Short-term funds and deposits and placements with banks and other financial institutions							Derivative assets
	RM'000	Securities purchase 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' balance RM'000	Other financial assets RM'000	
<b>2011</b>								
Neither past due nor impaired	20,800,368	142,291	1,427,802	9,823,447	14,048,972	230,400	600,743	237,658
Impaired	-	-	-	178,115	268,990	11,825	1,791	-
	20,800,368	142,291	1,427,802	10,001,562	14,317,962	242,225	602,534	237,658
Less:								
Impairment losses/Individual impairment	-	-	-	-	(224,053)	(9,309)	(8,081)	-
Collective impairment	-	-	-	-	-	(240)	-	-
	20,800,368	142,291	1,427,802	10,001,562	14,093,909	232,676	594,453	237,658

The amount of short-term funds, deposits and placements with banks and other financial institutions and other financial assets that are past due but not impaired is not material.

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (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, other financial assets and investments portfolios, clients' and brokers' balance, derivative assets and other financial assets (continued)

Short term-funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, other financial assets and investments portfolios, clients' and brokers' balance and derivative assets are summarised as follows: (continued)

Group	Short-term funds							Derivative assets RM'000
	and deposits and placements with banks and other financial institutions RM'000	Securities purchase 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' balance 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	471,811	310,905
Past due but not impaired	-	-	-	-	-	12,337	-	-
Impaired	-	-	-	257,931	289,515	17,570	1,756	-
Less:	15,184,823	276,407	698,842	12,827,193	11,085,696	428,962	473,567	310,905
Impairment losses/Individual impairment	-	-	-	-	(216,146)	(7,478)	(6,374)	-
Collective impairment	-	-	-	-	-	(357)	-	-
	15,184,823	276,407	698,842	12,827,193	10,869,550	421,127	467,193	310,905

The amount of short-term funds, deposits and placements with banks and other financial institutions and other financial assets that are past due but not impaired is not material.

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (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, other financial assets and investments portfolios, clients' and brokers' balance, derivative assets and other financial assets (continued)

Short term-funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, other financial assets and investments portfolios, clients' and brokers' balance and derivative assets are summarised as follows: (continued)

<b>Company</b>	<b>Short term funds and deposits and placements with banks and other financial institutions RM'000</b>	<b>Other financial assets RM'000</b>
<b>2011</b>		
Neither past due nor impaired	28,447	165,842
<b>2010</b>		
Neither past due nor impaired	346,900	182,131

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (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, other financial assets and investments portfolios, clients' and brokers' balance, derivative assets and other financial assets (continued)

Analysis of short-term funds, deposits and placements with banks and other financial institutions, financial assets, investments portfolios, clients' and brokers' balance and derivative assets that are neither past due nor impaired by rating agency designation are as follows (continued):

Group	Short-term funds and deposits and placements with banks and other financial institutions									
	Short-term funds and deposits 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' balance RM'000	Other financial assets RM'000	Derivative assets RM'000		
<b>2011</b>										
AAA to AA3	254	142,291	331,073	2,686,211	4,580,148	-	-	-	-	93,942
A1 to A3	355,621	-	16,496	1,293,472	1,571,100	-	-	-	-	66,124
Baa1 to Baa3	381,806	-	-	254,851	259,273	-	-	-	-	29,485
P1 to P3	12,868,965	-	52,754	23,968	-	-	-	-	-	38
Non-rated	7,193,722	-	1,027,479	5,564,945	7,638,451	230,400	600,743	-	-	48,069
including:										
- Bank Negara Malaysia	6,633,686	-	808,373	-	-	-	-	-	-	541
- Malaysian government securities	-	-	21,119	1,666,771	2,814,684	-	-	-	-	-
- Malaysian government investment issues	-	-	144,220	2,907,749	3,304,615	-	-	-	-	-
- Private debt securities	-	-	-	988,604	1,233,929	-	-	-	-	-
- Bankers' acceptance	-	-	-	-	169,823	-	-	-	-	-
- Khazanah bonds	-	-	53,767	-	63,418	-	-	-	-	-
- Others	560,036	-	-	1,821	51,982	230,400	600,743	-	-	47,528
	20,800,368	142,291	1,427,802	9,823,447	14,048,972	230,400	600,743	-	-	237,658

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (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, other financial assets and investments portfolios, clients' and brokers' balance, derivative assets and other financial assets (continued)

Analysis of short-term funds, deposits and placements with banks and other financial institutions, financial assets, investments portfolios, clients' and brokers' balance and derivative assets that are neither past due nor impaired by rating agency designation are as follows (continued):

Group	Short-term funds							Derivative assets
	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' balance RM'000	Other financial assets RM'000	
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 Baa3	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	471,811	86,036
including:								
- 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	-	-	-
- Khazanah bonds	-	-	-	-	52,632	-	-	-
- Others	503,666	-	-	181,589	24,278	399,055	471,811	86,036
	15,184,823	276,407	698,842	12,569,262	10,796,181	399,055	471,811	310,905

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (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, other financial assets and investments portfolios, clients' and brokers' balance, derivative assets and other financial assets (continued)

Analysis of short-term funds, deposits and placements with banks and other financial institutions, financial assets, investments portfolios, clients' and brokers' balance and derivative assets that are neither past due nor impaired by rating agency designation are as follows (continued):

<b>Company</b>	<b>Short-term funds and deposits and placements with banks and other financial institutions RM'000</b>	<b>Other financial assets RM'000</b>
<b>2011</b>		
A1	919	-
P1	27,528	-
Non-rated	-	165,842
	28,447	165,842
<b>2010</b>		
A1	890	-
P1	346,010	-
Non-rated	-	182,131
	346,900	182,131

(iv) Collateral and other credit enhancements obtained

The carrying amount of assets held by the Group as at 31 December 2011 as a result of taking possession of collaterals held as securities is as follows:

	<b>Group</b>	
	<b>2011 RM'000</b>	<b>2010 RM'000</b>
Residential properties	2,534	3,724

Reposessed 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 reposessed for its business use.

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (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 <sup>^</sup> RM'000	Financial investments available-for-sale <sup>@</sup> 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	Contingencies and RM'000	
<b>2011</b>										
Agriculture, hunting, forestry and fishing	-	-	-	10,339	-	2,531,392	-	2,541,731	922,141	
Mining and quarrying	-	-	-	-	-	300,478	-	300,478	208,399	
Manufacturing	-	-	45,255	198,391	49,401	8,731,507	-	9,024,554	7,433,343	
Electricity, gas and water	-	-	35,244	808,696	665,462	524,610	11,493	2,045,505	689,820	
Construction	-	-	-	116,027	-	5,502,792	-	5,618,819	3,965,881	
Real estate	-	-	-	298,242	238,833	1,704,227	-	2,241,302	696,988	
Purchase of landed property	-	-	-	-	-	24,963,115	-	24,963,115	2,990,884	
Wholesale & retail trade	-	-	20,310	15,570	-	-	-	35,880	10,000	
and restaurant & hotel	-	-	-	80,067	-	5,832,761	-	5,912,828	4,294,085	
General commerce	-	-	-	-	-	-	-	-	-	
Transport, storage and communication	-	-	-	72,336	435,989	7,418,703	-	7,927,028	1,798,828	
Finance, insurance and business services	7,432,117	-	314,413	2,952,156	5,444,473	5,178,079	574,968	21,896,206	3,889,226	
Government and government agencies	13,368,251	142,291	1,012,580	5,449,162	7,259,751	1,805,327	541	29,037,903	-	
Purchase of securities	-	-	-	-	-	6,619,004	232,676	6,851,680	1,265,547	
Purchase of transport vehicles	-	-	-	-	-	6,759,272	-	6,759,272	874,074	
Consumption credit	-	-	-	-	-	7,252,522	-	7,252,522	7,291,351	
Others	-	-	-	576	-	9,699,725	245,109	9,945,410	3,842,275	
	20,800,368	142,291	1,427,802	10,001,562	14,093,909	94,823,514	1,064,787	142,354,233	40,172,842	

@ Excludes equity instrument amounting to RM411,206,000.

^ Excludes equity instrument amounting to RM70,505,000.

\* 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 2011 (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):

Group	Short-term funds and deposits and placements with banks and other financial institutions										On-Commitments and contingencies	
	RM'000	Securities purchased under resale agreements	Financial assets held-for-trading <sup>^</sup>	Financial investments available-for-sale <sup>@</sup>	Financial investments held-to-maturity	Loans, advances and financing	Other financial assets <sup>*</sup>	On-balance sheet total	RM'000	RM'000		
<b>2010</b>												
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	-	8,240,643
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	-	5,175,282
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	-	-	1,967	42,514	47,750	5,575,577	-	-	-	5,193	-	460
General commerce	-	-	-	-	-	-	-	-	-	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	1,489,779	-	-	-
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	-	-	-	3,482,536
	15,184,823	276,407	698,842	12,827,193	10,869,550	81,228,093	1,199,225	122,284,133	41,860,248	-	-	-

<sup>@</sup> Excludes equity instrument amounting to RM365,189,000.

<sup>^</sup> Excludes equity instrument amounting to RM72,353,000.

<sup>\*</sup> 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 2011 (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):

<b>Company</b>	<b>Short-term funds and deposits and placements with banks and other financial institutions RM'000</b>	<b>Amount due from subsidiaries RM'000</b>	<b>Other financial assets RM'000</b>	<b>On- balance sheet total RM'000</b>
<b>2011</b>				
Finance, insurance and business services	28,447	-	-	28,447
Others	-	18,188	147,654	165,842
	<b>28,447</b>	<b>18,188</b>	<b>147,654</b>	<b>194,289</b>
<b>2010</b>				
Finance, insurance and business services	346,900	-	-	346,900
Others	-	35,787	146,344	182,131
	<b>346,900</b>	<b>35,787</b>	<b>146,344</b>	<b>529,031</b>

## (g) Fair value measurement

Amendments to FRS 7 'Financial Instruments Disclosures' (effective from 1 January 2011) requires disclosure of fair value measurements by level of a fair value measurement hierarchy. Comparatives disclosures are not required by the Standard.

The table below analyses financial instruments measured at fair value and classified by the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

**46 FINANCIAL RISK MANAGEMENT (CONTINUED)**

## (g) Fair value measurement (continued)

The table below analyses financial instruments measured at fair value by the level of fair value hierarchy:

<b>2011</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>Group</b>				
<b>Financial assets</b>				
Financial assets held-for-trading	73,955	1,427,803	-	1,501,758
Financial investment available- for-sale	20,524	10,131,237	555,020	10,706,781
Derivative assets	-	237,658	-	237,658
	94,479	11,796,698	555,020	12,446,197
<b>Financial liabilities</b>				
Derivative liabilities	-	248,188	-	248,188

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy as follows:

<b>2011</b>	<b>Available- for-sale RM'000</b>
<b>Group</b>	
At 1 January 2011	515,833
Total gains or losses recognised in other comprehensive income	47,759
Settlements	(7,026)
Sales	(1,050)
Reversal of impairment losses	(307)
Exchange differences	(189)
As at 31 December 2011	555,020

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

## 47 FAIR VALUES OF FINANCIAL INSTRUMENTS

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not measured on the Group's and Company's statements of financial position at fair values:

2011	Group		Company	
	Carrying value RM'000	Estimated fair value RM'000	Carrying value RM'000	Estimated fair value RM'000
<b>Financial assets</b>				
Financial investments held-to-maturity	14,093,909	14,267,276	-	-
Loans, advances and financing	94,823,514	94,667,026	-	-
<b>Financial liabilities</b>				
Deposits from customers	115,860,584	115,874,260	-	-
Deposits and placements of banks and other financial institutions	10,031,575	10,015,191	-	-
Recourse obligation on loans sold to Cagamas	1,161,814	1,179,720	-	-
Borrowings	3,603,334	3,524,036	3,147,101	3,067,803
Subordinated obligations	3,515,747	3,378,502	-	-
Hybrid Tier-1 Capital Securities	600,558	704,077	-	-
<hr/>				
2010	Group		Company	
	Carrying value RM'000	Estimated fair value RM'000	Carrying value RM'000	Estimated fair value RM'000
<b>Financial assets</b>				
Financial investments held-to-maturity	10,869,550	11,000,404	-	-
Loans, advances and financing	81,228,093	81,390,242	-	-
<b>Financial liabilities</b>				
Deposits from customers	94,433,828	94,440,980	-	-
Deposits and placements of banks and other financial institutions	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	-	-

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

#### 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.

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

### 47 FAIR VALUES OF FINANCIAL INSTRUMENTS (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 statement of financial position.

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

## 48 CONTINGENT LIABILITIES

### (a) Guarantees issued

As at the date of statements of financial position, the Company has extended unsecured guarantees of RM68,000,000 (2010: RM68,000,000) for performance guarantees of one of its subsidiary companies.

### (b) Other contingent liabilities

On 19 October 2001, the Company filed a Writ of Summons at the High Court of Malaya in Kuala Lumpur ('High Court') 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 of shares agreement dated 7 November 2000 in respect of 60 million shares in SJ Securities ('Sale Shares').

On 26 November 2001, CBSB's solicitors served the Defence and Counterclaim on the Company's solicitors. The overall amount claimed by CBSB in the Counterclaim is RM258,688,153.42 together with interest thereon and costs. The Company filed its reply to the Defence and a Defence to the Counterclaim on 19 December 2001.

On 22 November 2002, the Deputy Registrar of the High Court granted a summary judgment in favour of the Company for CBSB to return the Deposit to the Company and a summary judgment in favour of CBSB for the Company to return the share certificates and transfer forms in respect of the Sale Shares to CBSB. However, CBSB's claim for damages was dismissed.

Both parties had subsequently filed their respective appeals against the decision of the Deputy Registrar and on 7 August 2003, the Learned High Court Judge dismissed the respective appeals of the Company and CBSB and affirmed the Deputy Registrar's decision.

Thereafter, both parties have filed their respective appeals to the Court of Appeal against the decision of the Learned High Court Judge. On 22 May 2009, the Court of Appeal had dismissed CBSB's appeal against the High Court decision in respect of the return of the Deposit and claim for damages. The Court of Appeal had also dismissed the Company's appeal in respect of the return of share certificates and transfer forms.

Both CBSB and the Company had filed their respective applications for leave to appeal to the Federal Court. The Federal Court had on 12 May 2010 allowed the applications for leave to appeal filed by both parties. During the hearing of the appeals at the Federal Court on 18 January 2011, the Federal Court had directed that the CBSB's appeal against the High Court decision dismissing the summary judgment application on the claim for damages and the Company's appeal against the High Court decision on the return of share certificates and transfer forms be re-heard by the Court of Appeal and further directed that CBSB's appeal to the Federal Court against the Court of Appeal decision on the return of the Deposit to be kept in abeyance until then.

On 22 June 2011, the Court of Appeal recorded the agreement of both the Company and CBSB that the High Court order in respect of the dismissal of CBSB's summary judgment application for their counterclaim and the High Court order on the return of share certificates and transfer forms are set aside. The Court of Appeal also directed that CBSB's counterclaim be referred to the High Court for trial.

On 15 December 2011, the Federal Court had allowed CBSB's appeal against the Court of Appeal's decision on the return of the Deposit. The matter is now remitted to the High Court for trial. Both the Company's claim and CBSB's counterclaim are now fixed for Case Management on 29 February 2012.

The above material litigation is not expected to have any material adverse effect on the financial results of the Group.

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

### 49 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) Proposed acquisition of 80% of the issued and paid-up share capital in PT Bank Mestika Dharma

On 19 October 2009, RHB Investment Bank had on behalf of the Company, announced that the Company will undertake the following proposals subject to relevant regulatory authorities' approval:

- (i) proposed acquisition of 80% of the issued and paid up share capital in PT Bank Mestika Dharma ('Bank Mestika') for a total cash consideration of Indonesian Rupiah ('RP') 3,118,300 million (or equivalent to approximately RM1,163 million) ('Proposed Acquisition');
- (ii) proposed put and call option for 9% of the issued and paid-up share capital in Bank Mestika ('Proposed Options');
- (iii) proposed renounceable rights issue of new ordinary shares of RM1.00 each in RHB Capital ('Shares') to raise gross proceeds of approximately RM1.3 billion ('Proposed Rights Issue'); and
- (iv) proposed increase in the authorised share capital of the Company from RM2,500,000,000 comprising 2,500,000,000 RHB Capital shares to RM5,000,000,000 comprising 5,000,000,000 RHB Capital shares ('Proposed Increase In Authorised Share Capital').

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 PT Bank Mestika Dharma 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 rights, 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 and 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
- (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.



Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

**49 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)**

- (a) Proposed acquisition of 80% of the issued and paid-up share capital in PT Bank Mestika Dharma (continued)

As announced on 22 April 2010, Bursa Securities ('Bursa Securities') had, vide its letter dated 20 April 2010, approved the listing and quotation of new ordinary shares of RM1.00 each in the Company, up to the gross proceeds of approximately RM1.3 billion, to be issued pursuant to the Proposed Rights Issue subject to the condition as stated therein. Bursa Securities had further on 9 May 2011, granted the Company an extension of time until 19 October 2011 to complete the implementation of the Proposed Rights Issue. Bursa Securities had on 21 October 2011, granted the Company a further extension of time of six(6) months from 20 October 2011 until 19 April 2012 to complete the implementation of the Proposed Rights Issue.

The shareholders of the Company had also at the Extraordinary General Meeting of the Company held on 19 May 2010, approved the Proposed Rights Issue and the Proposed Increase In Authorised Share Capital.

RHBVC had further on 17 December 2010 assigned and novated the same to RHB Bank, which become the new acquirer for the Proposed Acquisition.

As announced on 19 April 2011, RHB Bank and the Vendor had subsequently on 18 April 2011, by way of an exchange of letter, mutually agreed to further extend the period to satisfy or waive the condition precedent based on the terms of the CSPA to 31 December 2011. The extension of the CSPA is conditional upon, inter-alia, permission and approval from RHB Bank for Bank Mestika to distribute dividend to the Vendor no later than 19 May 2011, pending which, the CSPA will only be extended until 19 May 2011 ('Initial Extension Period'). In the event the Initial Extension Period lapses, the CSPA will be deemed automatically terminated.

RHB Bank has subsequently agreed to give its permission and approval for Bank Mestika to distribute dividend out of the retained earnings accumulated subsequent to the financial year ended 31 December 2008 to the Vendor and the dividend distribution will not have any impact on the purchase consideration for the Proposed Acquisition or the price-to-book ratio represented by the purchase consideration for the Proposed Acquisition.

On 21 December 2011, RHB Investment Bank on behalf of the Company, announced that RHB Bank and the Vendor had on 16 December 2011, by way of exchange of letters, mutually agreed to further extend the period to satisfy or waive the conditions precedent of the CSPA for the Proposed Acquisition to 29 February 2012. However, on 24 February 2012, the Company and the Vendor has mutually agreed to further extend such period to 30 June 2012.

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 2011. 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 2011 (continued)

### 49 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(b) Dividend Reinvestment Plan of RHB Capital Berhad

On 1 March 2011, RHB Investment Bank on behalf of the Company, announced that as part of the Company's capital management plan and to enhance the Company's shareholders' value, the Company has proposed to undertake a dividend reinvestment plan that provides the shareholders the option to elect to reinvest their cash dividend declared by the Company (whether interim, final, special or any other cash dividend) ('Dividend') into new ordinary shares of RM1.00 each in the Company ('RHB Capital Shares') (hereinafter referred to as 'Dividend Reinvestment Plan'). Approval from shareholders for the Dividend Reinvestment Plan and the issuance of New Shares arising from the Dividend Reinvestment Plan was obtained at the Extraordinary General Meeting held on 6 April 2011.

The Dividend Reinvestment Plan further provides that whenever a cash dividend (either an interim, final, special or other dividend) ('Dividend') is proposed, the Board may, in its absolute discretion, determine that the Dividend Reinvestment Plan to be applied to the whole or a portion of the cash Dividend and where applicable, any remaining portion of the Dividend will be paid in cash.

(c) Proposed Multi-Currency Euro Medium Term Note Programme ('EMTN Programme') of up to USD500 Million Nominal Value (or its Equivalent in Other Currencies) for RHB Bank

As announced by the Company on 11 May 2011, the Securities Commission ('SC') had on 9 May 2011, approved RHB Bank's application for the EMTN Programme, under which RHB Bank may issue up to USD500 million in nominal value (or its equivalent in other currencies) of senior medium term notes, pursuant to the deemed approval under Section 212(5) of the Capital Markets & Services Act 2007.

The proceeds raised from the EMTN Programme will be utilised by RHB Bank and its subsidiaries for general working capital and other corporate purposes, including but not limited to the provision of advances of such proceeds or part thereof by RHB Bank to any of its subsidiaries, and repayment of borrowings (if applicable).

RHB Bank has yet to issue the said EMTN at to date.

(d) Proposed Senior Notes and/or Subordinated Notes under a Multi-Currency Medium Term Note Programme of up to RM3.0 Billion in Nominal Value (or its Equivalent in Other Currencies) ('MCMTN Programme') by RHB Bank

The Company announced on 7 July 2011 that RHB Bank has obtained approval from the SC on 5 July 2011 for the establishment of MCMTN Programme and the issue of senior notes and/or subordinated notes ('Subordinated Notes').

In addition, the approval from BNM for the issuance of Subordinated Notes has also been obtained on 27 May 2011 (upon terms and conditions therein contained). The Subordinated Notes issued under the MCMTN Programme will qualify as Tier 2 capital of RHB Bank subject to compliance with the requirements as specified in the Risk Weighted Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks (General Requirements and Capital Component) by BNM.

The Company announced on 2 November 2011 that its wholly-owned subsidiary, RHB Bank had, on 31 October 2011, issued RM250.0 million of Subordinated Notes under the MCMTN Programme. The Subordinated Notes, rated AA3 by RAM Rating Services Berhad, are issued for a tenure of 10 non-callable 5 years due on 29 October 2021 with a fixed coupon of 4.25% per annum, payable semi-annually throughout the entire tenure.

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

**49 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)**

(e) Proposal to Commence Negotiations for a Merger of Businesses

On 29 September 2011, RHB Investment Bank on behalf of the Company, announced that the Company has submitted an application to BNM for approval to commence negotiations with OSK Investments Bank Berhad, OSK Holdings Berhad ('OSKH') and the major shareholders of OSKH for a possible merger of the businesses ('Proposed Merger Negotiations').

As announced on 14 October 2011 by RHB Investment Bank on behalf of the Company, BNM has, vide its letter dated 13 October 2011 stated that it has no objection in principle for the Company to commence the Proposed Merger Negotiations for three (3) months from the date of BNM's letter.

On 11 January 2012, RHB Investment Bank on behalf of the Company, announced that the Company has submitted an application to BNM on 11 January 2012 for approval of BNM and the Minister Of Finance (through BNM) for the proposed merger of the businesses of the RHB Banking Group and the OSK Investment Bank Group.

## Notes To The Financial Statements

For The Financial Year Ended 31 December 2011 (continued)

**50 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 2011 is as follows:

	<b>Realised Profits/ (Losses) RM'000</b>	<b>Group Unrealised Profits RM'000</b>	<b>Total RM'000</b>
Operating subsidiaries	4,704,863	330,358	5,035,221
Dormant subsidiaries*	(7,929,473)	-	(7,929,473)
Total retained profits/(losses) of the Group	(3,224,610)	330,358	(2,894,252)
Total share of retained profits from joint venture	1,576	-	1,576
	(3,223,034)	330,358	(2,892,676)
Less: Consolidation adjustments			6,252,542
Total Group retained profits			3,359,866
			<b>Company RM'000</b>
Total retained profits of the Company:			
- Realised profits			945,227
- Unrealised losses			(45)
Total Company retained profits			945,182

\* The realised losses relate mainly to dormant subsidiaries which are currently in the process of being liquidated.

The breakdown of retained profits of the Group and the Company as at 31 December 2010 are as follows:

	<b>Realised Profits/ (Losses) RM'000</b>	<b>Group Unrealised Profit RM'000</b>	<b>Total RM'000</b>
Operating subsidiaries	3,791,337	630,775	4,422,112
Dormant subsidiaries*	(7,929,534)	-	(7,929,534)
Total retained profits/(losses) 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			2,747,792

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2011 (continued)

**50 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS (CONTINUED)**

	<b>Company RM'000</b>
Total retained profits of the Company:	
- Realised profits	1,227,315
- Unrealised losses	(25)
Total Company retained profits	<u>1,227,290</u>

\* 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 Kellee Kam Chee Khiong, 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 134 to 277 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 2011 and of the financial results and cash flows of the Group and the Company for the financial year ended 31 December 2011 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

Kuala Lumpur  
29 February 2012

**KELLEE KAM CHEE KHIONG**

MANAGING DIRECTOR

## 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 134 to 277 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 29 February 2012 before me.

COMMISSIONER FOR OATHS

Kuala Lumpur  
29 February 2012

# 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 134 to 277, which comprise the statements of financial position as at 31 December 2011 of the Group and the Company, and the income statements, statements of comprehensive income, changes in equity and 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 49.

### Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of 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 for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### 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 of financial statements that give a true and fair view 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 2011 and of their financial performance and cash flows for the year then ended.

### Report On Other Legal And Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries 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.

## Independent Auditors' Report

To The Members of RHB Capital Berhad  
(Incorporated in Malaysia)  
(Company No. 312952 H)

### Report On Other Legal And Regulatory Requirements (Continued)

- (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 50 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  
29 February 2012



## Analysis of Shareholdings

as at 13 February 2012

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	:	RM2,204,818,717.00 comprising 2,204,818,717 ordinary shares of RM1.00 each
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	Each shareholder present in person or by proxy at any Shareholders' Meeting shall be entitled to a show of hands of one vote and on a poll, each shareholder who is present in person or by proxy shall have one vote for each ordinary share held.
Number of Shareholders	:	15,261

	No. of shareholders	% of shareholders	No. of shares held	% of shareholdings
Less than 100	785	5.14	26,152	0.00
100 – 1,000	4,339	28.43	3,652,152	0.17
1,001 – 10,000	8,180	53.60	28,081,120	1.27
10,001 – 100,000	1,528	10.01	42,354,958	1.92
100,001 – less than 5% of the issued shares	427	2.81	607,549,995	27.56
5% and above of the issued shares	2	0.01	1,523,154,340	69.08
<b>Total</b>	<b>15,261</b>	<b>100.00</b>	<b>2,204,818,717</b>	<b>100.00</b>

## Substantial Shareholders

as at 13 February 2012

No.	Name of Substantial Shareholders	No. of Shares			
		Direct	%	Indirect	%
1.	Employees Provident Fund Board ('EPF') <sup>1</sup>	991,924,636	44.99	-	-
2.	Aabar Investments PJS	545,787,168	24.75	-	-
3.	International Petroleum Investment Company PJSC <sup>2</sup>	-	-	545,787,168	24.75

Notes:

<sup>1</sup> The interest of EPF is held through various fund managers in addition to its direct shareholdings in RHB Capital Berhad. EPF is a substantial shareholder of RHB Capital Berhad.

<sup>2</sup> Deemed interested pursuant to Section 6A(4)(c) of the Companies Act, 1965 through control of its subsidiary, Aabar Investments PJS.

## Directors' Interest In Securities Of The Company And Its Related Corporation

as at 13 February 2012

The Company	Ordinary Shares of RM1.00 each	
	No.	%
Dato' Mohamed Khadar Merican - Direct	61,503	*

Note:

\* negligible percentage

## List of Thirty (30) Largest Shareholders

as at 13 February 2012

RANK	NAME	UNITS	%
1	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	977,367,172	44.33
2	RHB NOMINEES (TEMPATAN) SDN BHD AABAR INVESTMENTS PJS	545,787,168	24.75
3	AMANAHRAYA TRUSTEES BERHAD SKIM AMANAH SAHAM BUMIPUTERA	63,838,968	2.90
4	VALUECAP SDN BHD	62,825,800	2.85
5	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	54,217,804	2.46
6	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	19,194,378	0.87
7	HSBC NOMINEES (ASING) SDN BHD BBH (LUX) SCA FOR THE GENESIS EMERGING MARKETS INVESTMENT COMPANY	14,207,924	0.64
8	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND 1LNO FOR THE GENESIS GROUP TRUST EMPLOYEE BENEFIT PLANS	14,049,949	0.64
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	13,717,713	0.62
10	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	13,608,805	0.62
11	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	12,683,019	0.58
12	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	12,565,891	0.57
13	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	10,677,499	0.48
14	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AMERICAN INTERNATIONAL ASSURANCE BERHAD	10,238,203	0.46
15	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEXFUND	9,571,435	0.43

List of Thirty (30) Largest Shareholders  
as at 13 February 2012 (continued)

<b>RANK</b>	<b>NAME</b>	<b>UNITS</b>	<b>%</b>
16	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	9,364,011	0.42
17	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (SAUDI ARABIA)	8,006,306	0.36
18	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	7,941,208	0.36
19	HSBC NOMINEES (ASING) SDN BHD EXEMPT AND FOR THE BANK OF NEW YORK MELLON ( MELLON ACCT)	7,342,904	0.33
20	AMANAHRAYA TRUSTEES BERHAD PUBLIC GROWTH FUND	6,564,819	0.30
21	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK NATIONAL ASSOCIATION (U.A.E)	6,312,930	0.29
22	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK NATIONAL ASSOCIATION (NORGES BK LEND)	5,625,160	0.26
23	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK NATIONAL ASSOCIATION (NETHERLANDS)	5,487,235	0.25
24	PERMODALAN NASIONAL BERHAD	5,176,128	0.23
25	AMANAHRAYA TRUSTEES BERHAD PUBLIC EQUITY FUND	5,102,574	0.23
26	CARTABAN NOMINEES (ASING) SDN BHD RBC DEXIA INVESTOR SERVICES BANK FOR ROBECO MULTIMANAGER ASIA-PACIFIC EQUITIES (EUR-RCGF)	4,839,965	0.22
27	LEMBAGA TABUNG ANGKATAN TENTERA	4,748,100	0.22
28	AMANAHRAYA TRUSTEES BERHAD PUBLIC INDEX FUND	4,345,005	0.20
29	HSBC NOMINEES (ASING) SDN BHD PICTET AND CIE FOR PICTET - EMERGING MARKETS	4,186,014	0.19
30	CARTABAN NOMINEES (ASING) SDN BHD BBH (LUX) SCA FOR FIDELITY FUNDS ASEAN	4,090,857	0.19

## 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 30.11.2011 (RM' 000)	Year of Acquisition or Revaluation
<b>MALAYSIA</b>									
<b>Kuala Lumpur</b>									
1. 424 Jalan Tun Razak	RHB Hartanah Sdn Bhd	12 storey office building	20,440	Office Space	22	Freehold	-	118,650	1989
2. 426 Jalan Tun Razak	RHB Hartanah Sdn Bhd	16 storey office building	22,516	Office Space	16	Freehold	-	114,342	1989
3. 19 & 21 Jalan Tun Perak Kuala Lumpur	RHB Bank Berhad	1 unit of 4½ storey corner commercial building	589	Office Space	14	Freehold	-	8,118	1999
<b>Selangor</b>									
4. Lot No. 8 Jalan Institusi Bandar Baru Bangi	RHB Bank Berhad	6 storey office Block, 5 storey Training Block, 7 storey IT Block & 5 storey Car Park Block	56,188	Training Centre	11	Leasehold	2090	84,158	1999
<b>Perak</b>									
5. No. 2,4,6 & 8 Jalan Tun Sambathan Ipoh	RHB Bank Berhad	4 storey office building	630	Bank Branch	14	Freehold	-	5,523	1999
<b>SINGAPORE</b>									
6. 90 Cecil Street	Banfora Pte Ltd	2 commercial buildings	796	Commercial Building	32	Leasehold	2980	123,338	1997
7. 10, Jalan Besar 01-03 Sim Lim Tower	RHB Bank Berhad	Ground Floor of Office buildings	543	Bank Branch	33	Freehold	-	26,504	1999
8. 14A/B, 16A/B & 18A/B East Coast Road	RHB Bank Berhad	3 units of 3 storey shophouses	442	Bank Branch	53	Freehold	-	13,982	1999
9. 1/1A / 1B Yio Chu Kang Road	RHB Bank Berhad	First Floor of Office buildings	101	Bank Branch	31	Freehold	-	10,390	1999
10. No. 537/539 Geylang Road	RHB Bank Berhad	3 storey shophouses	374	Bank Branch	88	Freehold	-	8,452	1999

# Group Branch Network

## NORTHERN REGION

- 1) Kangar**  
41 & 43, Persiaran Jubli Emas  
Taman Suriani  
01000 Kangar Perlis  
Tel : (04) 977 6864/6867  
Fax : (04) 977 6863
- 2) Jln Chain Ferry Prai**  
Ground Floor, 2784 & 2785  
Jalan Chain Ferry  
Taman Inderawasih  
13600 Prai, Pulau Pinang  
Tel : (04) 390 9255/9257/9258  
Fax : (04) 390 3976
- 3) Ayer Itam**  
15, Jalan Pasar  
11500 Ayer Itam, Pulau Pinang  
Tel : (04) 828 3522/5168  
Fax : (04) 828 8554
- 4) Bayan Baru**  
42 A, B, C, Jalan Tengah  
11950 Bayan Baru  
Pulau Pinang  
Tel : (04) 642 1880/1882  
Fax : (04) 642 1884
- 5) Bukit Mertajam**  
1244 & 1246  
Jalan Padang Lallang  
Taman Desa Damai  
14000 Bukit Mertajam  
Pulau Pinang  
Tel : (04) 539 1171/1176  
Fax : (04) 539 4148
- 6) 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
- 7) Butterworth**  
6774, 6775 & 6776  
Jalan Kg Gajah  
12200 Butterworth  
Pulau Pinang  
Tel : (04) 331 5871/5872  
Fax : (04) 332 3328
- 8) 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
- 9) Lebu Pantai, Penang**  
44, Lebu Pantai  
Georgetown  
10300 Pulau Pinang  
Tel : (04) 262 1144/1109  
Fax : (04) 261 8019
- 10) Jelutong**  
112 & 114  
Jalan Tan Sri Teh Ewe Lim  
11600, Pulau Pinang  
Tel : (04) 282 6922/6921  
Fax : (04) 282 6930
- 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) 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
- 13) Jalan Bakar Arang**  
Sungai Petani  
27 & 28, Jalan Bakar Arang  
08000 Sungai Petani, Kedah  
Tel : (04) 422 2151/2152  
Fax : (04) 421 6632
- 14) Jalan Tunku Ibrahim, Alor Setar**  
1519, Jalan Tunku Ibrahim  
05700 Alor Setar, Kedah  
Tel : (04) 731 6066/6144  
Fax : (04) 733 3843
- 15) Jitra, Kedah**  
No. 242, Jalan PJ 2/2,  
Pekan Jitra 2  
06000 Jitra Kedah  
Tel : (04) 9173388/3588/4588  
Fax : (04) 9170888
- 16) Kuala Kedah**  
Ground & First Floor  
262 & 263  
Block C, Bangunan Peruda  
06600 Kuala Kedah, Kedah  
Tel : (04) 762 5367/5366  
Fax : (04) 762 5393
- 17) Kulim**  
No. 8 & 9, Jalan KLC 1  
09000 Kulim, Kedah  
Tel : (04) 491 5912/5913  
Fax : (04) 491 5916
- 18) Mergong, Alor Setar**  
97), Seberang Jalan Putra  
05150 Alor Setar, Kedah  
Tel : (04) 733 9279/9304  
Fax : (04) 731 6059
- 19) Padang Serai**  
11 & 12, Lorong Berkat Satu  
Taman Berkat  
09400 Padang Serai, Kedah  
Tel : (04) 485 5951/5952  
Fax : (04) 485 0982

## Group Branch Network

**NORTHERN REGION (CONTINUED)****20) Pulau Langkawi**

13 & 15  
Jalan Pandak Mayah Satu  
07000 Langkawi, Kedah  
Tel : (04) 966 7511/7512  
Fax : (04) 966 7513

**21) 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

**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) Gopeng**

Ground Floor  
67 & 69, High Street  
31600 Gopeng, Perak  
Tel : (05) 359 1169/4524/1291  
Fax : (05) 359 3291

**25) Gunung Rapat**

57 & 59, Medan Gopeng 1  
Jalan Gopeng, Gunung Rapat  
31350 Ipoh, Perak  
Tel : (05) 312 3599/3851  
Fax : (05) 312 6570

**26) 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

**27) Jalan Tun Sambanthan, Ipoh**

Lot 2, 4, 6 & 8, Jalan Tun  
Sambanthan  
30000 Ipoh, Perak  
Tel : (05) 254 2135/2136  
Fax : (05) 255 0050

**28) Jelapang**

433 & 435, Jalan Silibin  
Taman Silibin, P.O. Box  
30760 Ipoh, Perak  
Tel : (05) 526 6515/8518  
Fax : (05) 526 2418

**29) Kampar**

81, 83 & 85, Jalan Gopeng  
31900 Kampar, Perak  
Tel : (05) 466 6202/6203  
Tel : (05) 465 1592/1599  
Fax : (05) 465 2216

**30) Kuala Kangsar**

6 & 7, Jalan Daeng Selili  
33000 Kuala Kangsar, Perak  
Tel : (05) 776 3772/1762  
Fax : (05) 776 6836

**31) Kuala Kurau**

Ground & First Floor  
19, Jalan Besar  
34350 Kuala Kurau, Perak  
Tel : (05) 727 7953/0939/7952  
Fax : (05) 727 7155

**32) Menglembu**

Ground & First Floor  
50 & 52, Jalan Besar  
31450 Menglembu, Perak  
Tel : (05) 281 6011/6017  
Fax : (05) 281 6010

**33) Parit Buntar**

1 & 3, Jalan Wawasan 1  
Taman Wawasan Jaya  
34200 Parit Buntar  
Tel : (05) 716 1626/1627  
Fax : (05) 716 2019

**34) Persiaran Greenhill, Ipoh**

62, Persiaran Greenhill  
30450 Ipoh, Perak  
Tel : (05) 253 3355/255 4195  
Fax : (05) 253 5053

**35) Simpang Empat, Hutan Melintang**

Lots P.T 1374 & 1375  
Jln Hutan Melintang  
Taman Seri Perak  
Simpang Empat  
36400 Hutan Melintang, Perak  
Tel : (05) 641 2363/2362  
Fax : (05) 641 3310

**36) Sitiawan**

25C, Jalan Datuk Ahmad Yunus  
32000 Sitiawan, Perak  
Tel : (05) 691 1411/1412/4669  
Fax : (05) 691 9012

**37) Sungai Siput**

139 & 140, Jalan Besar  
31100 Sungai Siput, Perak  
Tel : (05) 598 2233/2234/8922  
Fax : (05) 598 4094

**38) Sungkai**

18 & 19, Jalan Besar  
35600 Sungkai, Perak  
Tel : (05) 438 6708/6710  
Fax : (05) 438 6720

**39) Taiping**

68 & 70, Jalan Kota  
34000 Taiping, Perak  
Tel : (05) 807 3276/3257  
Fax : (05) 806 3275

**40) Tasek**

699 & 701, Jalan Tasek  
Taman Musim Bunga  
31400 Ipoh, Perak  
Tel : (05) 546 7363/7386/7370  
Fax : (05) 548 7566

**41) Teluk Intan**

31 & 33, Jalan Intan 2  
Bandar Baru Teluk Intan  
36000 Teluk Intan, Perak  
Tel : (05) 622 1654/1655  
Fax : (05) 621 1228

## Group Branch Network

**CENTRAL REGION**

- 1) KLCC**  
Lot LC-C03, Concourse Floor,  
Suria KLCC,  
Kuala Lumpur City Centre  
50088 Kuala Lumpur  
Tel : 1 300 888 742  
Fax : (03) 2164 6213
- 2) 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 : 1 300 888 742  
Fax : (03) 80708563
- 3) Taman Midah, KL**  
18 & 20, Jalan Midah Satu  
Taman Midah  
56000 Kuala Lumpur  
Branch Manager  
Tel : 1 300 888 742  
Fax : (03) 9130 0588
- 4) Kota Damansara**  
No. 27-G-& 27-I,  
Jalan PJU 5/3, Dataran Sunway,  
Kota Damansara,  
47810 Petaling Jaya  
Tel : 1 300 888 742  
Fax : (03) 6141 8838
- 5) Bangsar Shopping Centre, KL**  
G-01, Ground Floor  
Bangsar Shopping Centre  
Office Tower,  
Jalan Ma'arof  
Bangsar, 59100 Kuala Lumpur  
Tel : 1 300 888 742  
Fax : (03) 2284 6896
- 6) Pasar Borong, Selayang**  
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
- 7) Jalan Tun H.S. Lee**  
75, Jalan Tun H.S. Lee  
50000 Kuala Lumpur  
Tel : (03) 20700233/6869/  
20729072/2053 1485  
Fax : (03) 2072 7591
- 8) Damansara Heights**  
Lots C9 - C12, Block C  
Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur  
Tel : (03) 2095 7068/7069/7088  
Fax : (03) 2093 7515
- 9) Desa Sri Hartamas**  
6, Jalan 24/70A  
Desa Sri Hartamas  
50480 Kuala Lumpur  
Tel : (03) 2300 2360/1754  
Fax : (03) 2300 2358
- 10) Jalan Bukit Bintang**  
58 - 60, Jalan Bukit Bintang  
55100 Kuala Lumpur  
Tel : (03) 2148 0901  
2142 3604/3396  
2143 1857/2144 0875  
Fax : (03) 21430645
- 11) Jalan Ipoh**  
14 - 16, Jalan Ipoh  
51200 Kuala Lumpur  
Tel : (03) 4042 8068/8601/2573  
Fax : (03) 4041 1411/4043 0653
- 12) Kenanga Wholesale City**  
Lot LGF 019-021, LG Floor  
Kenanga Wholesale City 28  
Jalan Gelugor  
Off Jalan Kenanga  
52250 Kuala Lumpur  
Tel : (03) 9222 6566  
Fax : (03) 9222 6466
- 13) Jalan Pasar**  
50 - 52, Jalan Pasar  
55100 Kuala Lumpur  
Tel : (03) 2141 4167/2148 7301  
Fax : (03) 2142 8390/2148 8967
- 14) Jinjang Utara**  
Ground Floor  
No. 3471-A  
Jalan Besar Jinjang Utara  
52000 Kuala Lumpur  
Tel : (03) 6257 7053/7808  
Fax : (03) 6252 7158
- 15) Kepong**  
321, Batu 7, Jalan Kepong  
Kepong Baru  
52100 Kuala Lumpur  
Tel : (03) 6274 0022/0593/0463  
Fax : (03) 6272 6521
- 16) 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
- 17) Kuala Lumpur Main**  
Level 1, Tower Two RHB Centre  
426, Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : (03) 92813030  
Fax : (03) 9287 4173
- 18) Menara Yayasan Tun Razak**  
Ground Floor  
Menara Yayasan Tun Razak,  
200, Jln Bukit Bintang  
55100 Kuala Lumpur  
Tel : (03) 2162 5068  
Fax : (03) 2162 1609
- 19) Mid Valley**  
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
- 20) Overseas Union Garden**  
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

## Group Branch Network

**CENTRAL REGION (CONTINUED)****21) Plaza OSK**

Ground and Mezzanine Floor  
Podium Block, Plaza OSK  
Jalan Ampang  
50450 Kuala Lumpur  
Tel : 1 300 888 742  
Fax : (03) 2161 2972

**22) Salak South**

178-180, Main Street Salak South  
57100 Kuala Lumpur  
Tel : (03) 7983 9177/9458/9306  
Fax : (03) 7981 3357

**23) Segambut**

42 & 42A, Jalan Segambut Tengah  
Segambut  
51200 Kuala Lumpur  
Tel : (03) 6257 8777/8999/6888  
Fax : (03) 6252 2801

**24) Setapak**

257 & 259  
Jalan Genting Kelang  
53300 Setapak Kuala Lumpur  
Tel : (03) 4023 7444/7476  
4025 4905  
Fax : (03) 4024 1353

**25) Taman Shamelin**

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

**26) Taman Sungai Besi, KL**

30, Ground & First Floor  
Jalan 7/108C  
Taman Sungai Besi  
57100 Kuala Lumpur  
Tel : (03) 7983 2105  
7984 3014/3016  
Fax : (03) 7981 8875

**27) Taman Tun Dr. Ismail, KL**

15 & 17, Jalan Tun Mohd Fuad 3  
Taman Tun Dr. Ismail  
60000 Kuala Lumpur  
Tel : (03) 7722 1284  
7726 8995/4303  
Fax : (03) 7729 4077

**28) The Sphere, Bangsar South**

Unit G 10, Ground Floor and  
Unit 3A, First Floor,  
The Sphere, No. 1, Avenue 1,  
Bangsar South,  
No.8, Jalan Kerinchi,  
59200 Kuala Lumpur  
Tel : (03) 2240 0102/104/107  
Fax : (03) 2240 0092

**29) Jalan Niaga, Shah Alam**

11, 13 & 15  
Jalan Niaga 16/3A Section 16  
40000 Shah Alam, Selangor  
Tel : (03) 5510 3131/3135/  
6289/3931/3849  
Fax : (03) 5519 6166

**30) 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

**31) Bandar Baru Ampang**

27G - 29G Ground Floor &  
29A First Floor  
Jln Wawasan Ampang 2/3  
Bandar Baru Ampang  
68000 Ampang, Selangor  
Tel : (03) 4270 2069/2068  
Fax : (03) 4270 2060

**32) Bandar Baru Bukit Tinggi**

Lot 53, Jalan Batu Nilam 1  
Bandar Bukit Tinggi  
41200 Klang  
Tel : (03) 3323 6682/6684/7278,  
Fax : (03) 3323 7957

**33) 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

**34) Bandar Baru Sungai Buloh**

391 & 392, Jalan 1A/1  
Bandar Baru Sungai Buloh  
47000 Sungai Buloh, Selangor  
Tel : (03) 6156 1712/1713/  
1711/4034/5707  
Fax : (03) 6156 7803

**35) 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

**36) Damansara Jaya**

22 & 24, Jalan SS 22/25  
Damansara Jaya  
47400 Petaling Jaya, Selangor  
Tel : (03) 7729 5132/5137/3853  
Fax : (03) 7729 9169

**37) First Avenue, Bandar Utama**

Lot G.01A, Ground Floor, 1  
First Avenue Bandar Utama  
47800 Petaling Jaya, Selangor  
Tel : (03) 7728 3454/3470  
Fax : (03) 7728 3496

**38) Giant Kelana Jaya**

Lot F1, F2 and F3 Tingkat 1  
Giant Hypermarket  
No. 33 Jalan SS 6/12, SS6  
Kelana Jaya  
47301 Petaling Jaya, Selangor  
Tel : (03) 7804 3658  
Fax : (03) 7804 4048

**39) 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

**40) Damansara Utama**

2M & 2G Jalan SS 21/39  
Damansara Utama  
47400 Petaling Jaya, Selangor  
Tel : 1 300 888 742  
Fax : (03) 7726 2305



**CENTRAL REGION (CONTINUED)****41) Jalan Stesen, Kelang**

24 & 26, Jalan Stesen  
41000 Kelang, Selangor  
Tel : (03) 3371 9669/9652  
3372/7242  
Fax : (03) 3372 9613

**42) Jalan T. Amp Zabedah, Shah Alam**

16 & 18, Ground & First Floor  
Jln T. Amp Zabedah D9/D, Section 9  
40100 Shah Alam, Selangor  
Tel : (03) 5510 0559/5511  
4127/4128/5512 9829  
Fax : (03) 5513 1834

**43) Jenjarom**

M38 & M40, Jalan Besar  
42600 Jenjarom, Selangor  
Tel : (03) 3191 3422/3433/3477  
Fax : (03) 3191 4328

**44) Kajang**

25, Jalan Raja Harun  
Taman Hijau  
43000 Kajang, Selangor  
Tel : (03) 8736 0599/0177/  
2050/0225  
Fax : (03) 8733 8570

**45) 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

**46) Meru**

Lot 31 & 33, Jalan Batu 6,  
Pekan Meru, Meru  
41050 Kelang, Selangor  
Tel : (03) 3392 4501/4502/4503  
Fax : (03) 3392 4504

**47) 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

**48) 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

**49) Pandan Indah, Selangor**

Ground & Mezzanine Floor  
7 & 9, Jalan Pandan Indah 4/2  
55100 Pandan Indah, Selangor  
Tel : 1 300 888 742  
Fax : (03) 4295 7127

**50) Persiaran Sultan Ibrahim, Kelang**

33, Persiaran Sultan Ibrahim  
41300 Kelang, Selangor  
Tel : (03) 3342 0433/0434/0435  
Fax : (03) 3344 6405

**51) Port Klang**

Persiaran Raja Muda Musa  
42000 Pelabuhan Kelang  
Selangor  
Tel : (03) 3168 7142/7143/  
0337/0349  
Fax : (03) 3167 6533

**52) Rantau**

158 & 159, Jalan Besar  
71200 Rantau  
Negeri Sembilan  
Tel : (06) 694 1969/1589  
Fax : (06) 694 2690

**53) Rawang**

Ground, First & Second Floor  
10 & 11, Jalan Maxwell  
48000 Rawang, Selangor  
Tel : (03) 6092 5035/5036  
Fax : (03) 6092 4788

**54) Section 14, Petaling Jaya**

1, Jalan 14/20  
46100 Petaling Jaya, Selangor  
Tel : (03) 7957 4742/4460  
Fax : (03) 7955 6219

**55) Seri Kembangan, Selangor**

Lot 1484A & B, Jalan Besar  
43300 Seri Kembangan,  
Selangor  
Tel : (03) 8943 1455/1357/0276  
Fax : (03) 8943 0441

**56) SS2, PJ**

157 & 159, Jalan SS2/24  
Sg Way /Subang  
47300 Petaling Jaya, Selangor  
Tel : (03) 7875 3724/7895/3259  
7874 2994  
Fax : (03) 7875 6600

**57) Subang Jaya**

Lot 48-50 Jln SS15/4D  
Subang Jaya  
47500 Selangor  
Tel : (03) 5634 4970/4976/4973  
Fax : (03) 5634 4848

**58) Sungai Pelek**

76 & 77, Jalan Besar  
43950 Sungai Pelek, Selangor  
Tel : (03) 3141 1176/1394  
Fax : (03) 3141 1100

**59) 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

**60) Taman Megah, Petaling Jaya**

11 - 15, Jalan SS 24/11  
Taman Megah  
47301 Petaling Jaya, Selangor  
Tel : (03) 7804 1258/7481/  
7090/9040  
Fax : (03) 7804 1629

**61) 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

## Group Branch Network

**CENTRAL REGION (CONTINUED)****62) Taman Suntex, Selangor**

5 & 6, Jalan Kijang 1  
Taman Suntex, Batu 9  
43200 Cheras, Selangor  
Tel : (03) 9074 7888/7804  
Fax : (03) 9074 7879

**63) 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

**64) 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

**65) Tanjung Sepat**

1 & 3, Jalan Senangin Satu  
Taman Tanjung  
42809 Tanjung Sepat, Selangor  
Tel : (03) 3197 4035/4235/4788  
Fax : (03) 3197 4568

**66) 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

**67) 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

**68) 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

**69) Bandar Baru Nilai**

PT 7460 & 7461  
Jalan Bandar Baru Nilai 1/1A  
Putra Point, Bandar Baru Nilai  
71800 Nilai, Negeri Sembilan  
Tel : (06) 794 1006/1007/  
1008/1009  
Fax : (06) 799 6095

**70) Kuala Pilah**

Lots P.T. 9 & 10, Jalan Melewar  
72000 Kuala Pilah  
Negeri Sembilan  
Tel : (06) 481 1442/1513/3995  
Fax : (06) 481 6478

**71) Seremban**

10 & 11  
Jalan Dato' Abdul Rahman  
70000 Seremban  
Negeri Sembilan  
Tel : (06) 763 8623/8555  
762 5249  
Fax : (06) 762 0192

**72) Simpang Pertang**

15, Jalan Helang  
Taman Sri Pertang  
72300 Simpang Pertang  
Tel : (06) 492 9520/9550/9540  
Fax : (06) 492 9190

**73) Taipan Senawang**

No. 163 G & 164 G  
Taipan Senawang, Jalan  
Taman Komersil Senawang 1  
Taman Komersil Senawang  
70450 Seremban Negeri Sembilan  
Tel : (06) 678 1320/1318  
Fax : (06) 678 1477

**EAST COAST REGION****1) Air Puteh**

No. A237 & A239  
Jalan Air Putih,  
25300 Kuantan, Pahang  
Tel : 1 300 888 742  
Fax : (09) 5660214

**2) Bentong**

Lot 13 & 14, Jalan Loke Yew  
28700 Bentong, Pahang  
Tel : (09) 222 1648/1649  
Fax : (09) 222 5944

**3) Jerantut**

Lot 4360 & 4361, Jalan Kuantan  
27000 Jerantut, Pahang  
Tel : (09) 266 5900/5901  
Fax : (09) 266 5899

**4) Kuantan, Putra Square**

No. 2, 4, & 6 (Malay Town) ,  
Jalan Putra Square 1,  
Putra Square  
25000 Kuantan, Pahang  
Tel : 1 300 888 742  
Fax : (09) 5173501

**5) Mentakab**

Lot 94 & 95, Jalan Temerloh  
28400 Mentakab, Pahang  
Tel : (09) 278 1976/1971  
Fax : (09) 278 2034

**6) Raub**

Lot PT 16477 & 16478  
Pusat Perniagaan Indrapura,  
Jalan Tras  
27600 Raub, Pahang  
Tel : (09) 355 5077/5155  
Fax : (09) 355 2929

**7) Kemaman**

No 11289 & 11290  
Bandar Cukai Utama, Phase 3,  
Jalan Kubang Kurus  
24000 Kemaman Terengganu  
Tel : (09) 859 9000/9100  
Fax : (09) 859 9003

**8) Kerteh**

10B, Bandar Baru Kerteh  
24300 Kerteh, Terengganu  
Tel : (09) 826 1644/1645  
Fax : (09) 826 2171

**9) Kuala Dungun**

K231, Jalan Besar  
Kuala Dungun  
23000 Dungun, Terengganu  
Tel : 1 300 888 742  
Fax : (09) 848 2996

**10) Kuala Terengganu**

59, Jalan Sultan Ismail  
20200 Kuala Terengganu  
Terengganu  
Tel : 1 300 888 742  
Fax : (09) 622 9379

**EAST COAST REGION (CONTINUED)**

**11) Jln Kebun Sultan, Kota Bahru**  
Lot 1182-1183, Jln Kebun Sultan  
15350 Kota Bharu, Kelantan  
Tel : 1 300 888 742  
Fax : (09) 748 1788

**12) Pasir Mas**  
18A, Jalan Tengku Ahmad  
17000 Pasir Mas, Kelantan  
Tel : (09) 790 9088/8066  
Fax : (09) 790 2292

**13) Ketereh**  
Lot PT 383 & PT 384  
Kedai Ketereh, Bandar Ketereh  
16450 Ketereh, Kelantan  
Tel : (09) 788 6377/6376  
Fax : (09) 788 8721

**SOUTHERN REGION**

**1) Bandar Baru Uda**  
No. 14 & 16, Jalan Padi Emas 6/1  
Bandar Baru UDA  
81200 Johor Bahru, Johor  
Tel : (07) 234 0678/0729  
Fax : (07) 234 0680

**2) Batu Pahat**  
89, Jalan Rahmat  
83000 Batu Pahat, Johor  
Tel : (07) 431 7011/7022  
Fax : (07) 431 1077

**3) Bekok**  
G34 & G36, Jalan Wijaya  
86500 Bekok, Johor  
Tel : (07) 922 1639/1643  
Fax : (07) 922 1525

**4) Jalan Bandar, Pasir Gudang**  
10A, Pusat Perdagangan  
Jalan Bandar  
81700 Pasir Gudang, Johor  
Tel : (07) 251 1578/1573/  
6292/252 7717  
Fax : (07) 224 1264,

**5) Jalan Dato' Rauf, Kluang**  
18 & 20, Jalan Dato' Rauf  
86000 Kluang, Johor  
Tel : (07) 772 4111/4112  
Fax : (07) 772 4094

**6) Jalan Dedap**  
Taman Johor Jaya  
7 & 9, Jalan Dedap 18  
Taman Johor Jaya  
81100 Johor Bahru, Johor  
Tel : (07) 355 5226/5327/  
0844/3277  
Fax : (07) 355 5004

**7) Jementah**  
Ground Floor, MCA Building  
Jalan Muar  
85200 Jementah Johor  
Tel : (07) 947 1578/1353  
Fax : (07) 947 2404

**8) Johor Bahru City Square**  
Lot J1-22 & J2-31  
Level 1 & 2, Johor Bahru City Square  
106 & 108, Jalan Wong Ah Fook  
80000 Johor Bahru, Johor  
Tel : (07) 224 5333/0333  
223 0573  
Fax : (07) 224 1264

**9) Kulai**  
4 & 5, Taman Seraya  
Kulai Besar  
81000 Kulai Johor  
Tel : (07) 663 1911/1912  
Fax : (07) 663 2159

**10) Muar**  
9, Jalan Abdullah  
84000 Muar, Johor  
Tel : (06) 952 2234  
951 9080  
Fax : (06) 952 9503

**11) Permas Jaya, Johor**  
Ground Floor  
35 & 37, Jalan Permas 10/2  
Bandar Baru Permas Jaya  
81750 Johor Bahru, Johor  
Tel : (07) 388 6741/6744/6746  
Fax : (07) 388 6749

**12) Plentong, Masai Johor**  
Lot G-03, G-05 & 01-05  
Jalan Masai Jaya 1, Masai  
81750 Johor Bahru  
Johor  
Tel : (07) 352 7684/358  
2715/2716  
Fax : (07) 352 7689

**13) Pontian Kechil**  
192, Jalan Bakek  
Pontian Kechil  
82000 Pontian, Johor  
Tel : (07) 687 8368/8369/8123  
Fax : (07) 687 9107

**14) Segamat**  
110 & 111, Jalan Genuang  
85000 Segamat, Johor  
Tel : (07) 931 1366/1367/  
5442/5379  
Fax : (07) 932 3901

**15) Senai**  
180 & 181, Jalan Belimbing 1  
81400 Senai, Johor  
Tel : (07) 599 6960/6546/7154  
Fax : (07) 599 6913

**16) Simpang Renggam**  
8 & 9, Jalan Kijang  
86200 Simpang Renggam  
Johor  
Tel : (07) 755 8531/8532/7366  
Fax : (07) 755 8262

**17) Taman Molek**  
56 & 58, Jalan Molek 2/2  
Taman Molek  
81100 Johor Bahru, Johor  
Tel : (07) 351 4653/4642/4643  
Fax : (07) 351 4649

**18) Taman Mount Austin**  
No. 87 & 89  
Jalan Austin Heights 3,  
Austin Heights  
Taman Mount Austin  
81100 Johor Bahru  
Tel : (07) 353 9648/9649/  
9659/9579  
Fax : (07) 353 9566

**19) Taman Nusa Bestari**  
No. 22 & 24, Jalan Bestari 2/2  
Taman Nusa Bestari  
81300 Johor Bahru, Johor  
Tel : 1 300 888 742  
Fax : (07) 236 9029

## Group Branch Network

**SOUTHERN REGION (CONTINUED)****20) Taman Pelangi, Johor**

Suite 1-2, Level 1  
Menara Pelangi  
2, Jalan Kuning  
Taman Pelangi  
80400 Johor Bahru, Johor  
Tel : (07) 334 3476/3481  
Fax : (07) 334 3482

**21) Taman Sentosa, Johor**

9 & 11, Jalan Sutera  
Taman Sentosa  
80150 Johor Bahru, Johor  
Tel : (07) 332 2243/2244/2246  
Fax : (07) 334 9441, 3327251

**22) Taman Ungku Tun Aminah**

62, 64 & 66  
Jalan Bendahara 12  
Taman Ungku Tun Aminah  
81300 Sekudai, Johor  
Tel : (07) 557 1477/1097/  
9926/1790  
Fax : (07) 557 1553

**23) Tangkak**

351 & 352, Jalan Muar  
84900 Tangkak, Johor  
Tel : (06) 978 6588/6591  
Fax : (06) 978 6592

**24) Ulu Tiram**

1 & 2, Jalan Raya  
81800 Ulu Tiram, Johor  
Tel : (07) 861 3002/7609/3003  
Fax : (07) 861 4088

**25) Yong Peng**

106, Jalan Besar  
83700 Yong Peng, Johor  
Tel : (07) 467 1006/1146  
Fax : (07) 467 5137

**26) 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

**27) Jalan Hang Tuah, Melaka**

477, Plaza Melaka  
Jalan Hang Tuah  
75300 Melaka  
Tel : (06) 284 0473/0476  
Fax : (06) 284 4699

**28) Melaka Raya**

(Formerly known as Kota Melaka)  
No. 19, 21 & 23, Jalan Merdeka  
Taman Melaka Raya  
75000 Melaka  
Tel : (06) 282 5030/5029  
Fax : (06) 282 5076

**SABAH REGION****1) 1-Borneo Hypermall**

Kota Kinabalu  
Lot No: G-203, Ground Floor  
1-Borneo Hypermall  
Jalan Sulaman  
88450 Kota Kinabalu  
Tel: (088) 488 677/982/986  
Fax: (088) 488 678

**2) Inanam, Sabah**

Blok L DBKK No. 1, 2 & 3,  
Lorong KK Taipan 3  
Inanam New Township,  
88450 Inanam, Kota Kinabalu  
Sabah  
Tel : (088) 422 883/423 350  
Fax : (088) 423 011

**3) Jalan Gaya, Kota Kinabalu**

81 /83, Jalan Gaya  
88000 Kota Kinabalu, Sabah  
Tel : (088) 216 188/213 982  
Fax : (088) 235 871

**4) Jalan Tun Mustapha, Labuan**

Lot 1 & 2, Jati Shop Houses  
Off Jalan Tun Mustapha  
87007 Labuan  
Wilayah Persekutuan Labuan  
Tel : (087) 414 822/810  
Fax : (087) 414 449

**5) Lahad Datu, Sabah**

Lot 1 & 2, Block A  
Metro Commercial Complex  
91100 Lahad Datu, Sabah  
Tel : (089) 886 159/418  
Fax : (089) 886 163

**6) 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

**7) 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

**8) Tawau, Sabah**

Ground & First Floor  
Lot 5 Block 27 Fajar Complex  
Jalan Mahkamah  
Town Extension II  
91000 Tawau, Sabah  
Tel : (089) 777 355/233  
Fax : (089) 764 684/765 254

**9) Wisma Khoo, Sandakan**

Sub Lot 1 - 7, Ground Floor  
Wisma Khoo Siak Chiew  
Lebuh Tiga, Jalan SimSim  
Mail Bag No 4  
90009 Sandakan, Sabah  
Tel : (089) 218 777 /213191  
Fax : (089) 271 246

**SARAWAK REGION****1) Batu Kawah , Kuching**

Bd 104/204 & 105/205  
Batu Kawah New Township  
Jalan Batu Kawa  
93250 Kuching Sarawak  
Tel : (082) 455 650/450 487  
Fax : (082) 459 790

**2) Boulevard Centre, Miri**

Ground Floor Lot 2469 & 2470  
Boulevard Commercial Centre  
Jalan Boulevard Utama  
98000 Miri, Sarawak  
Tel : (085) 429 880  
Fax : (085) 429 881

**SARAWAK REGION (CONTINUED)**

- 3) Dalat, Sarawak**  
Ground Floor  
Pejabat Daerah Dalat  
96300 Dalat, Sarawak  
Tel : (084) 864 841/842  
Fax : (084) 864 824
- 4) Jalan Kulas, Kuching**  
Ground Floor Lot 363  
Section Jalan Kulas  
P O Box 2049  
93740 Kuching, Sarawak  
Tel : (082) 419 050/426 586  
Fax : (082) 426 160
- 5) Jalan Masjid, Bintulu**  
Ground Floor & 1st Floor  
258 Taman Sri Dagang  
Jalan Masjid  
97000 Bintulu, Sarawak  
Tel : (086) 331 133  
Fax : (086) 331 692
- 6) Jalan Nakhoda Gampar, Miri**  
Lot 362, Block 9  
Jln Nakhoda Gampar  
P O Box 1142  
98008 Miri, Sarawak  
Tel : (085) 411 882  
Fax : (085) 415 682
- 7) Jalan Padungan, Kuching**  
256, Jalan Padungan  
93100 Kuching, Sarawak  
Tel : (082) 423 216/252 088  
Fax : (082) 415 453/428 717
- 8) Jalan Tunku Osman, Sibul**  
No 31, Jln Tuanku Osman  
P O Box 26  
96007 Sibul Sarawak  
Tel : (084) 314 455  
Fax : (084) 310 546
- 9) Kanowit, Sarawak**  
Lots 127 & 128  
No 65-66 Jalan Kubu  
Kanowit Town District  
96700 Kanowit, Sarawak  
Tel : (084) 752 700  
Fax : (084) 752 711
- 10) Kapit, Sarawak**  
Lot 504 Jalan  
Temenggonglugah  
96800 Kapit, Sarawak  
Tel : (084) 797 771  
Fax : (084) 797 775
- 11) Lawas, Sarawak**  
Lot No 355  
Jalan Punang  
98850 Lawas  
Tel : (085) 285 657/659  
Fax : (085) 285 529
- 12) Limbang, Sarawak**  
Lot 1563 Jalan Buangsiol,  
98700 Limbang, Sarawak  
Tel : (085) 212 398/399  
Fax : (085) 211 022
- 13) Lundu, Sarawak**  
Lot 249-250  
Jalan Blacksmith Pekan Lundu  
94500 Lundu, Sarawak  
Tel : (082) 735 611  
Fax : (082) 735 220
- 14) Marudi, Sarawak**  
Lot 29, Jalan Kapitan Lim Ching Kiat,  
Marudi  
98050, Baram, Sarawak  
Tel : (085) 756 721/722  
Fax : (085) 756 724
- 15) Matang Jaya, Kuching**  
Lot 25, 26 & 27, Section 65,  
Kuching Town Land District  
Taman Lee Ling Commercial Centre  
93050 Matang Jaya  
Kuching, Sarawak  
Tel : (082) 647 718/719  
Fax : (082) 647 900
- 16) Sarikei, Sarawak**  
Lot 1468  
Repok Road  
P O Box 738  
96108 Sarikei, Sarawak  
Tel : (084) 657 030  
Fax : (084) 657 036
- 17) Sg. Merah, Sibul**  
No. 1 & 3, Lorong Sungei  
Merah, 2C  
96000 Sibul, Sarawak  
Tel : 1 300 888 742  
Fax : (084) 331 869
- 18) Siburan, Sarawak**  
No 12 & 13, Eastern  
Commercial Centre  
17th Mile, Kuching Serian Road  
94200 Siburan, Sarawak  
Tel : (082) 862 808  
Fax : (082) 862 880
- 19) Simpang Tiga, Kuching**  
No 11, Jln Simpang Tiga  
P O Box 3000  
93758 Kuching, Sarawak  
Tel : (082) 417 817/411 817  
Fax : (082) 420975
- 20) Sri Aman, Sarawak**  
Lot 839, Jalan Sabu  
95000 Sri Aman, Sarawak  
Tel : (083) 320 979/980  
Fax : (083) 320 975
- 21) 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
- 22) UNISQUARE,  
Kota Samarahan, Kuching**  
Ground Floor, No. 12 & 13,  
Lot 5608 & 5609 Unisquare  
94300, Kota Samarahan  
Kuching, Sarawak  
Tel : (082) 619 622/860  
Fax : (082) 618 261
- 23) Wisma Mahmud, Kuching**  
Level 1  
Wisma Mahmud  
Jalan Sungei Sarawak  
93100 Kuching, Sarawak  
Tel : (082) 345 345/610  
Fax : (082) 338 358

## Group Branch Network

## INTERNATIONAL BRANCHES

## SINGAPORE BRANCHES

- 1) **Bukit Merah**  
Blk 131, Jalan Bukit Merah  
#01-1577 /1579  
Singapore 160131  
Tel : (65) 6273 9168  
(65) 6278 5388  
Fax : (65) 6273 7765
- 2) **Bukit Timah**  
440/442 Upper Bukit Timah Road  
The Rail Mall, Singapore 678064  
Tel : (65) 6765 1678  
(65) 6769 1766  
Fax : (65) 6762 4032
- 3) **Cecil Street**  
90 Cecil Street, #01-00  
Singapore 069531  
Tel : (65) 6320 0603  
(65) 6320 0602  
Fax : (65) 6225 5296
- 4) **Geylang**  
537 Geylang Road  
Singapore 389492  
Tel : (65) 6747 8969/8966  
Fax : (65) 6747 1015
- 5) **Jalan Besar**  
10 Jalan Besar, #01 -03  
Sim Lim Tower  
Singapore 208787  
Tel : (65) 6296 5842/6233  
Fax : (65) 6296 5846
- 6) **Katong**  
14-18 East Coast Road  
Singapore 428741  
Tel : (65) 6344 5353/8044  
Fax : (65) 6345 7131
- 7) **Upper Serangoon**  
1 Yio Chu Kang Road  
Singapore 545506  
Tel : (65) 6288 8053  
(65) 6288 8054  
Fax : (65) 6285 4685

## BRUNEI BRANCH

- 1) **RHB Bank Berhad**  
Unit G.02, Ground Floor  
Block D, Kompleks Yayasan  
Sultan Haji Hassanal Bolkiah  
Jalan Pretty.  
Bandar Seri Begawan IBS 8711  
Negara Brunei Darussalam  
Tel : (673) 222 2515/2516/3687  
Fax : (673) 223 7487

## THAILAND BRANCH

- 1) **RHB Bank Berhad**  
G Fl./18 FL. M. Thai Tower  
All Seasons Place  
87 Wireless Road  
Lumpini, Pathumwan  
Bangkok 10331  
Tel : (662) 126 8668  
Fax : (662) 126 8601

## RHB ISLAMIC BANK BERHAD

- 1) **RHB Islamic Bank Bhd**  
Caw. Utama Kuala Lumpur  
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) **RHB Islamic Bank Bhd,  
Bandar Baru Bangi**  
No.39-G-1  
Jalan Medan Pusat Bandar 4  
43650 Bandar Baru Bangi  
Tel : (03) 8926 5433  
Fax : (03) 8926 3343
- 3) **RHB Islamic Bank Bhd, Kelana Jaya**  
A-G-03, Jalan SS6/5A  
Dataran Glomac  
Pusat Bandar Kelana Jaya  
47301 Kelana Jaya  
Selangor  
Tel : (03) 7805 7500  
Fax : (03) 7805 7600
- 4) **RHB Islamic Bank Bhd, Klang**  
No 1, Jalan Bayu Tinggi 6  
Taman Bayu Tinggi  
41200 Kelang  
Selangor Darul Ehsan  
Tel : (03) 3326 2255  
Fax : (03) 3325 9522

5) **RHB Islamic Bank Bhd,  
Jalan Raja Laut**

Lot G-04, Ground Floor  
Bangunan KWSP  
No. 5, Jalan Raja Laut  
50350, Kuala Lumpur  
Tel : (03) 2693 6300  
Fax : (03) 2693 7300

6) **RHB Islamic Bank Bhd,  
Kota Kinabalu**

Lot BG-01, Ground Floor  
Block B, Bangunan KWSP  
No. 49, Jalan Karamuning  
88100 Kota Kinabalu, Sabah  
Tel : (088) 245 777  
Fax : (088) 234 499

7) **RHB Islamic Bank Bhd,  
Kuala Terengganu**

Unit 20, Pusat Niaga Paya Keladi  
20000 Kuala Terengganu  
Terengganu  
Tel : (09) 630 5757/5556/5577  
Fax : (09) 630 5533

8) **RHB Islamic Bank Bhd, Kubang  
Kerian**

Lot 1679  
Jalan Raja Perempuan Zainab 2  
Bandar Baru Kubang Kerian  
16150 Kota Bharu Kelantan  
Tel : (09) 7640 211/222/223  
Fax : (09) 7640 700

9) **RHB Islamic Bank Bhd,  
Jalan Satok Kuching**

Grd Floor, Lot 474 & 475  
Section 6, KTL D  
192-E & 192-F, Jalan Satok  
93400 Kuching Sarawak  
Tel : (082) 258 800  
Fax : (082) 243 900

10) **RHB Islamic Bank Bhd,  
Auto City Prai**

No. 1808 – 1809B  
Jalan Perusahaan  
Auto City Prai  
North-South Highway  
Juru Interchange  
13600 Prai  
Tel : (04) 508 0500  
Fax : (04) 501 6700

**RHB ISLAMIC BANK BERHAD  
(CONTINUED)****11) RHB Islamic Bank Bhd,  
Taman Flora Utama**

Ground Floor, No. 1 & 2  
Jalan Flora Utama 1  
Taman Flora Utama  
83000 Batu Pahat Johor  
Tel : (07) 433 6777  
Fax : (07) 433 4848

**12) RHB Islamic Bank Bhd, Taman Setia  
Tropika**

No. 1 Jalan Setia Tropika 1/30  
Taman Setia Tropika  
81200 Johor Bahru  
Johor Darul Takzim  
Tel : (07) 238 0078/0081/  
0085/0094  
Fax : (07) 238 0012

**RHB INSURANCE BERHAD****1) HEAD OFFICE**

Level 8, Tower One, RHB Centre  
P.O. Box 10835  
Jalan Tun Razak  
50726 Kuala Lumpur  
Tel : (03) 9281 2731  
Fax : (03) 9281 2729  
Website: www.rhb.com.my

**3) IPOH**

No. 37, Jalan Medan Ipoh 5  
Bandar Baru Medan Ipoh  
31400 Ipoh Perak  
Tel : (05) 546 3123/2021  
Fax : (05) 546 1303

**4) JOHOR BAHRU**

31, 33 Jalan Permas 10/2  
Bandar Baru Permas Jaya  
81750 Johor Bahru, Johor  
Tel : (07) 381 3170  
Fax : (07) 381 3199

**5) KAJANG**

No. 7, Jalan Raja Haroun  
43000 Kajang Selangor  
Tel : (03) 8733 6479  
(03) 8737 6067  
Fax : (03) 8737 9348

**6) KLANG**

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 BHARU**

Lot 344, Ground Floor  
Jalan sultan Yahya Petra  
15200 Kota Bahru, Kelantan  
Tel : (09) 746 1611  
Fax : (09) 746 1612

**8) KOTA KINABALU**

Lot no. C-02-06  
2nd Floor, Block C  
Warisan Square  
Jalan Tun Fuad Stephens  
88000 Kota Kinabalu Sabah  
Tel : (088) 528 769  
Fax : (088) 528 770

**9) KUANTAN**

No. 2, 4 & 6 (Malay Town)  
Jalan Putra Square 1, Putra Square  
25200 Kuantan Pahang  
Tel : (09) 505 7048  
Fax : (09) 505 7046

**10) KUCHING**

Lot 7420 1st & 2nd Floor  
No. 11, Jalan Simpang tiga  
P.O. Box 3000  
93758 Kuching Sarawak  
Tel : (082) 236 643  
(082) 234 643  
(082) 235 643  
Fax : (082) 230 643

**11) MELAKA**

No 339  
Jalan Melaka Raya 3  
Taman Melaka Raya  
75000 Melaka  
Tel : (06) 282 9978  
(06) 283 9460  
Fax : (06) 282 0516

**12) PULAU PINANG**

2nd Floor, RHB Bank  
44, Leboh Pantai  
10300 Penang  
Tel : (04) 261 0115 (Main Line)  
(04) 261 5639  
(04) 262 5649/1206  
Fax : (04) 261 6310

**13) SIBU**

No. 27-29, 1st Floor  
Jalan Tuanku Osman  
96000 Sibu, Sarawak  
Tel : (084) 331 660/876  
Fax : (084) 331 873

**14) MIRI**

Lot 362, Block 9, 2nd Floor  
Jalan Nakhota Gampar  
98000 Miri, Sarawak  
Tel : (085) 431 160  
(085) 411 661  
Fax : (085) 422 031

**15) SANDAKAN**

1st Floor Block 7, Lot 64, 65 & 66  
Phase 1, Prima Square  
Mile 4, Jalan Utara  
90000 Sandakan, Sabah  
Tel : (089) 235 893/898  
Fax : (089) 275 882

**RHB INVESTMENT MANAGEMENT  
SDN BHD****1) Head Office**

Level 7, Tower One, RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : (03) 9286 2666  
Fax : (03) 9286 2407

**2) Northern Regional Office**

Level 3A, 44 Leboh Pantai  
Georgetown  
10300 Pulau Pinang  
Tel : (04) 263 4848  
Fax : (04) 262 8844

**3) Sarawak Regional Office**

Lot 7418, First Floor  
Jalan Simpang Tiga  
93300 Kuching, Sarawak  
Tel : (082) 231 326  
Fax : (082) 230 326

## Group Branch Network

**RHB INVESTMENT MANAGEMENT SDN BHD (CONTINUED)****4) Sabah Regional Office**

Lot No. C-02-04, 2nd Floor  
Block C, Warisan Square  
Jalan Tun Fuad Stephens  
88000 Kota Kinabalu, Sabah  
Tel : (088) 528 777  
Fax : (088) 528 685

**RHB INVESTMENT BANK BERHAD****1) Head Office**

Level 13, Tower 3  
RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : (03) 9287 3888

**2) Melaka Branch**

Lot 19, 21 & 23 Jalan Merdeka  
Taman Melaka Raya  
75000 Melaka  
Tel : (06) 283 3622  
Fax : (06) 284 9886

**3) Kuching Desk Office**

Suite 102, 1st Floor  
Crown Tower  
88 Jalan Pending  
93450 Kuching Sarawak  
Tel : (082) 332 898  
Fax : (082) 335 989

**ASSOCIATE COMPANY****1) Vietnam Securities Corporation**

8th Floor 59 Quang Trung Street  
Nguyen Du Ward  
Hai Ba Trung District, Hanoi  
Vietnam  
Tel : (84) 4 9446 066/67/68/69  
Fax : (84) 4 9446 070

**BUREAU DE CHANGE****1) KLCC**

Lot LC-CO3, Concourse Floor  
Suria KLCC  
Kuala Lumpur City Centre  
50088 Kuala Lumpur  
Tel : (03) 2166 0875  
Fax : (03) 2164 6213

**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) Low Cost Carrier Terminal**

(LCCT) -KLIA, Lot LCIA O1  
International Arrival Hall  
Low Cost Carrier Terminal  
Kuala Lumpur International Airport  
Tel : (03) 8787 4351  
Fax : (03) 8787 4352

**5) Kota Raya Complex**

Lot G17, Ground Floor  
Kota Raya Complex  
Jalan Cheng Lock  
50000 Kuala Lumpur  
Tel : (03) 2072 0881  
Fax : (03) 2074 1910

**6) Taman Sentosa, Johor**

9 & 11, Jalan Sutera  
Taman Sentosa  
80150 Johor Bahru, Johor  
Tel : (07) 332 2243/2244/2246  
Fax : (07) 334 9441

**EASY STANDALONE****1) Easy-RHB Bandar Baru Air Itam**

Lot No 65A, Lintang Astana  
Bandar Baru Air Itam  
11500 Air Itam, Pulau Pinang

**2) Easy-RHB Tanjong Malim**

Jalan Bunga Anggerik  
Taman Bunga Raya  
35900 Tanjong Malim, Perak

**3) Easy-RHB E-Mart Commercial Centre**

Lt N51-N53, E Mart Commercial Ctr  
Lt 2892, Blk 6  
K.Baram Land Distr. Tudan  
98100 Miri, Sarawak

**4) Easy-RHB Sepanggar**

Lot No 03, Ground Floor  
The Urban Mini Mall  
Taman Indah Permai  
Jalan Sepanggar  
88450 Kota Kinabalu, Sabah

**5) Easy-RHB Paka**

L125, Taman Seri Bayu  
Jalan Besar, 23100 Paka  
Dungun, Trengganu

**6) Easy-RHB Giant Hypermarket Bayan Baru**

Lot F18, Mezzanine Floor  
Giant Hypermarket Bayan Baru  
No 78, Jalan Tengah, Bayan Baru  
11900 Bayan Lepas, Pulau Pinang

**7) Easy-RHB AEON Rawang Shopping Centre**

Lot G20, AEON Rawang Shopping Centre  
48000 Rawang, Selangor

**8) Easy-RHB Pusat Perdagangan Alam Jaya**

No 29, Jalan PPAJ 3/1  
Pusat Perdagangan Alam Jaya  
Bandar Puncak Alam  
42300 Kuala Selangor  
Selangor Darul Ehsan

**9) Easy-RHB Balik Pulau**

Lot No 43, Jalan Tun Sardon  
Mukim 6, 11000 Balik Pulau  
Pulau Pinang

**10) Easy-RHB 9 Avenue**

Lot 17, Ground Floor, 9 Avenue  
Taman Korporat, Putra Nilai  
71800 Nilai, Negeri Sembilan

**12) Easy-RHB AEON AU2**

Lot G13, Ground Floor  
AEON AU2 Shopping Centre  
No.6 Jalan Taman Setiawangsa AU2  
Taman Keramat  
54200 Kuala Lumpur.

**13) Easy-RHB AEON Melaka**

Lot F62, AEON Bandaraya  
Melaka Shopping Centre  
No. 2 Jalan Lagenda  
Taman 1-Lagenda  
75400 Melaka



## Group Branch Network

**EASY STANDALONE (CONTINUED)**

- 14) Easy-RHB AEON Seberang Prai**  
City Shopping Centre  
Lot F68, AEON Seberang Prai City  
Shopping Centre Perdana Mall  
Jalan Perda Timur  
14000 Bukit Mertajam  
Seberang Prai Tengah
- 15) Easy-RHB AEON Taman Equine**  
Lot G20, Ground Floor  
AEON Taman Equine  
Shopping Centre  
No 2 Jalan Equine  
Taman Equine, Bandar Putra Permai  
43300 Seri Kembangan  
Selangor
- 16) Easy-RHB Aman Suria**  
J-19-G, Jalan PJU 1/43  
Aman Suria  
47301 Petaling Jaya Selangor
- 17) Easy-RHB Amcorp Mall**  
Lot G-02A, Amcorp Mall, No 18,  
Jalan Pesiaran Barat  
40650 Petaling Jaya, Selangor
- 18) Easy-RHB Baling**  
PT 1301, HSD 133, Mukim Baling  
Lot 1301 Jln Badlishah  
09100 Baling, Kedah
- 19) Easy-RHB Bandar Baru Air Itam**  
Lot No 65A, Lintang Astana  
Bandar Baru Air Itam  
11500 Air Itam, Pulau Pinang
- 20) Easy-RHB Bandar Baru Bangi**  
No. 41, Jalan Medan Pusat  
2D, 3B Curve, Persiaran Bangi  
43650 Bandar Baru Bangi  
Selangor
- 21) Easy-RHB Bandar Baru**  
Selayang, No 9, Jalan 2/8  
Bandar Baru Selayang  
68100 Batu Caves Selangor
- 22) Easy-RHB Bandar Indera**  
Mahkota, Lot B154,  
Lorong IM8/33 Bandar  
Indera Mahkota  
25200 Kuantan, Pahang
- 23) Easy-RHB Bandar Sri Permaisuri**  
No.51, Jalan Dwitasek 1  
Dataran Dwitasek  
Bandar Sri Permaisuri  
56000 Cheras Kuala Lumpur
- 24) Easy-RHB Bandar Tasik Selatan**  
No. 43, Jalan 8/146, Bandar  
Tasik Selatan  
56000 Kuala Lumpur
- 25) Easy-RHB Bandar Tun Hussein Onn**  
No 50, Jalan Suarasa 8/4  
Town Park 1  
Bandar Tun Hussein Onn  
43200 Cheras
- 26) Easy-RHB Banting**  
No. 19-A-G  
Jalan Sultan Abdul Samad  
42700 Banting
- 27) Easy-RHB Batu Pahat**  
No 33, Jalan Kundang  
Taman Bukit Pasir  
83000 Batu Pahat, Johor
- 28) Easy-RHB Bertam**  
No. 2 Jalan Dagangan 2  
Pusat Bandar Bertam Perdana  
13200 Kepala Batas  
Seberang Perai Utara  
Pulau Pinang
- 29) Easy-RHB Boulevard Shopping Mall**  
Lot G-B-18  
Boulevard Shopping Mall Kuching  
Jalan Datuk Tiwi Sli  
93250 Kuching, Sarawak
- 30) Easy-RHB Chemor**  
32, Laluan Chemor Sinaran  
Desa Chemor Sinaran  
31200 Chemor, Perak
- 31) Easy-RHB Citta Mall**  
Lot No G35, Ground Floor Citta  
Mall, 1A/48, PJU 1A  
Ara Damansara  
47301 Petaling Jaya, Selangor
- 32) Easy-RHB Dataran Puteri Puchong**  
No.20, Jalan Puteri 1/2,  
Dataran Puteri  
47100 Puchong
- 33) Easy-RHB Dengkil**  
No. 1, Jalan Deluxe  
Pusat Perdagangan Deluxe  
43800 Dengkil, Selangor
- 34) Easy-RHB Desa Pandan**  
No. 9-G, Jalan 2/76C  
Desa Pandan  
55100 Kuala Lumpur
- 35) Easy-RHB Gerik**  
90, Jalan Takong Datuk  
33000 Gerik, Perak
- 36) Easy-RHB Giant Bukit Tinggi**  
Lot A22, Persiaran Batu Nilam  
Bandar Baru Bukit Tinggi 1  
Jalan Langat  
41200 Klang Selangor
- 37) Easy-RHB Giant Hypermarket Cheras**  
Lot F6 & F7,  
Giant Hypermarket Cheras  
Batu 9, Grand Saga Highway  
(Cheras - Kajang Highway)  
43200 Cheras, Selangor
- 38) Easy-RHB Giant Hypermarket Kelombong**  
Lot G15, Giant Hypermarket  
Kelembong, Batu 5.5  
Jalan Tuaran, Kelembong  
88400 Kota Kinabalu, Sabah
- 39) Easy-RHB Giant Hypermarket Kota Padawan**  
Lt G9, Giant Hypermarket  
Kota Padawan  
Lt 1731, Block 17  
KCLD at 10th Mile  
Kuching-Serian Road  
93250 Kota Padawan  
Kuching Sarawak
- 40) Easy-RHB Giant Hypermarket Kota Terengganu**  
Lot G56, Giant Hypermarket  
K.Trganu, H.S (D) 6917  
Lot PT 1485, Mukim Cabang Tiga  
Jalan Padang Hiliran  
21100 K.Terengganu, Trengganu
- 41) Easy-RHB Giant Hypermarket Sibul**  
Lot F23, Giant Hypermarket Sibul,  
Lot 1304, Block 3  
Sg. Merah Town District  
Jalan Ling Kai Cheng  
96000 Sibul, Sarawak

## Group Branch Network

**EASY STANDALONE (CONTINUED)**

- 42) Easy-RHB Giant Hypermarket Tabuan Jaya**  
Lot G9, Giant Hypermarket Tabuan Jaya, Block 11, All Muara Tebas Land District 93350 Kuching, Sarawak
- 43) Easy-RHB Giant Hypermarket Tampoi**  
Lot B9, Giant Hypermarket Tampoi, Lot 54, Jalan Skudai 81200 Tampoi, Johor Bahru Johor
- 44) Easy-RHB Giant Hypermarket Tawau**  
Lot G10, Ground Floor CL 105466055, KM 5 1/2 Jalan Chong Tien Vun Off Jalan Apas 91000 Tawau Sabah
- 45) Easy-RHB Giant Kemuning Utama**  
Lot F38 & F14 Giant Kemuning Utama, Kemuning Utama, Shah Alam
- 46) Easy-RHB, Giant Kinrara**  
Lot F34, 1st Floor Giant Hypermarket Bandar Kinrara Complex Lot 449, Jalan BK 5A/1 Bandar Kinrara 47180 Puchong, Selangor
- 47) Easy-RHB Giant Lukut**  
Lot G8 Giant Superstore Lukut Jalan Dataran Segar 71000 Port Dickson Negeri Sembilan
- 48) Easy-RHB Giant Muar**  
Lot G1, Ground Floor Giant Hypermarket Muar Lot 6530, Jalan Rivera Maharani Rivera Kesang 84000 Muar, Johor
- 49) Easy-RHB Giant Plentong**  
Lot B24, Giant Hypermarket Plentong 81750 Masai, Johor
- 50) Easy-RHB Giant Putra Heights**  
Lot F25, Giant Hypermarket Putra Heights No 3, Pesiaran Putra Perdana 47650 Putra Heights, Selangor
- 51) Easy-RHB Giant Senawang**  
Lot B42-B44 Giant Hypermarket Senawang 1571, Jalan Senawang 70450 Senawang Negeri Sembilan
- 52) Easy-RHB Giant Sunway City**  
Giant Superstore Sunway City No 2, Jalan SCI 2/2 Sunway City 31150 Ipoh, Perak
- 53) Easy-RHB Gurun**  
18M, Jalan Raya 08300 Gurun Kedah
- 54) Easy-RHB Jasin**  
Ground Floor, JA 9944, Bangunan Yayasan Jasin Bandar Baru Jasin 3 77000 Jasin, Melaka
- 55) Easy-RHB Jengka**  
No 29, Kedai 20 Unit Lorong Baiduri 1, Nadi Kota 26400 Jengka, Pahang
- 56) Easy-RHB Jertih**  
PT 226, Tingkat Bawah PK Permint, Pekan Jertih 22000 Jertih, Trengganu
- 57) Easy-RHB Johor Bahru Sentral**  
Level 2, Bus & Taxi Bay Johor Bahru Sentral Building Jalan Limquee 80300 Johor Bahru
- 58) Easy-RHB Jusco Skudai**  
Lot LG27, JUSCO Taman Universiti Shopping Centre No 4, Jalan Pendidikan Taman Universiti 81300 Skudai, Johor
- 59) Easy-RHB Kamunting**  
13, Tingkat Bawah Laluan Kamunting 1 Bandar Kamunting 36400 Kamunting Taiping Perak
- 60) Easy-RHB Kapar, Klang**  
No.266, Jalan KU 3 Jalan Besar Kapar 42200 Pekan Kapar, Klang
- 61) Easy-RHB KIP Mart Kota Tinggi**  
Lot 585, KIP Mart Kota Tinggi No 1, Jalan Maju 81900 Kota Tinggi Johor
- 62) Easy-RHB Kluang Mall**  
Lot G-05, Kluang Mall Jalan Rambutan Bandar Kluang 86000 Kluang, Johor
- 63) Easy-RHB Kompleks Arau**  
Lot G15, Ground Floor Kompleks Arau 02600 Arau Perlis
- 64) Easy-RHB Kompleks Changloon**  
Lot G16 & G17 Kompleks Changloon, 06100 Changloon Kedah
- 65) Easy-RHB Kompleks Teruntum**  
Lot G19, Ground Floor Kompleks Teruntum Jalan Mahkota 25000 Kuantan Pahang
- 66) Easy-RHB Kota Bharu Trade Centre**  
Lot LG02, Kota Bharu Trade Centre 15000 Kota Bharu Kelantan
- 67) Easy-RHB Kota Damansara**  
No 43-G, Jalan Cecawi 6/33 Seksyen 6, Kota Damansara 47800 Petaling Jaya, Selangor

**EASY STANDALONE (CONTINUED)****68) Easy-RHB KSL City**

Taman Abad, Johor Bahru  
Lot LG-59, Lower Ground KSL City  
33, Jalan Seladang, Taman Abad  
80250, Johor Bahru Johor

**69) Easy-RHB Kuala Krai**

No. 94, Jalan Chin Hwa  
18000 Kuala Krai, Kelantan

**70) Easy-RHB Kuala Selangor**

Ground Floor, No. 32 Jalan  
Bendahara 1/1 (P.T. No. 1299)  
Taman Bendahara  
45000 Kuala Selangor, Selangor

**71) Easy-RHB Larkin Perdana**

No 31-G, Susur Dewata 1,  
Larkin Perdana  
80350 Johor Bahru, Johor

**72) Easy-RHB M-Avenue**

No C-O-07, M-Avenue  
No. 1 Jalan 1/38A  
Segambut Bahagia  
52100 Kuala Lumpur

**73) Easy-RHB Megalong Mall**

Lot G-106, Megalong Mall  
Donggongon, Donggongon  
New Township, Phase 3  
89500 Kota Kinabalu, Sabah

**74) Easy-RHB Megamal Pinang**

Lot G-99, Megamal Pinang  
Shopping Complex, No. 2828  
Jalan Baru, Bandar Perai Jaya  
13700 Perai, Pulau Pinang

**75) Easy-RHB Menara UOA Bangsar**

Unit No LGF 2, Menara UOA  
Bangsar, Jalan Bangsar  
Kuala Lumpur

**76) Easy-RHB Metro Point Kajang**

G 22, Ground Floor  
Metro Point Complex  
Seksyen 7  
43000 Kajang Selangor

**77) Easy-RHB Mydin Bukit Jambul**

Lot LGB-18, Lower Ground  
Mydin Wholesale Hypermarket  
Bukit Jambul  
Bukit Jambul Kompleks  
Jalan Rumbia  
11900 Pulau Pinang

**78) Easy-RHB Mydin Kubang Kerian**

Lot G-07, Mydin Hypermarket  
Kubang Kerian  
Lot 1681, Seksyen 54  
Jalan Raja Perempuan Zainab II  
Kubang Kerian  
16150 Kota Bharu, Kelantan

**79) Easy-RHB Mydin Subang Jaya**

Lot F36, Mydin Wholesale  
Hypermarket, Lot No 675 & 676  
Pesiaran Subang Permai, USJ 1  
47500 Subang Jaya Selangor

**80) Easy-RHB Pasar Raya Terus Maju**

Lot A5, Pasar Raya Terus Maju Batu 6  
No A5, Lorong Seri Damai Perdana 1  
KM 8, Jalan Gambang  
25150 Kuantan, Pahang

**81) Easy-RHB Pekan**

Retail Lot No 3, Bangunan  
UMNO Pekan, Jalan Engku  
Muda Mansur, 26600 Pekan  
Pahang

**82) Easy-RHB Pelangi Square Damansara**

B-G-23 Grd Flr  
Building No. Lot 23  
Block B, Pusat Perdagangan Pelangi  
Pesiaran Surian PJU 6  
Petaling Jaya  
47800, Selangor

**83) Easy-RHB Pengkalan Chepa**

Ground Floor, PT 1079  
Taman Bendahara  
Jalan Pengkalan Chepa  
16100 Kota Bharu, Kelantan

**84) Easy-RHB Pesiaran Sultan Abdul Hamid**

Ground Floor, No 29  
Kompleks Perniagaan  
Sultan Abdul Hamid  
Pesiaran Abdul Hamid  
05050 Alor Setar, Kedah

**85) Easy-RHB Platinum Walk Setapak**

No 22-0, Block A, Platinum Walk  
No. 2 Jalan Langkawi  
53300 Setapak, Kuala Lumpur

**86) Easy-RHB Prangin Mall**

Lot 33-1-48 Prangin Mall  
Jalan Dr. Lim Chwee Leong  
10100 Georgetown  
Pulau Pinang

**87) Easy-RHB Precint 15 Putrajaya**

No.47, Jalan Diplomatik Presint 15  
62050 Putrajaya

**88) Easy-RHB Rapid Mall Teluk Intan**

Rapid Mall Seri Intan  
Jalan Changkat Jong  
36000 Teluk Intan

**89) Easy-RHB Section 16 Shah Alam**

A-6-G, Jalan Serai Wangi F  
16/F, Alam Avenue  
Pesiaran Selangor, Section 16  
40200, Shah Alam, Selangor

**90) Easy-RHB Segamat**

Ground Floor, Lot PTD 18795,  
known as  
No. 4 Jalan Muhibbah  
Taman Muhibbah  
Bandar Utama  
85000 Segamat Johor

**91) Easy-RHB Sek 18, Shah Alam**

1-5, Ole-Ole Shopping Centre  
Seksyen 18, Jalan Pinang  
Shah Alam, Selangor

**92) Easy-RHB Sek. U3 Shah Alam (Subang Perdana)**

No.12-G, Jalan 10/12  
Jalan Dinar CU3/C, Sek U3  
40150 Shah Alam

**93) Easy-RHB Selayang Mall**

Lot GSW 5B, Ground Floor  
Selayang Mall, Jalan SU9  
Taman Selayang Utama  
68100 Batu Caves

## Group Branch Network

**EASY STANDALONE (CONTINUED)****94) Easy-RHB Semenyih**

No 52, Jalan Pasar Baru  
43500 Semenyih, Selangor

**95) Easy-RHB Sentul Raya Boulevard**

Unit No 10-G, Jalan 13/48A  
Sentul Raya Boulevard  
51000 Kuala Lumpur

**96) Easy-RHB Seremban 2**

Lot 43, Jalan S2 B18, Business  
Avenue (Biz Avenue)  
Seremban 2  
70300 Seremban Negeri Sembilan

**97) Easy-RHB Shaw Centrepoint Klang**

Lot GL 19A  
Ground Floor Shaw Centrepoint  
Jalan Raja Hassan  
41400 Klang Selangor

**98) Easy-RHB Sri Petaling**

53-G, Jalan Radin Bagus  
Sri Petaling  
57000 Kuala Lumpur

**99) Easy-RHB SS19 Subang Jaya**

No 21, Jalan SS19/6  
47500 Subang Jaya, Selangor

**100) Easy-RHB Sungai Besar**

Ground Floor, Lot 10138  
(Mukim Panchang Bedena)  
Jalan Menteri  
45300 Sungai Besar Selangor

**101) Easy-RHB Sunway Carnival Mall**

UG 28A Sunway Carnival Mall  
Pusat Bandar Seberang Jaya  
30680, Jalan Todak  
13700 Seberang Jaya  
Pulau Pinang

**102) Easy-RHB, Sunway Metro**

No 15, Jalan PJS 11/28  
Sunway Metro  
46150 Petaling Jaya Selangor

**103) Easy-RHB Sungai Mas Plaza**

Lot G7, Ground Floor, Sungai  
Mas Plaza, Batu 5, Jalan Ipoh  
51200 Kuala Lumpur

**104) Easy-RHB Taman Dagang**

Ampang, No. 26G,  
Jalan Dagang 1/1A,  
Taman Dagang  
68000 Ampang

**105) Easy-RHB Taman Sri Gombak**

No.50, Jalan SG1/8  
Taman Sri Gombak  
68100 Batu Caves, Selangor

**106) Easy-RHB Taman Sri Manja**

No. 3A-1, Jalan PJS 3/63  
Sri Manja Square 2  
Taman Sri Manja  
46000 Petaling Jaya

**107) Easy-RHB Taman Pendamar Indah**

No 96, Ground Floor  
Solok Pendamar Indah 1  
Taman Pendamar Indah  
42000 Pelabuhan Klang  
Selangor

**108) Easy-RHB Taman Putra**

No 27, Jalan Bunga 6A  
Taman Putra  
68000 Ampang Selangor

**109) Easy-RHB Taman Sri Rampai**

No.16, Jalan Megan Setapak  
Megan Setapak  
53300 Kuala Lumpur

**110) Easy-RHB Tampin**

Lot K-6, PT 754  
Di hadapan Pasar Tampin  
73000 Tampin Negeri Sembilan

**111) Easy-RHB Tanah Merah**

No 217, Jalan Tasek  
17500 Tanah Merah, Kelantan

**112) Easy-RHB Tanjong Rambutan**

PT 227199, HSD 181076  
Bandar Tanjong Rambutan  
Jalan Stesyen, 31250 Tanjong Rambutan  
Perak

**113) Easy-RHB Teluk Pulai**

21, Jalan Teluk Pulai  
41100 Klang, Selangor

**114) Easy-RHB TSB Commercial Centre Sungai Buloh**

Unit No A1-47  
TSB Commercial Centre, Pekan  
Baru Sungai Buloh  
40160 Selangor

**115) Easy-RHB Temerloh**

No.20 Ground Floor  
Jalan Ahmad Shah  
Bandar Sri Semantan  
28000 Temerloh, Pahang

**116) Easy-RHB Terminal One Shopping Centre**

Lot No G5A, Ground Floor  
Terminal One Shopping Centre  
No 20B, Jalan Lintang  
70200 Seremban  
Negeri Sembilan

**117) Easy-RHB TTDI Shah Alam**

30G, Jalan Opera U2/L,  
Jayamas, TTDI  
40150 Shah Alam, Selangor

**118) Easy-RHB Viva Shopping Complex**

Lot. No. LG 12  
Lower Ground Floor Viva Home  
No.25 Jalan Loke Yew  
55200 Kuala Lumpur

**119) Easy-RHB Wakaf Che Yeh**

Kota Bharu, HS(D) 6368,  
Lot No. PT 703  
Mukim Padang Enggang  
15100 Kota Bharu, Kelantan

**120) Easy-RHB Warisan Square**

Lot No. C-G-09, Block C  
Ground Floor, Warisan Square  
Jalan Tun Fuad Stephen  
88000 Kota Kinabalu, Sabah

**121) Easy-RHB Wisma Thrifty**

Unit 7, Wisma Thrifty, No 19  
Jalan Barat, 46200 Petaling Jaya  
Selangor

**RHB TESCO EASY ADDRESS**

- 1) Easy-RHB Tesco Ampang**  
RHB Kiosk, Tesco Ampang PT  
8880 Jln Pandan Prima  
Dataran Pandan Prima  
55100 KL
- 2) Easy-RHB Tesco Bukit Beruntung**  
RHB Kiosk, Tesco Bukit Beruntung  
No 1, Jalan Orkid 1 Bandar  
Serendah, Seksyen BS 1  
48300 Rawang, Selangor
- 3) Easy-RHB Tesco Bukit Indah**  
RHB Kiosk, Tesco Bukit Indah  
No 1 Jalan Bukit Indah 15,  
Taman Bukit Indah  
81200 Johor Bahru, Johor
- 4) Easy-RHB Tesco Bukit Mertajam**  
RHB Kiosk, Tesco Bukit Mertajam  
No.2323, Jalan Rozhan  
Pusat Perniagaan Seri Impian  
14000 Bukit Mertajam, Penang
- 5) Easy-RHB Tesco Desa Tebrau**  
RHB Kiosk, Tesco Desa Tebrau  
No 1 Persiaran Desa Tebrau  
Tmn Desa Tebrau  
81100 Johor Bahru, Johor
- 6) Easy-RHB Tesco Extra Cheras**  
RHB Kiosk, Tesco Cheras  
No 2 Jln Midah 2  
Tmn Midah Cheras  
56000 KL.
- 7) Easy-RHB Tesco Extra Ipoh**  
RHB Kiosk, Tesco Extra Ipoh  
No 2 Laluan  
Tasek Timur 6 Taman Tasek Indra  
Off Jln Kg Bercham  
31400 Ipoh, Perak.
- 8) Easy-RHB Tesco Extra Plentong**  
RHB Kiosk, Tesco Extra Plentong  
Lot 34 Jln Masai Baru  
Batu 10 Plentong  
81750 Johor Bahru Johor
- 9) Easy-RHB Tesco Extra Seberang Jaya**  
2762 Persiaran Sembilang  
Seberang Jaya  
13700 Seberang Perai Tengah  
Penang
- 10) Easy-RHB Tesco Extra Selayang**  
No 1081Jln Ipoh Mukim Batu  
51200 Kuala Lumpur
- 11) Easy-RHB Tesco Extra Shah Alam**  
No 1 Persiaran Sukan Seksyen  
13, Peti Surat 7427  
40714 Shah Alam, Selangor
- 12) Easy-RHB Tesco Hyper Ipoh**  
RHB Kiosk, Tesco Ipoh  
No 2 Jalan Jambu  
Tmn Teh Teng Seng  
31400 Ipoh, Perak
- 13) Easy-RHB Tesco Jln Klang Lama**  
RHB Kiosk, Tesco Jln Klang Lama  
The Scott Garden Komplek  
Rimbun Scott  
289 Jln Klang Lama  
58100 Kuala Lumpur
- 14) Easy-RHB Tesco Kampar**  
RHB Kiosk, Tesco Kampar Jalan  
Perdana, Taman Kampar Perdana  
31900 Kampar, Perak
- 15) Easy-RHB Tesco Kajang**  
RHB Kiosk, Tesco Kajang  
Lot PT 37820 & 11196  
Mukim Kajang Saujana Impian  
43000 Kajang, Selangor
- 16) Easy-RHB Tesco Kepong**  
RHB Kiosk, Tesco Kepong  
No 3 Jalan 7A/62A  
Bandar Menjalara  
52200 Kepong Kuala Lumpur
- 17) Easy-RHB Tesco Klang**  
RHB Kiosk, Tesco Klang  
No 3 Jln Batu Nilam 6/KS6  
Bandar Bukit Tinggi  
41200 Klang Selangor
- 18) Easy-RHB Tesco Kota Bharu**  
RHB Kiosk, Tesco Kota Bharu  
Lot 1828, Seksyen 17  
Bandar Kota Bharu  
Jajahan Kota Bharu  
15050 Kelantan.
- 19) Easy-RHB Tesco Kulai**  
No 52 Tmn Desamas  
Batu 22 7/2, Jln Kulai Air Hitam  
81000 Kulai, Johor
- 20) Easy-RHB Tesco Kulim**  
No 386, Jalan Lembah Impiana 111  
09000 Kulim, Kedah
- 21) Easy-RHB Tesco Manjung**  
RHB Kiosk, Tesco Manjung No  
103 Jalan Lumut  
32000 Sitiawan, Perak
- 22) Easy-RHB Tesco Melaka**  
RHB Kiosk, Tesco Melaka  
No 1 Jln Tun Abdul Razak  
75400 Peringgit, Melaka
- 23) Easy-RHB Tesco Melaka Cheng**  
RHB Kiosk, Tesco Melaka  
Cheng, No 1 Jalan Inang 3  
Paya Rumpit Utama  
75460 Melaka
- 24) Easy-RHB Tesco Mergong**  
RHB Kiosk, Tesco Mergong  
No 1 Lebuhraya  
Sultanah Bahiyah  
05150 Alor Setar Kedah
- 25) Easy-RHB Tesco Mutiara Damansara**  
RHB Kiosk, Tesco Mutiara  
Damansara, No 8 Jln PJU 7/4  
Mutiara Damansara  
47800 Petaling Jaya, Selangor
- 26) Easy-RHB Tesco Nilai**  
No.1, Jalan BBN 1/3, Putra Nilai  
71800 Nilai, Negeri Sembilan
- 27) Easy-RHB Tesco Penang**  
RHB Kiosk, Tesco Penang  
No 1 Lebuh Tengku Kudin 1  
Bandar Jelutong  
11700 Penang
- 28) Easy-RHB Tesco Pengkalan Ipoh**  
No 1 Medan Stesen 19/9  
Section 18  
31650 Pengkalan Ipoh Perak
- 29) Easy-RHB Tesco Rawang**  
No 1 Jalan Rawang  
48000 Rawang, Selangor
- 30) Easy-RHB Tesco Setia Alam**  
No 2 Jln Setia Prima S U/13/S  
Setia Alam, Seksyen U 13  
40170 Shah Alam, Selangor

## Group Branch Network

**RHB TESCO EASY ADDRESS  
(CONTINUED)**

- 31) Easy-RHB Tesco Sungai Dua**  
No 657 Jln Sg Dua  
11700 Sg. Dua, Penang
- 32) Easy-RHB Tesco Sg. Petani Mutiara**  
Lot 368 Jln Bakar Arang  
08000 Sg. Petani, Kedah
- 33) Easy-RHB Tesco Semenyih**  
1 Jln TPS 1/1, Taman Pelangi Semenyih  
43500 Semenyih Selangor
- 34) Easy-RHB Tesco Senawang**  
No 12264, Jalan Seremban Jaya  
Taman Seremban Jaya  
70400 Seremban  
Negeri Sembilan
- 35) Easy-RHB Tesco Seri Alam**  
RHB Kiosk, Tesco Seri Alam  
Lot PTD 111515, Jln Seri Alam  
Bandar Seri Alam  
81750 Masai Johor.
- 36) Easy-RHB, Tesco Seremban 2**  
PT 2347 Pekan Bukit Keping  
Daerah Seremban  
70300 Negeri Sembilan
- 37) Easy-RHB Tesco Hyper Shah Alam**  
No 3 Jln Aerobik 13/43 Seksyen 13  
40100 Shah Alam Selangor.
- 38) Easy-RHB Tesco Stargate**  
RHB Kiosk, Tesco Stargate  
No 1, Susuran Stargate  
Lebuhraya Sultanah Bahiyah  
05400 Alor Setar, Kedah
- 39) Easy-RHB Tesco Taiping**  
Lot 38, Jalan Istana Larut  
34000 Taiping, Perak
- 40) Easy-RHB Tesco Tanjung Pinang**  
No 1 Jalan Seri Tanjung Pinang  
Tanjung Tokong  
10470 Pulau Pinang

**EASY RHB POS**

- 1) Easy-RHB Pos Dato' Keramat**  
Pejabat Pos Dato' Keramat , JKR 56  
Jalan Dato' Keramat, 10460 Dato'  
Keramat, Pulau Pinang
- 2) Easy-RHB Pos Kota Tinggi**  
Pejabat Pos Kota Tinggi, JKR 670  
Jalan Lombong, 81900 Kota Tinggi  
Johor
- 3) Easy-RHB Pos Seri Kembangan**  
JKR 2012, Jalan Besar, 43300 Seri  
Kembangan, Selangor Darul Ehsan
- 4) Easy-RHB Pos Klang**  
Pejabat Pos Klang, Jalan Stesen  
41670 Klang, Selangor
- 5) Easy-RHB Pos Sungai Petani**  
JKR F748, Jalan Pengkalan  
08000 Sungai Petani, Kedah
- 6) Easy-RHB Pos Kulim**  
JKR 1349, Jalan Raya  
09000 Kulim, Kedah
- 7) Easy-RHB Pos Alor Gajah**  
Pejabat Pos Alor Gajah  
JKR 2121, Jalan Besar  
78000 Alor Gajah, Melaka
- 8) Easy-RHB Pos Ayer Keroh**  
Pejabat Pos, Ayer Keroh  
Jalan Lebuhraya Ayer Keroh  
75450 Melaka
- 9) Easy-RHB Pos Bandar Baru Bangi**  
JKR 208 A-B, Jalan 6C/9  
43000 Bandar Baru Bangi
- 10) Easy-RHB Pos Batu 9**  
Pejabat POS Batu 9 Cheras  
Jalan Besar  
43200 Cheras Selangor
- 11) Easy-RHB Pos Batu Gajah**  
Pejabat Pos Batu Gajah  
JKR 60A, Jalan Pejabat Pos  
31000 Batu Gajah, Perak

- 12) Easy-RHB Pos Brickfields**  
Pejabat Pos Brickfields  
No 75, Jalan Thambapillai Brickfields  
50470 Kuala Lumpur
- 13) Easy-RHB Pos Bukit Mertajam**  
Pejabat Pos Bukit Mertajam  
JKR 836, Jalan Arumugam Pillai  
14000 Bukit Mertajam  
Pulau Pinang
- 14) Easy-RHB Pos Butterworth**  
Pejabat Pos Butterworth  
JKR 1268, Jalan Bagan Dalam  
12100 Butterworth Pulau Pinang
- 15) Easy-RHB Pos Cheras Makmur**  
Pejabat Pos Cheras Makmur  
25 & 27, Jalan 4/9 6A  
Taman Cheras Makmur  
56100 Kuala Lumpur
- 16) Easy-RHB Pos Dayabumi**  
Pejabat Pos Besar Kuala Lumpur  
Jalan Tan Cheng Lock  
50670 Kuala Lumpur
- 17) Easy-RHB Pos GPO Ipoh**  
Pejabat Pos GPO Ipoh  
JKR 5120, Jalan Kelab  
30670 Ipoh Perak
- 18) Easy-RHB Pos GPO Pulau Pinang**  
Pejabat Pos GPO - Pulau Pinang  
Tingkat Bawah, Bangunan  
Tengku Syed Putra  
Lebuh Downing  
10670 Pulau Pinang
- 19) Easy-RHB Pos Jinjang**  
JKR 1693, Jalan Besar  
52000 Kepong, Kuala Lumpur
- 20) Easy-RHB Pos Jln TAR**  
No. 3, Jalan Dewan Sultan Sulaiman 1  
50100 Kuala Lumpur
- 21) Easy-RHB Pos Johor Bahru**  
Pejabat Pos GPO - Johor Bahru  
JKR 2521, Jalan Dato' Onn  
80000 Johor Bahru

## Group Branch Network

**EASY RHB POS (CONTINUED)****22) Easy-RHB Pos Kajang**

JKR 78, Jalan Hishamuddin  
43000 Kajang

**23) Easy-RHB Pos Kelana Jaya**

No. 2, Jalan SS 6/2  
47301 Kelana Jaya

**24) Easy-RHB Pos Kepala Batas**

Pejabat Pos, Kepala Batas JKR  
A13, Jalan Bertam  
13200 Kepala Batas  
Pulau Pinang

**25) Easy-RHB Pos Kg Tunku**

Pejabat Pos Kg. Tunku  
JKR 4410, Jalan SS 1/11  
Kg. Tunku  
47300 Petaling Jaya Selangor

**26) Easy-RHB Pos Klang Utara**

JKR 1093, Jalan Pos Baharu  
41300 Klang

**27) Easy-RHB Pos Kluang**

Pejabat Pos Kluang, JKR 1439  
Jalan Sultanah  
86000 Kluang Johor

**28) Easy-RHB Pos Majidee**

Pejabat Pos Majidee, JKR 3635  
Jalan Tebrau  
81100 Majidee Johor

**29) Easy-RHB Pos Masjid Tanah**

Pejabat Pos Masjid Tanah  
JKR 2880 Jalan Besar  
78300 Masjid Tanah, Melaka

**30) Easy-RHB Pos Medan Tuanku**

Pejabat Pos Medan Tuanku  
No. 303, Jalan Tuanku Abdul Rahman  
50100 Kuala Lumpur

**31) Easy-RHB Pos Melaka**

Pejabat Pos GPO Melaka  
Bukit Baru  
75670 Melaka

**32) Easy-RHB Pos Muar**

Pejabat Pos Muar  
JKR 2200 Jalan Othman  
84000 Muar Johor

**33) Easy-RHB Pos Nilai**

PT 5797 Jalan 3/S. 2/1G  
Taman Semarak  
71800 Nilai

**34) Easy-RHB Pos Pelabuhan Klang**

JKR 807, Jln Watson  
42670 Pelabuhan Kelang

**35) Easy-RHB Pos Seksyen 20**

Petaling Jaya, Jalan 20/16A  
Taman Paramount  
46300 Petaling Jaya, Selangor

**36) Easy-RHB Pos Pontian**

Pejabat Pos Pontian,  
JKR 1479 Jalan Pejabat  
82000 Pontian Johor

**37) Easy-RHB Pos Sentul**

688, Jalan Sentul  
51000 Kuala Lumpur

**38) Easy-RHB Pos Seremban**

JKR 1486, Jalan Tuanku Antah  
70670 Seremban

**39) Easy-RHB Pos Sg Buloh**

No. 1-12K, Tingkat 2  
Pasaraya Warta  
Kompleks Sungai Buluh  
47000 Sungai Buluh

**40) Easy-RHB Pos Sg Wang Plaza**

Lot T54-56, T37  
Tkt. 3, Sungai Wang Plaza  
Jln. Sultan Ismail  
50200 Kuala Lumpur

**41) Easy-RHB Pos Subang Jaya**

Pejabat Pos Subang Jaya  
Lot 2098, Jalan Subang Utama  
47500 Subang Jaya, Selangor

**42) Easy-RHB Pos Sg Besi**

Jalan Pejabat Pos, Sungai Besi  
57000 Kuala Lumpur

**43) Easy-RHB Pos Shah Alam**

Pesiaran Dato' Menteri  
40670 Shah Alam

**44) Easy-RHB Pos Taiping**

Pejabat Pos Taiping, JKR 102  
Jalan Barrack  
34000 Taiping Perak

**45) Easy-RHB Pos Taman Ipoh**

Pejabat Pos, Taman Ipoh  
JKR 4837, Jalan Lau Pak Khuan  
Taman Ipoh  
31400 Ipoh, Perak

**46) Easy-RHB Pos Taman Sri Tebrau**

Pejabat Pos Taman Sri Tebrau  
JKR 5355, Jalan Kelewang  
Taman Sri Tebrau  
80050 Johor Bahru

**47) Easy-RHB Pos Tangkak**

Pejabat Pos Tangkak  
JKR 3019, Jalan Payamas  
84900 Tangkak, Johor

**48) Easy-RHB Pos Tanjong Kling**

Pejabat Pos Tg Keling  
JKR 966A, Jalan Tg Keling  
76400 Tanjong Keling, Melaka

**49) Easy-RHB Pos Tapah**

Pejabat Pos Tapah, JKR 138  
Jln Stesyen  
35000 Tapah, Perak

**50) Easy-RHB Pos Ulu Langat**

JKR 387, Jalan Hulu Langat  
43100 Hulu Langat

**RHB EASY LRT Addresses****1) Easy-RHB LRT Maluri**

Batu 2 1/2 Off Jalan Cheras  
Taman Miharja, 55200 Kuala Lumpur

**2) Easy-RHB LRT Sri Rampai**

Jalan Wangsa Perdana 1  
Taman Sri Rampai  
53300 Wangsa Maju, Kuala Lumpur

**3) Easy-RHB LRT Pudu**

Jalan Sarawak Off Jalan Pudu  
55100 Kuala Lumpur

**4) Easy-RHB LRT Taman Melati**

Pesiaran Pertahanan, Taman Melati  
53100 Gombak, Selangor

## Group Branch Network

**RHB EASY LRT ADDRESSES  
(CONTINUED)**

- 5) **Easy-RHB - LRT Cempaka**  
Jalan Pandan Indah 23  
Pandan Indah, 68000 Ampang  
Selangor
- 6) **Easy-RHB - LRT Pandan Indah**  
Jalan Pandan Indah 2/2  
Pandan Indah, 55100 Kuala Lumpur
- 7) **Easy-RHB LRT Ampang Park**  
Stesyen LRT Ampang Park  
Lot 01 Jln Ampang  
50450 Kuala Lumpur
- 8) **Easy-RHB LRT Damai**  
Stesyen LRT Damai  
Jln Dato' Keramat  
54000 Kuala Lumpur
- 9) **Easy-RHB LRT Gombak**  
Stesyen LRT Terminal Putra Gombak  
68100 Gombak Selangor
- 10) **Easy -RHB LRT Kelana Jaya**  
Stesyen LRT Kelana Jaya  
Lot PT 8960, Seksyen SS4  
Jalan Lebuhraya  
47301 Petaling Jaya, Selangor
- 11) **Easy-RHB LRT Kerinchi**  
Stesyen LRT Kerinchi Sebahagian  
Lot 2508, 2509, 2510, 2511, 4096  
& 4099, Rezab Jalan, Mukim,  
59200 Kuala Lumpur
- 12) **Easy-RHB LRT KL Central**  
Stesyen LRT KL Sentral  
Sebahagian Jalan Sultan Mohamed  
Simpanan Jalan & Sungai Dalam  
50470 Kuala Lumpur
- 13) **Easy-RHB LRT PWTC**  
Stesyen STAR - LRT PWTC  
Jalan Putra  
50350 Kuala Lumpur
- 14) **Easy-RHB Monorail  
Bukit Bintang**  
Stesen Monorail Bukit Bintang  
Jalan Sultan Ismail  
50250 Kuala Lumpur
- 15) **Easy-RHB Monorail Chow Kit**  
Stesen Monorail Chow Kit  
Jalan Tunku Abdul Rahman  
50100 Kuala Lumpur

**16) Easy-RHB Monorail Hang Tuah**

Stesen Monorail Hang Tuah  
Jalan Hang Tuah  
55200 Kuala Lumpur

**17) Easy-RHB Monorail Imbi**

Lot K03, Stesen Monorail Imbi  
Jalan Imbi  
55100 Kuala Lumpur

**18) Easy-RHB Monorail Raja Chulan**

Stesen Monorail Raja Chulan  
Jalan Sultan Ismail  
50250 Kuala Lumpur

**19) Easy-RHB LRT Masjid Jamek**

Jalan Melaka  
50100 Kuala Lumpur

**20) Easy-RHB LRT Wangsa Maju**

Wangsa Maju Mukim Setapak  
53300 Wangsa Maju Kuala Lumpur

**21) Easy-RHB Monorail Titiwangsa**

Stesen Monorail Titiwangsa  
Jalan Pekeliling  
53200 Kuala Lumpur

**22) Easy-RHB LRT Bukit Jalil**

(Bersebelahan Stadium Nasional)  
57000 Bukit Jalil Kuala Lumpur

**23) Easy-RHB LRT Plaza Rakyat**

(Bersebelahan Pudu Raya)  
Jalan Pudu  
55100 Kuala Lumpur

**24) Easy-RHB LRT Taman Bahagia**

Stesyen LRT Taman Bahagia  
Seksyen SS3, Jalan SS 2/3  
47300 Petaling Jaya, Selangor

**25) Easy-RHB LRT Taman Jaya**

Stesyen LRT Taman Jaya  
Jalan Persiaran Barat  
46050 Petaling Jaya, Selangor

**RHB Mall Kiosk**

- 1) **Easy-RHB Plaza Low Yat**  
RHB Kiosk, Kiosk G-K013,  
Ground Floor, Plaza Low Yat  
No 7, Jalan Bintang  
Off Jalan Bukit Bintang  
Bukit Bintang Central  
55100 Kuala Lumpur
- 2) **Easy-RHB Kip Mart Masai**  
RHB Kiosk, Lot K2 & K3  
KIP Mart Masai  
Jalan Pesiaran Dahlia 2  
Taman Bukit Dahlia  
81700 Pasir Gudang Johor
- 3) **Easy-RHB Dataran  
Pahlawan Melaka**  
Megamall  
FG-25, Ground Floor  
Phase 2, Dataran Pahlawan  
Melaka Megamall  
Jalan Merdeka  
75000 Bandar Hilir, Melaka



# Notice of Seventeenth Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Seventeenth (17th) Annual General Meeting ('AGM') of the Company will be held at Grand Ballroom, Level 2, InterContinental Hotel, 165 Jalan Ampang, 50450 Kuala Lumpur on Tuesday, 10 April 2012 at 11.00 a.m. to transact the following Businesses:-

## AGENDA

### AS ORDINARY BUSINESS:-

- |   |  |
|---|--|
| 1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2011 and the Directors' and Auditors' Reports thereon;   | <b>Ordinary Resolution 1</b>                                 |
| 2. To approve a net final dividend of RM318,827,000.00 in respect of the financial year ended 31 December 2011 as recommended by the Board, as follows:-<br><br>(i) Gross dividend of 11.82% less 25% income tax; and<br>(ii) Single tier dividend of 5.59%.  | <b>Ordinary Resolution 2</b>                                 |
| 3. To re-elect the following Directors retiring under Article 80 of the Company's Articles of Association and being eligible, offer themselves for re-election:-<br><br>(i) YBhg Dato' Mohamed Khadar Merican; and<br>(ii) YBhg Datuk Haji Faisal Siraj.  | <b>Ordinary Resolution 3</b><br><b>Ordinary Resolution 4</b> |
| 4. To re-elect Mr Kellee Kam Chee Khiong who retires under Article 84 of the Company's Articles of Association and being eligible, offer himself for re-election;   | <b>Ordinary Resolution 5</b>                                 |
| 5. To approve the increase of Directors' fees from RM80,000.00 to RM100,000.00 per annum for Non-Executive Chairman and from RM60,000.00 to RM80,000.00 per annum for Non-Executive Directors retrospective from 1 January 2011 and further to approve the payment of Directors' fees totalling RM577,369.86 for the financial year ended 31 December 2011; | <b>Ordinary Resolution 6</b>                                 |
| 6. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company, to hold office until the conclusion of the next AGM of the Company, at a remuneration to be determined by the Directors.   | <b>Ordinary Resolution 7</b>                                 |

### AS SPECIAL BUSINESS:-

To consider and if thought fit, to pass the following ordinary resolution:-

7. Proposed renewal of the authority to allot and issue new ordinary shares of RM1.00 each in RHB Capital Berhad ('RHB Capital Shares'), for the purpose of the Company's Dividend Re-Investment Plan ('DRP') that provides the Shareholders of RHB Capital Berhad ('Shareholders') the option to elect to reinvest their cash dividend in new RHB Capital Shares

'THAT pursuant to the DRP as approved by the Shareholders at the Extraordinary General Meeting held on 6 April 2011 and subject to the approval of the relevant regulatory authority (if any), approval be and is hereby given to the Company to allot and issue such number of new RHB Capital Shares from time to time as may be required to be allotted and issued pursuant to the DRP until the conclusion of the next AGM upon such terms and conditions and to such persons as the Directors of the Company at their sole and absolute discretion, deem fit and in the interest of the Company PROVIDED THAT the issue price of the said new RHB Capital Shares shall be fixed by the Directors based on the adjusted five (5) market days volume weighted average market price ('VWAP') of RHB Capital Shares immediately prior to the price-fixing date after applying a discount of not more than 10%, of which the VWAP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price and the issue price may not be less than the par value of RHB Capital Shares at the material time;

AND THAT the Directors and the Secretary of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements, deeds, undertakings and documents as may be necessary or expedient in order to give full effect to the DRP with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed or agreed to by any relevant authorities (if any) or consequent upon the implementation of the said conditions, modifications, variations and/or amendments, by the Directors as they, in their absolute discretion, deem fit and in the best interest of the Company.'

**Ordinary Resolution 8**

## Notice of Seventeenth Annual General Meeting

8. To transact any other business of which due notice shall have been given.

By Order of the Board

**Azman Shah Md Yaman (LS 0006901)**  
**Ivy Chin So Ching (MAICSA No. 7028292)**  
Company Secretaries

Kuala Lumpur  
19 March 2012

NOTES:-

### Appointment of Proxy

1. In respect of deposited securities, only member whose names appear in the Record of Depositors on 4 April 2012 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 17th AGM.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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



**RHB CAPITAL BERHAD**  
(Company No. 312952-H)  
(Incorporated in Malaysia under the Companies Act, 1965)

No. of Ordinary Shares held

I/We \_\_\_\_\_ NRIC/Passport/Company No. \_\_\_\_\_  
(Name in block letters)

of \_\_\_\_\_  
(Full address)

being a member of RHB CAPITAL BERHAD hereby appoint:-

(Name & NRIC No.) \_\_\_\_\_ of \_\_\_\_\_  
and/or\*

(Name & NRIC No.) \_\_\_\_\_ of \_\_\_\_\_

or failing him/her, the CHAIRMAN OF THE MEETING, as my/our\* proxy to vote for me/us\* and on my/our\* behalf at the Seventeenth (17th) Annual General Meeting ('AGM') of the Company to be held at Grand Ballroom, Level 2, InterContinental Hotel, 165 Jalan Ampang, 50450 Kuala Lumpur, on Tuesday, 10 April 2012 at 11.00 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:-

	<b>Resolutions</b>	<b>For</b>	<b>Against</b>
Ordinary Resolution 1	To receive the Audited Financial Statements and Reports.		
Ordinary Resolution 2	To approve a net final dividend of RM138,827,000.00 in respect of the financial year ended 31 December 2011 as recommended by the Board, as follows:- (i) Gross dividend of 11.82% less 25% income tax; and (ii) Single tier dividend of 5.59%.		
Ordinary Resolution 3	To re-elect YBhg Dato' Mohamed Khadar Merican as a Director.		
Ordinary Resolution 4	To re-elect YBhg Datuk Haji Faisal Siraj as a Director.		
Ordinary Resolution 5	To re-elect Mr Kellee Kam Chee Khiong as a Director.		
Ordinary Resolution 6	To approve the increase of Directors' fees from RM80,000.00 to RM100,000.00 per annum for Non-Executive Chairman and from RM60,000.00 to RM80,000.00 per annum for Non-Executive Directors retrospective from 1 January 2011 and further to approve the payment of Directors' fees totalling RM577,369.86 for the financial year ended 31 December 2011.		
Ordinary Resolution 7	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.		
Ordinary Resolution 8	To approve the proposed renewal of the authority to allot and issue new ordinary shares of RM1.00 each in RHB Capital Berhad for the purpose of the Company's Dividend Re-Investment Plan.		

(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 \_\_\_\_\_, 2012

Signature \_\_\_\_\_  
(If shareholder is a corporation, this part should be executed under seal)

\* Delete if not applicable

Notes:-

- In respect of deposited securities, only member whose names appear in the Record of Depositors on 4 April 2012 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 17th AGM.
- 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.
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- If the Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
- Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account which is credited with ordinary shares of the Company.
- The Form of Proxy or other instruments of appointment must be deposited at the office of the Share Registrar of the Company, Symphony Share Registrars Sdn Bhd, at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
- Registration counter will open from 10.00 a.m. to 11.00 a.m. on the meeting day to facilitate shareholders/proxy registration.

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PLEASE FOLD HERE



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

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PLEASE FOLD HERE



[www.rhb.com.my](http://www.rhb.com.my)



**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